
Maximum growth

August 2022 Edition

Life Insurance Discussion ~ Laurel Hickey & Garth Bluekens

## Comments from the CIO's office

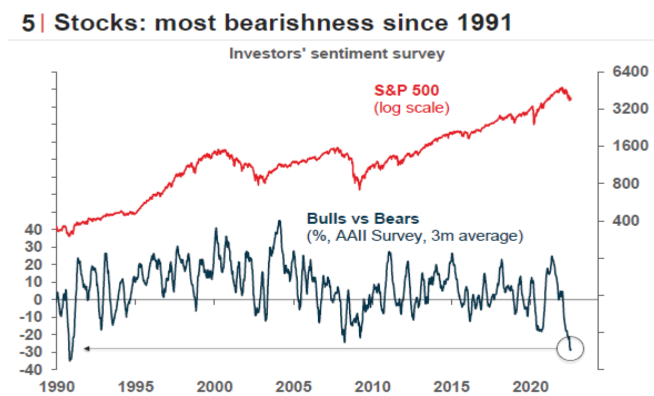
**Martin Lefebvre is National Bank Investments Chief Investment Officer and Strategist. Please see below for key takeaways from his August Asset Allocation update.**

After six straight months of losses for stocks and bonds,[1] investors finally enjoyed some respite in July, as the vast majority of assets ended the period with gains.

Yet, most recent inflation figures were hardly reassuring. For instance, the U.S. Consumer Price Index (CPI) came in at 9.1% year-over-year, again beating expectations at around 8.8%. Moreover, although core inflation continued to decline, this trend was largely due to base effects, as the monthly increase in the median CPI reached a new all-time high – an indication of the broad-based nature of price pressures.

Meanwhile, central banks appeared to be pressed for time once again, with the Bank of Canada opting for an oversized 100-bps rate hike and the Fed following suit with a 75-bps increase. On the other side of the Atlantic, even the European Central Bank (ECB) hiked by 50 bps despite having essentially committed itself to a smaller 25-bps increase a few weeks earlier. This was the first rate hike in over a decade for the European institution.

How, then, can we explain markets behaving so well in these circumstances? On the equity front, it is not uncommon to see counter-trend rebounds when investor pessimism reaches extreme levels, which is clearly the case at the moment (the American Association of Individual Investors' bull-bear spread is at its lowest level since 1991 (chart below). A similar phenomenon occurred on bond markets, with Treasuries in June reaching an oversold level unseen since 1994.




CIO Office (data via Refinitiv).

That said, beyond the technical nature underlying these rebounds, there is also the fact that inflation figures are, first and foremost, a reflection of the past, while the markets are discounting machines focused on the future. And, in this regard, expectations are shifting quickly.

## What's A Life Insurance Discussion Got To Do With It?

This month we want to highlight the risk management component of the financial planning process. Risk management involves developing an insurance strategy that will protect two of your most valuable assets: your income-earning ability and, of course, your life. When you ensure the risk of not being able to work due to disability or passing away prematurely, you transfer the risk of this to a third party in exchange for a premium payment. Most of us are aware of life and disability insurance, and probably have coverage through our employers, but often we don't take the time to look at if this coverage is adequate. As part of the financial planning process, it is important to look at how much your household expenses currently are and how much is needed in retirement. This will help to determine if there would be any shortfalls if you were to lose part of your household income due to disability or if you or your spouse were to pass-away prematurely. These shortfalls can be covered by disability and life insurance.

1 Stocks = S&P 500, Bonds = FTSE Canada Universe.

When discussing financial protection for the surviving spouse and dependents, we are referring to insurance for your basic needs. Life insurance can also be used in a strategic planning capacity to increase or preserve the value of your estate despite taxes and expenses payable at death. Some benefits of using insurance for estate planning are that insurance proceeds will bypass the estate and go directly to the named beneficiary on the policy, as well as the death benefit is paid tax free. If you have a corporation, there are also items to consider like whether it is more efficient from a tax perspective to hold the insurance within your corporation or personally. With insurance it is important to weigh how much insurance is needed to achieve your estate planning goals, without sacrificing your current lifestyle to afford the insurance premiums.

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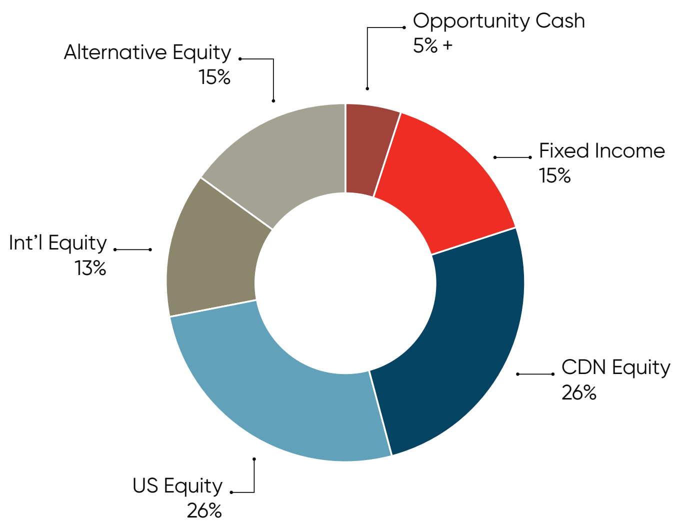
## Maximum Growth Investment Model Goal Asset Allocation




## Your Investment Policy

MAXIMUM GROWTH PROFILE: You want to maximize the growth of your investments by investing all or most of your portfolio in equities. In doing so, you accept a higher level of risk and change in the value of your investment in the hope that your returns will ultimately be higher. If you feel that your risk tolerance is shifting, please let us know!

**Source:** This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.

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