August 2023 Financial Planning Email Update

Each year Fidelity Investments does a comprehensive retirement survey to those who are retired and those considered to be pre-retirees. Please find the results of this survey in the attached 2023 Fidelity Retirement Report. As a highlight, it was found that those already retired are much more positive about retirement than the pre-retiree group. Within the pre-retirement group, the two main reasons for delaying retirement were increases in the cost of living/inflation and expecting to financially support elderly parents. Retirement, however, remains the most important savings priority for pre-retirees.

Recently I attended a Dynamic LIVE one-day conference in which the main focus of the discussion was the significant increases in those investors now requiring income due to retirement. The two most significant presentations were by Daryl Diamond, Chief Retirement Income Strategist, and Oscar Belaiche, Senior VP and Portfolio Manager, who discussed how to create the right forms of income in retirement to live long and prosper… in retirement.

The key take-aways were that a big shift is occurring such that, by 2030, 2 in 4 adults will be retired and that entails moving from accumulating to generating income in investment portfolios. The challenges today for retirement include the higher cost of living, inflation, and higher interest rates. All retirement income plans need to be personalized. Daryl uses target distribution mechanics to provide an income without encroaching on the principle, putting your retirement income on autopilot. Investments need to have consistency, sustainability, and preferred taxation of income.

Oscar also emphasized a growing need for income for retirees as he has always invested to generate a current income yield which is currently 4.8%. His well-managed portfolio also grows with capital appreciation. His current 10-year average annual compound rate of return is 7.74%.

Dynamic Equity Income generates yield from a diverse area including private investments, institutional preferred shares, option writing, and dividend paying equities, all professionally and carefully selected and managed.

Oscar feels the market, overall, today is fairly valued. Any market rallies have been very narrow and any rally today does not include the entire market any longer. This therefore requires careful business selection. Oscar has not seen such attractive yields since the 2000's decade and as rates stabilize and potentially decline in the face of an economic slow-down/recession then owning high quality, more predicable free cashflow, sustainable higher yielding securities that are well managed and maintained will benefit the holdings in our funds.

Oscar's motto: Quality at a reasonable price.

Oscar – Happiness is appreciating what you have and maximizing your remaining time and maximizing your lifespan by remaining healthy.

Daryl – The standard is not to withdraw more then 4% annually as a threshold guide. If you withdraw over 4% there is a threat of reduction in capital over time.

Daryl - Main goal is that each client is comfortable and enjoying their retirement.

Daryl Diamond's four cornerstones for retirement income planning:

Maximize Cash Flow

By concentrating on income-producing assets during retirement, investors can create reliable cash flow in order to avoid withdrawals during market downturns.

If we can deliver all of a client's needed withdrawal through income distribution, then we're not at a point where the client has to surrender any units of the investment, or liquidate any capital to fund what we're trying to withdraw. The more income that these specific investments generate, the less stress there is on the portfolio, and on retirees' peace of mind.

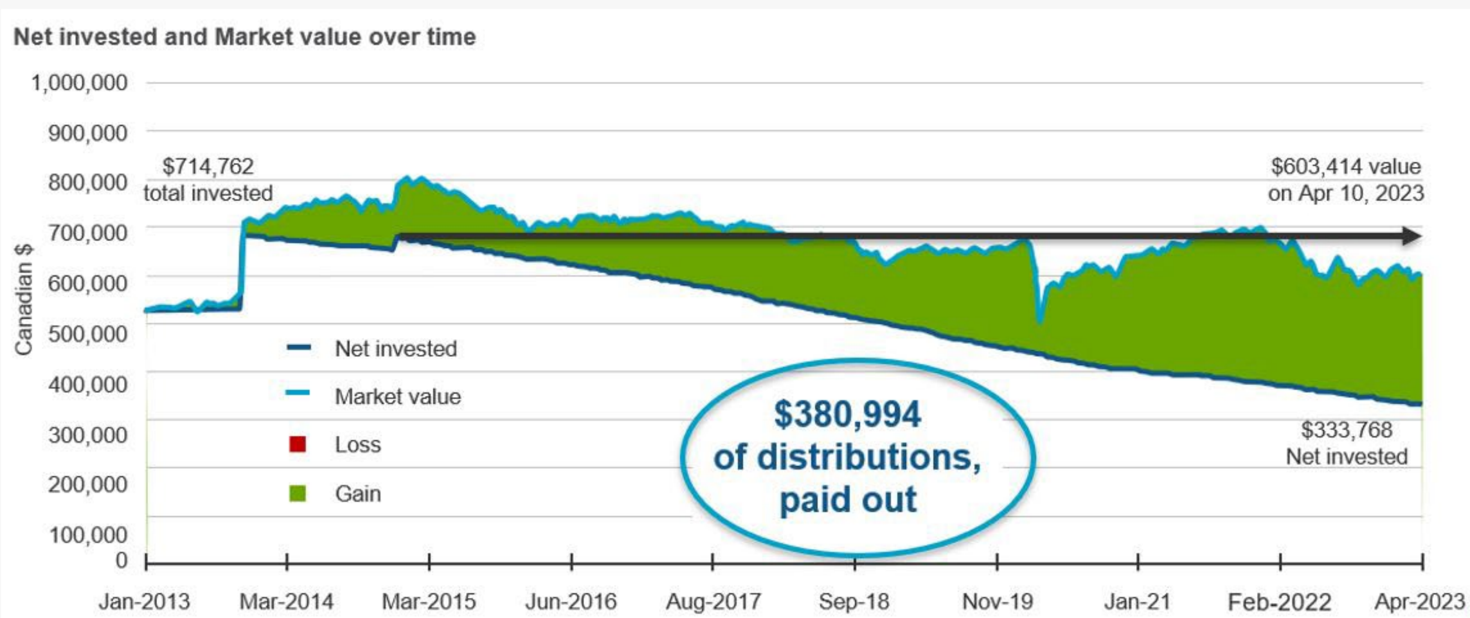
Minimize Taxes

Building consistent income requires a special focus on maximizing after-tax cash flow. The more tax efficient, the better. If we can withdraw less to get a dollar to spend in retirement, that helps to preserve capital and maintain the sustainability of income over the long term.

When it comes to minimizing taxes, it's important to stress that there's no "one size fits all" solution; every situation has to be assessed on its own merits. It's essential to always understand how the decisions you make today, in terms of which income sources to use, will impact a client's situation — be it seven or even 17 years from now.

Minimize Drawdowns

Focusing on cash flow can help reduce the impact of drawdowns, which can quickly erode a portfolio's value. For retirees in a bear market, the idea of a double drawdown — being forced to sell holdings that have fallen in value in order to fund living expenses — is truly a nightmare scenario. However, as you'll see in the following real-life example of a retiree who has been taking income from a Registered Retirement Income Fund account for 10 years, a focus on maximizing cash flow can help preserve capital — even in bear markets.



For illustrative purposes only. Distributions are not guaranteed and may change at any time at the discretion of the fund's Manager.
Source: Diamond Retirement Planning Ltd.

Maintain Purchasing Power

To protect purchasing power — especially during inflationary periods, it's critical to allocate a portion of one's portfolio to asset classes and strategies designed to deliver positive inflation-adjusted returns over time. One strategy that has proven itself in protecting purchasing power is growth. A dedicated allocation of say 10% to a growth strategy has the potential to deliver returns that can help offset the long-term impacts of inflation.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

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