

**Value for Money Investing** *by Gordon Stockman, CA, CFP*  
**Cross Border Shopping**



I just returned from Guadalajara, Mexico and Washington, DC. What a pleasure to spend those pesos and greenbacks having converted to them from one of the strongest currencies in the world, the Canadian dollar. Only a few years ago the “Canadian dollar” and “strongest currency” said together was an oxymoron. There is a reason why we Canadians took so easily to calling our dollar the Loonie (Does anybody know why it is not Loony or Looney?) since it was ridiculous to consider spending it outside of our own country. Now, even more than usual, the exchange rate is the talk of the day, even usurping the weather as the first thing out of our mouths after “hello”.

In Mexico, the US citizens there are moaning the fact that daily life is getting more expensive but the Canadians cannot stop talking about how inexpensive everything has become. The Americans however are not overly worried. Why should they be? Ask any non-Mexican, be they German, Canadian or American, what some real estate property is worth and invariably the answer is given in US\$ not pesos. Everybody obviously understands who is driving the purchase of properties and the local ex-pat economy.

In Washington, I spent days with my ears up, trying to overhear as many conversations as I could and NO EXCHANGE RATE chatter at all. None! So I asked a few store clerks and restaurant staff what they thought of the weakness of the US dollar. Blank faces prevailed, though you could see the ‘what the heck are you talking about?’ lurking in their eyes. Of course! They still buy everything at the same price as yesterday. Nothing has changed, except the price of gas. If they plan to leave the country on vacation, their trip is priced in the same US\$ as last year and they are flying on US airlines with prices never having been so low. They do not understand our glee or our angst about the future, being insulated within their own large economy.

The US is still, and will continue to be, a huge collection of free spending consumers, regardless of near term problems. The US economy is responsible for over 20% of world GDP and 70% of this GDP is driven by American consumers. With US GDP growth only slightly below world GDP growth rates the US is expected to remain at over 20% of the world economy for decades to come. The American consumer is here to stay and so is the US\$.

The real story is that China and India are growing much faster than the world and within 20 years China will surely be responsible for greater than 20% of the world’s GDP. But remember whom they are selling to and whose treasury bills they own.

So let’s go shopping. But forget the cars, clothes and toys. They all depreciate or wear out quickly. Buy something of enduring value, such as American dollars; American companies; or American real estate. Prices have never been better. Purchasing power parity is still considered to be about at the \$.81 US level. People used to stand in line to get 20% OFF.

Problems with mortgages and slumping housing markets have made US Vacation property more affordable. Buy it with the powerful Canadian dollar and lock your savings in. US Bank stocks have been hammered because of write-offs, due to losses in sub-prime mortgage backed paper. Dividend yields are remarkably high and likely sustainable. Buying bank stocks at more than 20% OFF is always a good idea.

With a possible US recession coming, you may be inclined to wait to buy US stocks. OK but what about the dollar. Maybe it is time to lock in the 20% savings by buying your US\$ now for spending in the stock markets in the New Year. Plain US\$ can safely return you over 4% and investment vehicles are now plentiful. If you only have an RSP, you will have to buy something allowed by your sponsor. Since you cannot purchase US based Money Market Funds or US based Mutual Funds, consider very short term US exchange traded bond funds. Brokerage RSPs can hold them.

So cross border shopping you should do. But head for the asset markets not the mall.

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Efficient Wealth Management is a leader in cost efficient financial planning. We have developed cost efficient strategies for managing the wealth of investors, both small and large.

**COSTS DO MATTER**

START VALUE	RETURN OF %7	RETURN OF %8	YOUR SAVINGS
\$100,000	\$386,000	\$466,000	\$80,000
\$250,000	\$967,000	\$1,165,000	\$198,000
\$700,000	\$2,700,000	\$3,262,000	\$562,000

Look at the chart and determine how much more you could keep in your pocket after a 20-year period, if you could reduce the overall fees in your portfolio by just 1%

**Call us. We Can Help!**

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