



2019 Year in Review

It's amazing and a little disconcerting at how fast the year and years are flying by. We at Maude Financial will soon have been in this business for 38 years!

In that time, we have seen all kinds of market disruptions from wars to political messes to financial meltdowns and currency crises. This past year was no exception. 2019 had Brexit (soon to be done!), Donald Trump (ongoing), provincial and national elections and now a crisis in Iran. So – all is somewhat normal.

As you can see by the chart below, it was a great year for markets all around the world. Interest rates stayed low, helping the bond markets and the fixed income portion of our balanced portfolios. The Canadian dollar rose by about 6% against the US dollar, which negatively affected the foreign content of our investment mixes, but overall returns were extremely good. Our balanced portfolios were up by about 15%.

World oil prices rose over 30% in 2019, but for Alberta, the Western Canadian Select price is more important, and it only went up about 3% by year end. This does not bode well for Alberta's royalty income.

As for 2020 – even though as I write this, we are only 10 days into the new year, it too promises all variety of circumstances that can lead to market disruptions. This includes the tensions and military actions related to Iran, the upcoming US election, the likely finalization of Brexit, as well as mixed messages from economic growth indicators. As the year progresses, the list will only get longer. Trying to predict the markets is a fool's game, so our philosophy is to take a long-term view of your investments to avoid panicking and the losses that come with selling when the markets drop, as they inevitably will. As always, our advice is to be consistent with your savings habits and stay the course.

We look forward to seeing you in the new year!

| | Market | Dec 31/18 | Dec 31/19 | YTD |
|-------------------------|---------|-----------|-----------|--------|
| Canada | TSX | 14323 | 17062 | 19.12% |
| U.S. | DOW | 23327 | 28539 | 22.34% |
| U.S. | S&P 500 | 2507 | 3231 | 28.88% |
| U.K. | FTSE | 6728 | 7442 | 10.61% |
| France | CAC | 4731 | 5978 | 26.36% |
| Germany | DAX | 10559 | 13249 | 25.48% |
| Japan | NIKKEI | 20014 | 23837 | 19.10% |
| Canadian \$ | | 73.70 | 77.96 | 5.78% |
| Oil (US\$) | WTI | 45.82 | 61.02 | 33.17% |
| Western Canadian Select | WCS | 37.33 | 38.57 | 3.32% |

**Source: CNN Money

January 2020

Welcome to our New Advisor!

We are pleased to announce that a new life insurance licensed financial advisor has joined Maude Financial Inc. In October, we welcomed Julie Zorn back to our office. Julie has a wonderful depth of experience and knowledge from her 28+ years spent working in the banking industry. She also worked with us here at Maude Financial from 2002-2006 and we are thrilled to have her back on our team!

Important RRSP Dates

The RRSP deadline for 2019 is March 2, 2020. Our office will accept contributions via personal cheque until February 24, 2020 and lump sum contributions pulled directly from clients' bank accounts until February 28, 2020. Be sure not to miss these deadlines!

John Maude
Life Insurance Advisor

Bridget Maude
Life Insurance Advisor

Jessica Maude
Life Insurance Advisor

Julie Zorn
Life Insurance Advisor

Maude Financial Inc.
5116 – 50 Avenue
Wetaskiwin, AB T9A 0S6
Tel: (780) 352-8111
Fax: (855) 891-3149
Toll free: 1-877-352-8111
info@maudefinancial.com

Do I have enough saved for retirement?

John started Maude Financial Inc. in 1982. Since then, he has gone through all stages of life right along with his clients. He is honoured to have helped many long-time clients retire comfortably. With years of experience, John has accumulated plenty of wisdom (mostly related to finances – says his daughter Bridget!). John often raises the following considerations to help clients analysing whether they are financially prepared for retirement.

Consideration #1: It is very unlikely that anyone will spend less money in retirement.

Some clients with a retirement income of \$1,500/month can still save money. We also have clients with a retirement income of \$20,000/month that cannot save a dime. The reason: spending habits are engrained over a lifetime. All clients become accustomed to their pre-retirement spending and, let's face it, old habits die hard.

Consideration #2: People are living longer, which means retirement will be longer.

It used to be that retirement would last 5-10 years, which did not require much savings. However, now it is not uncommon for someone to be retired for 35-40 years. Longer retirements require more savings.

Consideration #3: People are living longer but not necessarily healthier lives. Future health care costs are unknown.

We have seen more and more elderly couples run into health and medical care issues. One spouse needs increased care and goes into assisted living or long-term care, while the other healthy spouse remains in their own home. These situations require an unbelievable amount of cash to sustain and can go on for years. Also unknown is the cost of health care in the future. These costs are mostly covered now but that may be unsustainable in the future.

Consideration #4: One can assume that at age 60, 4.5% of their retirement savings account can be withdrawn per year for income.

This is a rule of thumb that we share with our clients when coming up with a retirement savings target. Applying this rule, RRSP savings of \$1,000,000 dollars would equate to \$45,000 in taxable retirement income.

Consideration #5: Investment returns are not what they were 20 years ago.

To reach a retirement savings goal it will require an investor to save more rather than count on a high rate of return to get them to their goal. We can no longer expect a 10% long term rate of return.

Consideration #6: Inflation is a real risk when it comes to making retirement income last.

Inflation reduces your buying power over time. This means that as inflation increases, a higher income will be required to purchase the same goods and services, which depletes savings at a faster rate. For example, let's say someone requires an annual income of \$50,000 today and inflation is 2% per year. In 5 years, the annual required income would be \$55,200 just to purchase the exact same goods and services.

There are two sides to every equation. In retirement, it's not just your income that must be considered, but also the amount that you will spend. Since spending is different for everyone or every couple, it is important to think about your own situation. The first step in planning for retirement is to be honest with yourself about your current spending. Bottom line - save more rather than less!

The Tax Free Savings Account (TFSA) contribution limit for 2020 is \$6,000. The total TFSA contribution room is now \$69,500 for those who were 18 or older in 2009. This room is cumulative and there is no deadline for your contributions.