

Canadians not using TFSAs: poll

The Canadian Press

TORONTO — Nearly half of Canadians are ready to put money away with their tax-free savings accounts, but a new survey finds that doesn't necessarily mean they're using them.

A poll from CIBC found 47 per cent of respondents say they've set up a TFSA, but only half of the respondents with a TFSA account have made a contribution this year.

The tax-free accounts have existed for nearly five years, though numerous polls have found that Canadians didn't necessarily understand how they work or simply had decided not to open one.

The poll, conducted by Harris-Decima for CIBC, found that 41 per cent of Canadians with a TFSA say they don't have any immediate plans for the money they've set aside, but that they just wanted to avoid paying tax on the interest. About 36 per cent of respondents say they plan to use the money to retire, while another 30 per cent say they've saving it for an emergency.

By region, residents of British Columbia were most likely to have a TFSA (52 per cent), while Atlantic Canadians were least likely (42 per cent).

The Harris-Decima telephone poll of 2,031 Canadians was conducted between July 5 and 15 with a margin of error of 2.2 per cent, considered accurate 19 times out of 20.

PERSONAL FINANCE

The challenges of buy and hold



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As with all things in life, it is important to adapt as conditions change.

Like it or not, we are living in a quick-change, information-overload, society. It is tough to stay current on all economic, political and financial news.

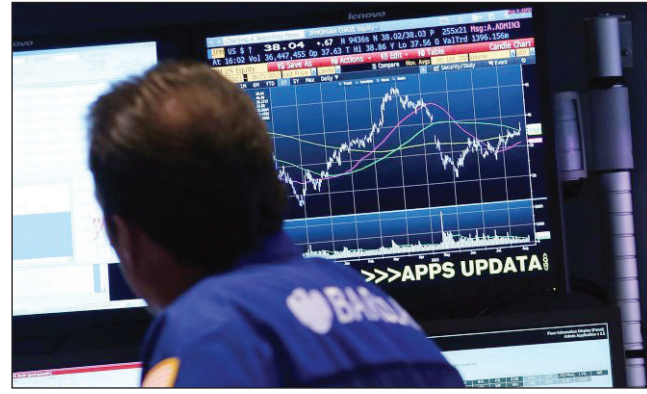
Different opinions exist with respect to what investment strategy works best in this technology driven environment. Conventional wisdom has often supported the buy-and-hold approach with a focus on long-term thinking. Automated trading systems and a growing number of mutual and hedge fund managers with active strategies are on the other spectrum and often look for short-term trades — sometimes fractions of a second.

We will look at some of the factors we consider when deciding whether the intention is to hold an investment longer term or shorter term.

■ Dividend yield is perhaps the easiest factor to examine when considering to hold a stock longer term. If a stock has a dividend yield less than two per cent, then you are really not getting paid to hold the stock on

income alone. If you are buying a stock with a dividend yield less than two per cent we feel you should have the belief that the underlying share price will appreciate to an appropriate level over the time horizon you wish to hold it. Most stocks with a yield below two per cent would be classified as a growth stock and, in our opinion, should be traded. Establishing a target price and a sell-discipline will assist you in realizing profits. It can be frustrating to see a low-yielding stock appreciate and then subsequently decline without you earning income if the investment wasn't sold at high levels. The key with low-yielding stocks is to not get too greedy and to set a sell discipline.

■ Sector is a very relevant factor for Canadians when considering how long to hold a stock. Within the 10 investment sectors in Canada, the materials and energy sectors represent 18.4 and 26.7 per cent, respectively. Combined, the two sectors make up 45.1 per cent of the TSX/S&P Composite Index. Collectively, we refer to precious metals, commodities, materials, and energy as resources. Resources have been steadily climbing as a combined weighting within the Index over the last decade. When we review risk and reward charts with new clients, resources are at the top — meaning they have the highest potential return but also have the highest risk. We would like to highlight some of the significant factors impacting



GETTY IMAGES

Technology has allowed investors split-second trades.

the resource sector. Advances in technology have made it easier for companies around the world to discover and extract resources with higher efficiency. This has created more supply in this decade than previously expected. Offsetting the supply side is an increasing demand from China and other emerging markets for resources. A growing population, alternative energy solutions, environmental concerns as well as political, economic, and natural events have all caused shorter term fluctuations in resources. All of these factors have created a higher level of uncertainty surrounding both the shorter and longer-term demand and supply for resources around the world. Although Canadians may have a home country bias to investing, many of the investments within the Index are reliant on the world continuing to demand our resources.

■ The economy is the toughest component to analyze.

There is no hard number to look at or sector to classify. What makes this challenging is that political announcements such as a stimulus package distort how people now analyze economic data. We have seen days where bad economic data is released and the markets increase as people feel that governments will have no choice but to stimulate the economy through what is often referred to as quantitative easing. Quantitative easing is effectively printing money which is inflationary and often causes materials, such as gold, to increase in price. The flipside to this is when we have days where positive economic data is released and the markets have declined as the likelihood of quantitative easing is diminished. With government bodies having provided stimulus in the past, it does give investors another factor to consider. What people actually do is often different from what they should do now that the potential for stimulus and

government intervention is part of the decision on whether to buy, hold or sell.

■ There are many other factors that determine the strategy of whether to hold a stock short term or long term. Your risk tolerance and time horizon are key components to consider. Your tax situation is also important as investors have the ability to carry net capital losses back three years and forward indefinitely. Using strategy in this area often saves investors significant tax dollars. Certainly it is nice when Canadians can take advantage of the taxation rules where unrealized gains on stocks are not taxed until they are sold. Tax should always be secondary to making the right investment decision.

In days past it was easier to buy a basket of dividend-paying stocks and interest-bearing bonds and hold them for a longer period of time. A person could design a passive approach themselves and not worry about their investments during retirement.

It is more challenging to do this today given the increased volatility and low interest rates. Investors have to work a lot harder these days. Unless a person wants to be active every day monitoring their own investments, it is advisable to have a professional you trust assist you.

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Cantor Fitzgerald expands in Canada

The Canadian Press

TORONTO — U.S. financial services giant Cantor Fitzgerald is expanding its Canadian presence with the acquisition of investment dealer and research analyst firm Versant Partners and its 16 employees in Montreal and Toronto.

Versant Partners' sales and trading, research and investment banking team will join Cantor Fitzgerald's Canadian subsidiary headed by Laurence Rose. Mike Jams will lead Cantor's Canadian Equity Capital Markets team. Technology analyst Tom Liston will become Cantor's director of Canadian research.

Cantor said the addition of Versant's strengths in technology, health care and other high-growth industries will expand its ability to serve Canadian institutional investors. Canadian companies will gain access to Cantor's global distribution platform, financial products and expertise.

"We're bullish on Canada and Canadian companies, and look forward to championing them," stated Cantor Fitzgerald CEO Shawn Matthews. "The Versant team underscores Cantor's continuing commitment to providing clients with world-class expertise in key local markets. These talented professionals will help broaden our capabilities, strengthen our existing customer relationships and enhance our overall offering for clients in Canada."

Rose added the new team will enhance Cantor Fitzgerald's ability to distribute Canadian financial products globally and provide Canadian institutions with access to global products domestically.

The transaction is expected to close early next month. No price for the transaction has been disclosed.

Cantor Fitzgerald is a capital markets investment bank serving more than 5,000 institutional clients around the world. It has 1,600 employees in some 30 locations in North America, Europe, Asia/Pacific and the Middle East.

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