NATIONAL POST

FINANCIAL POST

DECEMBER 29, 2009

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Clear plan crucial for next decade

In 2009, the worst market correction since the Great Depression ground to a halt. Almost immediately the markets rebounded with one of the strongest rallies in history, during a dynamic year that underscored important investing principles. It is worth taking a few moments to see what 2009 taught us.

The sheer volatility of the year highlighted the wisdom of always having a well-defined strategy. In 2009, it was the savvy and prepared investors who reaped the rewards by sticking to their strategies and refusing to let emotion affect their investment decisions.

2009 reminded us that having pre-determined entry and exit points are essential for disciplined portfolio management. By taking a rational approach, confident investors avoid chasing overbought stocks and holding onto losing positions. They take profits where appropriate and raise cash when markets dictate the need for defensive positioning.

We saw the value of dividend investments. Income-producing investments can be particularly beneficial during volatile markets, as dividends and distributions help mitigate potential depreciation in stock prices. When viewing total returns, income-producing investments significantly increase long-term portfolio growth. They also present a tax advantage over interest-producing investments, creating a tax efficient portfolio.

Investors were reminded that reviewing asset allocation is imperative to long-term success. Caught up in the mania of the earlier bull market, many investors had shifted away from cash and fixed income holdings in favor of the increasingly higher returns offered by equities. Unfortunately, when the markets nose-dived, they found that their overweight equity portfolios had shrunk significantly.

A recognition of quality also occurred in 2009 as some investors sought value. Realizing that well managed, blue-chip companies don't stop being good companies just because market jitters drive down share values, those investors sought prospects for continued growth by purchasing some of these companies at good prices.

The past year demonstrated clearly that maintaining a balanced portfolio is necessary to ensuring long-term success. Investors who kept an adequate amount of cash and fixed income on hand had a good buffer to cushion the blow when the markets crashed.

Investors saw the value of due diligence and appropriate analysis in ensuring portfolio health. There is benefit in 'sticking to the basics' and examining the fundamentals of any investment whether it's an individual company stock or a more complex product. If you don't understand it, or if it can't be explained coherently, don't put your money into it.

2009 was a year in which authorities arrested unscrupulous crooks running Ponzi schemes, reminding investors to be wary of those who put an optimistic spin on everything or claim they always generate positive results. If you're ever unsure about your advisor or the real state of your portfolio, get a second opinion and be sure that it is comprehensive.

I hope that investors will reflect on 2009 and review their approach to investment planning and portfolio strategies. Proper planning will help them weather

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future storms by ensuring they don't react emotionally to unforeseen events but respond instead with thoughtful and rational action. Having a clear game plan will be imperative for 2010 and beyond.

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