

Newsletter



Autumn 2024

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Delayed Landings

We find ourselves in a period where sentiment could be aptly described by Charles Dickens' classic line: *"It was the best of times, it was the worst of times..."* Today's narratives are seemingly contrasting. On one side, we are living in an era of unprecedented technological advancements and some of the highest standards of living in history, marked by improved quality of life, increasing wealth positions and one of the highest life expectancies. On the other, however, rising living costs, heavy debt burdens, sluggish productivity and ongoing geopolitical tensions are casting shadows over this progress. Economically, we find ourselves in a transition, with an economy that's neither great nor terrible.

Some have termed it a "delayed landing," with the markets unusually quiet in the first half of 2024 as we lingered in this middle ground. Since the start of the year, market observers have been closely watching central bank monetary policy decisions as economies averted a hard landing. Let's not forget that the multiple rate cuts anticipated at the start of the year did not largely materialize as economies, especially the U.S., performed better than expected. Over the summer, the S&P 500 made headlines for going 377 days without a selloff greater than two percent – the longest stretch since the financial crisis. The CBOE Volatility Index (VIX) fell to its lowest levels not seen since November 2020.

This period of calm was abruptly interrupted when the Bank of Japan surprised the markets with a rate hike at the end of July. While central banks globally were raising rates to fight inflation in 2022 and 2023, Japan had been the exception. As a result, the Japanese yen became the currency of choice for "carry-trade investors," who borrowed low-interest-rate yen to invest in assets denominated in higher-interest-rate currencies. At the end of these trades, investors converted funds back into yen to repay the loans, in a leveraged strategy known for its considerable risks. Indeed, the yen's rapid appreciation in August, prompted by the rate hike and other factors, led to significant losses in these carry positions, prompting the Nikkei to experience its worst day since Black Monday in October 1987. North American markets jittered, and the VIX spiked to its third-highest level in its history.

Yet, seasoned investors accept that volatility is an inherent part of the markets. A look back at the S&P/TSX Composite since 1985 reminds us just how common volatility is:

- › A 5 percent drawdown is almost guaranteed each year, occurring 95 percent of the time;
- › Double-digit drawdowns of more than 10 percent have happened 56 percent of the time;
- › Despite positive annual returns over 70 percent of the time, the average intra-year drawdown has been -15 percent. The market declines even when it rises.

Periods of volatility should always be anticipated. During these times, it is important not to let short-term fluctuations disrupt long-term financial plans. One of the most challenging aspects of investing is resisting the temptation to follow the herd. Consider the merits of having a solid investment plan – and sticking to it.

A Note of Thanks

During this Thanksgiving season, we are reminded of the many things to be thankful for: we live in a nation of peace, prosperity, inclusivity and resilience. We are grateful to you, our clients, for entrusting us to be stewards of your wealth.

If you have family, friends or colleagues who could benefit from our experience, support and advice, we continue to welcome new clients and appreciate any introductions.

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Perspectives on the Value of Advice

In today's investing world, the range of low-cost options has expanded significantly, alongside access to new investing platforms, giving investors more choices than ever before. With the proliferation of index funds, ETFs and low-cost investment platforms like robo-investors, the emphasis on minimizing fees has become a central theme, driven by advertising and the media.

Yet, while cost is an important factor, it's not the only consideration when it comes to making sound investment decisions. The investing landscape is ever-evolving and achieving future financial success goes beyond merely choosing the lowest-cost option. We believe that true value encompasses a comprehensive strategy that integrates personalized advice, expert insights and proactive management to align with your unique financial goals and life circumstances. Here are some of the ways we are dedicated to providing you with customized support that is designed to foster long-term success:

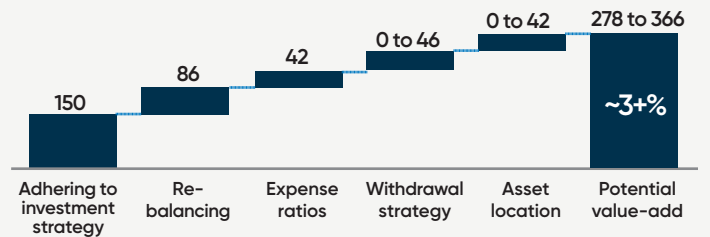
Managing investments – We offer tailored investment solutions based on your unique goals, risk tolerance and stage of life. Our approach is proactive and hands-on, focusing on strategic asset allocation, tax-efficient asset location, risk management, rebalancing and tactical withdrawal strategies. A recent study attempted to quantify these practices, suggesting that they can potentially boost an investor's net returns by over 3 percent (chart, top right).¹

Building wealth – Investment returns are important, but regularly saving is equally critical. Part of our role is to encourage disciplined savings and investment habits, which can substantially improve wealth over time. Just as a personal trainer helps clients stay committed to fitness goals, we are here to help ensure consistency and focus along the financial journey. The evidence is convincing: Households working with an advisor for 15 years or more have been shown to accumulate 2.3 times the assets of those without advisor support.²

Advised Clients Have Greater Savings



Value-Add Relative to Average Canadian Client (in bps of return)¹



¹Based on <https://www.vanguard.ca/content/dam/intl/americas/canada/en/documents/gas/advisors-alpha-infographic.pdf>; bps = basis points, where 1 bps = 0.01%.

Staying on track – In challenging market times, we are here to help navigate the uncertainties so you can achieve your longer-term goals. Having a sound financial plan in place provides the crucial roadmap, but we are also here to offer support through difficult market times to help maintain your course. A study of nearly 120,000 investors in the U.S. found that a well-structured plan alongside the support of an advisor can be keys to staying the course. During the 2020 pandemic, when the U.S. stock market fell 34 percent in just 22 days, over three-quarters of investors who were previously on track with their financial goals remained on target, even though their portfolios typically declined by 16 percent (and quickly rebounded).³

Looking beyond investments – We are here to meet your evolving needs beyond investing, whatever your stage of life. This includes goal planning, such as for a first home or child's education, investment tax planning, retirement, estate and legacy planning, business building and succession and intergenerational wealth transfer. We offer access to a network of experts who can provide specialized support, where needed. We are also committed to being a resource for you, offering education and insights on factors impacting your wealth so you can make informed decisions. This newsletter is just one way we deliver actionable insights to help you better manage your financial position.

We know that as an investor you have many alternatives available to you. As such, we remain grateful for your continued trust in our services. Thank you for the opportunity to support your financial journey as we build a secure and prosperous future.

¹ Vanguard 2023 Study

² https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=27821&lang=en_CA

³ <https://www.morganstanley.com/articles/stock-market-crash-financial-planning>

U.S. Election Fever: Do Presidential Elections Impact Investments?

U.S. presidential election fever is in full force! Election years are often fuelled by uncertainty about future policies, regulatory shifts and their potential impact on economies – and this year’s U.S. election has been no exception. While public policy can indeed influence specific industries, sectors and even the broader economic and social climate, the actual impact of the election may have less significance to the markets than many investors might expect.

In fact, historical data shows that, since 1850, the annual compound return for a balanced 60/40 stock/bond portfolio invested in U.S. markets is similar in both election and non-election years. Election years have returned an average annual return of 8.7 percent, compared to 7.7 percent in non-election years.¹

How Does a Balanced Portfolio Fare?

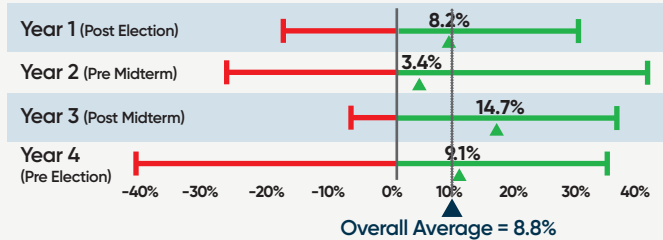
8.7%
Presidential election years (41 periods)



7.7%
non-presidential election years (122 periods)

Similarly, since 1950, the S&P 500 Index has averaged a return of 9.1 percent in an election year (“Year 4,” chart below), not significantly differing from the overall average of 8.8 percent. Interestingly, the 12 months preceding an election have exhibited the widest range of market outcomes compared to other times in an election cycle.

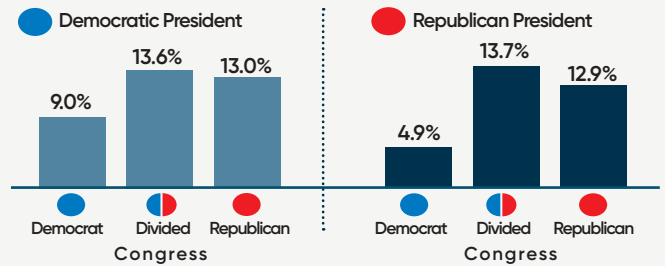
S&P 500 Index Return Ranges by Election Years Since 1950²



A common misconception is that one political party is better for market returns. However, historical data does not support

¹ <https://investor.vanguard.com/investor-resources-education/article/presidential-elections-matter-but-not-so-much-when-it-comes-to-your-investments>
² <https://fidelity.com/learning-center/trading-investing/election-market-impact>

Average Annual S&P 500 Returns Based on Party Control, 1933 – 2022



<https://www.fidelity.com/learning-center/trading-investing/election-market-impact>

this theory (chart, top). The S&P 500 has historically averaged positive returns under every partisan combination. Moreover, stronger market returns have been correlated with a divided government; some suggest that government gridlock may create less policy uncertainty.

Finally, consider also that there are few consistent outcomes for sector returns during election years.² While many investors are watching carefully to see how potential policy changes may impact the markets, sectors or even a company’s performance, consider that making changes to an investment strategy at this point comes with risks. Campaign promises sometimes do not translate into policy changes. Consider also that the success of policies depends on a variety of factors, including the composition of Congress or the Senate, economic and social conditions and many others.

The Bottom Line

Presidential election years often generate significant headlines, sometimes causing market volatility or tempting investors to adjust their investing programs. Yet, it’s important to distinguish between short-term noise and longer-term outcomes. As these perspectives highlight, the actual impact of an election may have less significance to the markets than many investors assume. Perhaps this is good food for thought for those of us nervously anticipating the outcome this November!



After Death or Divorce: Support for Your Finances

The loss of a spouse – whether a result of death or divorce – can be one of life’s most challenging events. Both may involve similar emotions: grieving a loss, fear of uncertainty and feelings of being overwhelmed. Complicating matters, it is also a time in which new responsibilities will need to be assumed, including those related to your finances.

In the immediate aftermath of this difficult time, it is recommended to seek help from others where required: family members, trusted friends and professionals who can provide support. As you move forward, here are six considerations to help you manage your own financial well-being through the transition:

1. Take Stock of Your Finances – Establish a clear understanding of your current financial position. If a detailed financial inventory doesn’t exist, start by creating a list of all of your financial accounts and financial interests: all assets (bank accounts, investment accounts, registered plans, etc.) and liabilities (mortgages, loans, etc.).

2. Carefully Close Joint Accounts – In the case of a divorce, all joint accounts should immediately be closed. In the case of a spouse’s death, consider keeping joint accounts open for the short term to provide access to items that continue to be received in the deceased’s name (e.g., deposit cheques).

3. Update Documents & Beneficiary Designations – For all financial and legal documents, determine whether you need to update personal information, with a focus on the current designated beneficiaries (where applicable), to protect your assets and your heirs. This should include your will, powers of attorney and other estate planning documents, such as any trust agreements.

4. Build Your Team of Professionals – Depending on your situation, the support of legal, tax or investment professionals may be beneficial during the transition. We are here to assist with your financial position and can

recommend specialists to help during this challenging time. Some individuals delay financial planning until after a divorce has been finalized or an estate has been settled. However, in doing so, you may not fully understand the financial options available to you. By having this knowledge before you agree to anything, you can make well-informed choices with greater confidence.

5. Reevaluate Your Budget – You are likely to experience changes in cash flow. Expenses previously covered by a spouse may now be your responsibility, or there may be unanticipated changes to income. For instance, in the case of a spouse’s death, the deceased’s workplace pension may continue, but this is commonly at a reduced rate. Government benefits may end, or survivor benefits may be less than expected. An updated budget can help you understand your new inflows and outflows and create a plan to account for any changes.

6. Revisit Your Wealth Plan – Revisiting your wealth plan to account for these changes can help remove the feeling of uncertainty and provide a roadmap to better understand the path forward. There may also be tools or strategies that can provide additional support, such as tax or insurance planning. We are here to provide support by developing tailored investment strategies based on your personal circumstances and goals, while balancing your risk tolerance levels and unique investment values.

A Final Thought: Adjusting to any loss can take time. Where possible, consider delaying any major decisions, such as selling a home or business or cashing in retirement assets, until you feel able to make confident choices. As always, we are here to be a resource. We can walk you through the key steps you can take to get organized and help protect your financial well-being. We can also work with you to develop a plan to move forward with confidence. During this very challenging time, please know that you can count on us for assistance.

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