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The CM Group Quarterly

January 1st is the official start of the New Year, but for a lot of us, the day after Labor Day feels more like a new year and a new start. There are no big celebrations or countdowns the night before, just a very hectic household trying to get ready for work and for a new school year. Summer vacations are over and it is time to get back to the grind.

We also tend to make new resolutions at this time of year, maybe not as openly as in January, but being well rested and energized from the summer, new goals and routines we would like to adhere to as we move into the busy fall season are going to be implemented. It is a time where we want to be more disciplined and start fresh.

In our business, this time of year is known as the time when “money starts moving”, as analysts and portfolio managers are back to work and it is time to get down to business. It is a new investment season for them as well, and they want to start off strong. What does that mean for the individual investor though? Is it time to make big changes as well, make sure we are not left behind? Probably not.

Being disciplined and sticking with your strategy can be very tough at this time of year, but it is probably one of the most important times to stay on target. Being busy just for the sake of being busy is a great way to make mistakes when it comes to your investments. Stay on plan and focus on the strategy you have, that way you can put your efforts towards making that fresh start to the sudo-new year.

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CM Group Announcement

The CM Group is excited about a fresh start to the fall and a new face to the team. Amber Li joined us last month as our newest Client Associate. Amber has over seven years' experience in the financial services industry. Before joining The CM Group, she worked for CIBC Retail Banking for five years. Amber is passionate about delivering excellent client service and is looking forward to meeting and helping all of our great clients.

Please join us in welcoming Amber, we are very excited to have her on the team!

The Tao of Wealth Management

-Jim Parker

Vice President DFA Australia Limited, a subsidiary of Dimensional Fund Advisors LP

The path to success in many areas of life is paved with continual hard work, intense activity, and a day-to-day focus on results. However, for many investors who adopt this approach to managing their wealth, that can be turned upside down.

The Chinese philosophy of Taoism has a phrase for this: “*wei wu-wei*.” In English, this translates as “do without doing.” It means that in some areas of life, such as investing, greater activity does not necessarily translate into better results.

In Taoism, students are taught to let go of things they cannot control. To use an analogy, when you plant a tree, you choose a sunny spot with good soil and water. Apart from regular pruning, you let the tree grow.

This doesn't mean that we should always do nothing. In fact, insights from financial science suggest you should direct your investment efforts to the things you can control. These include taking account of your own preferences and sensitivities when choosing investment strategies, diversifying your allocation to moderate the ups and downs, being mindful of the impact of fees, and exercising discipline when emotions threaten to blow you off course.

Successful investing requires taking actions that can have a positive impact on the outcome. For instance, to maintain their desired asset allocation, investors should regularly rebalance their portfolio by reallocating money away from strongly performing assets.

But rebalancing is a disciplined, premeditated activity based on each person's circumstances. It contrasts with the “busyness” of reflexively following investment trends and chasing past returns promoted through financial media. Look at the person who fitfully watches business TV or who sits up at night researching stock tips. That sort of activity is likely counter-productive and can add cost without any associated benefit. With investing, constantly tinkering with an allocation does not perfectly correlate with success.

Now, while that makes sense, many people struggle to apply those principles because the media tends to look at investing through a different lens, focusing on today's news, which is already priced in, or on speculating about tomorrow. Guesswork can surely be interesting. But is it relevant to your long-term plan? Probably not.

People caught up in the day-to-day may constantly switch money managers based on past performance, or attempt tactical changes in their allocation, or respond in a knee-jerk way to news events that turn out to be noise.

Again, the assumption underlying these approaches is that if you put more effort into the external factors and adjust your position constantly, you will get better results. Unfortunately, people may end up earning poorer long-term returns from trading too much, chasing past performers, or attempting to time the market. Ultimately, that's just another reminder of the potential benefits available to disciplined investors who stay focused on what they can control.

As the ancient Chinese proverb says: “By letting it go, it all gets done. The world is won by those who let it go. But when you try and try, the world is beyond the winning.”

Past performance is not a guarantee of future results. There is no guarantee investment strategies will be successful. Investing involves risks including possible loss of principal. Investors should talk to their financial advisor prior to making any investment decision. Diversification does not eliminate the risk of market loss.

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Science Says Parents of Successful Kids Have These 11 Things in Common

Some of these factors are out of your control; others aren't.

By Rachel Gillett and Rachel Premack

Most parents want their kids to stay out of trouble, do well in school, and go on to live successful lives as adults.

And while there isn't a set recipe for raising successful children, psychology research has pointed to a handful of factors that predict success.

Unsurprisingly, much of it comes down to the parents. Keep reading to take a look at what parents of successful kids have in common.

They make their kids do chores

"If kids aren't doing the dishes, it means someone else is doing that for them," Julie Lythcott-Haims, former dean of freshmen at Stanford University and author of "How to Raise an Adult" said during a TED Talks Live event.

"By making them do chores — taking out the garbage, doing their own laundry — they realize I have to do the work of life in order to be part of life," she previously told Business Insider.

Lythcott-Haims believes kids raised on chores go on to become employees who collaborate well with their coworkers, are more empathetic because they know firsthand what struggling looks like, and are able to take on tasks independently.

They teach their kids social skills

Researchers from Pennsylvania State University and Duke University tracked more than 700 children from across the US between kindergarten and age 25 and found a significant correlation between their social skills as kindergartners and their success as adults two decades later.

The 20-year study showed that children who could cooperate with their peers, be helpful to others, understand their feelings, and resolve problems on their own were far more likely to earn a college degree and have a full-time job by age 25 than those with limited social skills.

Those with limited social skills also had a higher chance of getting arrested, binge drinking, and applying for public housing.

"This study shows that helping children develop social and emotional skills is one of the most important things we can do to prepare them for a healthy future," said Kristin Schubert, program director at the Robert Wood Johnson Foundation, which funded the research, in a release.

"From an early age, these skills can determine whether a child goes to college or prison, and whether they end up employed or addicted."

They have high expectations

Using data from a national survey of 6,600 children born in 2001, University of California at Los Angeles

professor Neal Halfon and his colleagues discovered that the expectations parents hold for their kids have a huge effect on attainment.

"Parents who saw college in their child's future seemed to manage their child toward that goal irrespective of their income and other assets," Halfon said.

The finding came out in standardized tests: 57% of the kids who did the worst were expected to attend college by their parents, while 96% of the kids who did the best were expected to go to college.

This falls in line with another psych finding: The Pygmalion effect, which states "that what one person expects of another can come to serve as a self-fulfilling prophecy." In the case of kids, they live up to their parents' expectations.

They have healthy relationships with each other

Children in high-conflict families tend to fare worse than children of parents that get along, according to a University of Illinois study review.

A nonconflictual single-parent family is better for children than two-parent families with conflict, according to the review.

But, conflict between parents before and after a divorce can affect children negatively.

Another study in this review found that 20-somethings who experienced divorce of their parents as children still report pain and distress over their parents' divorce ten years later.

They're educated

A 2014 study from the University of Michigan found that mothers who finished high school or college were more likely to raise kids that did the same.

Pulling from a group of over 14,000 children who entered kindergarten from 1998 to 2007, the study found that higher levels of maternal education predicted higher achievement from kindergarten to eighth grade.

A different study from Bowling Green State University suggested that the parents' education levels when a child is 8 years old "significantly predicted" the education and career level for the child four decades later.

They teach their kids math early on

A 2007 meta-analysis of 35,000 preschoolers across the US, Canada, and England found that developing math skills early can turn into a huge advantage.

"The paramount importance of early math skills — of beginning school with a knowledge of numbers, number order, and other rudimentary math concepts — is one of the puzzles coming out of the study," coauthor and Northwestern University researcher Greg Duncan said. "Mastery of early math skills predicts not only future math achievement, it also predicts future reading achievement."

They develop a relationship with their kids

A 2014 study of 243 children born into poverty found that those who received "sensitive caregiving" in their first three years did better in academic tests in childhood than those who did not receive the same parenting style.

Those children also had healthier relationships and greater academic achievement.

"This suggests that investments in early parent-child relationships may result in long-term returns that accumulate across individuals' lives," coauthor and University of Minnesota psychologist Lee Raby said.

They value effort over avoiding failure

Where kids think success comes from also predicts their attainment.

Over decades, Stanford University psychologist Carol Dweck has discovered that children (and adults) think about success in one of two ways. Over at Brain Pickings, Maria Popova says they go a little something like this:

A **"fixed mindset"** assumes that our character, intelligence, and creative ability are static givens that we can't change in any meaningful way, and success is the affirmation of that inherent intelligence, an assessment of how those givens measure up against an equally fixed standard; striving for success and avoiding failure at all costs become a way of maintaining the sense of being smart or skilled.

A **"growth mindset,"** on the other hand, thrives on challenge and sees failure not as evidence of un-intelligence but as a heartening springboard for growth and for stretching our existing abilities.

Dweck's mindset theory has attracted valid critiques over the years, but the core tenant of believing that you can improve at something is important to encourage in children.

The moms work

According to research out of Harvard Business School, there are significant benefits for children growing up with mothers who work outside the home.

"There are very few things, that we know of, that have such a clear effect on gender inequality as being raised by a working mother," Harvard Business School professor Kathleen L. McGinn, who led the study, told Working Knowledge.

Daughters of working mothers went to school longer, were more likely to have a job in a supervisory role, and earned more money – 23% more compared to peers raised by stay-at-home mothers.

The sons of working mothers also tended to pitch in more on household chores and childcare, the study found.

But, working mothers aren't necessarily spending every waking minute outside of work with their children

Women are more likely to feel intense pressure to balance child rearing with workplace ambitions. Ultimately, they spend more time parenting than fathers do.

A 2015 study found the number of hours that moms spend with kids between ages 3 and 11 does little to predict the child's behavior, well-being, or achievement.

In fact, the study suggests that it's actually harmful for the child to spend time with a mother who is sleep-deprived, anxious, or otherwise stressed.

"Mothers' stress, especially when mothers are stressed because of the juggling with work and trying to find

time with kids, that may actually be affecting their kids poorly," study coauthor and Bowling Green State University sociologist Kei Nomaguchi told The Washington Post.

It could be more beneficial to spend one fully-engaged hour with a child than spend the whole evening half-listening to your kid while scrolling through work emails.

They have a higher socioeconomic status

One-fifth of American children grow up in poverty, a situation that severely limits their potential.

It's getting more extreme. According to Stanford University researcher Sean Reardon, the achievement gap between high- and low-income families "is roughly 30% to 40% larger among children born in 2001 than among those born 25 years earlier."

As social scientist Dan Pink wrote, the higher the income for the parents, the higher the SAT scores for the kids.

"Absent comprehensive and expensive interventions, socioeconomic status is what drives much of educational attainment and performance," Pink wrote.

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