

The Investment EDGE

Winter 2009

Market Observations

A Year In Review

Looking Back – And Looking Forward.

As the 2009 year comes to a close, we reflect on just what a year it was! If nothing else, 2009 reminded us what a roller coaster ride the stock market can be and the danger of short term thinking. After the collapse in global financial markets last fall and the subsequent pummeling of stock markets around the world the consensus in January was that the worst was behind us. In hindsight that was wrong and by early March, the market was down by another 25%. This was an extremely challenging time for our clients and for us. What made it even worse was that consensus shifted and there was growing sentiment that we might enter a prolonged period of stagnation and even worse, talk of depression was heard on a regular basis. It was at this precise moment that the massive economic stimulus started to work; markets bottomed on March 9th, stabilized and then rallied an incredible 50 to 65% from that point! The incredible volatility of 2009 proved once again that it is **challenging to predict short-term market movements.**



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Table of Contents

Market Observations

Chart – CAD and US Dollar

Long Term Care

Not Your Average Carney

TFSA Accounts

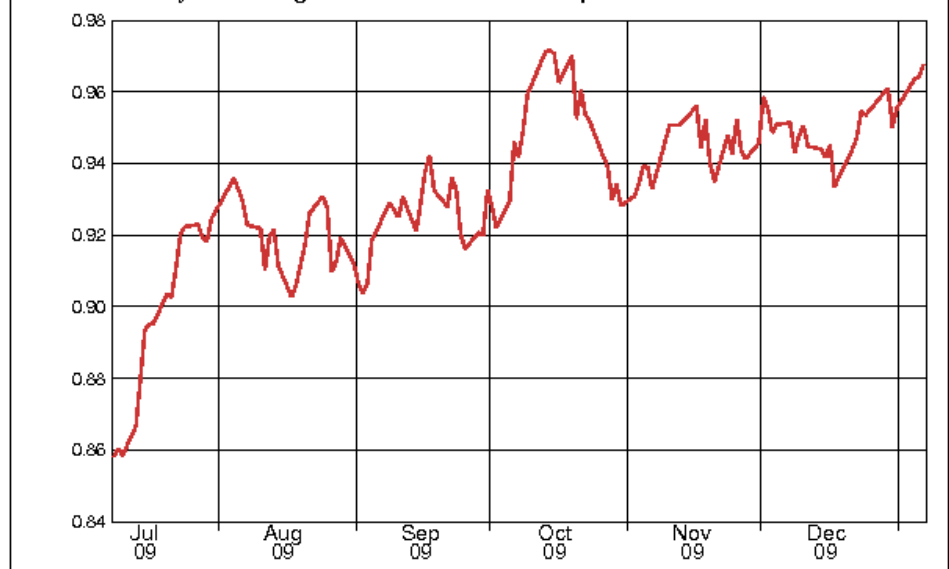
The Last Word

“The financial system must transition from its self-appointed role as the apex of economic activity to once again be the servant of the real economy”

Mark Carney, Bank of Canada
Governor



Daily Exchange Rates: U.S. Dollars per Canadian Dollar



(Cont....)

So where do we go from here? Lets be clear. We certainly cannot expect any returns close to that of the second half of 2009. We believe the market is fairly valued; it is not cheap nor is it expensive. The economy is recovering but with recent downgrades to the debt of Greece and the restructuring of Dubai world debt reminds us that there are still many hurdles to cross during this recovery.

The bottom line is we believe the positives outweigh the negatives and the dire predictions about America's decline are overstated. The economy will face a crucial test in 2010 to determine if it can manage without extensive support by government and central bankers. We are unlikely to have the rapid growth seen in past recoveries, but we will have growth. In an economy of slower growth, it will be vital to focus on high quality companies that have strong cash flow and dividends, as well as companies that are growing their dividends. In summary, we are cautiously optimistic about 2010, but stand on guard for potential unforeseen dangers. We look forward to continuing to work with you in 2010 to ensure you have the portfolio that is right for you. Thank you again for your loyalty over this very challenging time. As always we are available to answer any questions that you might have. In the meantime, best wishes and we look forward to talking in 2010.

Long Term Care: The Good News

The good news you ask? Positive lifestyle changes and medical advances over the last few decades have resulted in people living longer. The bad news? Living longer increases the chances of developing chronic medical conditions and the costs associated with caring for these conditions can be astronomical. Fortunately, an insurance product exists that can provide financial support required, should there be a need for long term care in the future.

Long Term Care insurance (LTC) is like any insurance product; you pay a premium to protect against future potential risk. In this case, the insurance protects against the potential financial risks associated with providing an individual assistance with activities of daily living or supervision if they become cognitively impaired. The need could arise from a stroke, Parkinson's disease,

Alzheimer's disease, Multiple Sclerosis, prolonged illness such as Cancer, or simply from aging.

To understand long term care insurance, think of the activities that you performed when you woke up today. You most likely climbed out of bed, walked to the bathroom, had a bath or shower, got dressed and ate. When we are healthy, it is easy for us to take for granted the above-mentioned activities of daily living. Whether you are planning for your own future, or perhaps thinking about aging parents, it is worth investigating if the premium costs of this product outweigh the potential benefits of having it. We can help.

Not Your Average Carney

We thought we'd take a moment to mention what a great job we believe Bank of Canada Governor Mark Carney is doing. He's not afraid to talk tough about the excessive risk taking in the world of finance (see quote first page). The governor stated the Bank of Canada would prefer to see large banks guided by principles that rely on the judgement of financial executives. Remember that tougher global capital, leverage, and compensation requirements are unlikely to faze the Canadian banks. His tough talk against the rapid appreciation of the Canadian dollar has slowed down global currency traders and in our opinion kept the exchange rate in check. He understands the negative effects of a higher loonie on Canadian exporters/manufacturers and didn't hesitate letting the world know.

Keep up the great work Governor Carney!

Tax Free Savings Accounts

It's a new year for TFSA's. Everyone has another \$5,000 in contribution room.