

Dr. Patrick O'Brien's
Spring 2023 Client Note



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Eat the Eggs, not the Chickens!

Dear Friends and Clients,

Three steps forward, one step back... and now forward again since New Years.

I hope this note finds you well and enjoying the promise of warmer weather, frogs singing, and the burst of flowers everywhere.

Last year was a difficult one in the markets. Not just for the stock and bond markets, but also for houses, wheat, crude oil etc.– they all declined. The last 3 months have seen a gradual, but bumpy improvement in the financial “weather.” Inflation is coming down, so are long term interest rates and central banks are reaching, what appears to be, the end of increasing interest rates.

Pension thinking:

We all prefer our portfolio values to rise over even short time frames; it makes us feel good. We don't like it when share prices are going the wrong way, even if the eggs produced by the chickens keep increasing. The chickens in this metaphor are the total portfolio; the eggs are the dividends and interest they produce. The goal in retirement is to live off the eggs the chickens produce but not the chickens themselves. I don't keep track of the total value my own portfolio; it changes every day and is just so much noise. I am much more focused on the dividends and their gradual increase, just like a pensioner expecting the monthly cash to land in the bank account. The dividends and interest generated by the portfolio are relatively predictable; short term changes in the stock market, not at all. My portfolio, the CPP, BC teachers pension plan and all the others ebb and flow every day, but what matters most is the monthly payout.

Over time, the stock prices will follow the income stream, just like the alpha mare leads the herd of horses.

Some Financial Planning Tips:

The Realized Gain/Loss Box on the RBC DS Website:

This box on the RBC DS website sometimes causes confusion. You will see it when you open an individual account near the top. There is a little icon (small question mark inside a circle) present. Please click on this for the explanation. Long story short, the unrealized gain is not the same as your total gain since inception and usually is much less than the total gain for longer term portfolios.

Give us a call and we will explain further. 😊

The Tax Free First Home Savings Account (FHSA):

The goal of the FHSA is to help people saving for the down payment on their first home. Deposits will be tax deductible and limited to \$8,000.00 per year, \$40,000.00 total. The savings and growth are to be used to form part or all of the down payment on their first home. More details to follow (and there are a bunch!). Just when you had become used to the acronym “TFSA”, they add a new one (FHSA) to the mix!

Multiple Beneficiaries in a Will:

When making your will, be aware that each beneficiary receives a copy. You may not want each beneficiary to know what the others are receiving. For example, consider a family of 4 children and there is one spouse remaining, but there are 10 grandchildren in their 20s. The parents of the grandchildren may not want the children to know what their parents are receiving or what they will receive. Some of the grandchildren may manage their money well; others might need some time yet before receiving an inheritance. One way around this is to leave everything to the 4 children along with a letter of wishes on how to gift each grandchild from the estate as they become mature. A letter of wishes is not binding, so the parent needs to have confidence that their wishes will be followed. One might also consider making gifts prior to passing to some of the beneficiaries receiving small sums and not including them in the will. In this case, be careful, as the parent, not to give away more than you can afford. I am happy to provide a sounding board to you, but please note that any decisions you might make should be made in consultation with an estate lawyer.

Please call me if you would like to discuss any of these points or other concerns you may have.

Let the birds sing and the chickens lay!

Warmest Regards,

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