Wealth Management
Dominion Securities

RBC Dominion Securities Inc.

The Krygier Report

An exclusive newsletter from Mark J. Krygier, Senior Portfolio Manager | April 2024 www.krygierwealthmanagement.ca

Mark J. Krygier
Senior Portfolio Manager
& Wealth Advisor
416-733-5750
mark.krygier@rbc.com

Avital Pearlston
Associate Wealth Advisor
416-733-5751
avital.pearlston@rbc.com

Irene Hama
Associate
416-733-5752
irene.hama@rbc.com

Jacky Mai
Associate
416-733-5749
jacky.mai@rbc.com

How Hollywood killed common sense!

Several years ago, a local community organization hosted a series of lectures regarding marriage and child-raising. While I didn't attend the lectures, I bought the package of recorded CDs so I could listen to them at my leisure in my car. One of the guest speakers was Dr. Norman Blumenthal, a clinical psychologist specializing in family therapy. In one lecture he gave on the topic of improving marriages, he asked the audience to complete the following sentence, which derived from an old Hollywood movie, "Love means…". The audience quickly completed the phrase by calling out, "never having to say you are sorry." Dr. Blumenthal quickly pointed out the absolute fallacy in that popularized phrase by responding to the contrary, "Love means ALWAYS having to say you are sorry." Anyone who has been married for several decades can attest to the veracity of his comical statement. Dr. Blumenthal then went on to explain that the mindset created by this popularized phrase destroyed many relationships over the years, since it gave people a very skewed view of their obligation in a relationship. He explained that in a close relationship it is virtually impossible not to figuratively step on someone's toes from time to time. He suggested that if one is habituated into not apologizing for such a faux pas, one will not be left with much of a relationship.

I wonder if a similar statement could be said of Wall Street, as well as many of the popular financial publications, with their impact on creating poor financial decision-making. For instance, the popularization of "new issues" or "IPOs", marketing the latest hot trend in investing, not to mention all the ads for casinos or on-line gambling, undoubtedly creates a mindset of "get rich quick" versus the idea of living within one's means and deliberately planning for one's future. When I was articling for a Bay Street law firm I learned a valuable lesson – watch the flow of money between parties and you will understand the motivation of each side. Owners of a business are most likely to take their company "public" for their own benefit, rather than for the benefit of investors. It may be that the interests of investors and of owners or senior management of a business are aligned, but it is certainly not assured. To seek verification of which method is more successful, consider that while the CEOs of Private Equity firms have made headline news in recent years, just as the CEOs of hedge funds made a splash in the years prior, few investors have surpassed the long-term investing success of Warren Buffett, who is known for his philosophy of buying the shares of good quality companies at reasonable prices and holding on to them for the long-term. Success quickly earned is often easily lost, but wealth built up over time has a more enduring nature.

Another example of poor financial decision-making arose during the era of historically low interest rates, which came as a policy reaction first to the global financial crisis of 07-08 and then to Covid-19. How many poor choices were made which resulted from excessive borrowing or "leverage" in a virtually "free money" environment? How many people borrowed money they couldn't really afford, for either personal consumer spending, or even to buy houses or investments, without the capacity to carry those loans unless the excessively low rates are maintained? Unfortunately, as rising bankruptcy and insolvency rates will attest, many people are beginning to feel the "other side" of these decisions, now that mortgages and other credit facilities are being reset at double, triple or even quadruple the original borrowing costs. Last month I was speaking with a long-standing investor into private mortgages who told me that for the very first time he has three different private mortgages that have gone into default. The longer interest rates stay elevated the more of this will likely occur.

For many retiring baby boomers, inadequate advanced retirement planning is becoming more and more apparent. Perhaps this common malady is further evidence that the idea of "living within one's means" has been forgotten. While it is easy to blame one's lack of savings on inflation, it may be that a contributing factor is the generational focus on "lifestyle" which overtook the "old fashioned" notion that one needs to be disciplined about planning for the long-term. A few weeks ago, I participated in a retirement planning workshop, in which I suggested that far too many people are unrealistic both about how much life insurance they need to protect their family and how much they will need to save towards retirement to maintain their lifestyle throughout their lifetimes. One potential cause of such behaviour? Consider the radio and television ads by credit lending institutions which promote borrowing against one's home to finance lifestyle needs such as "the vacation you deserve!" How many people are now suffering under crushing debt which resulted from such an irresponsible use of financing?

Bottom line

Headline news and popular marketing clearly has an agenda – to sell its own magazines, services or financial products. In a world of "caveat emptor" or "buyer beware", it is crucial to take personal responsibility to the extent we can for our own financial future. First, one needs to be realistic about the lifestyle one can afford, while taking into account the need to also set aside funds for the long-term. Secondly, it is crucial to be responsible when borrowing to avoid putting oneself in a position of financial ruin. If you or someone you know would like to discuss these issues, give us a call.

Global benchmarks

As of March 31, 2024 (Canadian $ Returns – except where noted)

Asset class	YTD	1 year	3 years
S&P/TSX Composite T/R (Canada)	6.6%	14.0%	9.1%
S&P 500 TR - **US$**	10.6%	29.9%	11.5%
NASDAQ Composite - **US$**	9.1%	34.0%	7.3%
MSCI Europe Index Price Return	6.9%	11.3%	6.1%
MSCI Emerging Markets	3.9%	5.2%	-5.2%
China S.E Shanghai A Price Return	1.6%	-12.3%	-5.1%
MSCI World Index Price Return	10.8%	23.3%	9.6%

Asset class	YTD	1 year	3 years
30-year U.S. T-Bond - **US$**	-4.2%	-7.9%	-8.9%
10-year U.S. T-Bond - **US$**	-1.6%	-2.1%	-4.2%
Long GOC Bond (2053)	-6.0%	-4.4%	-7.1%
10-year GOC Bond	-2.1%	-1.3%	-2.6%
5-year GOC Bond	-0.9%	0.9%	-1.3%
3-month CDN T-bill	1.3%	4.9%	2.4%
US$/CDN$ (1.3538)	2.2%	0.2%	2.5%

Source: RBC Capital Markets Quantitative Research

For past copies of ***The Krygier Report***
visi**www.krygierwealthmanagement.ca**.

Wealth Management
Dominion Securities