UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

Autumn 2021 Rosentreter Team Newsletter

From the desk of Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP
Senior Financial Advisor & Portfolio Manager, Manulife Securities Incorporated,
President & Life Insurance Advisor, Upper Canada Capital Inc.
Kurt.Rosentreter@manulifesecurities.ca

Are You Ready for the "Seven Seasons of Financial Planning?"

This is a term we created ten years ago in our practice to keep us on track with key planning considerations throughout the year. We try hard to be pro-active on strategy and communication and it starts with knowing key deadlines and acting before they happen.

Here are the seven seasons over the winter and spring that we will talk to you about as needed:

Season one: RESP informal deadline on December 31st - parents and grandparents contributing to RESPs for children should plan to contribute by December 31st each year.

Season two: December 31st is the minimum withdrawal deadline for all retirees with an investment account set up as a registered retirement income fund (RRIF), spousal retirement income fund (SRIF) or locked income fund (LIF).

Season three: Tax loss selling in early December – reviewing taxable investments in non-registered accounts for possible loss positions to sell before the end of the year. The loss can be used to reduce capital gains taxes triggered earlier in the year or in the prior three years.

Season four: Our team will look to contact you as soon as possible in the new year to contribute to a Tax-Free Savings Account (TFSA). The faster we can shelter investment income or taxable gains, the better.

Season five: The RRSP and spousal RRSP contribution deadline is always at the end of February.

Season six: The personal tax filing deadline is April 30th and we try to help the efficiency of your tax return preparation in many ways.

Season seven: June is often the tax filing deadline for many corporations, trusts and self-employed professionals. We can assist with providing information to accountants to facilitate easier tax return preparation.

This is only a partial list of everything we are tracking to help you properly manage your finances - wills and insurance are an entirely different story!

Lean on the team and me if you have any questions about these planning areas and more.

From the desk of Jeton Spahiu, CIM
Financial Advisor Associate, Manulife Securities Incorporated
jeton.spahiu@manulifesecurities.ca

Federal Reserve's Taper Timeline of Government Bond Purchases

Since June of last year, the Federal Reserve (the Fed) in the United States has been purchasing $120 billion of bonds each month from the United States government. The purpose of this exercise is to keep interest rates low and provide unprecedented support to financial markets as well as the overall economy. However, the US Federal Reserve ended its recent policy meeting indicating that they will begin phasing out some of this stimulus. This process is known as "tapering".

Now that the economy is seeing substantial progress towards its labour market conditions and inflation goals, the Fed's chair Jay Powell revealed that the official tapering decision may happen in November and the process itself can start shortly thereafter. Mr. Powell then indicated that the tapering will be gradual and it will likely be concluded by middle of next year.

What does all of this mean for your investment portfolio managed by our team?

Tapering can represent possible future interest rate hikes which would subsequently increase the attractiveness of fixed-income securities – specifically bond yields and long-term Guaranteed Investment Certificates (GICs). However, the interest rate increases could still be in the distant future. While higher bond yields will represent good investment options, the stock market can remain an attractive option due to the positive impact from rising earnings as economies return to normal. The tapering should be seen as the gradual removal of central bank's emergency stimulus measure as market & economic conditions normalize.

From the desk of Gerdi Lito, CFA
Financial Advisor Associate, Manulife Securities Incorporated
gerdi.lito@manulifesecurities.ca

Stock Market Seasonality and Market Timing

If you follow the stock market, you may see expressions like "sell in May and go away" or the "Santa Claus rally" which describes nothing more than some statistical patterns in stock market returns.

Numbers show that the average US stock market return (measured from the S&P500 index) is higher during some months. Since it appears to be a pattern during the year (average returns are lower for the August-October period and higher for the December-January period), it creates the idea that there is indeed some market seasonality that one can take advantage by going in and out of the market in certain times of the year.

From a theoretical point of view, there is really no explanation why these patterns exist. Most academic studies have tried to explain with rebalancing of portfolios from large money managers like pension funds or mutual fund companies, but there is no real evidence that shows a cause and effect. Indeed, it would be the same as trying to prove why there are more marriage divorces in a certain month compared to others.

If we look at data in more detail (https://www.yardeni.com/pub/stmktreturns.pdf), we can see that even in the month where the market is more often positive (December), it still has produced negative returns about 25% of the time. In July (the month with the highest average return), the market has been down approximately 40% of the time. Trying to "time the market" can be a loser's game and there is a high chance that you may miss some of the best returns.

Instead, having an asset allocation strategy (a long-term strategic asset mix based on your goals, stage of life and risk tolerance, as well as rules for dynamic rebalancing of the portfolio) assures that you don't deviate from your investment goals and will capture a desirable average return.

From the desk of Mathew Cain, CIM
Financial Advisor Associate, Manulife Securities Incorporated
mathew.cain@manulifesecurities.ca

What is the 10-Year Note and Why is it Important?

Rising interest rates, bond tapering, the Fed, fixed income investments and more. All of this can be confusing for the average investor. Now you're also hearing more and more about the US 10-year note.

As a result of the recent economic impacts caused by COVID-19, the federal governments of the world have been issuing debt to the central banks to help stabilize the economy. These central banks assist by buying federal treasuries, notes and bonds from their respective governments and in turn, the governments use this extra cash to fund government assistance cheques and loans to the commercial banks. These commercial banks then loan that excess cash to the consumer which ultimately lowers interest rates on loans, mortgages, lines of credits and other debts. The average investor uses the cheap cash to buy goods and stimulate the economy.

The central banks and investors are buying bonds from the government that range from 90-days to 30-years, so what makes the 10-year bond so important?

The 10-year note is looked upon as a benchmark - it impacts your mortgage rate, can influence the stock market and can be considered a proxy for investor confidence. For example, a ten-year note with a high yield means everyone is buying the stock market. If the ten year note yield falls, it can mean that investors are selling stocks and buying this safe-haven asset.

In December of 2020, investors drove up the price of the 10-year note after a remarkable stock market recovery which led to a falling yield. Fixed mortgage rates at that time dropped to historic lows.

What does this all mean? A rising 10-year note yield could lead to increased economic confidence, higher mortgage rates, increased bond yields and ultimately, higher interest rates.

From the desk of Jordan Campbell, CFA
Portfolio Manager, Manulife Securities Incorporated
jordan.campbell@manulifesecurities.ca

Buying the Dip

If you've been following stock market news lately, you've probably seen headlines about how it's been volatile compared to the calm uptrend that occurred before August. News of inflation, gas shortages and supply chain challenges have spooked investors recently which had led to this volatility. But if you have cash on the sidelines, should you invest during this time? Or should you wait for the market to fall further and "buy the dip?"

This article looks at that exact question. It finds that it has been better over the decades to continuously invest whenever you have cash rather than wait for a bottom in the market that may never happen.

From the desk of Monika Kucinskaite, M.Com
Financial Advisor Associate, Manulife Securities Incorporated
m.kucinskaite@manulifesecurities.ca

Employer's Incentive: Signing-up for a Stock Option Plan

Companies use different strategies to compensate and motivate their employees. These strategies range from corporate cars, matching RRSP contributions, healthcare benefits and stock options plans.

When your employer gives you stock options, they are not giving you shares. You are given the right to buy the stock later for an agreed upon price. If you decide to purchase shares, you need to exercise these options. That is where you may impact your annual income and taxes you pay. If you are participating in such a plan or about to enroll into one, click here to read more about new taxation rules that came into effect this summer.

UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

From the desk of Laura Collins
Executive assistant to Kurt Rosentreter, Manulife Securities Incorporated
laura.collins@manulifesecurities.ca

Debt Ceiling

- The debt ceiling is the maximum amount that the U.S. government can borrow by issuing bonds.
- When the debt ceiling is reached, the Treasury Department must find other ways to pay expenses. Otherwise, there is a risk the U.S. will default on its debt.
- The debt ceiling has been raised or suspended several times to avoid the risk of default.
- There have been a number of showdowns over the debt ceiling, some of which have led to government shutdowns. The conflict is usually between the White House and Congress, and the debt ceiling is used as leverage to push budgetary agendas.

Source: Debt Ceiling Definition (investopedia.com)

We look forward to seeing and talking to you in the months ahead as we plot your financial positioning and goals through the wind down of the pandemic and into 2022. A lot has changed in the world and we are ready to talk about impact and strategy for your finances.

As always, we are here to talk every day.

Warm regards,

Kurt Rosentreter

Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP
Senior Financial Advisor & Portfolio Manager, Manulife Securities Incorporated
President, Upper Canada Capital Inc.
Life Insurance Advisor, Manulife Securities Insurance Inc.
http://www.kurtismycfo.com

Follow me on social media:

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Securities

UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

Disclosures

To ensure that trading instructions are received and executed accurately and in a timely manner, please do not send any trading instructions via e-mail. Please contact us directly at 416-628-5761, Ext 0.

This message is only to be read by the addressee and is not for public distribution. The sender is not responsible for distribution of this message beyond the addressee intended. All information in this message is confidential to the addressee and should be treated as such.

If you prefer not to receive future emails, CLICK HERE to unsubscribe.

Kurt Rosentreter and Manulife Securities Incorporated or Manulife Securities Insurance Inc. ("Manulife Securities") do not make any representation that the information in any linked site is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites.
Any opinion or advice expressed in a linked site should not be construed as the opinion or advice of Kurt Rosentreter or Manulife Securities. The information in this communication is subject to change without notice.

The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated or Manulife Securities Insurance Inc.

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Securities