

Year End Overview - December 2010

Here's to the year that was and the year coming up!

First of all I would like to extend my warmest regards to you and your family and wish you a wonderful festive season and a prosperous and happy new year.

As 2010 comes to a close, it is time to look back and consider the events and happenings of the past year. As 2010 opened, the recovery from the international economic crisis continued, although the situation was and is somewhat fragile depending on the country considered. The stimulus packages instituted by central banks around the world injected a tremendous amount of liquidity into economies. As a result, interest rates remain at or near historical lows and some stock markets have reacted positively. For example, at the beginning of the year the S&P/TSX index stood at approximately 11,900 and as of the middle of November it was at about 12,800 - an increase of 7.5%. Some industry sectors such as gold and precious metals have had a banner year.

However, we should not fool ourselves into believing that we are 'out of the woods' just yet. Those stimulus packages also served to dramatically increase the debt loads of most governments and materially delayed the chances of governments running balanced budgets - deficits are now the norm. We are beginning to see the belt tightening effects in the budgets of most levels of government around the world, including Canada and particularly in some of the countries in Europe such as Greece and Ireland.

While the macroeconomic efforts at the governmental level are really out of our hands, we can and should still consider how we can best manage our finances to ensure that we are reacting appropriately to the economic environment. While personal equity portfolios have generally done fairly well this year, it is crucial that we also consider the liability side of our balance sheets. The historically low interest rates were designed to stimulate demand but far too many people have been enticed into assuming unreasonable amounts of debt as a result. Currently, the debt to income ratio of the average Canadian household stands at approximately 1.45 to one - this is a historical high and should be of concern. Interest rates cannot remain at these levels for long and an increase in rates will result in financial stress for many families.

The increase in household debt presents a compelling argument for proper financial planning and management. We are committed to the concept that every client is unique and that an ideal portfolio can be constructed that will meet the client's personal circumstances and achieve their goals. The recent turbulence in the markets has made it strikingly evident that creating and maintaining this ideal portfolio is essential to provide you with the understanding and patience to emotionally weather these sorts of storms.

In closing, I hope that at this festive time of year you will embrace the pleasures of time spent with family and friends. I will be spending some time with my family over the holidays, returning January 4th. If there is anything that you require in the meantime, my team will be pleased to assist you.

I hope that 2010 has been kind to you, and I wish you and your family all the best for the holidays and 2011.

Sincerely,

Christine

Your Wealth Expert

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