Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

JULY 2023 EDITION

KPW NEWSLETTER

What do you need for the rest of your life,
and what will it cost?

WHAT IS YOUR NUMBER?

At KPW Financial, we are trained to sort through the Fancy Jargon and translate your NUMBER into COMMON SENSE ADVICE that resonates with everyone.

We realize that your NUMBER is as much about Self-Worth as it is Net-Worth.

We place as much Value on Money as we do on YOUR Pursuit Of Happiness

To identify Your NUMBER Call for details: 905.893.2540 or 647.802.9877

IMAGINE YOUR FUTURE

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 7

“"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right." - **Benjamin Graham**

Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
RISKS OF JOINT OWNERSHIP

Ryan Simone, CFP, CLU, CHS
CASHFLOW MANAGEMENT

EDITORIAL COMMENT

Sergio Simone

I recently read an article written by Carl R. Tannenbaum of Northern Trust where he used a term that resonated with me. “STUCKFLATION”. I thought it was a perfect tongue-in-cheek term that painted an accurate picture of where we are economically right now. The Fed can’t seem to make any significant headway in its policy-tightening attack on inflation.

Although it seems like yesterday, it has been a good eighteen months since Fed Chair Jerome Powell suggested that the huge jump in inflation was only “transitory”. Today the term ‘transitory’ has become more of a joke than a description. “What is transitory inflation? It’s similar to regular inflation but with twenty percent more lies.”

RISKS OF JOINT OWNERSHIP

Kristina De Souza, CFP

There comes a time in everyone’s life where we need to start thinking about the passing on of assets to our children. There was a time when the standard was to add adult children’s names to assets in order to facilitate the ownership transition to them. However, over time this concept has evolved, its flaws have been revealed time and time again, and we have been pushed to find better solutions for the sake of everyone involved. Though there are several classes of assets that comprise an estate plan, for purposes of this article I am going to touch on non-registered assets specifically.

CASHFLOW MANAGEMENT

Ryan Simone,
CFP, CLU, CHS

Though sometimes ignored in financial planning, I believe detailed cash flow management is the backbone of a proper financial plan. Analyzing spending is the best way to quantify one’s current and future lifestyle. Even families with a high net worth could benefit from a spending plan because more money often means more bills, more confusion, and more lost wealth. It’s also one of the best starting points for teaching kids about money. Poor wealth management is why 70% of wealthy families lose their wealth by the second generation and 90% lose it by the third.

Proper cash flow management means you must build a very detailed knowledge of your spending, then decide where to adjust your spending, and then create the spend plan. A detailed understanding of spending and a plan to support it will without a doubt keep your financial bucket full.

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WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 6

GETTING A HEAD START ON HOME OWNERSHIP WITH THE FHSA

Introducing the Tax-Free First Home Savings Account (FHSA)

The FHSA offers Canadian residents at least 18 years of age who are prospective first-time home buyers the ability to contribute up to $40,000 tax-free.* Contributions to an FHSA are tax-deductible like an RRSP, and like a TFSA, income and gains inside an FHSA, as well as withdrawals toward the purchase of a first home, are tax-free.

[THE TAX ADVANTAGES OF THE FHSA]

[TAKE ME TO 2023 CIBC TAX TOOLKIT]

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WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE
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BEWARE: FRAUDULENT MANULIFE PRODUCT IN CIRCULATION

A fraudulent product offer is being circulated, featuring Manulife's logo and branding. It falsely promotes guaranteed high returns on so-called **"fixed interest funds",** ranging from 6.22% for one year to 8.60% for 10 years.

We're advising clients not to share any personal information with anyone other than their trusted advisor and to contact the Canadian Anti-Fraud Centre and local police authorities if they've been offered this product.

No employee or authorized agent of Manulife, Manulife Securities, Manulife Investment Management, the Manufacturers Life Insurance Company or any related entity is in any way associated with these materials or actions.

We are actively monitoring and investigating this situation and taking steps to protect our clients and community.

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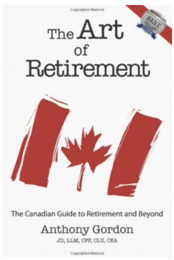
BOOK OF THE MONTH

THE ART OF RETIREMENT

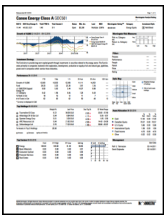
- by Anthony Gordon



Canadians face a variety of growing concerns. Inflation, rising government debt, global politics, significant changes to government programs, and an increasing need for medical care are all factors raising worry—about retirement. The Art of Retirement answers vital questions: Do I have enough for retirement? What happens if I live longer than planned? When should I take CPP, OAS or GIS, and how can I minimize my taxes? Most Canadians ask these questions when facing retirement, and each one is addressed in this book in language that you won't need an advisor to decipher for you. Improving your financial future is only a few pages away.

FUND OF THE MONTH

DYNAMIC US BALANCED CLASS SERIES T



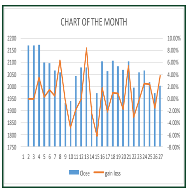
A concentrated, core U.S. fund that provides diversification across major asset classes.

Balances best-in-class U.S. businesses and high quality fixed income securities.

Seeks higher-than-average returns with lower-than-average risk in one of the largest markets in the world.

CHART OF THE MONTH

SIGNS OF A U.S. RECESSION HAVE INCREASED



The US is facing the familiar precursors of a recession, including rising interest rates following high inflation.

The Fed's decisions will be critical. Many economists are warning of a recession, while Wall Street bulls are saying those fears are overblown.

The following chart indicates signs of a US recession have increased.

boomer&echo FINANCIAL FREEDOM AT ANY AGE

BLOG OF THE MONTH

WHAT IS PROBATE, HOW TO AVOID PROBATE FEES, AND SHOULD YOU EVEN TRY?

Some Canadians will go to great lengths to avoid probate fees and to reduce taxes applied to their estate. Indeed, estate planning strategies such as adding an adult child to the title of primary residence or a cottage, or as a joint owner of a non-registered account, can unknowingly expose you or your child to potential costs and unnecessary risks.

Before you tie yourself in knots trying to avoid probate fees, let's answer some important questions about what exactly probate is, which assets are subject to probate, and what you can do, if anything, to reduce or avoid them.

We'll also look at what people get wrong about probate, along with the potential pitfalls that can be caused trying to avoid probate – at the expense of good tax, financial, and estate planning.

VOL. 12, ISSUE 7

PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

PRIVATE ASSETS AND THE HIGH NET WORTH ATTRACTION

In this episode, BMO Global Asset Management's Jeffrey Shell and Lillian Ferndriger join us to discuss newly accessible opportunities in private market assets. Jeffrey is Head of Alternatives, Commercial ESG and Innovation from BMO Global Asset Management. And Lillian is Director of Alternatives Distribution at BMO Global Asset Management.

We delve into the realm of private market investing, now a more widely accessible and vital instrument for portfolio diversification that promises attractive risk adjusted returns.

ESTATE PLANNING CHECKLIST FOR CANADIANS

Estate planning is a road map for how your assets – both money and property – will be distributed after you die. It also defines how other important personal matters will be handled according to your instructions. This can include who will take care of any minor children or pets.

Because most people don't like to contemplate their own mortality, estate planning is often a neglected aspect of financial planning. But as the population ages, it's a topic that deserves more attention. Especially since nearly one in four Canadians will be a senior by 2030.

HIGH NET WORTH RETIREMENT PLANNING

Planning for retirement is more than a financial decision

It's based on what you want out of life and how you want to spend your time. One thing that eases this significant transition is having a plan in place well before you expect to retire.

For many Canadians, retirement is a time to look forward to – a time to enjoy the benefits of your life's work and spend time doing what you love. For some, it is also a period of uncertainty – one of life's most significant transition points.

5 INVESTMENT STRATEGIES FOR HIGH-NET-WORTH-INDIVIDUALS

High net worth individuals (HNWIs) are people with liquid assets in the range of $1 million and $5 million. What sets individuals with a high net worth apart from others is not just how much wealth they have, but also how they approach wealth creation and protection.

With sizable wealth comes the more complex financial planning, and the risk of quicker wealth erosion through expenses and taxes. Small mistakes in managing finances may have a significant impact on the wealth of HNWIs, which makes it imperative for them to strategize well and not be passive about maintaining it.

VOL. 12, ISSUE 7

CORPORATE CULTURE

Manulife

CORPORATE IN-KIND DONATING

As more and more corporations invest their retained earnings directly in various investment vehicles, such as mutual funds and publicly traded securities, the value of their portfolio continues to grow. And as business owners build their corporation's portfolio, they may also want to give back while taking advantage of the tax benefits of donating investment funds to charity.[1] However, what many business owners may not know is that where corporate investments have increased in value, a corporate donation in kind results in a more favourable tax consequence than selling the investment and donating the cash. Let's take a look at why this is the case and how the numbers stack up.

CEOWORLD Magazine

DATA SECURITY—THE NEW IMPERATIVE OF TECHNOLOGY ADVANCEMENT

Data breaches and malware attacks have become common parlance in this digital age. Businesses are beginning to feel the heat, especially the outsourcing ones. India being the hub of the outsourcing industry amidst a global outsourcing industry which is valued at $232 billion, needs to fortify itself with appropriate data security systems in the wake of cyber-attacks.

upcounsel

CORPORATE MINUTE BOOK: EVERYTHING YOU NEED TO KNOW

A corporate minute book is where important records concerning a corporation are stored. This should be done with the assistance of a corporate lawyer who can assist in getting the corporation formed and organized as well as creating the minute book. 3 min read

A corporate minute book is where important records concerning a corporation are stored. This should be done with the assistance of a corporate lawyer who can assist in getting the corporation formed and organized as well as creating the minute book.

Vanguard

CORPORATE PENSION TRENDS 2023

Negative returns across global equity and long duration fixed income caused asset values to fall in 2022. However, significant increases in corporate bond interest rates decreased liability values. This decrease was enough to offset asset losses and increase funding status by about 1%. Pension plan sponsors used this opportunity to continue their derisking strategies through increased allocations to fixed income and further risk transfer activity

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FUND MANAGER COMMENTARY

Roy Leckie, Portfolio Manager

Walter Scott & Partners

COMMENTARY– MONTH ENDING JUNE 2023

Equity markets resumed their upward path this month despite the somewhat mixed picture of global economic health and ongoing geopolitical tensions. Back in May, US GDP data for the first quarter showed the economy growing at a tepid annualised rate of 1.3%, but June saw this figure revised to 2%. Aside from highlighting the foibles of economic data gathering, let alone the fickleness of economic forecasting, the more-positive data reflected the ongoing resilience of the American consumer and better-than-expected export growth. Inflation has continued to abate and is now running at 4% on an annualised basis, and this represents a marked decline from the 9% peak of one year ago. This perhaps accounts for the Federal Reserve's reticence in hiking interest rates further this month, although it has signalled the likelihood of two further increases later in the year, given that inflation still sits above target.

Kevin McCreadie, President and Chief Investment Officer

AGF Management Ltd.

WHY INVESTORS SHOULD BE BEARISH ABOUT THE NEW BULL MARKET

While it's true that a new bull market in stocks has technically begun – based on the rise in some U.S. indexes since last fall – it doesn't mean the entire universe of equities is firing on all cylinders. To the contrary, the current rally has been one of the narrowest in recent memory, with just a handful of stocks making up most of the gains.

Noah Blackstein, Portfolio Manager

Dynamic Funds

NOAH BLACKSTEIN ON CNBC SQUAWK BOX

July 10, 2023

Noah Blackstein on CNBC Squawk Box discusses the latest equity market trends, earnings season, the impact of A.I. on growth, and more.

Steven Shepherd, Director, Portfolio Manager

BMO Global Asset Management

"GAME ON!"

If you grew up in Canada, or are a fan of Mike Myers, you probably are familiar with the exclamation. It is the ubiquitous signal that impending danger has passed, and that prior activities can continue once more, until interrupted by the next approaching threat.

In June, not only did the proverbial car pass global markets without incident, but equities also behaved as if the entire neighbourhood had been closed off for the annual tournament. With a pause from the U.S. Federal Reserve Board (the "Fed") and continued momentum among technology stocks, equities continued to price recession concerns further into the future.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

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LINKS

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CANADIAN SECURITIES REGULATORS OUTLINE EXPECTATIONS FOR INVESTMENT FUNDS HOLDING CRYPTO	A COOLING LABOUR MARKET WILL BRING INFLATION RELIEF	SHOULD INVESTORS STAY AND FIGHT FOR GREEN CHANGE—OR DIVEST?
FIXED-INCOME MID-YEAR OUTLOOK: SURF-ING LESSONS	CPI INFLATION RATE SLIDES TO 3%, EASING FED FEARS; S&P 500 FUTURES RALLY	CANADIANS REPORT-ING INSOLVENCY HITS RECORD HIGH
WHY CLIENTS WITH LARGE RRSPs AND RRIFs MIGHT BENEFIT FROM EARLIER WITH-DRAWAL GOING TO BE	CENTRAL BANKS: LEARNING TO SKIP	WHAT IS NASDAQ's SPECIAL REBALANCING AND ITS IMPACT?

RICHARDSON Wealth

MID-YEAR CHECK: EVERYTHING 'K?

At the moment, it appears both the economy and markets are K shaped. Take the economy; some aspects are going really well. Spending on services remains robust, thanks to pent-up demand and still resilient labour markets. Meanwhile, manufacturing and other cyclical components continue to show weakness.

FP Canada® Advancing Professional Financial Planning

FINANCIAL STRESS INDEX—2023

Canadian research company FP Canada's 2023 Financial Stress Index conducted an online survey of 2,004 Canadians between March 29 and Apr. 7, using Leger's online panel. The sample included a diverse range of ethnicities and cultural backgrounds to ensure the results were reflective of all Canadians.

According to the findings, money is the top source of stress for 40 per cent of Canadians. Nearly half (48 per cent) of Canadians have lost sleep over money. As a result, one-in-three (36 per cent) Canadians are experiencing mental health challenges, such as anxiety or depression.

VIDEO AND PODCAST LINKS

THE UPSIDE—IN-DEPTH ANALYSIS: THE 2023 FIDELITY RETIRE-MENT REPORT	CAN YOU AFFORD TO RETIRE IN CANADA	IF YOU'RE GOING TO PLAY THE AI THEME LOOK TO THE SECOND PART OF THE BOOM

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR	FIDELITY myPLAN SNAPSHOT	RRSP SAVINGS CALCULATOR
Find out how much your savings will grow over time by making regular investments	The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.	Estimate how much your registered retirement savings plan will be worth at retirement

EDITORIAL COMMENT - CONTINUED

Fed Chair Jerome Powell has faced so much criticism for his erroneous inflation prediction that in November 2021 he stated that **"it's time to retire the word,"** referring to the term transitory.

The good news is that inflation has improved to varying degrees around the globe, however, the recent inflation readings are still much higher than was hoped for. The recent core Consumer Price Index, excluding food and energy, came in at 5.3%. This was 1.3% lower than its peak in September 2022 but still uncomfortably high.

I suggest that most investors have not owned any significantly sized investment portfolio during times of excessive inflation so the current cycle is teaching them a thing or two about the perils of inflation. For example, once inflation takes hold, it is like a cancer and spreads uncontrollably and becomes very difficult to curtail. This current bout of inflation has perplexed many policymakers who have been consistently disappointed by persistent inflation numbers that continue to read higher than expected.

The current outlook is that inflation will remain for much longer than expected and although a recession is still on the table, the timing has most analysts baffled. I often hear the phrase *"**this time it's different**"*, bantered around when discussing the inflation issue with my peers. My typical reaction to hearing this phrase is to shake my head and point out that *"there is no different, it all plays out the same in the end."*

The reason I may agree with my peers, at least for the short term, is that I have never experienced a **COVID** like event in my entire career, nor the absurd government reaction with exorbitant fiscal support freely given to the populace. This pandemic related **"free money"** allowed consumers to accumulate excess savings. In the U.S. this amounted to $2.1 trillion through August 2021.

Unsurprisingly, as the Fed is trying to tighten in an effort to battle inflation, consumers are dipping into this excess savings to continue fueling the inflation fire. As at March 2023, US household spending had reached $1.6 trillion. How is the Fed supposed to slow down economic growth when people continue to spend like they won a lottery. Oh, because they did. Their COVID lottery winnings was free money which they continue to spend, and will likely continue to do until it is exhausted. Soon enough these funds will run out and an inevitable reversion to the mean will occur.

Benjamin Graham is widely known as the **"father of value investing"**. I might not be surprised if you have not heard of Ben Graham, but I would be surprised if you did not know his most famous student, Warren Buffett!

Graham famously quoted about the economy, saying: *"The more it changes, the more it's the same thing. With every new wave of optimism or pessimism, we are ready to abandon history and time-tested principles, but we cling tenaciously and unquestioningly to our prejudices."*

Another Ben Graham quote: *"The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate."*

I couldn't agree more. The basic fundamentals of successful investing have not changed but the application of those principals may need to be adapted a little to recognize some significant changes that have occurred in the financial mechanisms and investment climate.

This tailwind should ebb as the lagging effects of monetary tightening filter through the system and the COVID savings buffer is drained. Of course, this will not happen overnight and thus, will extend the higher inflation numbers for longer than anticipated and likely prevent the Central Banks from beginning to cut rates in support of an ailing economy. In the end, the impending recession only becomes delayed as opposed to averted. In the end, looking back, we will see a slight abrasion in a typical long-term cycle.

In the short-term the aggressive central bank tightening spread around developed economies has failed to achieve its desired result but has shown how resilient the economy truly is.

When the bank tightening began with vigor and aggression, the consensus was that inflation would be beaten back swiftly. We expected and welcomed a mild recession that would beat back that pesky inflation. In hindsight, this did not play out as planned. Inflation is still too sticky and sitting uncomfortably at higher-than-expected levels.

It is during these times that "hope" becomes more a strategy than a desire.

Over the last couple of years wage gains have made some great strides and yet have not been able to keep up with inflation in this cycle causing many households to fall behind on a real basis. I "hope" that slower consumer demand will help get inflation under control.

To Page 1 Disclaimer Continue Reading

EDITORIAL COMMENT - CONTINUED

One of the most difficult aspects of economic forecasting is trying to separate what we expect to happen from what we want to happen. Basically, every forecaster has the same information available so you would think that their conclusions should be similar. Unsurprisingly, this is not the case. People bring different motivations to the table. Sometimes the forecaster is aligned with a certain political party or viewpoint and wants economic conditions to favor their side and disadvantage the other side. If you're a central banker who needs to see inflation controlled, higher unemployment might appear to be beneficial but if you are a consumer who carries a lot of debt, inflation becomes the enemy.

As I mentioned, we all have the same information available to us, so the question now becomes what are we going to do with that data. Most of us have different desired outcomes and will lean towards reports that support our desired outcomes. This is where hope takes over, but even hope takes a backseat to political agendas which can lead to very destructive forecasts which become less objective and more extreme.

We have all read economic reports and have based much of our thinking, planning, and execution on those reports. What we tend to ignore is that many of these economists have been selected by politicians because their beliefs align with each other. This seems to have escalated over the last economic cycle and the pandemic fueled and accelerated the bad forecasting and governance.

I have recently read a number of reports that paint the picture of our current economic conditions as "extreme". Let me point out that the term "extreme" refers to a rare event so the most likely economic outlook is that "this will pass" and we will continue on the road of long-term rising markets. Noted economist Adam Smith referred to **"invisible hands"** that kept moving humanity in the direction of economic growth. Of course, there are the occasional hiccups along the way that we refer to as recessions, but markets inevitably trend upwards. They always have and they always will!

BANK OF CANADA RATE HIKE - CONTINUED

Goodwood Inc.

Bank of Canada Statement Summary and Commentary

June 7, 2023
Page 1 of 2

Bank of Canada Statement Summary and Commentary: The Bank of Canada today increased its target for the overnight rate to 4¾%. The Bank of Canada stated that "based on the accumulation of evidence, Governing Council decided to increase the policy interest rate, reflecting our view that monetary policy was not sufficiently restrictive to bring supply and demand back into balance and return inflation sustainably to the 2% target."

The Bank of Canada further commented that Canada's economy "was stronger than expected in the first quarter of 2023, with GDP growth of 3.1%. Consumption growth was surprisingly strong and broad-based, even after accounting for the boost from population gains. Demand for services continued to rebound. In addition, spending on interest-sensitive goods increased and, more recently, housing market activity has picked up. The labour market remains tight: higher immigration and participation rates are expanding the supply of workers but new workers have been quickly hired, reflecting continued strong demand for labour. CPI inflation ticked up in April to 4.4%, the first increase in 10 months, with prices for a broad range of goods and services coming in higher than expected. Goods price inflation increased, despite lower energy costs. Services price inflation remained elevated, reflecting strong demand and a tight labour market. The Bank of Canada continues to expect CPI inflation to ease to around 3% in the summer, as lower energy prices feed through and last year's large price gains fall out of the yearly data. However, with three-month measures of core inflation running in the 3½-4% range for several months and excess demand persisting, concerns have increased that CPI inflation could get stuck materially above the 2% target."

In terms of market reaction the Canadian dollar has risen on the news, bond yields have risen by 18bps in the short end and 7 bps in the long end and equities are unchanged.

Goodwood Portfolio Reaction: In a surprise move, the Bank of Canada raised its target for the overnight rate by 25 bps. Most forecasters had expected a continuation of the "pause" that had been put in place in the March and April meetings. Commentators had anticipated that there would be a continuation of the pause, with perhaps some signaling that rates may rise at the July meeting. In addition, what has also surprised the market is that the Bank of Canada appears to be reacting to one month of inflation data, one quarter of GDP data and a couple of months of GTA house price increases. In Goodwood's view, the Bank of Canada has created a great deal of uncertainty regarding future interest rate policy especially with the statement that "concerns have increased that CPI inflation could get stuck materially above the 2% target". Does this imply that the "pause" was ill advised and that the Bank of Canada's forecasting ability is questionable? Goodwood's fixed income portfolios are positioned primarily in the shorter end of the yield curve, where market yields are higher due to the inverted yield curve.

Goodwood Fixed-Income Strategies: The investment-grade portfolios seek to preserve capital and provide a high level of cash coupon income. Goodwood uses a disciplined, bottom-up, and fundamental approach by analyzing Canadian investment-grade corporate bonds that Goodwood expects will receive credit rating upgrades generating capital gains. The strategies are well diversified by the position size, the industry sectors and term-to-maturity. Goodwood's flexible, tactical approach can capitalize on inefficiencies that may occur in the fixed-income markets. The long-only investment-grade mandate invests in 20-30 fixed-income securities. Similar Long-Short mandate: Goodwood Milford Fund. Goodwood also acts as sub-advisor, managing investment grade bond portfolios for third-party clients, institutions, pensions and endowments and recently added an ESG conscious strategy to our long-only investment grade mandate.

Historical Interest Rate Trend and Forecast:

Quarter	BOC	3M	2Y	5Y	10Y	30Y	FED	3M	2Y	5Y	10Y	30Y
Q1'22	0.50	0.73	2.29	2.41	2.40	2.38	0.50	0.50	2.34	2.46	2.34	2.45
Q2'22	1.50	2.09	3.09	3.10	3.22	3.13	1.50	1.67	2.96	3.04	3.02	3.18
Q3'22	3.25	3.78	3.79	3.33	3.17	3.09	3.25	3.27	4.28	4.09	3.83	3.78
Q4'22	4.25	4.24	4.05	3.41	3.30	3.28	4.75	4.00	4.43	4.00	3.88	3.97
Q1'23	4.50	4.38	3.73	3.02	2.90	3.00	5.00	4.64	4.03	3.58	3.47	3.65
Q2'23	4.75	4.75	4.50	3.50	3.30	3.20	5.25	5.75	4.50	3.85	3.70	3.90
Q3'23	4.75	4.95	4.50	3.50	3.30	3.20	5.25	5.75	4.50	3.85	3.70	3.90
Q4'23	4.75	4.95	4.50	3.75	3.40	3.20	5.00	5.50	4.50	3.85	3.70	3.90

Actual Forecast Sources: Historical: Bloomberg; Forecast: Goodwood Inc.

Corporate Spread (i.e., premium over government bonds) Trend and Forecast: Corporate bond spreads have widened by 15 to 20 basis points over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on April 12, 2023.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	2.7	5.4
Goodwood ESG-Conscious Investment-Grade Bonds	3.4	5.1
Goodwood Milford Fund	7.4	9.4
iShares Core Canadian Universe Bond ETF	7.3	4.3
iShares Canadian Corporate Bond ETF	5.8	5.3

Available through Goodwood Inc. Sources: Goodwood Inc., iShares by Blackrock *As at May 31, 2023.
See full disclosure on page 2.

Recent Investment-Grade Additions to Portfolios:
Électricité de France S.A. 5.993% 05/23/2030
George Weston 4.115% 06/17/2024
CARDS II Trust 4.331% 05/15/2025
BMW Canada Inc 4.76% 02/10/2025

Recent Investment-Grade Deletions from Portfolios:
NorthWest Healthcare Properties REIT CV 7.75% 04/30/2028 [sold]

Contact: Curt Cumming, President
cscumming@goodwoodfunds.com

For more information: 416-203-2022 / www.goodwoodfunds.com

ROY LECKIE - CONTINUED

If markets were heartened by the resilience of the US, economic data in Europe gave them less to shout about. With energy prices ebbing, thanks in part to the not inconsiderable fiscal support programmes, consumption had been holding better than expected in Europe, but recent data revisions have highlighted the corrosive effect of inflation, with euro-zone GDP tipping slightly into negative territory in the first quarter of 2023, at least on a quarter-on-quarter basis. The S&P Euro-zone Composite Purchasing Managers Index slipped below the 50 level in June, pointing to the sluggishness of economies. As with the US, inflation has been falling, although with it estimated to be at 5.5% annualised in June, it is still too high and the European Central Bank duly increased rates this month to 3.5%, a level not seen since 2001. At least it is not faced with the daunting prospect of rising inflation, as is the case of the UK.

Hong Kong and Chinese equities showed a whiff of recovery this month, as China ramped up its stimulus rhetoric. The international media has focused on the muted pace of the post-lockdown recovery in China, with private consumption and industrial production not rebounding as vigorously as expected. The woes of the property market, a major component of the economy, continue to dampen activity and the government is reluctant to revert to its old policy playbook of reinvigorating the sector to propel growth.

Japan has continued to find investor favour. Economic data has been supportive, despite a fall in exports, with GDP growing a revised 2.7% on an annualised basis in the first quarter of this year thanks to a post-Covid recovery in consumer and corporate spending. The external environment remains uncertain given slower global growth, but the generally more upbeat economic prognosis and the view that the market is optically cheap has provided a positive backdrop for Japanese equities. There are signs that the multi-decade deflationary environment is losing its economy-stifling grip on the country. Some of this inflationary pressure is imported, but wages are also rising. For now, the Bank of Japan is sticking to its loose monetary policy, and corporate Japan has not been too vexed by the ongoing yen weakness which has helped competitiveness and profitability in yen terms. However, it is possible that at least some modification of the band at which interest rates sit (yield curve control) will be necessary if current economic trends continue.

Not that discerning market moods and direction forms any component of our investment approach, but investor sentiment arguably reflects a nascent ‘goldilocks’ scenario, founded on hopes of peaking interest rates, and economic growth proving more resilient than expected. The latter has certainly been the case, considering the dire forecasts for global economies of early last year. However, inflation has not been entirely conquered and its lag effect on consumer behaviour may yet to be fully felt, while there is a danger that central banks go too far in their attempts to rein in inflation. Geopolitics remain fractious, although we are still of the view that the re-opening of China is a positive for many leading global companies. With Russia seemingly neutralised as a potential disruptor in the energy market, the war in Ukraine appears off the market radar, but it could still be a source of volatility should the balance of the conflict change.

But investors have also been encouraged by the way in which quality companies have shown resilience and indeed growth in the face of a mixed macroeconomic climate, as these businesses benefit from market leadership, financial strength, good management and their adaptability in challenging times. These are attributes that are evident in the portfolio’s companies and give us confidence in their ability to deliver strong returns over time.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

CHART OF THE MONTH - CONTINUED

Signs of a U.S. recession have increased

Legend	
✓	Low risk
!	Medium risk
✗	High risk

Leading		Coincident		Lagging	
Yield curve	High risk	Consumer confidence	High risk	Unemployment rate	Low risk
Senior loan officer survey C and I	High risk	Housing starts	Medium risk	Job openings (JOLTS)	Low risk
ISM new orders minus inventories	High risk	ISM manufacturing PMI	Medium risk	Inflation	High risk
30-year mortgage rate	High risk	Credit growth	Medium risk		
New home sales	Medium risk	Industrial production	Medium risk		
Investment-grade corporate spreads	Medium risk				
Financial conditions	High risk				
Initial jobless claims	Medium risk				

Source: Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

Manulife Investment Management

Global economic activity slowing materially around the world

Economic activity peaked in the summer of 2021 and is now slowing around the world as a result of geopolitical risk, persistent inflation and overall fall in demand.

	Jun/21	Jul/21	Aug/21	Sep/21	Oct/21	Nov/21	Dec/21	Jan/22	Feb/22	Mar/22	Apr/22	May/22	Jun/22	Jul/22	Aug/22	Sep/22	Oct/22	Nov/22	Dec/22	Jan/23	Feb/23	Mar/23	Apr/23	May/23	Jun/23
JPMorgan Global PMI	55.5	55.4	54.1	54.1	54.2	54.2	54.3	53.2	53.7	52.9	52.3	52.3	52.2	51.1	50.3	49.8	49.4	48.8	48.7	49.1	49.9	49.6	49.6	49.6	48.8
United States	62.1	63.4	61.1	60.7	58.4	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7	52.2	51.5	52.0	50.4	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3
Canada	56.5	56.2	57.2	57.0	57.7	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6	52.5	48.7	49.8	48.8	49.6	49.2	51.0	52.4	48.6	50.2	49.0	48.8
Mexico	48.8	49.6	47.1	48.6	49.3	49.4	49.4	46.1	48.0	49.2	49.3	50.6	52.2	48.5	48.5	50.3	50.3	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9
U.K.	63.9	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8	52.1	47.3	48.4	46.2	46.5	45.3	47.0	49.3	47.9	47.8	47.1	46.5
Eurozone	63.4	62.8	61.4	58.6	58.3	58.4	58.0	58.7	58.2	56.5	55.5	54.6	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4
Germany	65.1	65.9	62.6	58.4	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0	49.3	49.1	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6
Holland	68.8	67.4	65.8	62.0	62.5	60.7	58.7	60.1	60.6	58.4	59.9	57.8	55.9	54.5	52.6	49.0	47.9	46.0	48.6	49.6	48.7	46.4	44.9	44.2	43.8
France	59.0	58.0	57.5	55.0	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4	49.5	50.6	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46.0
Italy	62.2	60.3	60.9	59.7	61.1	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9	48.5	48.0	48.3	46.5	48.4	48.5	50.4	52.0	51.1	46.8	45.9	43.8
Spain	60.4	59.0	59.5	58.1	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6	48.7	49.9	49.0	44.7	45.7	46.4	48.4	50.7	51.3	49.0	48.4	48.0
Ireland	64.0	63.3	62.8	60.3	62.1	59.9	58.3	59.4	57.8	59.4	59.1	56.4	53.1	51.8	51.1	51.5	51.4	48.7	48.7	50.1	51.3	49.7	48.6	47.5	47.3
Czech Republic	62.7	62.0	61.0	58.0	55.1	57.1	59.1	59.0	56.5	54.7	54.4	52.3	49.0	46.8	46.8	44.7	41.7	41.6	42.6	44.6	44.3	44.3	42.8	42.8	40.8
Poland	59.4	57.6	56.0	53.4	53.8	54.4	56.1	54.5	54.7	52.7	52.4	48.5	44.4	42.1	40.9	43.0	42.0	43.4	45.6	47.5	48.5	48.3	46.6	47.0	45.1
Greece	58.6	57.4	59.3	58.4	58.9	58.8	59.0	57.9	57.8	54.6	54.8	53.8	51.1	49.1	48.8	49.7	48.1	48.4	47.2	49.2	51.7	52.8	52.4	51.5	51.8
Australia	58.6	56.9	52.0	56.8	58.2	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2	55.7	53.8	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2
Japan	52.4	53.0	52.7	51.5	53.2	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8
China (Caixin)	51.3	50.3	49.2	50.0	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7	50.4	49.5	48.1	49.2	49.4	49.0	49.2	51.6	50.0	49.5	50.9	50.5
South Korea	53.9	53.0	51.2	52.4	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3	49.8	47.6	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8
Taiwan	57.6	59.7	58.5	54.7	55.2	54.9	55.5	55.1	54.3	54.1	51.7	50.0	49.8	44.6	42.7	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8
Vietnam	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2
Indonesia	53.5	40.1	43.7	52.2	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5
Malaysia	39.9	40.1	43.4	48.1	52.2	52.3	52.8	50.5	50.9	49.6	51.6	50.1	50.4	50.6	50.3	49.1	48.7	47.9	47.8	46.5	48.4	48.8	48.8	47.8	47.7
Singapore	50.1	56.7	52.1	53.8	52.3	52.0	55.1	54.4	52.5	52.9	56.7	59.4	57.5	58.0	56.0	57.5	57.7	56.2	49.1	51.2	49.6	52.6	55.3	54.5	54.1
India	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8
Brazil	56.4	56.7	53.6	54.4	51.7	49.8	49.8	47.8	49.6	52.3	51.8	54.2	54.1	54.0	51.9	51.1	50.8	44.3	44.2	47.5	49.2	47.0	44.3	47.1	46.6
Turkey	51.3	54.0	54.1	52.5	51.2	52.0	52.1	50.5	50.4	49.4	49.2	49.2	48.1	46.9	47.4	46.9	46.4	45.7	48.1	50.1	50.1	50.9	51.5	51.5	51.5
South Africa	51.0	46.1	49.9	50.7	48.6	51.7	48.4	50.9	50.9	51.4	50.3	50.7	52.5	52.7	51.7	49.2	49.5	50.6	50.2	48.7	50.5	49.7	49.6	47.9	48.7
Saudi Arabia	56.4	55.8	54.1	58.6	57.7	56.9	53.9	53.2	56.2	56.8	55.7	55.7	57.0	56.3	57.7	56.6	57.2	58.5	56.9	58.2	59.8	58.7	59.6	58.5	59.6
Russia	49.2	47.5	46.5	49.8	51.6	51.7	51.6	51.8	48.6	44.1	48.2	50.8	50.9	50.3	51.7	52.0	50.7	53.2	53.0	52.6	53.6	53.2	52.6	53.5	52.6

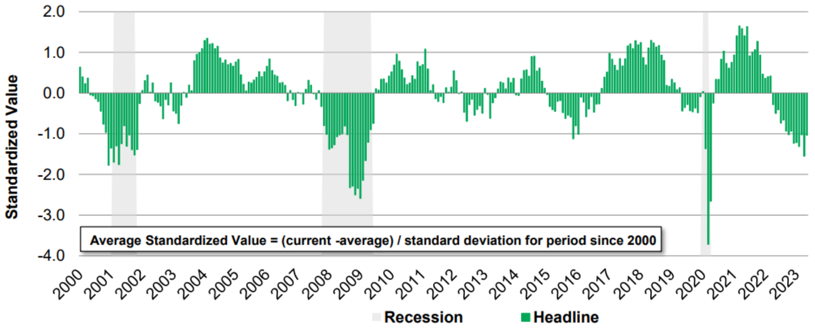
High
Neutral
Low

Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

Manulife Investment Management

U.S. Manufacturing is now pointing to a likely recession

U.S. manufacturing activity avg. standardized values: ISM (National, Chicago, Cincinnati) Fed manufacturing (Empire, Philadelphia, Richmond, Dallas) indices



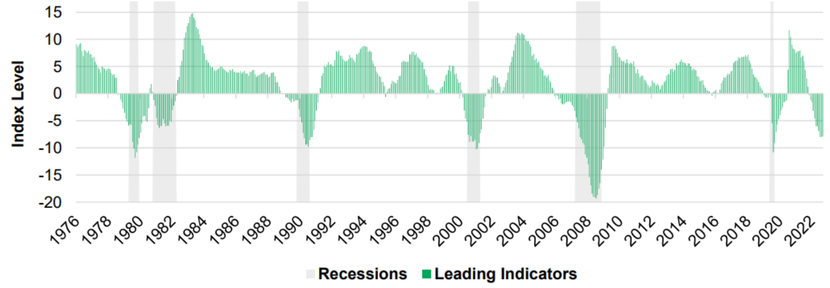
Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

Manulife Investment Management

Leading economic indicators are showing signs that the odds of a recession have increased materially

Historically, each time the LEI reached the current level, the economy was already in a recession.

Conference Board's Composite Index of Leading Economic Indicators



Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of May 30, 2023

Manulife Investment Management

To Page 1

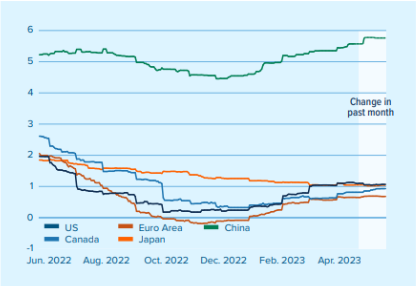
Disclaimer

Jules Boudreau - CONTINUED

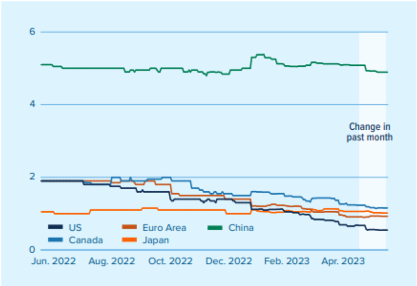
Rates are lower in Canada, which could suggest looser monetary policy. But the neutral rate is also lower in Canada, which means that monetary policy is effectively just as tight in Canada as in the US. Plus, the Bank of Canada will probably resume rate hikes in June or July, putting additional pressure on growth.

Germany formally entered a recession with the release of 2023Q1 GDP data on May 25. The energy crisis cause by Russia’s invasion of Ukraine cramped consumer spending at the end of 2022 and into the first months of 2023. But energy prices have since eased significantly and German manufacturing has rebounded impressively. Data on household spending — never a strong point for Germany — is still mixed, but the German economy will probably return to positive growth in the second quarter of 2023.

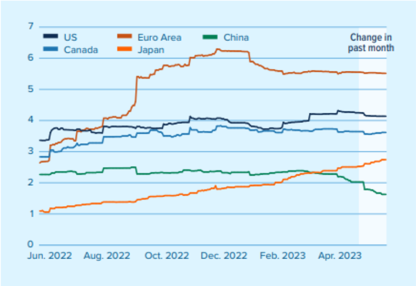
2023 REAL GDP GROWTH FORECAST (%, CONSENSUS)



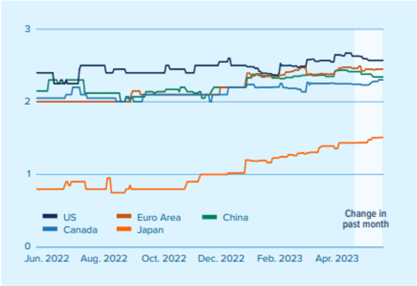
2024 REAL GDP GROWTH FORECAST (%, CONSENSUS)



2023 INFLATION FORECAST (%, CONSENSUS)



2024 INFLATION FORECAST (%, CONSENSUS)



Source: Consensus Economics as of May 31, 2023.

Risks Of Joint Ownership—Continued

The solution that I will discuss is the use of segregated funds, and although they've been around since well before my time and have evolved, they are more recently picking up steam in the industry especially as it relates to estate planning.

As I mentioned, I often hear loved ones and client's alike voice their plans to transition assets to their adult children by setting up the accounts as Joint with Rights of Survivorship. While this may achieve transferring ownership on death and avoiding probate, there certainly are several factors (and risks) to be aware of. Some of these will be discussed here to highlight the benefits and flexibility that an Individual Seg Fund contract offers in these situations. As a reminder, for purposes of this article I will compare the benefits of a JTWROS (Joint With Rights of Survivorship) non-registered Investment Account to an Individual Seg Fund Contract.

The first factor to consider relates to residency requirements. With JTWROS all holders must be a Canadian Resident at time of signing (generally non-residents are not permitted to establish an account). With an Individual Seg Fund Contract on the other hand, the Contract Owner/Annuitant must be a Canadian Resident at the time the application is completed, with no residency requirement for the Beneficiaries. Ultimately, this provides for much more flexibility when dealing with non-resident adult children who cannot be added to an account as JTWROS or cannot easily be reached based on their residency.

Another factor is control of assets. JTWROS effectively causes loss of control of assets for the main account holder (i.e. a widowed parent) as any account holder can make decisions, transact and withdraw funds. This, for obvious and increasingly apparent reasons, can present significant potential risks and problems. Conversely, with an Individual Seg Fund Contract, the Contract Owner maintains full control of assets and names beneficiaries, while a Power Of Attorney could transact on behalf of the Contract Owner in the event of mental incapacity. Ultimately, this limits the adult children having access to funds or being able to withdraw or provide any investment instructions without a Power of Attorney.

Next, we discuss splitting assets. With JTWROS, assets can only be split evenly amongst all account holders. There is no ability to separate the assets in unequal portions or name contingent account holders in the event of death of one of the account holders. When an account holder dies, the deceased account holder is removed and effectively relinquishes their interest in the account to the remaining account holders. Alternatively, with an Individual Seg Fund Contract, assets can be split in any way amongst beneficiaries as determined by the Contract Owner, and this asset split is completely private. Seg Fund Contracts also provide for the naming of contingent beneficiaries in the event of death of one of the primary beneficiaries. This allows for better planning in having assets flow to contingent beneficiaries should a beneficiary die before the Annuitant, while maintaining complete privacy as to the split of assets amongst beneficiaries.

Furthermore, there is the issue of the distribution of assets. With JTWROS, there is no ability to alter the way assets are received by remaining account holders upon the death of one of the Account Holders (account is split evenly amongst remaining account holders as the only option). However, with Individual Seg Fund Contracts there is the option to have a lump sum settlement, annuity settlement or combination thereof paid to beneficiaries upon death of the Annuitant. This allows for more flexibility in planning of asset distribution based on beneficiary's financial competency and the contract owners estate goals.

With respect to Death Guarantees, JTWROS provides for no death or principal guarantees in the event of a market decline prior to the death of one of the Account Holders. However, an Individual Seg Fund Contract provides Death Benefit Guarantees 75% or 100% to protect beneficiaries against a market decline prior to the death of the Annuitant, with potential death benefit resets every few years. This provides a top-up in the event the contract market value is below the guaranteed level at the time of death of annuitant, leaving more for beneficiaries.

Finally, we discuss creditor protection. JTWROS are not creditor proof; in the event of a creditor event or division of assets due to marital breakdown by any of the account holders the account could be exposed. This is a major factor that is often overlooked but can have serious implications. An individual Seg Fund Contract may be creditor proof for the contract owner, and assets are not subject to creditor events related to beneficiaries as the assets are owned by the contract owner. This protects the beneficiaries from having inheritances dragged into creditor events or division of assets due to marital breakdown prior to receiving them.

Clearly there is a case to be made for segregated funds and their benefits when it comes to estate planning. Please do not hesitate to reach out to our team if this is something you would like further information on or if you wish to discuss how they may benefit your unique situation.

Dan Bastasic—Continued

We still expect inflation to end the year between 3.5% and 3.75% and continue to drop to a “higher” than normal level next year closer to 2.5%.

As we approach the halfway point in the year, we have found that the recent volatility has given us an opportunity to add securities at attractive levels on both sides of the investable markets.

Our strategy and execution are not to try to time our expectations for the second half of the year but to take a slow approach to reducing cash with dividend producing equities first, growth with safety, and using treasuries to hedge against volatility while inflation and recession expectations continue to recede. We have never been in the camp of a deep recession or even a hard recession, instead we noted that unemployment would not jump as in previous cycles and that we would get a rolling recession in lieu of an all-encompassing slowdown. This is the type of environment that has been advantageous for security selection and sector avoidance as the market emerges from the past two years of unwinding the excesses.

Portfolio position changes since beginning of the year and recent:

1. **Strategic Income Fund:** Cash levels have declined from the beginning of the year, more so recently from 9.05% at the beginning of the year to 7.7% more recently. As a point measure cash was 18% in August of 2022.

1. Biggest use of cash was to increase treasuries.

2. Fixed income exposure has reached 43% recently, from an average of about 25% in 2022.

3. Equity exposure declined from 55% at the end of 2022 to approximately 51% more recently.

We have increased exposure to industrials and utilities sectors recently while remaining heavily underweight in energy with no exposure to gold.

2. **Strategic Equity Income Fund:** Cash levels have declined from the beginning of the year, more so recently from 16% at the beginning of the year to approximately 10% more recently.

1. Biggest use of cash was to increase equities from 84% at the end of the year to 90% more recently.

2. Recently increased exposure to U.S. equites related to housing, technology and banking.

We expect to decrease and substitute much of our recent government bond exposure for higher yielding and economically sensitive corporate debt while increasing our funds’ exposure to equities and growth as the second half of the year unfolds.

Cashflow Management—Continued

The problem with cash flow analysis is that it's boring and it takes time. Anyone who makes financial plans for people will tell you the same thing: "it's so hard to get people to send me their expenses!" If a plan doesn't get completed, 9 out of 10 times it's because the expenses are missing. But even if we're able to collect the expenses, it can be difficult for people to stick to a plan. Let's face it, these days it's easy to spend money. Amazon, UBER Eats, inflation, subscriptions, food prices, gasoline, and so on.

Every month, maybe every day, we're spending money to the point that I would bet almost everyone reading this would be shocked to know the exact amount. You probably have a number in your head, but I'm telling you it's wrong and probably too low. Often when I collect detailed expenses from people, and show them their spending, I get the "are you kidding me" response. In one situation I had a woman whose Tim Horton's expenses were almost $2,000 a year – she had a great sense of humour about it, but I could tell she was a bit surprised. In another plan, a family of four had a latte factor of almost $40,000. The latte factor is money that can't be accounted for; in other words, the family are big cash users but couldn't account for where the money went. I'm not immune either. Recently, I completed my own cash flow audit and found my annual Uber Eats expense to be less than ideal. Quite frankly it was embarrassing, and I've since made an adjustment that will hopefully help both my waistline and my bank account.

When I talk about people's finances I talk about their bucket. Everyone is a financial bucket and in that bucket is all the money you can access within the next 7 to 10 days. It is the money you will use to fund your lifestyle – food, clothing, travel, whatever. And spending can affect your bucket more than anything else. Spend more than you make, and your bucket will be empty. Don't spend enough and your bucket fills up, but it could also mean you are making too many sacrifices on your lifestyle.

Remember, as far as we know you only live once. Clearly cash flow management is crucial in the planning process because it helps get our financial buckets to contain the right number.

Unfortunately, I don't have a magic wand to make people take the time to analyze and record their spending because it does require a bit of leg work. The banks now have online tools that gauge where money is going; for example, RBC and Scotia show you how much is going towards groceries, retail, entertainment, debt, and so on. It's a good place to start, however, after completing my own spending analysis I can tell you that my bank was off in quite a few areas. The best way to build knowledge on your spending is to start with your bank accounts and credit cards and record every single transaction into a category. I literally mean, with a pen and paper, or on a spread sheet, record every transaction you've made in a year.

It might look like this:

Coffee (Tim Horton's/Starbucks) $1.50 $5.54 $1.50 $11.25 $3.00 $11.00 $1.50

Subscriptions (Prime/Netflix/Apple) $11.99 $14.99 $4.99 $11.99 $14.99 $4.99

Miscellaneous (ATM/cash spending) $1,400 $200 $5 $1000

General Expenses (Groceries) $277 $178.23 $201.10

Home (Electricity) $200.36 $236.36 $215.51 $300.01

Home (Gas/Heat) $400.25 $300.35 $250.15 $300.03 $400.02 $300.02 $250.11 $300.98

Home (Renovations) $10,000 $200

Travel (Summer trips) $5,322 $637.58

Vehicle (Gas) $76.36 $63.27 $53.76 $77.77 $69.82 $63.23 $92.01

This is going to take time, days maybe even weeks if you can only commit a bit of time each evening as was my case. And the more money you spend the more time this will take you. But I promise you, when it is done, you will be an expert on your spending. It will also change the way you think about your money and how it its organized.

Once you have a detailed knowledge of your spending, you can then decide to make changes if needed. I drastically lowered my Uber Eats spending and diverted some of that money towards a membership for the local boat club. Now I can rent their outrigger canoes and get some extra paddling in.

After deciding what you'd like your spending to look like, it is time to act. Again, guessing your way through this isn't a good idea. But you also don't need to go into your bank statements every month to see where you over- or under-spent. One trick you can use is the envelope trick. If I remember correctly, I read about this in a book by Gail Vaz-Oxlade and I thought it was clever (she had that TV show called Till Debt Do Us Part.

Cashflow Management—Continued

Basically, you take a bunch of envelopes, and you label each of them. One might say groceries, the other might say gas. Ideally, they should match up with the expenses categories you created when you analyzed your spending. Then you put an amount of money in each envelope based on your spending plan. For example, if you planned for $800/month in grocery spending, then you would put $800 in your grocery envelope. If your mortgage payment is $2,500 then you would put $2,500 into your debt envelope.

The envelope method is powerful because you can see what is happening to your money. It also means that if you overspend in one area, you'll have to decide where you will take the extra money from. For example, will you take it from your grocery envelope or will you take it from your gas envelope. The envelopes create accountability.

I don't necessarily recommend putting wads of cash in your envelopes. Instead, you could put a piece of paper with a number on it and subtract from it as you spend. Just the other day, a good friend of mine showed me a clever way of doing it. My friend Ian downloaded a template for printing monopoly money and bought colored pieces of paper. He then printed out his monthly budget in monopoly money. He keeps the monopoly money in his backpack, so he knows how much he'll have left for the month. If you have kids and you want to teach them about money, I think this is a fantastic and fun way to do it.

Regardless of how much money you have, cash flow analysis is the backbone of a financial plan. It quantifies lifestyle and it has a direct impact on your financial number. It tells you how much you need for the lifestyle you want, and it will determine your ability to reach that number.

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