Portfolio Advisor

Winter 2021

Sidelined: How to get back into the market and on track to your goals in 2021

The COVID-19 pandemic, a breathtaking market crash, an awe-inspiring recovery, a sputtering global economy, and more political drama than you can fit into a reality TV show: 2020 had it all, and it left many investors unsure what to do. Investors who decided to stick with their long-term plans when the markets crashed in March saw the markets recover and reach new all-time highs by year-end. Meanwhile, those who deviated from their plans may now be wondering, "How do I get back on track?"

2020: one for the history books

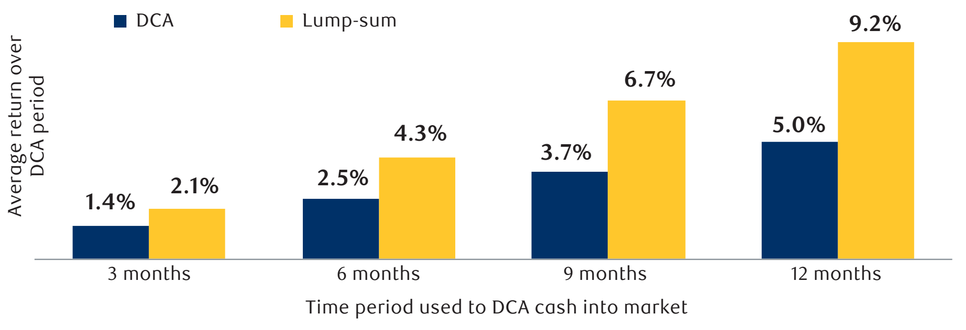
The year began well, with equity markets reaching all-time highs in February. But then the novel coronavirus arrived. Markets fell approximately 36% before hitting bottom on March 23. Just as quickly, markets began their dramatic rebound – leading to the shortest bear market in history. By the end of 2020, markets had reached new all-time highs.

For some investors, the extreme market volatility was understandably disconcerting. It may have even prompted them to go onto the "sidelines" by cashing out of their investments. Cash and cash-equivalent investments (such as GICs, money market funds and Treasury bills) are very low risk and, as such, can play an important role in an overall investment portfolio by adding an element of security. However, they offer little to no return in today's environment. If growth is needed – even modest growth – more than just cash in a portfolio can help an investor achieve their long-term investment goals.

Getting back on track

If you have been sidelined, here's how you can back on track to your plan:

1. **Review your investment plan:** Your plan is built to help you achieve your unique goals. Unless your goals have changed, what the stock market does in the short term really shouldn't distract you from your long-term goals. However, times of market stress can help you better assess your risk tolerance. If you think your goals and/or risk tolerance have changed, then speak to us about reviewing your plan.
2. **Get back into the market:** If your plan is aligned to your goals and risk tolerance, the next step is finding the right strategy to get back into the market:
   - **Lump sum:** Deploy your cash back into your investment portfolio in lump sums.
   - **Dollar-cost averaging (DCA):** Deploy smaller amounts gradually over time.



Source: RBC Global Asset Management and Morningstar Inc. Return is the S&P/TSX Composite's total return from January 1, 1990 to July 31, 2020.

Assumptions: A one-time, lump-sum investment of $10,000 is made at the beginning of each time period. DCA installments of $10,000, spread out evenly each month over the course of each time period.

Investor, know thyself

What's most important is which investment strategy will help get you off the sidelines and back on track to your goals. A lump sum strategy, historically, offers higher returns (see chart above). But if you are hesitant, sometimes the best strategy is to take one small step at a time. As a DCA strategy is usually implemented through a regular investment plan, it can help establish a disciplined and manageable approach to investing. Talk to us about which approach is right for you.