Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 11, ISSUE 5

MAY 2022

***"History Doesn't Repeat Itself, But It Often Rhymes."* - Mark Twain**

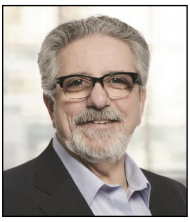
Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
FINANCIAL SECURITY FOR DISABLED INDIVIDUALS

Roberta Di Petta
LONG TERM CARE WITH DIGNITY

Ryan Simone, CFP, CLU
ESTATE PLANNING—TAX FREE SAVINGS ACCOUNT

EDITORIAL COMMENT



Sergio Simone

I will begin by apologizing for the length of this editorial, but I have a lot to say and I feel the time is right to make these comments and assert my views on the current market and economic climates.

Like most investors, I feel uneasy when markets turn south, especially when it looks like the bear is here to stay. For those who, unlike myself, have not lived and survived through this type of situation at least once, you might be asking yourself, "what should I consider doing now?"

FINANCIAL SECURITY FOR DISABLED INDIVIDUALS

Kristina De Souza, CFP

Individuals living with disabilities face a multitude of challenges, including physical, mental, and emotional. Disabilities can pose amplified challenges if income needs, and other aspects of financial security are not addressed. Fortunately, all Canadian provinces and territories offer some form of government support for individuals living with disabilities. These programs vary, but the benefits are all income-tested and asset-tested and may differ depending on family structure. Although government financial support offers some relief, most often it is unable to fully sustain those with disabilities.

LONG TERM CARE WITH DIGNITY

Roberta Di Petta

The definition of dignity is the right of a person to be valued and respected for their own sake, and to be treated ethically. It is of significance in morality, ethics, law and politics as an extension of the Enlightenment-era concepts of inherent, inalienable rights. The term may also be used to describe a personal conduct, as in "behaving with dignity". Dignity for life means protecting your assets and your quality of life. Protecting our selves as we should from unforeseen events is always at the top of our lists, therefore we purchase auto, home, life, travel, medical insurances and more.

ESTATE PLANNING - TAX FREE SAVINGS ACCOUNT

Ryan Simone,
CFP, CLU, CHS

The Tax-Free Savings Account (TFSA) has been around for over ten years now. With a lifetime contribution limit of $81,500, and the ability to withdraw capital gains, dividends, and interest income tax-free, the TFSA is quickly becoming one of the most important savings vehicles. And as the contribution limit continues to climb each year, it will make up a significant portion of many estates.

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Congratulations!

Katrina Van Rhee

Kleinburg Private Wealth is happy to announce that Katrina Van Rhee has successfully completed her exam for the Canadian Investment Funds Course. The CIFC is unlike any in the industry. The sequence of instruction mirrors the typical process used with clients in the real world, and a challenging Case Study helps put knowledge into practice.

Katrina began working with Ryan almost two years ago and she will continue working with Ryan under the title of Licensed Advisor's Assistant. The successful completion of this course will enable Katrina to add valuable client support to Ryan and the entire KPW team.

Katrina had previously earned a BASc degree in Gerontology from the University of Guelph. Prior to working with Ryan and KPW Financial, Katrina spent almost two decades working with vulnerable and aging individuals in the Durham Region community. She also holds a Certificate in Volunteer Management from Sir Sanford Fleming College.

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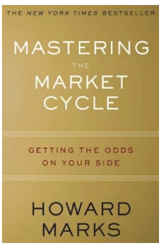
BOOK OF THE MONTH

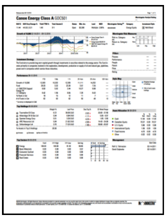


MASTERING THE MARKET CYCLE

- by Howard Marks

We all know markets rise and fall, but when should you pull out, and when should you stay in? The answer is never black or white, but is best reached through a keen understanding of the reasons behind the rhythm of cycles. Confidence about where we are in a cycle comes when you learn the patterns of ups and downs that influence not just economics, markets and companies, but also human psychology and the investing behaviors that result. If you study past cycles, understand their origins and remain alert for the next one, you will become keenly attuned to the investment environment as it changes.

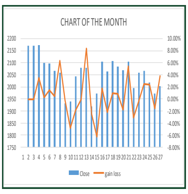
FUND OF THE MONTH



CI GLOBAL INCOME & GROWTH FUND

A holistic global balanced portfolio that utilizes a multi-asset class framework, using all sectors, anywhere in the world while employing tactical asset allocation and bottom-up fundamental research. The fund managers take an active approach to managing assets and aim to shift the fund's portfolio as market dynamics and asset class outlooks change.

CHART OF THE MONTH



THE PSYCHOLOGICAL PITFALLS OF A MARKET CYCLE

By Marcus Lu

MARKETS IN A MINUTE

When making investment decisions, investors have a wide variety of tools at their disposal.

For example, fundamental analysis can be used to estimate a stock's intrinsic value. Technical analysis, on the other hand, requires an investor to analyze price movements to identify trends.

the balance
Make money personal.

BLOG OF THE MONTH

SHOULD YOU INVEST DURING A RECSSION?

When the economy is down, it's normal for you to be curious about how you can make money by investing. Certain investments, such as stocks, can be more risky in a down market. However, you might be able to see large returns from a recession if you follow these basic and timeless strategies.

How to Make Money Investing in a Recession

While it's tempting to try to time the market when stock prices are low and falling, you might be shocked to hear that the best way to invest during a recession is the same as when the economy is growing.

Continue to Dollar-Cost Average (DCA)

Disclaimer

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

A GUIDE FOR HIGH NET WORTH PERSONS TO RETIRE IN COMFORT

What I am going to write about today does not solely apply to High Net Worth Individuals (HWNIs) or Ultra High Net Worth Individuals (UHNWIs). The title may be suggestive of the same, but the guide is helpful to anyone who wishes to have a comfortable post-retirement life. Things, however, become relatively complicated for these individuals because of the complexity of assets, liabilities, and commitments. Thus, before retirement, all of these things must be sorted out. Today's guide is not the technical one. It is simply a guidebook for the HWNIs and UHNWIs out there.

UBS INVESTOR SENTIMENT: INVESTORS CONCERNED ABOUT THE WAR YET STAY THE COURSE WITH THEIR PORTFOLIOS

High-net-worth investors remain deeply concerned about the impact of the war in Ukraine on the global economy and rising inflation, according to the new quarterly Investor Sentiment survey from UBS, the world's leading global wealth manager. The survey, which polled over 2,500 investors and 1,000 business owners across 14 markets globally, found that 92% of investors expect the war to increase inflation, with more than half believing inflation will last longer than 12 months.

HNWI: HIGH-NET-WORTH INDIVIDUALS

Once upon a time, being called a millionaire meant you were rich. Today, millionaire sounds almost quaint. The new term for wealthy is high-net-worth individual (HWNI). This clinical-sounding acronym is thrown around frequently in the financial industry to denote a person or a household with a substantial amount of wealth.

A high-net-worth individual is a person who owns liquid assets valued at $1 million or more. There is no official or legal definition of HNWI, and the threshold for high net worth is generally understood to include liquid assets only—money held in bank or brokerage accounts—excluding assets like a primary residence, collectibles or

MARKET VOLATILITY, INFLATION, OH MY! CHALLENGES FOR 2022

Amidst economic chaos and life-altering losses, market crashes and lockdowns have swayed the way you live, work, and prioritize your time, health, and indeed wealth. Millennials have not experienced an inflationary period as adults, so this phenomenon is new to an entire generation. Are you one of them? Shockwaves of uncertainty plague the country since the COVID-19 pandemic entered the homes of every citizen like an unwelcome guest. Market volatility and inflation continue to dig deep into the pockets of high-net-worth individuals specifically.

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CORPORATE CULTURE

CANADA—TAXATION OF INTERNATIONAL EXECUTIVES

Both federal and provincial governments levy income tax. In all provinces but Québec, individuals file a single tax return with the federal government, which collects both federal and provincial taxes. Québec collects its own tax using a separate tax return. Compliance is based on a self-assessment system.

Income of individuals, corporations, and trusts is subject to tax. Partnerships are not taxed directly; partners are instead taxed on their share of partnership income. Residents are subject to Canadian income tax on their worldwide income. If any income is attributable to compensation for services performed outside Canada and is subject to foreign tax, relief from double taxation is available by claiming foreign tax credits.

9 THINGS YOU SHOULD DO BEFORE TRYING TO SELL YOUR COMPANY

Question: What is the No. 1 thing I should do before trying to sell my company and why?

Build a Data Room

"Get ahead by preparing documentation in a data room. A data room is a web-based repository of critical documents such as financial statements, legal and employee agreements and your business plan. Rooms range at the high end from Merrill, at mid-market from ShareVault, but you can get started with Box or Google Drive."

3 ESSENTIAL CONTRACTS EVERY START-UP BUSINESS NEEDS

We can name over 10 contracts your business may need during its life cycle. Nonetheless, when it comes down to the essentials – every business in every industry needs these 3 basic contracts: a shareholder agreement or partnership agreement, an employment agreement and/or independent contractor agreement and a service contract or a sales contract. Having these 3 basic contracts will ensure that your business runs smoothly and is not consistently opening itself up to litigation.

Please note however that depending on the nature of the business you are running, you might require other contracts as well. Nevertheless, we have attempted to draw up a short list of what is needed for almost all businesses in their life cycle.

CANADIAN SMALL BUSINESS GRANTS: TOOLS AND TIPS TO GET FUNDING

What are Canadian small business grants?

Standard government small business loans or capital from banks, angel investors, and VC firms are often the funding channels of choice for Canadian entrepreneurs. However, if you're willing to invest the time, you may be able to apply for several Canadian small business grants.

Keep in mind; small business grants are not free money. However, they don't typically require repayment either. Primarily, they're varying amounts of early-stage small business funding—awarded to entrepreneurs seeking to start or cultivate

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FUND MANAGER COMMENTARY

CHARLES TAERK
FAIRCOURT ASSET MANAGEMENT

KEVIN MCCREADY
AGF INVESTMENTS INC

BRIAN BELSKI
BMO CAPITAL MARKETS

STEVEN KIM
QV INVESTORS INC

Charles Taerk, President & CEO

Faircourt Asset Management

Ninepoint Alternative Health Fund

In this month's commentary, we discuss our rationale for increasing our Healthcare exposure through names such as JNJ, UNH, BAX. On the cannabis front, we provide an update on The SAFE Act, The CAOA and other federal legislative initiatives, in addition to a legal challenge to cannabis

Continue Reading

Kevin McCreadie, CEO, CIO, AGF Management Limited

AGF Investments Inc.

Positioning A Portfolio For More Volatility Ahead

Market volatility is expected to remain heightened because of ongoing headwinds that include the Ukraine War and rising interest rates to combat higher inflation. How does that impact portfolio positioning going forward as compared to the beginning of the year?

Continue Reading

Brian Belski, Chief Investment Strategist

BMO Capital Markets

We're still big on Technology. In fact, looking at the longer term, it's one of the sectors that we're overweight for the next three-to-five years. For the next 12-to-18 months, though, we think a neutral rating makes sense—both in Canada and the United States—given the volatility at present. Investors are still going back-and-forth to determine whether Growth or Value is the way to go.

Continue Reading

Steven Kim, Portfolio Manager, Canadian Equities

QV Investors Inc.

Anywhere To Hide?

In our Q1/22 Canadian small cap commentary to clients, we shared that diversified and sound portfolio construction continued to position the strategy for various types of terrain ahead. At the time, we had no idea how jarring and volatile the second quarter would be. Year to date there have been very few places to hide with the S&P 500 down 17%, the TSX down 6%, and bonds down nearly 11% as of May 12, 2022. With painful inflation levels and rising rates alongside economic concerns, it has been a hostile environment for most financial asset owners.

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FED HOPES TO ENGINEER A SOFT LANDING, BUT HISTORY SHOWS IT WON'T BE EASY	WALL STREET IS DIVIDED ON THE PROSPECT OF A RECESSION	SHOULD YOU BUY THE DIP?
SHOULD I BUY STOCKS NOW AMID SUCH UNCERTAINTY?	MOST CANADIANS PLAN TO SPEND TAX REFUND	ONE THING NEVER TO DO WHEN THE STOCK MARKET GOES DOWN
U.S. ECONOMIC OUTLOOK MAY 2022	U.S. RETAIL SALES INCREASE STRONGLY IN APRIL	SRI LANKA DEBT CRISIS: NEW TREND IN THE MAKING?

BlackRock.

STUDENT OF THE MARKET

2022 is on pace to be the worst year ever for bonds. Blackrock has assembled a series of charts and graphs to illustrate the struggles faced by the bond market in the middle of rising inflation and interest rates.

RBC Wealth Management

MARKET SENTIMENT—MAY 2022

I felt it was timely to share some thoughts and context relating to current market sentiment. It does not take a Harvard degree to know that many factors are weighing on people's minds since we began 2022. The conflict in Ukraine, Rising interest rates and inflation and the ongoing pandemic are the main culprits. It is quite a confluence of factors and some are especially difficult to stomach with the humanitarian aspect as the atrocities persist in Ukraine.

VIDEO AND PODCAST LINKS

DON'T PANIC? STRATEGISTS GIVE REASONS TO STAY INVESTED DESPITE MARKET TURMOIL	BE READY FOR OPPORTUNITIES WITH YOUR CASH ON SIDELINES	SEC CHAIR GENSLER WARNS ON INVESTING IN CRYPTO AFTER MELTDOWN

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR Find out how much your savings will grow over time by making regular investments	FIDELITY myPLAN SNAPSHOT The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.	CANADA MORTGAGE CALCULATOR WITH 40 YEAR AMORTIZATIONS! This mortgage calculator is proudly Canadian made!

EDITORIAL COMMENT - CONTINUED

Before I offer some suggestions, I would like to reiterate the words of Marci McGregor, a senior strategist for Merrill and Bank of America Private Bank: “The standard definition of a bear market is when major U.S. stock indices, such as the S&P 500, drop 20% or more from their peak.” She continues, “by that criterion, there have been more than 14 bear markets in the S&P 500 since 1926 and they’ve tended to last an average of less than one year, compared with the multi-year span of typical bull markets”.

I know that sharp declines are bound to make investors uncomfortable while they are happening, but it really is a normal part of long-term investing. At the time of writing this article, the NASDAQ Composite is down 28% from its all time high while the S&P 500 is down 17% as investors react negatively to inflation and rising interest rates.

As McGregor stated, there have been 14 bear markets in the last 96 years. So, on average we have one bear market every 6.86 years which also happens to be very close to the average length of a business cycle in the United States. Since 1945 the average length of an expansion has been 65 months while the average recession has lasted about 11 months. Over the last 25 years the Nasdaq Composite has experienced five bear markets.

Most business cycles will experience one very outstanding year, an extremely miserable year and a number of years that will actually determine the return for the cycle. The S&P 500 index has been around since 1957 and has an annualized average rate of return of 10.5%. Despite the recessions, depressions and corrections, the index has continued to produce significant average annual returns.

By continuing to focus on long-term goals and objectives while avoiding knee-jerk reactions when the market drops, we can park the temptation to take actions that usually lead to costly mistakes.

There is a saying in our industry that I hold dear to my heart: “to optimize one’s potential over the long-term, time in the market is so much more important than timing the market”.

This is not the time to shy away from the markets. This is the time to embrace them. Keep investing consistently. By investing a fixed amount of money at regular intervals, regardless of market conditions, you are more likely to be purchasing equities at more affordable prices, and when the market rebounds you will see your shares rise.

What is happening today is nothing new. In fact it happens quite regularly and always it has been followed by a robust recovery. I know I often use long historical comparisons to make my point and some investors are probably thinking that they don’t have 80 years of time horizon. But, they likely have 10 years. In the last decade we have seen four instances of severe market turmoil. 1. The Great Financial Crisis (2008–2009) A global credit and liquidity crisis triggered in part by the collapse of U.S. mortgage-backed securities. 2. European sovereign debt crisis (2011) Widespread concerns that Greece, Italy, Portugal, Spain and Ireland could all default on their government bonds. 3. Oil crash of 2015–2016 An unexpected, severe drop in oil prices. 4. Q4 2018 interest rate panic A series of U.S. Federal Reserve rate hikes that the market viewed as unjustified by economic conditions.

While each event is characterized by its own unique set of circumstances, they all share one commonality: they were followed by dramatic rebounds. For now, I have no reason to believe that the current crisis will work itself out any differently.

I know how difficult it may be to think this way in the midst of extreme downward volatility compounded by the seemingly endless stream of negative news stories and the constant pessimism that becomes more and more difficult to tune out. One thing I am sure of: we will get through this and when we do, the investors who held firm to their long-term plans will likely be rewarded, while those that rushed for the exits in fear, locking in their losses in a declining market, may wish they had hung on just a little longer to see things turn around.

The Great Financial Crisis (2008–2009)

Asset Class	Returns During Crisis*	CUMULATIVE RETURNS 1 yr.	3 yr.	5 yr.	10 yr.
US Equities	-50.95	53.62	97.94	181.57	367.39
Canadian Equities	-42.11	47.60	69.25	102.38	164.29
Emerging Market Equities	-51.67	64.74	94.07	105.58	196.62
EAFE Equities	-50.66	40.46	47.55	102.49	172.03
Canadian Bonds	8.36	7.81	23.87	30.42	53.06
Global Bonds	0.69	13.62	28.10	31.27	36.44
US Bonds	6.08	9.32	24.31	28.39	43.97
High Yield Bonds	-26.49	57.54	96.08	137.69	196.79
Emerging Market Bonds	-11.00	30.93	63.76	76.88	123.23
Floating Rate/Senior Loans	-25.06	39.40	57.03	79.19	117.26

Source: Morningstar Direct, as at February 29, 2020. Cumulative returns using monthly return data. Assumes a recovery that begins on March 1, 2009. *November 1, 2007 to February 28, 2009. See disclaimer for indices used to represent asset classes.

The data explicitly tells the tale. The following chart shows what happened across a variety of asset classes after the last four market crises. There may be some variance depending on asset class and the nature of the crisis, but the story is uniform in the only important respect: the markets recovered what they lost and grew from there.

Now is a time to refocus on what is in your portfolio. It is a strategic time to find opportunities in higher-quality undervalued mutual funds that pay dividends, especially funds that have historically paid their distributions in up and down markets. If these regular distributions are tagged to be reinvested, you will be purchasing units at lower prices with the reinvested dividends.

EDITORIAL COMMENT - CONTINUED

European sovereign debt crisis (2011)

		CUMULATIVE RETURNS		
Asset Class	**Returns During Crisis***	**1 yr.**	**3 yr.**	**5 yr.**
US Equities	-16.26	30.20	86.05	113.44
Canadian Equities	-15.69	9.17	40.77	47.30
Emering Market Equities	-17.79	16.83	34.78	42.42
EAFE Equities	-17.77	14.12	63.48	74.03
Canadian Bonds	6.81	5.45	10.70	23.91
Global Bonds	0.97	5.07	3.52	8.98
US Bonds	4.87	5.16	7.48	16.39
High Yield Bonds	-6.80	18.94	36.59	48.60
Emerging Market Bonds	0.74	20.59	24.90	43.05
Floating Rate/Senior Loans	-4.02	10.73	22.23	30.36

Source: Morningstar Direct, as at February 29, 2020; monthly return data. Assumes a recovery that begins on October 1, 2011. *May 1, 2011 to September 30, 2011. See disclaimer for indices used to represent asset classes.

Oil crash of 2015–2016

		CUMULATIVE RETURNS	
Asset Class	**Returns During Crisis***	**1 yr.**	**3 yr.**
US Equities	-6.90	24.98	53.20
Canadian Equities	-9.50	23.24	35.95
Emerging Market Equities	-11.39	22.74	48.75
EAFE Equities	-14.97	19.18	31.73
Canadian Bonds	0.29	1.89	6.65
Global Bonds	2.80	0.59	6.04
US Bonds	2.05	1.42	5.16
High Yield Bonds	-7.44	22.30	32.76
Emerging Market Bonds	0.87	12.06	18.57
Floating Rate/Senior Loans	-4.49	12.55	21.93

Source: Morningstar Direct, as at February 29, 2020; monthly return data. Assumes a recovery that begins on March 1, 2016. *August 1, 2015 to February 29, 2016. See disclaimer for indices used to represent asset classes.

Q4 2018 interest rate panic

Asset Class	Returns During Crisis*	1 yr.
Global Equities	-12.24	27.30
US Equities	-13.03	31.49
Canadian Equities	-10.91	22.88
Emerging Market Equities	-8.40	18.52
EAFE Equities	-10.86	22.31
Canadian Bonds	0.78	6.87
Global Bonds	0.33	6.84
US Bonds	0.98	8.72
High Yield Bonds	-4.11	14.41
Emerging Market Bonds	0.56	14.42
Floating Rate/Senior Loans	-2.42	8.17

Source: Morningstar Direct, as at February 29, 2020; monthly return data. Assumes a recovery that begins on January 1, 2019. *September 1, 2018 to December 31, 2018. See disclaimer for indices used to represent asset classes.

Now is the time to re-evaluate any exposure to Exchange Traded Funds and reconsider allocating to professionally managed mutual funds. Some mutual funds, for instance, have experienced investment teams that actively manage the funds portfolio of equities. When markets become challenging, as they have been this year, professionally managed funds could potentially outperform passively managed funds. It is common for fund managers to do the research to look for companies that represent real value, whereas in index funds or ETFs more risky companies may be lumped in with the good stocks.

I am convinced that the best advice I can offer any investor during a bear market is to "Maintain Perspective". No matter how much the market falls or for how long, the market will rebound as it has every other time we have gone through this. When it does, at some point it will achieve new highs.

McGregor is spot on when she states: "Investors who remain even-keeled and disciplined in a negative market are likely to avoid common pitfalls and potentially enjoy better times ahead. Historically, the longer you stay invested, the greater your possibility of meeting your long-term goals."

If you feel as though your emotions are getting out of hand, consider contacting our office. I assure you we have been through this before and can offer some historical perspective that may ease your concern.

Good long-term investors mostly ignore the short-term day-to-day market fluctuations. Volatility is and always has been a part of investing. That is the bottom line. If you're focused on the long-term, what is happening with a stock's day-to-day pricing shouldn't be of much concern.

In fact, historically speaking, every single bear market has turned out to be a phenomenal buying opportunity in hindsight. Many of you were not investing during the 2000 to 2002 dot-com bubble burst. If you were, you likely recall Amazon falling 93% from its highs. The stock price bottomed out on November 2, 2001 at $6.78. On July 16, 2021 it peaked at $3,573.63 per share. Even after the current retreat, the stock price is still at $2,261.10. That means that a $1,000 investment in Amazon in November 2001 is currently worth more than $330,000. I can assure you there were professional mutual fund portfolio managers who were taking their fund's cash holdings and buying Amazon stock in 2001.

You or I may not be liquid enough to increase our holdings during a bear market but high quality mutual funds tend to attract funds in most markets and always seem to have cash on hand to invest when others are unable to. Only one of the reasons of why I refer to these types of investors as "Smart Money" investors. They tend to do what others can't, or won't.

All this is sound information, but I believe there are even more reasons to be thinking about buying in today's bear market.

Fundamentals are strong. Sure, there are exceptions, but overall, the earnings season has gone quite well. Many companies have been reporting impressive results and are working with solid balance sheets that can easily outlast a prolonged bear market.

One of the reasons it is difficult to compare this bear market with previous ones is that the strong earnings season is very different. For example, several companies reported their worst results in decades in 2020. Walt Disney reported its first loss in decades, ExxonMobil declared a $22 billion loss, the airlines continued their Covid woes and so on. Companies with a global presence saw earnings fall dramatically as a result of the U.S. – China trade war. Over the last four quarters Disney has reported higher EPS than expected and ExxonMobil almost doubled its EPS from the same quarter a year ago.

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EDITORIAL COMMENT - CONTINUED

Add a current unemployment rate of only 3.6%, which happens to be one of the lowest readings in decades, and things don't really look that bad. Compare this to the recession in 2001 where the U.S. Bureau of Labor Statistics tagged the unemployment rate at 10.4%.

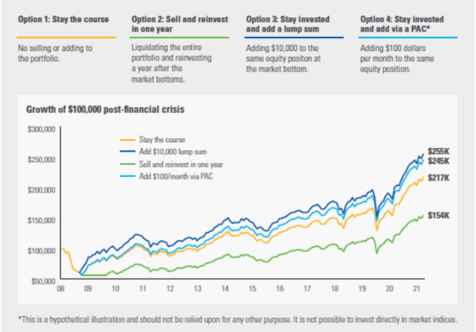
Recession resistant dividend paying companies continue to do well even though the results are not yet reflected in their stock prices. When looking at companies in the consumer staples, healthcare, utility, technology, industrial, consumer discretionary and communications industries, you can see that they are continuing to post quality top and bottom line growth even while their stock prices are falling.

I have noticed that companies seem well positioned to endure this economic downturn. Look no further than oil and gas companies and you will see healthy balance sheets and large cash positions that will allow them to earn a profit even if oil and gas prices fall as demand declines during an economic slowdown. Or look at the books of the large tech companies, especially those facing slowing growth, and you will see massive cash positions and positive free cash flow. No doubt that the recession will cause them to post a few weak quarters, but that shouldn't detract from the long-term thesis. Again I point to Amazon in 2001 vs Amazon today.

There are several large tech companies that have enormous debt burdens but even those debts are at low interest rates. Granted, rising interest rates will make any new debt more expensive.

Currently, there are many of the larger tech companies whose stock prices have declined 40% or more from their all time highs. Some of the names include Amazon, Meta Platforms, Nvidia, Salesforce and Adobe. Now is a great time to consider allocating to tech focused mutual funds as they are investing in these same companies at very attractive prices relative to their long-term potential. When you are approaching investing from a multi-year time horizon, it's hard not to look at some of these companies as excellent buys right now.

As I indicated earlier, severe market declines can be very unnerving. They understandably cause many investors to re-evaluate their options. What are your choices? Do you stay put? Get out while the getting's good? Add more to your portfolio to benefit from a rebound? No single solution is right for all investors but historical data can provide some insight into which options offer the most attractive potential outcomes.



The chart and table track the hypothetical results of four typical investor responses to the financial crisis of 2008. For an apples-to-apples comparison, we make the starting assumption in each case of a $100,000 investment in Canadian equities right before the market dropped.

When markets collapse, the first instinct of many investors is to run for the hills, with the intention of reinvesting once markets stabilize and begin to recover. Unfortunately, the data shows that this may not be the best decision – assuming the goal is to recoup losses as quickly as possible. For investors who sold off their positions in 2008 and waited a year to get back in, it took over 105 months to recoup their original invested amount. The reason is simple: they missed out on some significant gains while they were on the sidelines. The best approach to the 2008 financial crisis was to add to the portfolio when things seemed to be at their worst. And while not the optimal approach from a return perspective, staying the course was still a very solid choice as well.

Investment option	Months to recover original investment
Add $10,000 lump sum**	18
Add $100/month via PAC*	23
Stay the course	25
Sell and reinvest one year later***	105

Source: Morningstar Direct. S&P/TSX Composite Index monthly data from May 1, 2008 to December 31, 2021* PAC is a pre-authorized contribution plan. **Assumes an investment of $100,000 made on February 28, 2009. ***Assumes reinvestment on February 28, 2010.

Source: Morningstar Direct, as at December 31, 2021. Returns are adjusted for inflation monthly using the Consumer Price Index (CPI) for Canada. U.S. equities represented by S&P 500 TR USD; Canadian equities represented by S&P/TSX Composite TR; Canadian bonds represented by FTSE Canada Universe Bond; 60%/40% balanced portfolio represented by 30% S&P 500 TR, 30% S&P/TSX Composite TR, 40% FTSE Canada Universe Bond; cash represented by FTSE TMX 91 Day T-bill.

Market volatility and major downturns may cause investors to rethink their investment approach, including moving to cash. Historically, a better approach has been to follow the lessons of the most successful investors: staying the course during a downturn – even adding to positions when the situation seems to be at its very worst – and then sitting tight for what history tells us will be the inevitable recovery. As the chart shows, whether it is stocks, bonds, or a mix of the two, time and time again bear markets have been followed by recoveries that exceed previous highs, while cash has only provided minimal opportunity for growth.

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EDITORIAL COMMENT - CONTINUED

I believe it is time to stop focusing on the current conditions and to visualize an end to this recession. There is an end in sight. We know the root causes of this bear market. Rising interest rates in response to rising inflation! Inflation got out of hand because of high fiscal stimulus to get the U.S. out of a COVID-19 induced recession. We also faced a supply/demand imbalance from years of underinvestment in key industries. The cause of this inflationary environment is logical. But it also gives us hope that an end is in sight.

In my opinion, we will likely see the turning point once inflation falls below 5%. I believe the Fed will be less inclined to rase interest rates when inflation falls low enough. Of course I cannot determine the damage that will be inflicted on the broader economy until that time, but given that many companies are at the top of their game, now seems like a good time to invest as long as the funds invested are allocated capital that won't be needed in the short or mid-term.

Human nature tells us that when something is threatening us we should get away as quickly as possible. That is a prudent reaction when dealing with bears, earthquakes and hurricanes, but it is not so helpful when it comes to investing. When markets fall, our first instinct is to sell immediately. But that is often the worst thing to do. In fact, by the time we're feeling that urge to sell, it's probably already too late to limit the damage. And the period right after a market drop is often the most profitable. This is when portfolio managers typically buy more of the stocks they believe in, because those stocks are now bargains. And when the market recovers, it's often in vigorous fashion.

In conclusion, I would like to repeat: the current situation is dire, but it is nothing new, and has occurred in every past instance of market turmoil. I believe we will see a recovery and continued growth beyond previous highs.

For the time being, I believe the "best action is inaction".

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CHART OF THE MONTH - CONTINUED

The Psychological Pitfalls Of A Market Cycle—Continued

While these tools can form the basis of a sound investment thesis, their effectiveness is limited by one's emotions. In today's Markets in a Minute chart from New York Life Investments, we illustrate how sentiment can get in the way of rational decision making.

The Mentality of the Herd

Allowing emotions to dictate decisions is a common mistake made by many investors, yet they may not even realize it.

Herd mentality, which refers to an individual's tendency to be influenced by his or her peers, often leads to heightened emotions and less rational decision making. In the context of investing, this tendency becomes particularly troublesome—market developments can be sensationalized in the media, by online blogs, or through word-of-mouth.

Mapping the Sentiment Cycle

Similar to how markets move in a series of patterns and cycles, the behavior of the investor herd tends to follow a continuous "sentiment cycle."

1. Market Recovery
Today's chart begins at the recovery stage of a market cycle, and assumes that emotional investors have recently suffered losses.

Although a support level has been clearly established, the herd is likely too afraid to act. Their fear of making another mistake causes them to miss the optimal window to re-enter the market.

2. Market Peak
Only after prices have substantially risen does the herd begin to take notice. Many of these investors will experience the fear of missing out (FOMO), and overzealously begin buying. Valuations at this point are likely no longer attractive.

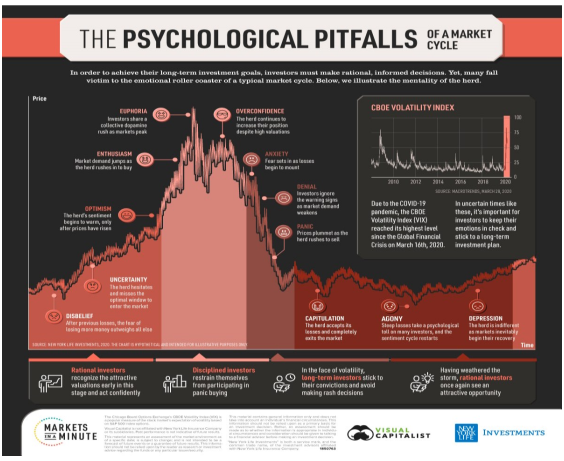
3. Market Decline
What comes up must come down, and prices eventually peak as demand weakens. Investors who become too emotionally attached can find it difficult to cut their losses early.

4. Market Trough
By this point, the sentiment cycle has run a full course. Investors who followed the herd have likely sold at a loss, and will be reluctant to re-enter the market again.

Navigating Rough Waters

Investors are prone to falling into the sentiment cycle at any time, but especially when things get rough. So-called black swan events, such as the COVID-19 pandemic, can bring volatility to markets on short notice. In these situations, it's common for investors to flock to safe-haven assets.

Since COVID-19 was classified as a global pandemic, money market funds have been in extremely high demand:



While this dramatic shift does have its merits—equity markets have seen deep selloffs—it may be a tad drastic. Governments around the world are making serious commitments to providing economic stimulus. In the U.S., the CARES Act amounts to a massive $2 trillion, and provides direct payments to families as well as support for both the private and public sector.

Keeping a Clear Mind

Now that we've outlined the psychological pitfalls of a market cycle, what can one do to break away from the herd?

A good start is becoming aware of the cognitive biases we commonly exhibit when investing. These biases can be linked to many of the emotions outlined in today's chart. Finally, maintaining a growth mindset and learning from our past mistakes can also help us make better decisions in the future.

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Long Term Care With Dignity - CONTINUED

We try and lead well protected lives for ourselves and our loved ones in the event of tragedy. The one thing that thousands of Canadians don't prepare for is long term care services. Many of us think that only senior citizens need to worry about Long-term Care (LTC), but the reality is that accidents or illnesses can happen at any age. People of all ages can develop serious conditions that require them to need assistance with everyday activities. The cost of care can be significant, but LTC insurance can help cover the cost of the care to protect a families' assets. I believe we all want to live our lives with dignity at any age but especially when we have reached our golden years and may require care.

Walking, getting dressed, eating, bathing are just some of the basic activities we require daily that may require unexpected help. Long term care needs are either for a short time with full or partial recovery, or they can be permanent in nature. The need for care may stem from things like cancer, heart disease, arthritis, or the privilege of growing older. Cognitive impairment such as Alzheimer's disease and dementia, which unfortunately are becoming more common, is also included in long term care.

When long term care is in place it is not to cure the person but rather to help them maintain a certain lifestyle, dignity and functioning in a respectful manner. This type of service can take place in their home or in a facility like a nursing home or assisted living community. The government may provide some assistance, but it is limited. In order to maintain a quality of life many individuals end up paying out of pocket for these services. The cost for accommodation in a long-term care facility can cost between $1800 to $14,000 per month depending on the room type and level of care needed. Many prefer to receive care at home instead of nursing home stay, which can cost $35.00 per hour for homemaking and for personal care between $35.00 to $100.00 per hour for skilled nursing care. There are always hidden costs like a walker, wheelchair, bath lift, and other personal care items in addition to home care and accommodations items. With these types of costs, you can see how quickly the expenses can accumulate to outrageous levels. I strongly suggest that you speak with a professional, for example a Lawyer, Certified Financial Planner or Life Insurance agent when putting these types of strategies in place.

Canadians are becoming more aware that they need to plan for the unexpected costs of long-term care and strategies to protect assets and income. We worry about the affordability of care when it's needed and are concerned about becoming progressively worse health wise. We know that it is our own responsibility to prepare for LTC needs especially knowing that the aging population continues to put a strain on the health care system. Years ago, it was very common for adult children to live close to their parents to help with their needs. Nowadays, families tend to be more spread out geographically over various towns and even provinces. Even if there is a family member able to live and be the caregiver most seniors prefer to have control over their care and do not want to burden their children with the emotional, physical, and financial stress that care can cause.

It is always an advantage to prepare for LTC at a younger age. As with most insurance, the cost of premiums for the same amount of coverage increases with the applicant's age. Also, the underwriting process for LTC is different and simpler then when applying for disability or life insurance.

A few things to keep in mind when putting a LTC plan in place is to be sure to work with a trusted independent broker to provide needs specifically to you. Look at the policy limitations on how and when you receive benefits. An important factor is the amount of time which must pass before you begin to receive weekly benefits and the benefit period which is how long you will receive that coverage for. You should also determine if you need to add any riders like cost-of-living adjustment, which means your benefit amount increases with inflation. There are many different riders (add on coverage) to choose from if needed.

Asset erosion due to a long-term care need is common but avoidable. Let's look at an example of a 62-year-old woman with $550,000 of registered assets and $500,000 of non- registered assets, with 2 children of her own and 5 grandchildren. The plan was always to leave as much assets as possible to them. Unfortunately, she has developed Alzheimer's and is at the point that she needs around the clock care and supervision. It is going to cost her approximately $6,500 a month to pay for a care facility, which will have to come out of her investments. Keep in mind that with the increase of demand for care due to baby boomers aging the cost of long-term care with surely increase. By the time she is 80 she will have run out of money, but she could have offset some or even all these expenses if she had insured her risk.

When in need of long term care you should not be left without choices. The choice of where (in home or a facility) you want to be cared for and the quality of care should be your decision and can be if you make a plan and have the proper insurance in place. Since long term care needs can arise at any age, planning is always the best choice.

Financial Security For Disabled Individuals —Continued

At the federal level, financial support can be significant and comes in various forms, including the Disability Tax Credit (DTC). The recent federal budget proposed to expand the definition of what qualifies as a physical or mental disability, an expansion that means 45,000 more individuals will qualify for disability support, based on their restricted ability to perform one or more basic activities of living.

The DTC is non-refundable, so if the recipient does not need all the financial support this credit offers, supporting parents or grandparents can use some of it to reduce their own income tax instead. This tax credit offers children under age 18 upwards of $5,000 per year. The CRA allows claimants to go back up to 10 years and adjust affected income tax returns and provide a corresponding refund if a qualifying disability had been diagnosed but no application was made for the DTC.

Individuals with disabilities may also be eligible for tax relief in relation to medical expenses not covered elsewhere, and for attendant care expenses, such as a personal support worker. There is also a disability supports deduction that applies to expenses for physical therapy or rent paid to a care facility. Further, there is the Medical Expense Tax Credit which is a non-deductible credit to cover costs related to medical practitioners such as dentists, nurses or therapists, and also includes costs related to reproductive technologies (i.e. IVF).

Like the DTC, medical and attendant expenses if not used completely by the beneficiary, can be transferred to supporting individuals to offer additional tax relief. Other non-refundable credits include: Amount for spouse or common-law partner, amount for eligible dependent, Amount for infirm dependent age 18 or older, Caregiver amount, and Family caregiver amount. Taken together, these tax credits can add significant and meaningful income for the beneficiary and their family, especially if you consider that the credit amounts are multiplied federally and provincially at the lowest tax rate.

All this being said, the vehicle I want to highlight is the Registered Disability Savings Plan (RDSP), which is a creditor-proof, registered investment plan that helps provide long-term security for Canadians with disabilities. RDSPs feature both federal and provincial matching and funding, and non-deductible contributions may be made by anyone on the beneficiary’s behalf. Contributions must be made before the beneficiary reaches the age of 60. While there is no annual limit, the maximum lifetime contribution limit is $200,000, and has two types of grants affiliated with it, the Canada Disability Savings Grant (CDSG) and Bond (CDSB).

The CDSG is an RDSP-matching, income-tested grant and is eligible until December 31 of the year the beneficiary turns 49. The maximum lifetime limit for RDSP matching is $70,000, which is in addition to the $200,000 RDSP limit. The annual limit is $3,500 and may be reduced based on family net income. On the other hand, the CDSB is also income tested and the maximum lifetime limit is $20,000.

Lower-income families are not even required to make any contributions of their own to receive the maximum annual CDSB payment of $1,000. Higher-income families may qualify for a pro-rated portion, depending on their family net income. Fortunately, it’s possible to “catch up” on

grant and bond payments – up to 10 years or to the date of disability diagnosis – if an individual was eligible but did not open an RDSP during that time.

There are no restrictions regarding the purpose for withdrawals from RDSPs. Using the Lifetime Disability Assistance Payment (LDAP) or Disability Assistance Payment (DAP), RDSP withdrawals are composed of a mix of contributions, income, the CDSG and CDSB. Withdrawals of contributions is not considered a taxable event. The LDAP is an annual payment starting at any age but must begin by age 60. The DAP is a periodic lump-sum withdrawal that can be paid any time after the RDSP is established. If LDAP or DAP withdrawals occur within 10 years of the last grant or bond being deposited to the account, a repayment (Assistance Holdback Amount) of government funds in the plan will apply at a rate of $3 repaid for every $1 withdrawn.

Given the ample benefits these plans offer, it is very concerning that the Canada Revenue Agency reports that more than 362,000 Canadians under the age of 49 who qualify for the Disability Tax Credit have yet to open a Registered Disability Savings Plan (RDSP). This equates to billions of dollars of missed contributions, and billions more dollars in government grants and bonds not yet received. As a financial professional, I feel there is both an opportunity and responsibility to close this gap and ensure more people receive the financial support they not only require but are entitled to.

For more information and insights about topics discussed in this article, or to learn about specific solutions and strategies that you may be considering, please reach out to any one of our team members and we would be happy to assist.

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Estate Planning—Tax Free Savings Account—Continued

Like any registered investment account, a TFSA allows the owner of the account to designate a beneficiary. But what separates the TFSA from other registered accounts is the type of beneficiary you can elect. The first type is a 'successor holder', which can only include a spouse or common-law partner. The second type is considered a typical 'designated beneficiary' and this can also be a spouse or anyone else for that matter. The benefit of being a successor holder is that the entire TFSA is quickly moved into the surviving spouse's TFSA regardless of how much room the surviving spouse has available. In other words, it doesn't have to be cashed out and put into a regular taxable account. This is important because any growth in the TFSA after death can become taxable, but by transferring it to the spouse's TFSA, all taxation can be avoided. Therefore, it is important to make sure that your spouse or common-law partner is named 'successor holder' on your TFSA.

If no successor holder is named, things can become more complicated. A spouse or common-law partner designated as TFSA beneficiary can still transfer the fair market value of the TFSA at death to their own TFSA regardless of how much room they have available. However, the transfer must be completed during the rollover period, which lasts until December 31st of the year following the spouse's death. Also, any growth that occurs between the time of death and the transfer is taxable.

The rollover period becomes increasingly important when factoring in the various types of holdings that one can have in a TFSA. For example, interest-bearing accounts, term deposits, and segregated funds are treated differently than mutual funds and brokerage accounts (i.e. individual stocks and ETFs). However, it is not so much the individual holding that is impacted; rather, it is what becomes of the TFSA itself as determined by the holding. For example, when using mutual funds, the account will continue to be treated like a TFSA until December 31 of the year following the holder's death or when the TFSA is wound up – whichever comes first. This is known as the exempt period, since it is the period that the TFSA is exempt from taxation. If the exempt period ends, then the TFSA becomes a taxable inter-vivos trust at which point the additional growth will be taxable to the trust. The trust will be required to file a Trust Income Tax and Information Return and to prepare T3s for any distributions of taxable amounts to beneficiaries.

Alternatively, for term-deposits and seg funds, the account is no longer considered a TFSA after the holder's death. And unlike the previous example in which the TFSA growth is taxable to the trust, this time the growth is taxable to the beneficiary. In other words, a beneficiary may not receive the full amount they were expecting, and the estate will not be liable for the tax.

It may seem subtle at first, but the TFSA beneficiary designation can have big impacts for estate planning. Naming a spouse or common-law partner as successor holder is the easiest and most tax efficient method. Naming someone (including a spouse) a designated beneficiary will add to the complexity of the estate distribution and with varying results for who will be taxed.

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Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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