SimpleSmart ADVICE

Aldershot Financial Group of ACPI guides families through decisions that affect their financial well being and investments. We are the 'go to' people in Aldershot when a life event requires sound financial advice. We care. We simplify. ***We've been through this before.***

January 2020 :

- The Wealthy Barber - Revisited II
- Model Portfolio
- Final Thoughts

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Our monthly newsletter designed
to keep in touch with you.

The Wealthy Barber - Revisited II

You will remember back in December I began a two-part series on David Chilton's best-selling book, the Wealthy Barber Returns. You can read part one, here. Winning with money requires us, are you ready?... to spend less than we earn. Forces around us try to get us to do just the opposite. Let's look at some of these.

Our neighbours

Our neighbours influence how we spend. I'll admit it, I first got interested in buying a new Honda Ridgeline when Norm across the street bought a shiny white one last year. This from the advisor who cautions anyone against buying a new car (with borrowed funds, which I did not). At least one study has shown that neighbours of lottery winners have higher levels of bankruptcy than normal [1]. Crazy, huh? Instead of trying to keep up with our neighbours, we should invite them over for dinner. You probably have more in common with them than you think. I recently had a couple of neighbours over that I had been wanting to know better (not Norm 'cause he might be a little upset about me copying his truck). I learned something about living on the west coast, travel and Guatemalan coffee. Which brings me to another big influencer on our spending.

> "You can't out-earn your stupidity".
>
> Dave Ramsey

Our friends

We often take fashion, spending and travel cues from friends. Let's face it, if one of our friends is planning a Florida vacation with some other couples and asks us along, we feel some pressure to join, even if we can't afford it. We should pick friends in the same snack bracket as us. Chilton explains that teachers are great savers because they tend to hang out with other teachers who have similar spending habits. Also, they basically know how much income they will be earning for the rest of their lives right from the start. They are rarely fooled into thinking they can overcome out-of-control spending with a higher income down the road. As Dave Ramsey says: "You can't out-earn your stupidity".

Bankers

It may seem a little self-serving for me to blame bankers for our overspending. Today, banks don't just offer credit (that fuels overspending) they sell it. It is not uncommon for Canadians to run up lines of credit or take on mortgages that will keep them in debt well into retirement. Chilton calls lines of credit one of the worst financial trends of the last 20 years. He advises that you ask yourself three questions before going into debt for a house:

1. Can I afford the monthly payments? (especially if interest rates rise)
2. Can I still save for retirement while paying off debt?
3. Can I pay it off by the time I retire?

Renovations are another source of overspending. Chilton claims the four most expensive words in the English language are 'while we're at it.' I can admit that, over the past 20 years, we got caught up in the renovation-line of credit shuffle. Thankfully, we escaped some years ago and only renovate with money we've saved ahead. Sorry banks, more credit is only good for your bottom line. Not mine.

Mark

[1] Neighbours of lottery winners more likely to go bankrupt in futile attempt at keeping up with the Joneses, study finds. National Post. Jake Edmiston, February 29, 2016

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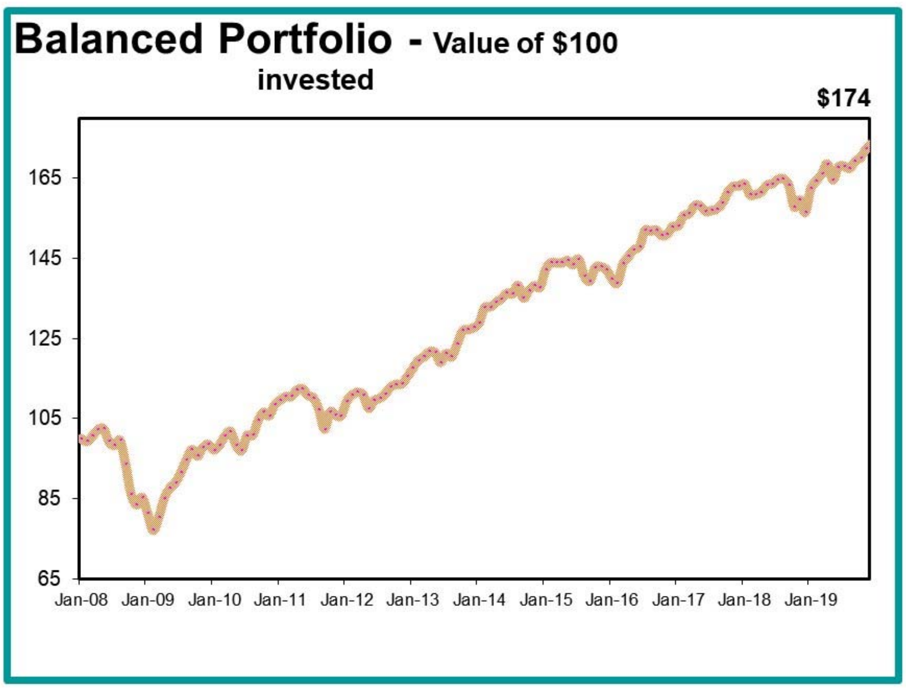
Final Thoughts

"Real happiness is cheap enough,
yet how dearly we pay for its counterfeit"

Hosea Ballou



This graph represents a hypothetical portfolio using 45% DFA Five-Year Global Fixed Income Fund Class A, 15% DFA Canadian Core Equity Fund Class A, 15% DFA US Core Equity Fund Class A (from January 31, 2008 to January 31, 2009) / DFA US Core Equity Fund Class A (H) (from January 31, 2009 to Dec 31, 2019), 15% DFA International Core Equity Fund Class A and 10% DFA Global Real Estate Securities Fund Class A, initially invested on January 31, 2008 with pricing up to Dec 31, 2019 using monthly data and rebalanced on a month-end basis. The data series has been smoothed. Actual client portfolio holdings are recommended based on personal circumstances.

Commissions, trailing commissions, management fees, and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in unit/share value and reinvestment of all distributions/dividends. They do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the Fund Facts and consult your Advisor before investing.

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