

February 2009 Newsletter

If you live in Vancouver and the snow from Christmas is still on the ground in February, you start thinking anything's possible and question your sense of what's normal. Kind of like the markets - not sure what to expect next and it's hard to find a previous experience to compare it to. By now everyone has become used to the negative headlines and most Canadians have adjusted to the reality that we are in the middle of a recession with some legitimate economic issues to deal with, however just like the weather - this too shall pass.

The truth is, how we react to a situation is more important than the situation itself. Yes, we are mired in a recession, but if you think about it, the entire population is feeding a massive self-fulfilling prophecy. The absolute core of our economic system is the circulation of capital. If I buy something from you - you have money to buy something from someone else and so on. If I stop spending out of fear, then you have less to spend and so on. Multiply this by hundreds of millions of spenders around the globe and you have a global recession.

But let's look at the flip side: the money in the world did not dry up and go away (with the exception of a few investments). The reality is that people are not spending. Now here's the good news - the Governments know that and they are doing two things about it:

- They are keeping interest rates low so that they can entice you and me to borrow more money and buy more things.
- They are spending more money on capital projects so that people have more money (jobs) and thereby spend more money (see #1 above).

If you have real estate and you simply want to preserve what you have - great. Don't sell it and don't worry yourself over what the current market value is. Remember, unless you are selling or refinancing, the current market value has no relevance to you.

Stop worrying and be thankful that with these historically low rates you can accelerate your debt reduction. Just like the spring, the market values will return and you will be very happy to have enjoyed the benefit of this recession by being able to pay off your mortgage faster.

If you are looking to increase your assets, then this is a fantastic time. We are now in a buyers' market - vendors are motivated, rates are low and investment properties can cash flow in some cases.

Is it a Crisis or Opportunity - you choose.

Happy Investing,
Peter Kinch

