Lorriman Sturgeon Wealth Management Group

Newsletter

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In this edition

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Volatility Returns...

Volatility has returned to the equity markets, more recently driven by the turmoil from the Russia/Ukraine conflict and as central banks look to normalizing their policies. For investors, it may feel particularly unsettling since extended periods of volatility haven't been seen for some time. Yet, volatility is a permanent fixture in the markets. Consider that corrections take place around once every year, on average, though markets were largely immune to this occurrence last year.

Financial markets are often quick to react to uncertainties and, today, it seems as though there is no shortage to test the endurance of investors. For many, it may be difficult to detach from the headlines: the conflict in Europe has created new worries. From an investing perspective, it has added to the market headwinds and put upward pressure on the price of oil and other commodities. We continue to monitor the evolving situation and the effects on the financial markets.

Here at home, after over two years of disruption from the pandemic, we should continue to look ahead to the return to "normal." Whether or not you agree with the significant stimulus actions taken over the past two years, they have helped to avert more serious financial and economic harm. However, central bankers are now confronted with the complicated task of winding down their support: increasing interest rates to more "normal" levels and reducing balance sheet assets. Adding to the current challenges? Higher and sustained levels of inflation, which have largely been supported by ongoing supply chain disruptions — and, now, geopolitical tensions from the Russia/Ukraine war.

While there are inevitable challenges and we should expect bumps along the way, don't listen to the doomsayers who suggest that they are insurmountable. Not to belittle the unique challenges we face today, but history reminds us that every market period has had its own obstacles that make it difficult to assess future prospects. Market pessimists have always been quick to offer their prognostications. Consider that over the past 50 years:

- Annual inflation exceeded 5 percent in 13 of those years.[1]
- The stock market fell in more than 241 of those 600 months, or 40 percent of the time.[2]
- The stock market lost a quarter of its value at least seven times.[2]
- There were eight bear markets lasting a total of 77 months.[2]
- We had six recessions, cumulatively lasting almost six years.[3]

And, yet, over this period the equity markets, as measured by the S&P/TSX Composite Index, appreciated by over six percent on an annualized basis (not including reinvested dividends).[2]

Having a longer-term view reminds us that the markets have continued to progress over time, despite the many short-term uncertainties: credit and debt crises, recessions, many changing policies by central banks — and even war. During these times, don't lose sight of your own financial goals: patience, alongside careful monitoring and prudent adjustments through our support, should stand you in good stead.

For many of us, it may feel as though there has been little respite from the challenges faced over the past two years. As we move into spring — quite fittingly referred to as the season of renewal — we are all looking forward to a return to normal.

1. www.inflation.eu/inflation-rates/canada/historic-inflation/cpi-inflation-canada.aspx; 2. Based on S&P/TSX Composite Index from close on Dec. 31, 1971, to Dec. 31, 2021: 1/1/72 - 990.54; 1/1/2022 - 21,222.80; 3. Based on recession data from cdhowe.org.

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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It's Tax Season Once Again: Ways to Be Tax Savvy

This time of year, income taxes are naturally on our minds. Many of us feel we pay too much tax. There are actions we can take to help minimize these liabilities, which may be even more important in these times of high inflation. Here are some ideas:

Consider the Support of a Tax Professional

The support of accounting or tax professionals may be beneficial to ensure your tax planning accounts for the most updated rules or to help prevent costly mistakes, such as incorrectly completing tax returns or neglecting to claim tax credits. It may also be helpful in more complicated situations, such as where a divorce is involved or if you hold a significant portfolio of foreign assets. As we grow older, it can provide continuity from year to year, which may be important in the event of health issues, incapacity or the death of a spouse.

Remember that Tax Rules Continue to Evolve

The tax landscape continues to evolve. One example is the array of COVID-related benefits introduced over the past two years. Since the start of 2022, the Canada Revenue Agency (CRA) has announced tax changes that may impact certain tax positions. While these changes may not apply to personal income tax season, they are examples of the evolving landscape:

- **Work-from-Home Tax Credit** — As with the 2020 tax year, the CRA has again issued a simplified Form T2200 available to taxpayers for both the 2021 and 2022 tax years and has allowed a claim for up to $500 of home expenses.
- **Automobile Deduction Allowance** — For 2022, the limit on the deduction of tax-exempt allowances paid to employees who use personal vehicles for business purposes has increased by $0.02, to $0.61/km for the first 5,000 km driven and $0.55/km thereafter (for provinces). Mileage rates were last raised in 2020.
- **Expanded Trust Reporting** — Expanded annual reporting requirements for trusts were anticipated for the 2021 tax year, but in the first quarter of this year, the government confirmed that this was still pending. Draft legislation is expected to be passed for trusts with taxation years ending after Dec. 30, 2022.

- **A Pending Luxury Tax?** — The 2021 federal budget proposed a luxury tax that did not come into effect starting 2022. Draft legislation is expected,[1] but at the time of writing has yet to be introduced. The proposed levy is either 10 percent of the purchase value above a certain threshold ($100,000 for cars/aircraft; $250,000 for boats) or 20 percent of the full value, whichever is less.

Make Tax Planning a Year-Round Exercise

Year-round tax planning can start with maximizing tax-advantaged accounts like Tax-Free Savings Accounts (TFSAs) or Registered Retirement Savings Plans (RRSPs). It may include adjusting asset location as investment returns—bond interest, Canadian and foreign stock dividends, capital gains—may be taxed differently depending upon where they are held, i.e., RRSPs, TFSAs or non-registered accounts. When it comes to your wealth plan, we're here to discuss tax-planning opportunities to help you keep more of your hard-earned dollars.

Put Your Potential Refund to Work

If you receive a tax refund, what will you do with it? Each year, 19 million Canadians receive a refund averaging $1,801.[2] Yet, only 18 percent plan to invest it in a RRSP, RESP or TFSA.[3] Consider the potential upside: investing this amount each year for the next 25 years at an annual rate of return of 5.5 percent would yield almost $100,000 in that time.[4]

For assistance with tax-related matters or for an introduction to an accounting professional, please call the office.

1. www.theglobeandmail.com/business/small-business/article-yacht-and-private-jet-makers-brace-for-cancelled-orders-under-liberal/; 2. www.financialpost.com/personal-finance/taxes/canadians-are-stalling-on-their-taxes-in-this-unusually-complicated-pandemic-year; 3. www.newswire.ca/news-releases/confusion-dread-and-fear-of-owing-money-fuel-tax-filing-procrastination-in-canada-860977490.html; 4. Compounded annually at 5.5%, assuming no fees or taxes.

Plan Ahead: Four Things You May Not Know About the RRIF

While RRSP season may be over, if you have yet to reach retirement, consider the value in thinking ahead to the time when you will eventually access these funds. Here are four things you may not know about the Registered Retirement Income Fund (RRIF).

1 You can convert the RRSP to the RRIF earlier than age 71.

The RRSP matures by the end of the calendar year in which the holder turns age 71 and is often converted to an RRIF at that time. However, you are able to open an RRIF earlier than this age. Minimum withdrawal payments will still be required, but not until the calendar year following the year that the RRIF account is opened.

2 You can hold the RRSP and RRIF at the same time.

While the RRIF is usually used by an investor to transfer funds once the RRSP matures, there may be instances in which you may want both. If you need to generate pension income to take advantage of the federal pension income tax credit, you could consider opening a small RRIF at the age of 65. At the same time, you can still continue operating your RRSP to capture the ongoing tax deductions from your contributions. Consider also that you can notionally split up to 50 percent of your eligible pension income (which includes RRIF income from age 65) with a spouse (or common-law partner).

3 You are able to convert the RRIF back to the RRSP.

If you've converted funds to the RRIF earlier than age 71 and realize that it's no longer to your benefit, you are able to convert it back. You may decide to do an early conversion if you retire early, take a sabbatical or have an extended leave from work, since the loss of income means you may be in a lower tax bracket or you may need funds. However, if you return to work, it may be beneficial to resume the RRSP.

4 You can base RRIF withdrawals on a spouse's age.

If you have a younger spouse, it may be useful to use their age to result in a lower minimum withdrawal rate for your RRIF. Be aware that this must be done when first setting up the RRIF and before you have received any payments, so plan ahead.

Spring Cleaning? Start with Your Registered Plan Beneficiaries

When was the last time you reviewed your registered plan beneficiary designations? We often forget to revisit these designations after opening our accounts. However, failing to update beneficiaries is a common and potentially costly retirement and estate planning error that many investors make.

Here are some steps to take to spring-clean your beneficiary designations, as it relates to your registered plan accounts:

Create a list of your investment accounts. Then identify which accounts permit beneficiary designations, such as your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) and Tax-Free Savings Account (TFSA), including any accounts through your employer.

List the beneficiaries you have named for each account.

Determine if the named beneficiary is still current. It is possible that a named beneficiary is no longer alive, or perhaps a major life event, like divorce, has changed the status of an existing beneficiary. Be sure to revisit beneficiary designations following major life changes.

Consider whether a beneficiary should even be named. If no beneficiary is named, assets will pass through your estate. In some cases, a beneficiary is named instead of the estate to avoid probate fees.[1] While this may be ideal for tax-planning purposes, it can inadvertently create other issues. For example, if an adult non-dependent child was named as the RRIF beneficiary, the value of the RRIF will be paid directly to them, but the tax burden will fall back to the deceased's estate, unless a provision has been made in the will. This may cause unintended estate equalization issues.

If a spouse (common-law partner) has been named, determine if there are additional considerations. If a spouse is named as beneficiary for a TFSA or RRIF, you also have the option of naming them as "successor holder" or "successor annuitant," respectively. Generally, the successor designation permits the continued operation of the account by the surviving spouse relatively seamlessly. For the TFSA, any income earned after your death would not be taxed. For the RRIF, there would be no tax consequences to your estate.

Seek assistance. We are here to assist with any changes to your beneficiary designations on your registered plan accounts. As you review these beneficiary designations, we recommend considering the support of estate planning and legal advisors to help ensure your estate planning objectives will be met.

1. Estate administration taxes. Note: This article does not apply to Quebec residents, as the rules surrounding beneficiary designations noted in this article are not applicable under Quebec law.

Helping to Protect Investors: the Trusted Contact Person (TCP)

Protecting the financial security of investors has never been more important. With a growing elderly population and our ever-increasing dependence on technology, there has been a rise in cybercrimes.

FACTS			
	Over 46 percent of individuals who are 60 years and older have physical and mental disabilities.[1]	Each year, one in six seniors falls victim to elder abuse.[2]	Regardless of age, we remain vulnerable to financial fraud and economic abuse. Canadians lost $380M to fraud in 2021 alone.[3]

With these increasing challenges, the "trusted contact person" (TCP) has been introduced to provide an additional preventative layer of protection to support investors. The TCP is a person you choose, for which you have given us written consent to contact under certain circumstances, such as if there appears to be something amiss, if there is suspected financial exploitation or if there are concerns about decision making.

The TCP has no authority to make financial decisions or direct transactions and assumes no liability when it comes to your account(s). The TCP does not replace or assume the role of Trading Authority that may be authorized to an investment account. As well, the TCP is different from the Power of Attorney role that is put in place to provide support in the event of incapacity.

You are able to appoint anyone you wish to be your trusted contact person. It is recommended to select someone who is trusted, mature and knowledgeable about your personal situation and support network. The individual should be capable of speaking with you, and to us, about your well-being, including potentially sensitive topics such as your physical or mental health status.

You may also consider appointing multiple trusted contacts. The person(s) nominated can change and you are able to revoke designations entirely at any time.

While there may not be a current need for a TCP, implementing this safeguard in advance can help to provide protection down the road. Even if you have appointed a Power of Attorney, having a TCP adds an additional layer of protection to your account(s). If you would like to nominate a TCP for your existing accounts, or for more information, please get in touch.

1. www.un.org/development/desa/disabilities/disability-and-ageing.html;
2. www.who.int/news-room/fact-sheets/detail/elder-abuse;
3. www.antifraudcentre-centreantifraude.ca/index-eng.htm

Should I Purchase Life Insurance Online?

In this digital age, with the click of a button, we can purchase virtually anything online and have it delivered almost instantaneously. Life insurance is no exception. In some cases, you can buy a life insurance policy without having to answer many questions about your health.

While this may appear enticing due to its convenience and anonymity, there may be reasons to consider how you buy your insurance. Here are some perspectives:

Potential cost savings — The cost of any insurance policy is based on the chances that claims will be made. Generally, the higher the risk, the higher the cost. Insurance companies identify these risks through the process of underwriting – for life insurance, often questions are asked about health and lifestyle, and sometimes a health screening is required. This process can be circumvented with the purchase of guaranteed-issue life insurance, commonly offered online, which typically requires little or no health information from you. However, due to the risk pooling of all applicants who purchase this type of guaranteed-issue insurance, the cost could be inflated to account for high-risk individuals. As such, there may be potential cost savings, as well as better coverage, by purchasing an underwritten policy that may not be available online.

Determining how much — How much do you really need? Some consider the "rule of 10," meaning you would need 10 times the coverage of your annual income for protection. However, after considering your net worth and any existing liabilities, as well as future needs, by this rule, you may be purchasing too little or too much. While online insurance calculators can help to provide estimates, a more thoughtful analysis may provide better insight. It doesn't make sense to unnecessarily pay for life insurance that you do not need.

Understanding coverage and payment features — With many different products and features available, do you fully understand what you are potentially purchasing online? Are you aware of other potential options, pricing or features that may be available? Are you sure you are purchasing the right type of coverage for your needs? Some investors may not understand the difference between term and permanent insurance. For other investors, permanent coverage may offer benefits as part of a broader wealth plan that the investor may not be aware of.

Broader wealth planning opportunities — While income protection is important, life insurance can provide so many other benefits, including for investment, tax, retirement and succession planning. For example, some permanent life insurance policies offer insurance protection alongside investment savings, with the two portions unbundled for flexibility and the potential for an amount of growth to be tax-sheltered. Owners of private corporations can consider taking advantage of the capital dividend account (CDA), as the CDA may permit the corporation to pay a tax-free dividend to the shareholders. For retirement planning, some forms of life insurance can be used as an adjunct to retirement savings plans, to provide a supplementary way to save money on a tax-deferred basis. Life insurance can also be used in estate planning as proceeds generally pass tax-free to beneficiaries. It can help to cover capital gains tax liabilities of an estate to relieve potential monetary stresses for heirs.

If you need assistance in evaluating your insurance needs, our team can help you determine how best to protect, enhance, structure, and distribute your wealth with the use of insurance solutions. Please don't hesitate to get in touch.

Estate Planning & Trusts: Not Just for the Ultra Wealthy

As you review your estate plan, have you considered the use of a trust? Trusts are often seen as a tool used by the ultra wealthy. Yet, there may be benefits for individuals with more modest wealth positions that justify the associated costs, which can generally run in the thousands of dollars for legal fees in order to set up, as well as additional costs for maintenance.[1]

While trusts can be created during an individual's lifetime (known as inter-vivos trusts) and can offer many benefits for wealth planning, the focus of this discussion is on estate planning using testamentary trusts, which are generally established under your will. After death, certain assets would be transferred to the testamentary trust according to the directions specified within your will, to be managed by a trustee on behalf of a beneficiary.

Here are three common situations for which a testamentary trust may act as a valuable estate planning tool:

1. **Blended families.** If you have remarried, but wish to provide for children from a previous relationship, a spousal trust may help to direct your assets as intended. Without a spousal trust, assets would be passed directly to your spouse upon your death and distributed in the future to the beneficiaries determined by your spouse's will. A spousal trust is commonly set up for the duration of the surviving spouse's lifetime, with assets held in the trust for use by the surviving spouse as directed by the terms of the trust. Once the surviving spouse passes away, remaining assets can be distributed according to the terms specified, such as to children from a previous marriage.

2. **Beneficiaries who need support.** A trust may help to provide ongoing support to dependent beneficiaries or those who may not be financially responsible or may need support. Trusts are frequently used for minor children to appoint someone who can manage funds on their behalf until the child reaches the age of majority or later. However, there may be other situations in which controlling distributions may be beneficial, such as with a spouse who may not have strong financial acumen, or dependents who are disabled or incapacitated. A trustee can maintain control over the timing and amount of distributions. As well, in certain provinces, it may be possible to set up a trust for those with a disability without compromising government disability benefits.

3. **A vehicle to protect inherited assets from a potential marriage breakdown of a beneficiary.** A testamentary trust may be one way to pass down important family assets, such as a cottage or family business, while protecting children from having their share subject to a division in the event of matrimonial claims or claims from other potential creditors. With property prices skyrocketing for many cottages and cabins, or given the value of a family business, there may be concerns about passing along family assets to the next generation in the event of a potential marital breakdown of a beneficiary.

In these circumstances, and others, having the protection of a trust can provide estate planning benefits. Establishing a trust, and the associated tax implications, may be complex and the benefits depend on individual circumstances. As such, we recommend seeking the advice of legal and tax specialists as you plan ahead.

1. Additional costs may include ongoing accounting and trust administration fees, as well as probate taxes during the settlement of the estate if assets are now passing through the estate. Note: most Canadian trusts will be subject to increased reporting as of the 2022 tax year, including filing a tax return, even if they have no taxable income.

Finding Ways to Deal with Inflation

As the theme of inflation continues to dominate the financial headlines, investors may be wondering what steps can be taken to combat rising prices.

Higher inflation has been more persistent than many expected, largely driven by the anomalies of the pandemic, most significantly on the supply side, due to supply chain and labour market issues still lingering from the economic shutdowns. Yet, consider also that inflationary expectations can help to drive inflation.[1] Now, we may be facing continued headwinds as a result of higher commodities prices due to the conflict in Europe.

Perhaps the most extreme case in recent times belongs to Zimbabwe. People were so accustomed to expecting higher inflation that it became somewhat self-fulfilling. In 2009, Zimbabwe's inflation rate hit 230,000,000 percent. Prices would change by the minute, but the country kept printing money. At the height of their economic problems, they issued a one hundred trillion dollar bill, the largest denominated note ever circulated. When the Zimbabwean dollar was abandoned as the official currency, the hundred trillion dollar bill was only worth about US$0.40.[2]

Of course, we don't expect similar hyperinflation. It is likely that inflationary pressures will temper as things return to normal. However, there's little dispute that inflation is here, at least for the short run, so consider these ways to help deal with inflation.

Don't overlook the merits of being invested. History has shown that over longer time periods (and even despite short-term volatility), equity market returns outperform inflation.[3] This is a good reminder of the merits of staying invested. Now may be a great time to review your finances: do you have available contribution room in a TFSA or RRSP, or funds sitting idle that could be invested to benefit your future?

Better tax planning may help put funds back into your hands. Inflation is often referred to as the "silent tax." As such, why not consider tax planning exercises to help put funds back into your hands? It is personal income tax season, an opportunity to get organized and avoid overlooking important deductions or savings on your tax return. Tax planning should be a year-round exercise; there may be opportunities for income-splitting with a spouse, contributing to tax-advantaged accounts, or planning for a small business.

Consider a budget (or help others!). A budget may be especially helpful for those on fixed incomes, such as seniors or younger folks just starting out. It can help to provide a full picture of inflows and outflows, and determine which costs are necessary and what adjustments can be made to account for any increases from inflation. Ironically, the calculation of the official measure of inflation, the CPI, doesn't include such items as gasoline and groceries, everyday living expenses incurred by almost everyone—and for which costs have gone up significantly.

In Jest: A Parting Thought

If you want to become an instant "trillionaire," you can buy the Zimbabwean note on eBay. The irony is that the one hundred trillion dollar bill is worth more today than when it was in circulation: around US$200, which represents a whopping "appreciation" of about 61 percent per year since 2009 and certainly one that has surpassed inflation!

1. https://econofact.org/thinking-can-make-it-so-the-important-role-of-inflation-expectations; 2. http://cnn.com/2016/05/06/africa/zimbabwe-trillion-dollar-note/index.html; 3. www.cnbc.com/2021/11/16/as-inflation-rises-here-are-opportunities-to-make-and-save-money-.html

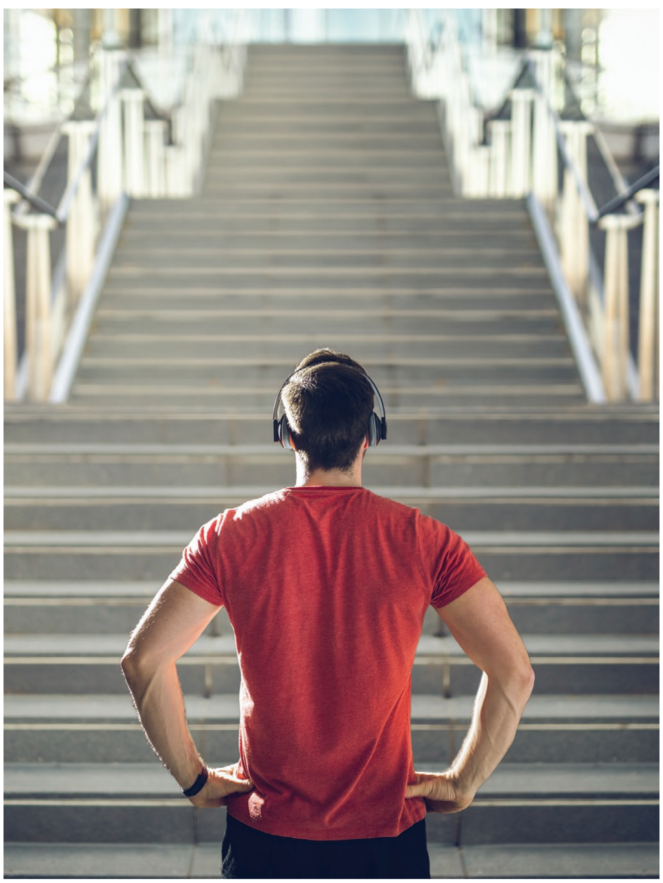
A Rising Rate Environment: Why Investors Should Keep Perspective

Interest rates have been held at very low levels for an extended period of time as a result of highly accommodative central bank policies. As we move forward towards a return to "normal," the central banks will be raising rates to more "normal" levels. For many months, the media has been hyping concerns over rising interest rates.

As investors, should we be worried about interest rate hikes? Here are some reasons to keep perspective in a rising rate environment:

Central banks: Good at communicating — While we may be used to the forward guidance given by central banks, it hasn't always been this way. In the past, decisions made by central bankers were often a surprise that could rattle the markets. Consider that in the 1990s, investors used to guess what the Fed would do based on the size of then-Chair Alan Greenspan's briefcase![1] The theory: if the Fed was going to change rates, Greenspan would be carrying a lot of documents, so his briefcase would be wider. Today, we've been given ample warning by the central banks that rates will be rising, so much of this expectation continues to be built into the markets.

Interest rates need to normalize — Central banks have been highly accommodative for a very long time. Rates have been kept artificially low to help support economies during this challenging time. As we learn to manage the pandemic and return to normal, a natural unwinding needs to take place, which includes allowing rates to rise. However, let's not forget that even with multiple rate increases, interest rates will still continue to be very low by historical levels.



Wealth levels continue to be high — With excess liquidity in the markets, many analysts suggest that central banks can hike rates quite a bit without affecting credit conditions. Many businesses continue to be in good shape financially, with solid balance sheets and excess cash reserves, so defaults on business loans are expected to be low. Household wealth also increased at all income levels during the pandemic, and delinquency levels on consumer loans are still at record lows.[2]

Markets have historically performed well in rising rate times — Investing theory suggests that interest rates and stock prices move in opposite directions, as stock prices reflect the present value of future earnings: the higher the interest rate, the less future money is worth today. However, history has shown that markets can perform well during rising rates.[3] One market strategist determined that the S&P 500 Index returned five percent in the six months following the first rate hike of past recent cycles, despite initial volatility.[4] Other studies support positive equity market performance during rising interest rate environments (chart).

S&P 500 Performance When 10-Year Treasury Yield Rises By One Percent or More

Start	End	Starting Yield	Ending Yield	S&P 500
Jul '12	Oct '18	1.5%	3.2%	127.2%
Jun '03	May '06	3.3%	5.1%	39.1%
Oct '98	Jan '00	4.5%	6.7%	39.5%
Oct '93	Nov '94	5.3%	8.0%	2.2%
Jan '87	Oct '87	7.1%	9.5%	6.7%
May '83	Jun '84	10.4%	13.6%	−1.5%
Jun '80	Sep '81	9.8%	15.3%	11.4%

Source: https://fortune.com/2021/03/08/stock-market-today-risks-interest-rates/

Slower economic growth — Recent economic data has been mixed to start the year, painting a slowing economic picture. Given the challenge of slower economic growth, it is likely that central bankers will be cautious in the pace of tightening, which may help to temper potential market volatility and may allow time for financial markets and economies to adjust.

1. www.money.cnn.com/1998/09/29/bizbuzz/briefcase/; 2. www.wsj.com/articles/u-s-households-took-on-1-trillion-in-new-debt-in-2021-11644342925; 3. www.bloomberg.com/news/articles/2022-01-23/u-s-stocks-historically-deliver-strong-gains-in-fed-hike-cycles; 4. www.ca.finance.yahoo.com/news/what-happens-to-the-stock-market-when-interest-rates-rise-115245445.html; www.forbes.com/sites/kristinmckenna/2022/01/24/how-do-stocks-perform-when-interest-rates-rise/?sh=56e62d876928

Managing Risk: Why We Rebalance Portfolios

Recent market volatility has prompted some investors to rethink their perspective on risk. Reacting to short-term market fluctuations is not usually advised; instead, we continue to focus on the importance of having a plan in place with a view for the longer-term, and rebalancing your portfolio where required.

Rebalancing an investment portfolio involves adjusting the proportion of asset types to ensure it reflects your continuing goals. This is done because, over time, the value of the securities that make up your portfolio can rise and fall at different rates. This will change the asset allocation, which has been established to reflect your personal risk tolerance, goals and time horizon. Often, rebalancing involves trimming winners to get back to the target asset allocation level. For example, as a result of the market's climb in 2021, if the value of one holding has increased so much that it makes up a disproportionate part of the overall portfolio, it may be opportune to consider taking some gains to restore balance in the allocation.

Rebalancing may also be necessary if your investment goals or your risk profile change over time. Consider that as you reach the retirement age, you are likely to have a lower risk tolerance as your time horizon lessens and you look to provide income to support your retirement lifestyle.

Rebalancing helps to ensure that a portfolio doesn't become riskier or less risky than you intended when we first set up your allocations.

Helping to Avoid Timing the Markets

One of the virtues of rebalancing is that it helps to take the emotion out of the investing decision-making process. The rebalancing decision should occur when the portfolio's balance is not in check, and not in response to the markets being under pressure. This can allow investors to better achieve the objective of selling high.

Other Benefits: Even More Important for Retirees

For many younger investors, rebalancing may be less of a priority due to higher risk tolerance levels and the advantage of a longer time horizon. However, for retirees who face a shorter time horizon, rebalancing can bring multiple additional benefits. By maintaining a portfolio's risk and allocation levels on an ongoing basis, it can add an element of volatility control. This may be especially valuable to retirees on a fixed income, who often have no choice but to draw on portfolios for living expenses, regardless of the economic environment. Rebalancing can help to assist with cash flow sourcing. In this age of ultra-low yields, it can help to make up any shortfalls from income-generating investments, or create reserves by trimming winning equity positions and adding them to bond holdings to be used when needed.

Rebalancing may be a way to meet the minimum annual withdrawal requirements of the Registered Retirement Income Fund. For those who do not need excess funds, rebalancing can serve as the source of funds for charitable giving, to not only support giving strategies, but also earn a potential tax break. Appreciated positions of publicly listed securities can be donated to eliminate the taxes on the appreciation, as well as to benefit from a tax deduction on the value of contributed shares.

We Are Here to Assist

Rebalancing is just one of the important techniques we use to help manage risk in your portfolio. If you have questions about how this approach supports your investing program, please don't hesitate to contact us.

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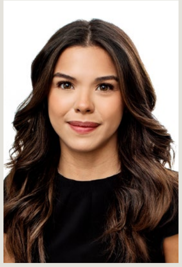

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