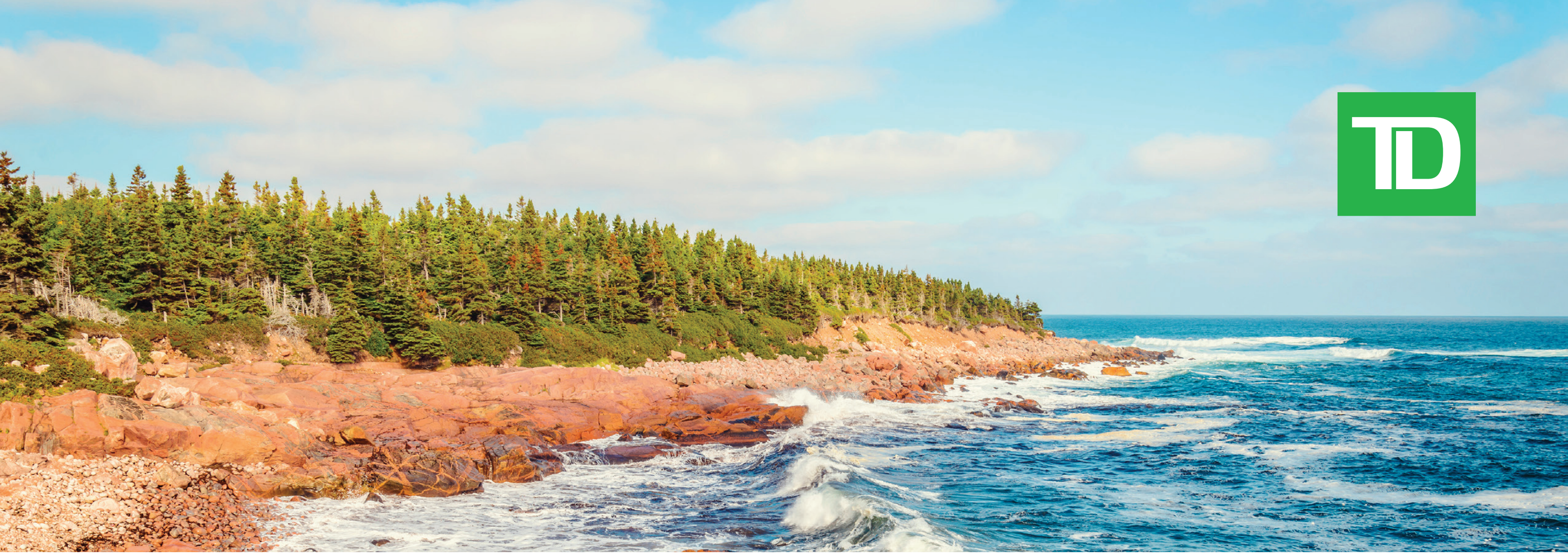


Thoughts From Mike: Summer 2023
Interest Rates, Recession, GIC's & Dividends

Rising interest rates effect everyone whether you have debt or are trying to make the best investment decisions. Until recently the trend since the early 90's has been one of lowering rates and many of us wouldn't recall a time when rates have moved higher this aggressively. The reason is well known although inflation is showing signs of abating in turn the need for further rate increases. One of the concern's now is what effect will today's rates have on the economy. Will it slow it down? Will we have a soft or hard landing? At this point no one knows. I have touched on recessions in previous letter's and why the longer-term investor need not fear them, so I won't beat a dead horse. I have received lots of questions from clients and prospects over the years and I recently received one that I haven't been asked before. It was from clients whom I've been working with for a long time coaching them on the benefits of long-term dividend investing and growing a retirement cash flow. The question was "Is a recession good for my retirement". I took the question as validation and buy in from the clients that our process was successful.

These particular clients are still saving for retirement, but I believe the opportunities are just as good for someone who is already using their dividends for income. Let me explain.

For years interest rates have been so low that bond's, GIC's and saving's accounts paid little to no income. This meant that the equity or dividend portion of a client's portfolio had to do all the heavy lifting to generate a return that met their retirement goals. Currently those same products generate close to 5% helping improve "future" investment returns. We've always held a portion of these assets in client's portfolios to mitigate volatility depending on their objectives. So, should we be allocating more to Bond's & GIC's? For as long as I can remember dividends looked attractive because there was no real alternative, so our industry began coining the phrase "TINA" – there is no alternative. The recent pressure on dividends has been partially due to the new challenger in the room. But is it really for the long-term investor? Below are the current dividend yields on a few of our holdings.

Company	Dividend Yield	5 Year Dividend Growth
Bank of Nova Scotia:	6.6%	29.50%
BCE:	6.8%	25.25%
Trans Canada:	7.5%	35.65%
Manulife:	5.5%	49.05%
Telus:	6.1%	32.75%
Emera:	5.3%	20.60%

Buying a GIC or holding cash in a savings account might look attractive in the short term but what happens when rates go down as predicted by many economists. Buying a share of any of the above companies essentially locks in the yield at your cost plus you receive dividend growth overtime and the opportunity for capital appreciation. The longer-term investor recognizes the potential in the above names. In my opinion, Dividends are on sale, but bargains might not last long.

We traditionally use a 4% return on the base Wealth Plans that we do for clients. With rates and dividend yields higher today, the probability of that 4% being achievable has increased factoring in just the income being generated from dividends and interest.

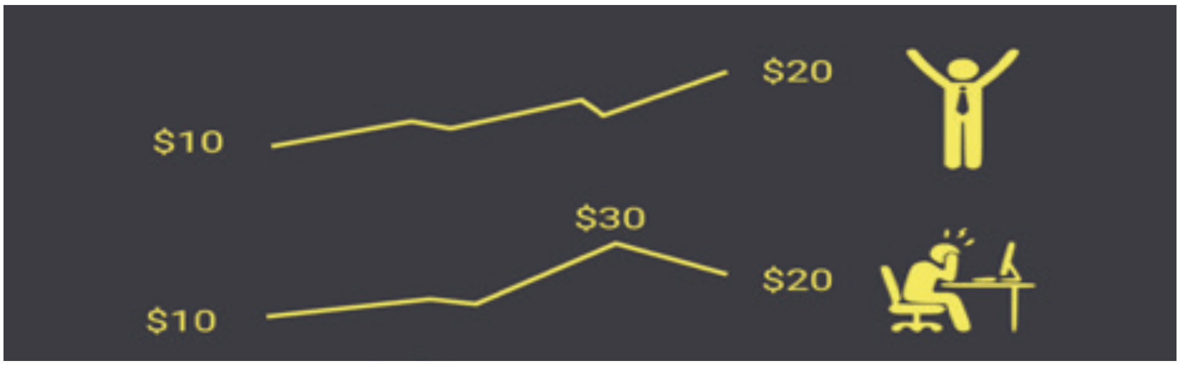
As the markets are forward thinking I suspect the prices of our dividends companies will start to move higher before the first interest rate cut. In the meantime, you collect those juicy dividends while you wait for that to happen.

So, is a recession potentially better for your retirement & wealth plan? I would say the evidence would appear that it is.

A few points to highlight:

- Overall portfolio income is higher than a few years ago with growing dividends and higher rates
- Opportunities are even more attractive in dividend paying companies even after interest rate increases for the longer-term investor
- In my opinion, dividends are on sale

Emotions will always play a role in investing with lots of tricks along the way



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