# WELL-ADVISED

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## WHEN A WEALTH PLAN IS FLUID

A wealth plan identifies your life goals and provides you with a personalized wealth management strategy to meet your financial milestones and achieve each objective.

However, a wealth plan isn't something you set and forget.

### GOALS MAY CHANGE

Over the years, your goals themselves will change—one will be reached, another may be modified and perhaps a new goal will be added. For example, having saved for a child's wedding could be one goal completed, while the wish to purchase a condo down south for your retirement years may be a new goal to achieve. Any change in goals calls for a change to your wealth plan.

### ADAPTING A WEALTH PLAN TO LIFE CHANGES

Many life situations and events have financial consequences that can affect a wealth plan. Say an individual goes through a divorce and the costs and settlement cause this person to reassess their retirement plans. Or someone receives an inheritance earlier than expected and, with this financial cushion, leaves their management position to launch their own business. A parent may learn that only one of their two children wants the family vacation property and, to equalize inheritances, purchase a life insurance policy with the other child as beneficiary. A retired couple may not expect to have education savings as a financial goal, but now have two grandchildren and want to help fund their education. You'll most assuredly have your own unique situations that will affect your wealth plan in some way.

### KEEP US INFORMED

Together, we can regularly monitor your wealth plan to ensure it reflects your evolving needs. You can also let us know whenever a life event occurs or a goal changes. We'll make sure your plan changes accordingly and you remain on track to meeting your financial objectives. ■


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When it comes to our investments, it may feel like we're living in a period of uncertainty. The U.S. stock market has enjoyed a rally in the past year, yet the possibility of a recession is *still* being talked about. Meanwhile, the Canadian stock market has largely been going sideways—which is unusual, as the chart on Page 2 shows. Bonds have been disappointing recently, but interest rate cuts could turn that around. If uncertain times ever cause you to wonder about your investments, please talk to us. We'll look at the big picture—meeting your financial goals.

Danielson Group
Wealth Management

# PLANNING FOR MARKET VOLATILITY

In the early months of 2020, the coronavirus outbreak led to a sudden market meltdown—only to be followed by a surprisingly quick recovery by the summer. Not long after, in 2022, equity markets around the world entered bear market territory. In 2023, the markets rallied.

It's no wonder that many investors today have volatility on their minds.

The reality is that, historically, market volatility is normal. Periods of high volatility can extend for multiple quarters or even years. Market swings only seem surprising if we've had a longer-than-usual period of relative calm or there has been a prolonged bull run or bear market. However, even bull or bear markets can have spikes and valleys of their own.

## DAMPENING THE EFFECT

The volatility you experience in your portfolio is a milder version of what's happening overall in the markets. Your portfolio's asset allocation dampens volatility as the fixed-income component acts as a ballast, helping to smooth out returns. Also, diversification within each asset class reduces volatility, while minimizing risk.

If an investor wishes to make their portfolio even less volatile, they can decrease their allocation to equities and boost their fixed-income allocation. They could also focus on equities that have historically been less volatile, such as large-cap, dividend-paying companies.

## TAKING ADVANTAGE OF VOLATILITY

Keep in mind that volatility also has benefits, since the downswings offer buying opportunities. The money managers behind your investments can expand exposure to current holdings at a discounted price or invest in quality companies previously deemed too expensive. Also, you can purchase shares or fund units at lower prices and come out ahead when your investments participate in the market recovery down the road.

## THE PSYCHOLOGICAL FACTOR

Part of planning for volatility is being prepared psychologically, and understanding that it's expected. When markets are down and your portfolio has lost value, recognize that downswings are part of the market cycle. Although future market trends cannot be predicted, it's reassuring to know that every market correction or bear market has been followed by a recovery.

If volatility causes worry about achieving long-term goals, the yo-yo analogy can be helpful to some investors—and not only beginners. Picture a person riding up an escalator while playing with a yo-yo. The yo-yo is the stock market—it always goes up and down—but the long-term trend is always up.

Also important psychologically is to tune out media noise. When you hear messages of doom in falling markets, you'd never know volatility is normal and expected. The news media need stories, but you don't need the anxiety.

## WHEN YOU NEED SUPPORT

Even when you know volatility is expected, extreme market swings can create the sense that "this time it's different." When a bear market is especially long and bleak, an investor may believe that this time markets won't rebound and that their portfolio will never regain its former value—but the real danger is stopping investing and missing out on the eventual recovery. If a bull run continues for multiple years, an investor may think that we've entered a wonderful new economy where the old market cycle doesn't apply—however, overinvesting in equities would push their portfolio beyond their risk tolerance.

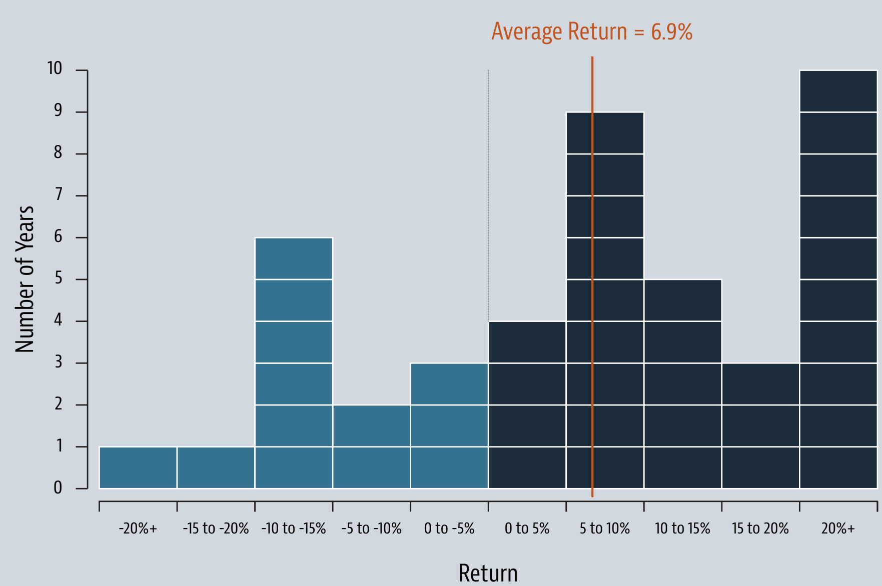
If you ever become anxious about market volatility, please get in touch. Together, we'll look at how your investment program is on track to meeting your life goals. ■

## ARE AVERAGE RETURNS COMMON?

### S&P/TSX COMPOSITE INDEX ANNUAL RETURNS, 1980 TO 2023

The average annual return of the S&P/TSX Composite Index from 1980 to 2023 was 6.9%. However, returns between 5% and 10% only occurred in nine of 44 years. ■

Source: Morningstar



# WILL YOUR PARENTS NEED YOUR HELP?

The day may come when your parents find it more difficult to take care of their financial matters. Your help can make a difference, whether it's in the form of your time, advice or financial assistance.

Not all parents are comfortable sharing their financial life with their children, but your efforts in getting them to share can be well worthwhile. Say a parent eventually requires private health care support to continue living in their home but doesn't have the savings to afford this expensive service. If you're in a position to help financially, it's important to have the health care conversation long before a crisis hits. In fact, your parent's quality of life depends on it.

## MANAGING MONEY

Try to see if your parents are keeping up with basic financial to-dos, such as paying bills and filing tax returns. It's especially important if a parent is single or widowed, without someone to help. You may be able to help them stay on top of routine money matters.

While they're sound of mind, find out if they have any insurance policies. If a parent has critical illness insurance, but then suffers an illness that affects their memory of having the policy, you'll want to know that coverage exists.

Make sure your parents are aware of common fraudulent schemes, as many scammers target seniors. They should be watchful for any requests for money or their personal information, whether made by mail, phone, online or at the door.

## PLANNING THEIR ESTATE

While estate planning is your parents' domain, you may want to raise the topic if you suspect they're not on top of things. Are their wills up to date? If the estate will owe a significant amount of tax on assets, have they talked with a professional about managing the tax liability? Is the person named as executor (personal representative, liquidator or estate trustee, depending on the province) still willing and able to perform the duties?

Find out if your parents have a power of attorney for their financial affairs, known as a mandate in Quebec. If they don't have one, encourage your parents or help them to get this critical document. They might think their spouse or you could step in to manage their finances if they become unable to do so, but that's not the case without a power of attorney.

## HAVING THE TALK

You're fortunate if you're able to talk directly with your parents about their financial matters. However, for many children, it's more comfortable if you ease into the topic.

You may want to talk about an actual financial situation involving a relative or another person you know, or even someone in the news. For example, mentioning that a friend's mother lost thousands of dollars in a scam about unpaid taxes can lead to a discussion about your parents' awareness of senior fraud. Another approach is to share something about your own financial life, such as that you and your spouse finally got powers of attorney. Then you can find out if your parents have these documents. Whichever method you use, smaller chats over time might be easier than trying for one all-encompassing financial talk.

The sooner you begin the financial conversation with your parents, the better. Otherwise, you could end up stepping in after a health or financial issue develops—and, in that case, you'd be starting off in a stressful and challenging situation. ■

# ABOUT THE DISABILITY TAX CREDIT

Your parent may have lived their entire life without a disability only to develop one or more serious physical or cognitive impairments in their senior years.

Depending on the impairment's severity, they may be eligible for the disability tax credit, which can reduce their income tax burden.

The impairments covered by the credit fall under the categories of walking, speaking, hearing, vision, dressing, feeding, eliminating, mental functions and life-sustaining therapy. To be eligible, an individual must have a "severe and prolonged impairment" in one category or "significant limitations" in two or more categories. For example, someone might receive the credit if they need help dressing due to rheumatoid arthritis and they have considerable hearing loss.

If you believe your parent may be eligible, you must submit the Disability Tax Credit Certificate to the Canada Revenue Agency (CRA), with the application certified by either a medical doctor or a specialist in the field of the individual's impairment. ■

# NAVIGATING THE RETIREMENT RISK ZONE IS PERSONAL

It's called the retirement risk zone—the period of several years before your retirement date and the initial years of your retirement. The risk is a severe market downturn and its impact on your retirement savings.

A falling market just before retirement could cause unprepared investors to postpone their retirement or modify their desired retirement lifestyle. If the market suffers a downturn soon after retirement, you risk drawing income from investments that have lost value. Also, unless you're still working or own a rental property, you won't have earned income to make up for the losses.

### THE SAFETY VERSUS GROWTH DILEMMA

Changing your portfolio's asset allocation to focus on low-interest, low-risk investments would offer a safeguard against market volatility, but most investors need growth in their portfolio to support 25 years or more of retirement. How do you provide for the long term while also keeping your portfolio safe through the retirement risk zone?

Fortunately, many solutions are available to solve the safety versus growth dilemma. The one that's best for you depends on your retirement income sources, liquid net worth, risk tolerance, desired retirement lifestyle, estate plans and whether you support your spouse.

### A VARIETY OF STRATEGIES

Some investors are well served by the traditional approach of increasing fixed-income investments while decreasing equities as they approach retirement. The transition should happen over several years so you don't risk selling a large portion of equity investments when the markets are at a low point. When retirement arrives, several options are available, including basing withdrawals on an annual fixed-dollar amount or a fixed percentage of retirement savings.

Another strategy is to build a reserve of cash and low-risk fixed-income investments that can provide a couple or several years of retirement income. If the market drops when you retire, you can access these funds to support your retirement while markets recover. Some investors help build this reserve in later years with the extra cash flow that results from children leaving home and having a paid-off mortgage.

Yet another method is to build a portfolio based on investments that generate income, such as corporate bonds and dividend-paying stocks. When an investor implements this strategy before retirement, they reinvest the distributions to purchase more shares or fund units. During retirement, the portfolio's income becomes part of the investor's regular income stream—even when the market suffers down periods.

These are just a few of the strategies available to safeguard your retirement plans against a market downturn occurring at an inopportune time. When retirement is on the horizon, we'll look at your situation and the suitable options, and then determine which solution will give you peace of mind through the retirement risk zone. ■

# FIVE ITEMS OFTEN OVERLOOKED IN A WILL

Check to see if one or more of these often-overlooked items may apply to you.

**Loyalty programs.** Each loyalty program has its own rules about whether points can be transferred to a beneficiary, so check your programs' policies. When allowed, list the loyalty program in your will and name the beneficiary of the points. Also, provide your executor with each loyalty program's login information.

**Digital assets.** In your will, you can grant access, provide instructions or name beneficiaries for a range of online accounts and property. Such items may include bank and investment accounts, automatic bills payments and subscriptions, personal or business websites, photo or video collections, social media accounts or a cryptocurrency wallet.

**Pet care.** If you have a friend or family member who will take care of your pet, you can name them in your will to become the pet's new owner. Also in the will, you can leave this person funds to cover pet insurance, food and other costs.

**An RESP.** Are you the sole subscriber of a Registered Education Savings Plan (RESP)? On your passing, the default is that the grant money is repaid to the government and the remaining assets become part of your estate. A solution is to name a successor subscriber in your will. The successor subscriber can maintain the RESP for your child or grandchild.

**Special possessions.** Some possessions get left out of a will because their value is primarily sentimental, not financial. However, many items—even a fishing rod or a pasta maker—could remind your child of a special bond you shared. ■