

# Wealth DIRECTIONS

SEPTEMBER 2019



## Volatility is back – focus on our Holistic Wealth® financial planning process

### Market Outlook

Volatility in the capital markets refers to measuring the changes in price levels. The more volatility there is, the more investments swing UP and DOWN. In the last several years, there has been low volatility and now this has changed. Some investors have not seen (or they may have forgotten about) this level of volatility before and the news may be causing some anxiety and questioning of their investment strategies. Looking back in time, there have always been factors making investors nervous. These include: wars, free-trade negotiations, tariffs on imports, elections, politicians and political instability, Today is no different. It is hard to time the market (when to get in and when to get out). Instead, we gradually make changes to the asset mix and types of investments you own as we move through the economic cycle.

Although the markets are not over inflated, we are overdue for a stock market correction (often a barometer indicating a pending recession). I do not anticipate a large correction. Recessions typically last under two years and the stock markets recover mid-way through the recession.

We take a pension investment approach when investing your funds. This means owning a diversified mix of stocks, bonds and cash in varying proportions. Pension fund managers will gradually shift their investments based on their outlook for the markets. They do not make dramatic changes such as selling all of their investments and buying GICs because they realize that no one can time the market successfully.

Here at Holistic Wealth®, we take a financial planning approach to building your personalized portfolio.

We look at your:

- **Liquidity Needs** – Are there any large financial requirements in the next few years such as a new car, renovations, purchase of real estate, wedding etc? If so, we will slice off an allocation into a low or no-risk investment to ensure that the funds are available when you need them.
- **Income** – How much income do you (or will you) need from your investments? We look at the percentage of the portfolio that you need as income to determine the right investment mix.
- **Time Horizon** – How long will the funds be invested and how long do you want the funds to last? For people nearing retirement, they will likely still need the funds for the next three decades of their life. As they retire, they switch from contributing to redeeming (slowly over time) their investments.
- **Tax Optimization** – Investments can earn different returns with either interest, dividends and/or capital gains. It is important to know that they are taxed differently. The process of tax optimization allocates the investments into your different plans so as to minimize tax. This includes your CASH, TFSA, RRSP, RRIF, and other accounts. This can make a difference in the claw-back of your Old Age Security (OAS)!
- **Risk Tolerance** – We need to understand your individual comfort level with volatility. We don't want you to panic and sell low. We all know the expression 'Buy Low and Sell High' but this is very difficult for most investors, as they often use the rear view mirror rather than the looking through the front windshield when driving their investment decisions.

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## BACK TO SCHOOL

### RESPs – Registered Education Savings Plans

The government has a program where you can contribute to your child's (or grandchild's) registered education plan and the government will contribute up to 20% in the form of a grant. There are some conditions to qualify. Don't wait until he or she gets too old or they may not qualify. Contact us to learn more.



### VALUE stocks vs. GROWTH stocks

Investors have favoured growth stocks over value stocks for the past 6-8 years. **Growth stocks** are hoping to grow their revenue, start to turn a profit or increase their profits and the stocks typically trade at more expensive valuations. Good examples are the cannabis stocks, Facebook or Uber Technologies. These are high (mind the pun) flyers and can easily have big corrections.

These start-up growth stocks have little revenue and no profit. When the economy starts to contract, rather than grow, they could be in trouble. These companies burn through their cash and will find it difficult to borrow or raise funds to continue.

**Value stocks** have stalled or even declined in the last few years. There are several examples of stable businesses, which are profitable and pay a solid dividend that have not done well and are trading lower than what we think is their fair value. Examples are: Molson Coors, Hanesbrands, Stelco, Canadian Tire and PVH Corp (owns Calvin Klein, Tommy Hilfiger, IZOD, Van Heusen, ARROW, Speedo and more). When this happens to a stock we own, we have three options to choose from – sell it, buy more or hold.

**We believe that value stocks will start to shine and do better than growth stocks in the next few years.**

### TRAVEL INSURANCE

#### Up to \$10 million of Travel Medical Insurance

Did you know that you can purchase travel insurance directly on the home page of [HolisticWealth.ca](http://HolisticWealth.ca)? Now you do! It is simple to do.



You just need to know your travel dates and to answer a few medical questions. There are no age restrictions to qualify. If you have less than ideal health conditions or pre-existing conditions, contact our office. It may be possible to have coverage for pre-existing conditions.

Premiums paid are medical expenses and are tax deductible.



Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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## Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our current outlook compared to the normal North American weighting. Based on the economic outlook, we will want more or less than our normal exposure to each category. Each individual investor will have a different investment portfolio depending on their personal circumstances considering their: Risk Tolerance, Income requirements (both current and anticipated), Time Horizon, Taxation, and of course Temperament (investor behavior). We then look for opportunities to tax optimize the holdings based on which plans hold which investments. You should consult us to determine the ideal asset mix and asset selection given your circumstances.

		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
<b>FIXED INCOME</b>						
Government	Long-term			●		
	Mid-term			●		
	Short-term			●		
Corporate	Investment Grade				●	
	High Yield				●	
	Floating Rate	●	<b>NEW!</b>			
<b>EQUITIES</b>						
Canadian	Dividend Focused					●
	Large Cap				●	
	Small Cap	●	<b>NEW!</b>			
US					●	
European				●		
Asia				●		
Emerging Markets			●			
	BRIC		●			

SECTOR		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary			●			
Consumer Staples					●	
Energy			●			
Financials	Banking			●		
	Insurance			●		
	Asset Managers		●			
	REITS		●			
Materials				●		
Utilities				●		
Telecommunications				●		
Healthcare					●	
Industrials			●			
Information Technology			●			

# Who is HOLISTIC WEALTH®?

This is the trade name that the Summerland office of Manulife Securities Incorporated operates under. We call ourselves this as most traditional stock brokers and investment advisors do not take the same holistic wealth approach in working with clients. We prefer to take a financial planning approach when advising clients incorporating their debt, insurance and investment portfolios into consideration. We use solutions that people understand and avoid 'synthetic' investment products (such as hedge funds).

We currently advise clients throughout BC, Alberta and Ontario. We are still growing our practice and welcome new clients. If you or someone you feel would benefit from a confidential and complementary consultation, please contact our office.

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### THANK YOU

We thank you for your incredible loyalty as a client. We strive to provide our best advice and service. We also continue to grow our business and want to thank those who have encouraged their families and friends to work with us. We continue to appreciate your introduction of us to anyone you believe would be a good fit within our financial planning and investment practice.