March 2022 Financial Planning Email Update

2021 was one of the best performing years I have seen as an investor with market values steadily rising. As we are firmly embarking on the year 2022, we are witnessing increased volatility with heavy market swings at times. This is the time that we should all as long term investors reflect on three principles which have always held true.

The first is to always follow the principle of diversification:

We can invest in three categories of assets Cash, Fixed Income and Equities. Cash is totally liquid, 100% safe and does not fluctuate in value but offers little investment return which historically has not kept pace with the current levels of inflation resulting in a decline in purchasing power. Cash is normally used for short term goals and emergency savings. Fixed income are bonds and financial instruments that generate an income normally better than cash returns but do fluctuate in value. Bonds do tend to act in an opposing fashion to equities therefore stabilizing a portfolio during heavy market swings. Equities which invest in businesses listed on stock markets are more volatile but can add significant growth potential. These can further be invested by various categories both domestic and internationally. The attached charts show the market performance for 2020 and 2021. As you can see there are very few similarities in what the best or worst performing investments in those two years was as is always the case year to year. As markets are constantly evolving, predicting what will be is very difficult therefore maintaining a fully diversified, well balanced, and professionally managed portfolio has always been in our best interest.

The second is to maintain a long-term view:

This cannot be emphasized enough as every successful investor knows. In the short term our investments will either go up or down but over time long term investments will trend higher. We never know which days will provide the best returns. The attached "The Value of Staying Invested" chart produced by Dynamic Funds indicates the difference in return if we miss only 10, 20 or 30 of the best performing days over a long period of time.

The third is to understand the cycle of market emotions:

As the attached "The Cycle of Market Emotions" chart indicates that in every investment cycle there are various levels of positive and negative emotions. When the market cycle is at the peak and market emotions are so positive that they are considered euphoric, this is the point of maximum financial risk in that investors are not as focused on the real value of investments. When the market cycle is at the low point and investor emotions are very negative (despondency and depression), this is the point of maximum financial opportunity as market values have declined significantly and high-quality investments are available at discounted prices. It is therefore extremely important that we regulate our own emotions with reference to investing. A successful investor is defined as being calm, levelheaded and patient at all times.

Also, as investors we should be aware of what the marginal tax rate is, what is your personal marginal tax rate and what are the tax rates which apply to various types of investments. A person's marginal tax rate is the tax rate that will be applied to the next dollar earned. This would therefore be the additional tax to be paid in the case of receiving additional income as well as the tax saved in the case of creating an additional deduction. The income tax system in Canada is graduated in which we pay a higher percentage of income tax as our income increases. The attached marginal tax rate chart shows the tax rates at all levels of income in Ontario. This chart also shows the tax rates applicable to all forms of investment income.

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 us at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

Investia
Financial Services Inc.

investia.ca

Gary H. Attack, BBA, CFP®, RFP, RRC®

CERTIFIED FINANCIAL PLANNER®

Investia Financial Services Inc.

203-1601 River Rd. E, Kitchener, ON N2A 3Y4

T: 519-894-2661

TF: 1-800-716-5538

Fax: 519-894-6656

gary@ghafinancial.com

www.ghafinancial.com