Wealth Management
Dominion Securities

www.philipflostrand.com

Suite 3200 Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

Telephone: (604) 257-7380
Fax: (604) 235-9950

Philip Flostrand
B.A. (Econ.), CIM
philip.flostrand@rbc.com

INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS **May 2024**

Welcome back. Investors continue to watch the economy and corporate earnings for clues about where the stock market and interest rates may be headed. We're happy to see more strength than was expected a few months ago, and the gradual adjustment to normal interest rates appears to be going okay.

Historically May is the start of a slightly mediocre stretch for stocks which produce most of their average annual gains between November and April. With US stocks touching all-time highs lately, we remain cautious in the near term and are happy holding higher cash reserves while we await better buys on dips as we head into summer. This year an old investment saying does seem to apply – *"Sell in May and go away."*

Last month the government brought down its latest Budget and it included tax changes which will affect investors. The biggest change is an increase to capital gains tax rates on amounts over $250 thousand for individuals, and on all amounts for investment corporations and trusts. This change happens on the 25th of June this year and means the prior 50% taxable portion of gains triggered becomes 67% after this date. For investors with large unrealized capital gains built up over years of saving and investing, the new rate will be a substantial increase in taxes owing on appreciated stocks and non-principal-residence real estate. We are thinking carefully about the implications for you and here are some initial thoughts.

If you have large gains built into stocks or real estate, talk to us and then your accountant about the details and available options. For some, it may make sense to consider taking some of these gains prior to June 25th.

It is possible this increase in capital gain tax rates could reverse in future, but that would likely be a long time away. If the appreciated assets you hold now are things you intend to keep for many years, doing nothing could also be an option. However if you have thought of disposing of them in the next few years for investment or planning purposes, doing it now instead will definitely save you taxes. Finally for some it will make sense to trigger gains up to $250 thousand annually to chip away at larger gains while remaining in the 50% tax rate each year.

In happier news the days are getting warmer and brighter, and we are watching very closely for opportunities on any market pullbacks in the next while. As always your questions are welcome anytime.

Have a good month and take care.

Philip

May's Articles

Growing up in a very small town 'served' by one TV channel – CBC – our sources of information were very limited. However we tried to watch the six o'clock news each day to find out what had been happening in the world. I learned early on the actual news was whatever was reported in the first 5-10 minutes of the program, and the rest never seemed to matter.

Today our sources and quantity of news are unlimited and available instantly and at any time. We can go much deeper into any stories we choose and depending on the sources we select, the information we receive is 'spun' politically more than ever. We've gone from having very little exposure to world events all the way to being overwhelmed by the volume and frequency of news today.

On the surface this should be considered progress as people are better informed and able to pursue topics which interest them much more than in the past. Adding google into the mix also allows anyone to become something of an authority on subjects they've researched and followed over time. More access to information and the ability to connect with like minded people anywhere is one of the best things about today's world.

However as with all progress there are unintended consequences. For investors this ocean of information can lead to an interesting effect which is discussed in the article linked below. Author **Ben Carlson** points out a disconnect between how people see the state of the world versus their own personal prospects, and he wonders whether having constant access to news might be a problem. As you'll read, we can no longer treat the news as simply what's happening in the world, and we should become more aware of its affects on us.

https://awealthofcommonsense.com/2024/04/the-news-is-making-you-miserable/

There are many investment styles and theories to choose from. As in any discipline which combines theory and practice, different people pursue the same goals with a variety of approaches. Investment environments also change constantly, so styles come and go depending on how they perform making flexibility of thought a key skill in the field.

There are a few broad divisions of thought amongst investors however, and in the article linked below we take a look at one of these. Author **John Rekenthhaler** writing at Morningstar, divides investors into two categories. Some investors base decisions and opinions on observations of the past, while the other group attempts to predict the future in order to make their choices.

As you would expect both these schools of thought have had moments of glory and pain. Another way to loosely define them is to put the observers of the past into the 'value investors' slot, while the predictors usually are 'growth investors'. We tend toward the first group as it is the more conservative route which best suits our temperament. Either one has lessons for the other though, and occasionally comparing them to check in on another viewpoint is often worthwhile.

https://www.morningstar.com/financial-advice/are-you-an-investment-historian-or-futurist

WHAT THEY SAID

"If you don't know who you are, the stock market is an expensive place to find out."

Adam Smith (pseudonym for George Goodman)