# Develop a plan to deal with this weeks change in markets

## FINANCE

The equity markets are in uncharted territory and when this occurs investors have a heightened concern about anything that may impact stock values.

So what happened this Monday?

The sell-off was not a direct result of anxiety over either interest rates/inflation or corporate earnings.

While there continues to be concerns about inflationary pressures and the ability of corporations to maintain their profit growth, Monday's moves appear to have been triggered by the continued sell-off in Hong Kong.

Many investors were jolted when they saw Hong Kong investors lose 24 per cent of their equity values in just three days.

It appears the Asian sell-off served to alert investors to the vulnerability of the equity markets.

While investors confidence may have been shaken, interest rates remain low and earnings, so far, appear unscathed.

I expect the markets to remain volatile to find firm ground in a rather short period of time.

One of the positive things going for the market is that the selling pressure was based on sentiment and not fundamentals.

Sentiment is much easier to change than fundamentals which argues for a shorter but more volatile period of decline.

So, what does this mean to you? First have a plan. If you don't have one sit down with your advisor and develop one for your needs, then, stick with your plan. One option is to go for dividend bearings stocks and mutual funds.

In a case like this, consistently making money from equities will be a challenge. One way to weather the volatility and protect your wealth is to be in dividend yielding stocks. By taking advantage of dividend reinvestment programs, your dividends will be used to purchase additional shares more frequently.

This dollar cost averaging smoothes out the highs and lows in purchase price and allows the magic of compounding to do its work.

Assuming a trading market characterized by a prolonged sideways movement, a healthy dividend portfolio will ensure compounding returns. Additional, dividends paid by a taxable Canadian Corporation receive more favourable tax treatment than interest, which adds to the equities' returns. Remember, the greatest long term risk of stocks is not owning them.

**This article was submitted by Richard Box, an investment advisor with TD Evergreen Investment Services.**

# Take the credit quiz before ringing up the credit cards this season

Just before the holiday shopping spree begins, experts in smart buying from Ontario's Ministry of Consumer and Commercial Relations offers a credit quiz.

The quiz is designed to help you avoid a case of the broke-in-January blues by handling credit wisely now.

***True or False:***

**1.** It's a good idea to buy all the little items on credit. More expensive items cost too much on credit.
T F

**2.** You can check your personal credit rating by calling the local Credit Counselling Service. T F

**3.** You're not allowed to pay an administration or finder's fee in advance to obtain a loan. T F

**4.** If you can't pay off your credit card bills in full within a few months, it's a good idea to take out a loan from a financial institution to handle them. T F

**5.** Creditors will sometimes allow consumers who are having financial difficulties to defer payments. T F

**6.** Banks can check consumers' credit bureau records anytime. T F

**7.** It's all right to give your credit card number over the phone as long as you're really sure you want the item you're ordering. T F

**8.** If you're refused credit by a company once, you may be granted credit by that firm at a later date.
T F

**9.** It's normal to spend about 50 per cent of your net earnings on credit payments. T F

**10.** Declaring consumer bankruptcy is an easy way to rid of all your debts.
T F

***Answers:***

**1. False.** It's not advisable to make credit payments on inexpensive items. The cost of credit may be high, compared with the price of the item. Credit is best reserved for the major expenses such as houses and cars.

**2. False.** Anyone who wishes to see their person credit file is entitled to do so. To find the credit reporting agency that holds your file, call Equifax at 1-800-465-7166.

**3. True.** It is against the law to pay any money in advance of receiving a loan.

**4. True.** Interest rates on bank and credit union loans are usually lower than those for credit cards.

**5. True.** Many financial institutions and other creditors may be willing to renegotiate repayments of debts. Conditions for such arrangements vary greatly with individual circumstances.

**6. False.** Banks and other institutions are only entitled to check credit records if the person has been notified or applied for credit.

**7. False.** Consumers should only give a credit card number or any other person fiance information during a telephone call they have made themselves. Even then, deal only with companies you know or check their reputations before you place an order.

**8. True.** The criteria used by credit-granting agencies may have changed. Also, factors that worked against the credit seeker's application may change in time.

**9. False.** Consumers paying more than 40 per cent of their gross household income on monthly payments, including all housing costs and loan and credit payments should carefully review their financial situations.

**10. Really wrong.** False rumours have led many consumers to believe that declaring consumer bankruptcy could take away their debts and return their credit cards within a month. Experts explain that declaring bankruptcy carries no guarantee consumers will be forgiven debts classified by the courts as necessities of life.