



The Tax Free Savings Account (TFSA) contribution limit for 2018 is \$5,500. The total TFSA contribution room is now \$57,500 for those who were 18 or older in 2009. This room is cumulative and there is no deadline for your contributions.

Year End Update

Wow! 2017 has been a fabulous year for those of us fortunate enough to have investments. I am pleased to report that our broadly based Balanced Portfolios are up between 9.5 and 10.5 percent for the year. Looking forward, my prediction for 2018 is based on history: the markets will go up, go down, or stay the same – but the odds of markets staying the same are pretty slim.

In reviewing 2017, it is noteworthy that the United States S&P 500 was up almost three times that of the Toronto Stock Exchange. Currency played a significant role in returns this year; the higher the value of the Canadian dollar, the lower our returns due to foreign content. Our loonie rose against the U.S. dollar, closing just below \$0.80 U.S. That 7 percent change in the dollar over the course of the year muted foreign returns. The U.S. holdings in our portfolios were especially affected.

The price of oil has been on the rise since the mid-year low of \$46.33 U.S. per barrel to close out the year at just over \$60 U.S. This is highest it's been in a couple of years and if it can hold, revenues to the province of Alberta will increase.

The tax proposal turmoil is on-going here in Canada. Some modifications have already been made to the original plan, but many small businesses will be negatively affected. The changes to income sprinkling and passive income rates for corporations are significant, with professional corporations being targeted.

2018 promises to be an interesting year since March marks 9 consecutive years of market growth with no significant correction. The fact is that corrections are both inevitable and necessary. Many fund managers are already taking defensive positions within portfolios. So when (not if!) a correction comes, accept it as a normal part of successful investing. Most importantly, keep calm and carry on!

	Market	Dec 31/16	Dec 31/17	YTD
Canada	TSX	15,288	16,209	9.10%
U.S.	DOW	19,763	24,719	25.00%
U.S.	S&P 500	2,239	2,674	19.40%
U.K.	FTSE	7143	7688	7.60%
France	CAC	4862	5313	9.30%
Germany	DAX	11481	12918	12.50%
Japan	NIKKEI	19114	22765	19.10%
Canadian \$		\$74.40	\$79.59	7.00%
Oil (US\$)		53.72	60.12	11.90%

***Source: CNN Money*

January 2018

Saying Farewell

Trevor Merrick left Maude Financial Inc. at the end of November 2017 to pursue opportunities closer to his home in Edmonton. We thank Trevor for his almost 2 years of service at Maude Financial and wish him the best in his future endeavours.

Welcoming a new addition to Maude Financial Inc.

We are pleased to announce that a new advisor is joining our Maude Financial Inc. team in February. Jessica Maude is coming to Maude Financial Inc. after working as a lawyer for nearly 8 years in B.C. and Alberta. She lives in Wetaskiwin with her husband and 7 month old son.

We are beyond excited to have Jessica join our business!

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“If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring.” -George Soros

The Laws of Wealth

Our last newsletter reviewed Daniel Crosby's third Law of Wealth from his book *The Laws of Wealth*. Rule #3: "Trouble is Opportunity". Market corrections (10% drop in market prices) occur on average once per year and bear markets (20% drop in market prices) occur on average every 3.5 years. This may be difficult to stomach, but these downturns are what create strong investment returns. When markets are down, it creates a buying opportunity for investors.

We often have clients come to us excited about a stock that has done well in the recent past. They become emotional about this stock, almost passionate about it. However, rarely do they know more than the name of the stock and that a friend of a friend has gotten rich by investing in it. Their desire to invest in the stock does not come from a place of reason. Crosby writes "an excited investor is an impatient investor and an impatient investor is a broke investor."

It is human nature to want immediate gratification. Why wait when you can have it now? However, it is deferred gratification that is the common theme throughout our wealthiest clients. The statement "slow and steady wins the race" may be depressing to some, but it is 100% accurate when it comes to financial success. It is the risk associated with immediate gratification that works against those who seek it. The risk could be as simple taking on debt to get that holiday trailer or hot tub you've always wanted, or it could be gambling half your savings on that "golden" stock so you could theoretically retire in two years.

Rule #4: If You're Excited, It's a Bad Idea

The theme of Crosby's book is that emotions do not belong in investing. He explains that emotions will cloud your judgement and lead to impulsive decisions. Rule #4 continues with this theme.

Crosby describes that there are many reasons why investors may become excited about a stock. However, the root of the excitement usually has to do with a narrative in which the ending is "...she became exceedingly wealthy and lived happily ever after. Stories bypass reason, skip the brain and head straight for the heart. For this reason, stories are also the enemy of the behavioral investor."

Crosby writes about an experiment conducted to prove that stories can make "the insignificant into the significant". In the experiment, items of garage sale quality were purchased for about \$130. Each item was listed on eBay with a fictional backstory. In the end, all the items worth only \$130 collectively, were purchased for over \$3600. "Yes, the power of story led eBay users to pay \$52 for a used oven mitt."

When you buy individual stocks, you are generally buying into a story. Stories are exhilarating but not usually based on facts or financial statements. It is important to remember that "emotion makes you a stranger to common sense." Consider all facts and do your research before putting your savings at risk for the prospect of immediate gratification.

I challenge you to think: Is more money *right now* truly the answer to your troubles, and are you willing to risk what you currently have just for the small possibility to get rich quick?

****To review Crosby's Laws of Wealth covered in our newsletter to date, please visit our website.***

"There are many areas in your life that call for emotional reactions – you should get emotional on your wedding day or during the birth of your child. But emotions are the enemy of good investment decisions. Let me repeat that one more time for effect: emotions are the enemy of good investment decisions." – Ben Carlson