

March 16, 2011

Dear Clients and Friends,

Quote of the Month: Each day is a Gift, so live in the Present. Unknown author. This quote is a great reminder to count your blessing every day and be grateful.

Market Update:

In the wake of one of the worst earthquakes in human history our heart go out to the people of Japan as they still struggle with the ongoing effects. This would be a great time to consider doing a charitable gift to help the people of Japan through a recognized Charity like Red Cross, Salvation Army or Samaritan's Purse and there are other excellent organizations (they all have emergency response teams that help with the most urgent needs of water, food, medicine and shelter). I will lead by example and send a donation today and I encourage others to do the same. To put the earthquakes power in perspective it moved Japans coastline by 13 feet and experts estimate it changed the earth's axis by 6.5 inches. Let us pray for the people of Japan and for wisdom for the leadership with the nuclear disaster and other serious issues.

As the earth quakes so does the stock-markets and we have been seeing sell-offs globally with the combination of Libya, Middle-East turmoil, and the crisis in Japan. Generally these types of events are short-term in how they affect the stock market, and for the big trading houses these are outstanding opportunities to short the market and then buy back cheap stocks after the sell-off. Quality companies always rebound!

The general consensus is the overall NA economy is slowly improving and Canada should see a 3% + GDP growth this year as well as the USA about the same. The US still struggles with the real-estate challenges with millions of foreclosures still hitting the market and until these home move through the market (in my opinion it will take several years) they will have a severely depressed housing market. Jobs are the other big challenge in the US, but with strong US Corporate growth opportunities will continue to improve (but a long and slow process of a couple more years at least). Emerging markets continue to boom and struggle with inflation issues. European growth is slow and I am sure we will hear of the DEBT issues again soon...its actually in the news everyday but the world has worst issues to deal with right now.

Understanding Your Credit:

When I work with clients to help develop a solid Financial Plan (Five Pillar Wealth Management System) debt issues usually come up and I recommend they know their credit score and understand how credit works. Credit can work for us to accelerate wealth or against us if we do not manage it well. So here are the key things you need to know about credit:

- Canadians hold 72 million credit cards and 37 million debit cards. Credit card debt stands at 72 Billion! Only about 50% of Canadians pay off their credit cards in full each month...make sure you are in the right 50%!!!



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- **The 5 C's of Credit: Character = Employment...**it does not look good if you move around jobs or career a lot. **Collateral = House/Investments...**the more you have the more the lender will lend! **Capacity = Cash...**the more monthly cash you have the more they will lend. **Capital = Net worth...**this is your Financial Scorecard and hopefully most years you have more assets and less debts. **Conditions = Macro/Micro...**you are being watched how you manage debt and what kinds of debt you have.
- **What is on your Credit Report: Personal Info...**how long you have worked for a company. **Limits and Balances** (Credit Cards, Loans and LOC). **Public Records and other Information** (Bankruptcy). **Collection amounts. Consumer Statement. Credit inquires to the file.**
- **What's NOT on your credit bureau:** Most Mortgage Debt not reported, Net-worth, Assets and Revenue.
- **What's in Your Score 300 to 900:** Payment history, Amounts Owed, Length of History, New Credit and Types of Credit.
- **How to get your Credit Record and Score: Equifax Canada or TransUnion Canada** (Google to get website addresses). You can get a free report once a year by law; however it is a good idea to get a full report and your credit score every couple years to ensure there are NO mistakes which can greatly affect your ability to borrow.
- **Having a 300 score usually means you are just starting out with credit or you are in big trouble!** You want a credit score of at least 700 or more. Lenders will see you as low risk and the higher your score you will get preferred lending rates. Only 29% of Canadians have a score of 800 or better.
- **"R" ratings are NOT good in general and more specific to Credit!** R0: Means no credit, R1 means paid within 30 days...but late and it goes down to R9 which means Bad Debit.
- **How to Fix your Credit:** There is NO Quick Fix, but by making payments on time and at least minimum on time over time will improve your score. Keep Credit Balances below 30 to 50% of maximum limit. Have a healthy mix of credit, credit cards, loans and lines of credit.
- **My Advice: you ONLY need one to 2 credit cards (I only have two...one personal and one for business). Lines of credit should only be used for investment purposes unless absolute crises. Pay off non-deductible interest loans as quickly as possible. There is NO glory in having 10 credit cards...it is a trap!**

I hope this helps! If there is a Financial Topics you would like me to discuss in future E-Letters please let me know.

Best regards,

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