



The Empowered Investor

HOW TO INVEST FOR YOURSELF, FIND ADVICE WHEN YOU NEED IT AND GENERALLY ENSURE YOU'RE ON TRACK TO MANAGE YOUR INVESTMENTS SUCCESSFULLY.

Why DIY?

- ▶ Save on fees and commissions
- ▶ More personalized investing
- ▶ As simple or complex as you want
- ▶ Personal satisfaction
- ▶ Did I mention, save on commissions and fees!

The Cost of Advice

Advisers get about 1 to 1.5 per cent of your gross returns

+

Mutual fund companies take another 1 per cent

+

Commissions to buy and sell investments

General rule: Reduce gross returns by 2 to 2.5 per cent

Are you saving or investing?

- ▶ Saving = a timeframe of less than 5 years
- ▶ Savers avoid the stock and bond markets
- ▶ Investing = 5+ years
- ▶ Investors mix stocks and bonds and expect to make money in the long term

Diversification: Part One...What you need

- ▶ Stocks and bonds
- ▶ Geographical – Canada, the U.S. and internationally
- ▶ Sectors – the Canadian market is 63% financials and resources
- ▶ Tech and health care are 6%

Canada: Ten years of nothing



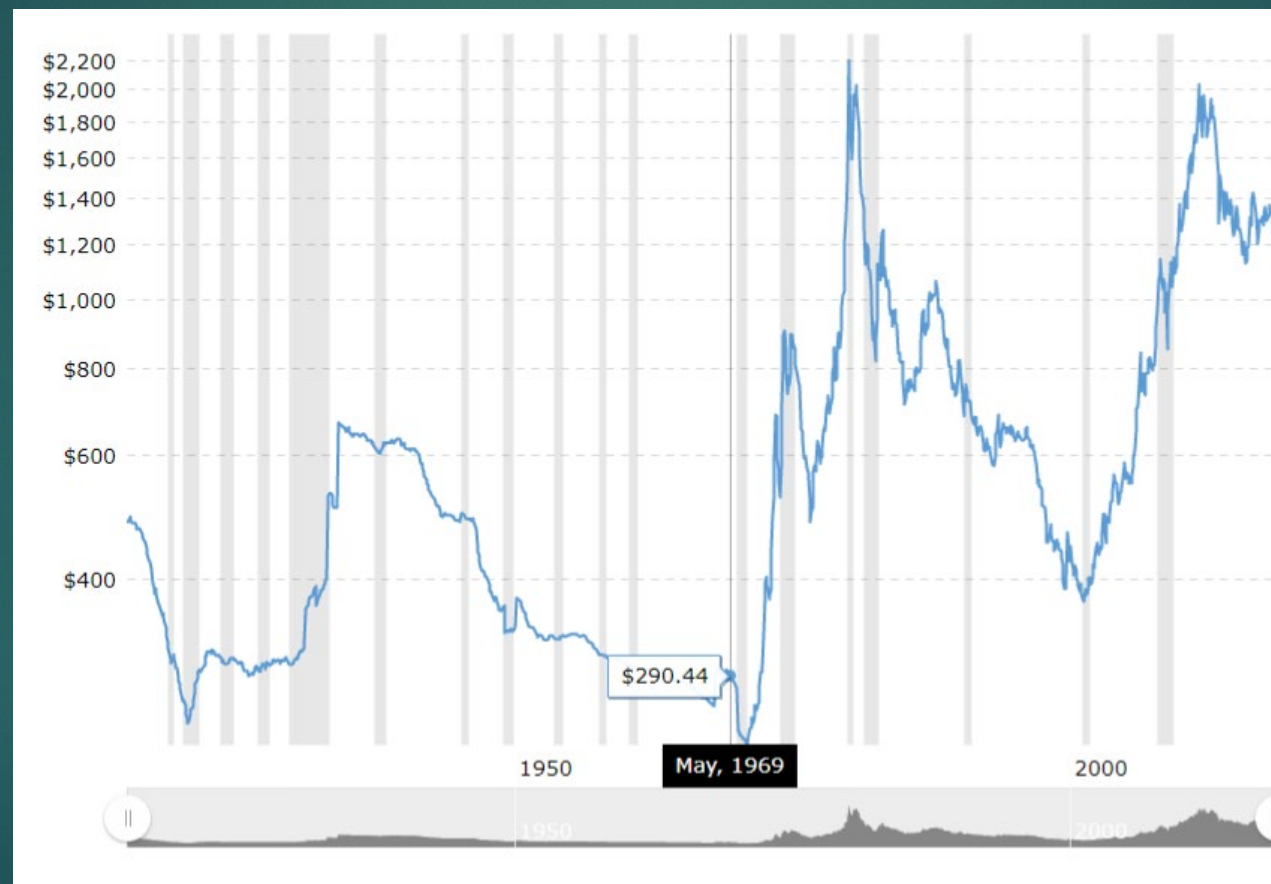
A tale of two stock markets



Diversification, Part Two...What you don't need

- ▶ Marijuana stocks
- ▶ Bitcoin and other crypto-currencies
- ▶ So-called “alternative investments”
- ▶ Gold
- ▶ Residential real estate

Gold is a safe haven? Uh, no



Diversification, Part Three...Stocks vs. bonds

- ▶ Old school: Stocks weighting = $100 - \text{your age}$
- ▶ New school: $110 - \text{your age}$
- ▶ For the long-lived: $120 - \text{your age}$

Why you need bonds



Taxes (or, where do I invest)?

- ▶ Registered retirement savings plans (RRSPs)
- ▶ Tax free savings accounts (TFSAs)
- ▶ Cash accounts: Take advantage of the dividend tax credit and the 50% inclusion rate on capital gains

Prepare for a low-return world

Portfolio return assumptions based on asset allocation				
Investor profile:		Conservative	Balanced	Aggressive
Allocation	Short-term:	5%	5%	5%
	Fixed income:	70%	45%	20%
	Canadian equities:	25%	40%	35%
	Foreign developed market equities	0	10%	25%
	Emerging market equities	0		15%
Gross return before fees		4.50%	5.17%	6.00%
Assumed fees		1.25%	1.25%	1.25%
Net return after fees		3.25%	3.92%	4.75%

Product options

- ▶ Bonds and GICs (guaranteed investment certificates)
- ▶ Mutual funds
- ▶ Stocks and bonds
- ▶ Exchange-traded funds

ETFs for DIY

ETF Primer...

- ▶ low cost mutual funds that trade like a stock
- ▶ track major stock and bond indexes
- ▶ exceptionally low fees
- ▶ transparent holdings
- ▶ excellent liquidity
- ▶ Just 3-5 ETFs are all you need...
- ▶ ...but there are 500+ to choose from

ETFs vs mutual funds

- ▶ Average MER for the 100 largest mutual funds: 2%
- ▶ MER for a cheap Canadian equity ETF: 0.06%
- ▶ MER for a cheap bond ETF: 0.13%

The importance of dividends

[1d](#) | [2d](#) | [5d](#) | [1m](#) | [3m](#) | [6m](#) | [1y](#) | [3y](#) | [5y](#) | [10y](#) | [20y](#) | [Max](#)



Do you need advice?

YES, if...

- ▶ Everything I've said today sounds like blah, blah, blah to you
- ▶ No time
- ▶ No interest
- ▶ No confidence
- ▶ You need financial planning*

*you probably do

Advice options

- ▶ No advice: Use an online brokerage
- ▶ Full advice: Use an investment adviser, portfolio manager etc.
- ▶ Half advice: A robo-adviser
- ▶ Occasional advice: DIY investing, with a financial planner

Robo-advisers: The “half advice” option

What you get:

- a personalized portfolio of ETFs
- regular rebalancing
- structure

What you don't get:

- financial planning
- individual stocks

One more thought...balanced ETFs

New from the ETF company Vanguard:

VGRO: Vanguard Growth ETF Portfolio

VBAL: Vanguard Balanced ETF Portfolio

VCNS: Vanguard Conservative ETF Portfolio