Wealth Management
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The Importance of Finding Balance

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With all the responsibilities people have today, their lives can often become unbalanced:

where a small handful of priorities continuously take precedence over everything else. Given enough time this lack of balance can lead to unintended consequences. Whether it's feeling burnt out from putting in long hours on the job and not carving out enough time for leisure or relaxation (work/life balance); or funding an expensive lifestyle by taking on more debt than you can reasonably afford (not balancing your budget), there are many examples of how we can end up over-extended and out of balance, often from a lack of sufficient planning.

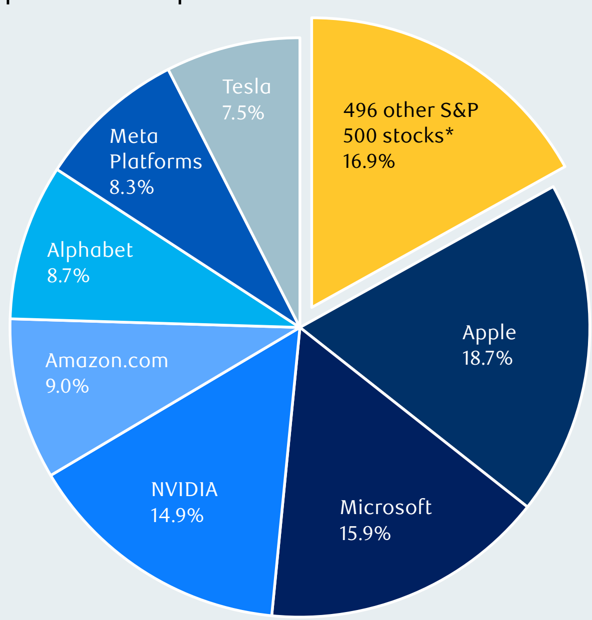
Investing is no different. **If you don't go in with a plan and maintain discipline, your portfolio could shift too far in one direction and leave you more at risk.**

For a more conservative investor, this could mean a portfolio that has gradually drifted from 50% equity to 60% after a strong run in the stock market. While this likely meant great returns over that period, it also means that there are now less non-equity investments to guard against a market downturn (such as bonds, GICs, cash or alternatives). Basically, the investor now has more potential risk in their portfolio than they may be comfortable with.

Even for investors that invest entirely in stocks, there is a need for balance over time. Look at the attached chart, and you'll notice that well

OVER 80% OF THE S&P 500'S GAINS THIS YEAR CAN BE ATTRIBUTED TO THE PERFORMANCE OF ONLY 7 STOCKS:

Apple*; Microsoft*; NVIDIA*; Amazon*; Alphabet*; Meta and Tesla. (* current discretionary model holding). Without these high performers, returns would be much more muted this year. On the other hand, these same stocks also contributed to the sell-off in 2022 as some investors were fleeing technology companies. The long-term trend is likely to be somewhere in the middle, with these stocks performing well based on their fundamentals, but the remaining sectors starting to take a larger piece of the pie.



For clients that have been with us a while, they will have heard us discuss the benefits of a disciplined portfolio rebalancing strategy. For all the situations mentioned above, this will help reduce the risks associated with a portfolio falling out of balance. For our discretionary clients, we systematically rebalance their portfolio on a semi-annual basis (January and July). This involves rebalancing a client's Asset Allocation back to their long-term target (ie. 60% stocks/40% fixed income). It also means rebalancing each position in our equity model to an appropriate weighting, based on our current convictions. Generally, we will be trimming positions that have performed the best to lock in gains (such as those in the pie chart), and then using the proceeds to increase positions that have recently underperformed. By scheduling this in advance, you can **take emotion out of the decision and enforce a "buy low/sell high" discipline.** This is our way of maintaining balance for our clients.

Our final thought goes to an asset class that has received significant, even unbalanced attention in the past year: CASH!

Piles of cash that are not invested in the stock market continue to grow, as investments in money market funds now total $5.5 trillion, a record high. Cash investments yielding close to 5% interest have become more and more attractive to investors, enticing some to sell equities in exchange for this "risk-free" return. While that may sound like a good deal in theory, there can also be a pretty sizeable opportunity cost to doing so. As cash flows into money market funds increased during the Fall of 2022 and early 2023, the stock market was already beginning its recovery from the October bottom. Since October 13th, 2022, the S&P 500 has risen over 27% (or roughly 38% on an annualized basis), making those 5% money market returns look quite bleak in comparison... and you would still have to wait the full year to get that total return!

The lesson here: **a little cash on hand is always fine, but it shouldn't be viewed as an alternative to stock returns,** especially after a significant market downturn has already occurred. The cost of not being invested during the rebound can be damaging to long-term portfolio returns. Our advice should be obvious at this point:

KNOW YOUR APPROPRIATE ASSET ALLOCATION AND HAVE A REBALANCING STRATEGY IN PLACE.

That way you're not accidentally "timing the market" by moving to cash at the wrong time.

Enjoy the summer!

ESTATE PLANNING FOR SECOND PROPERTIES

It is summertime and many Canadians will have just spent the long weekend up at their cottage or vacation property. With that in mind, we thought it may be useful to revisit a subject we have touched on before, planning what happens to a vacation property. Whether you currently own a secondary property, or are planning to purchase one, **proper estate planning for this is crucial to avoid succession battles and unnecessary costs to your family.** This is an issue that arises frequently, but with the proper preparation, could often be avoided.

This article outlines some useful strategies for succession planning if you wish to keep a property in the family. Others may feel it makes more sense to sell the property to more easily split the wealth amongst beneficiaries. Whatever your wishes may be, having them properly recorded and clearly communicated to those involved can help **ensure that a property does not become a source of conflict or an undue burden for the family.**

If this is something you feel you may want some assistance with, please feel free to contact us. We would be happy to take a look at your situation and connect you with our RBC Will and Estate Team if needed.

AS ALWAYS, PLEASE REACH OUT TO US DIRECTLY IF YOU HAVE ANY QUESTIONS OR CONCERNS RELATED TO YOUR PORTFOLIO.

ORD PRIVATE WEALTH MANAGEMENT

Best regards, John, David, Tim, Liam & Mikail

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