PRIVATE WEALTH MANAGEMENT

CIBC WOOD GUNDY
LEY WEALTH MANAGEMENT GROUP

July 2021 Newsletter

From Gord's Desk

In drafting our midyear client letter, I've tried to do quiet justice to the spectacular progress made by the economy, the markets, and above all the state of public health in these past six months.

As the year turned, vaccines were just going into broad distribution, and millions of Canadians were sitting on their computers for hours on end, trying to get an appointment. At midyear, everyone who wants to be vaccinated has been (or can readily be), and Canada proudly leads the world for vaccination rates, and we are all but certainly approaching herd immunity.

In sum, the faith, patience and discipline we've preached to our clients throughout this year-long siege have been extravagantly rewarded In the last 16 months, U.S. equities (S&P 500) racked up compound returns of 39% (source: Bloomberg).

Those of you who did not panic and remained invested in the Ley Wealth Management Group 100% Equity Model, and simply hung on – have racked up a compound return of up to 49% in the ensuing 16 months on the equity portion of their portfolios (March 23rd, 2020 – July 16th, 2021).

Elsewhere in this issue:

- As Canada continued to recover from the COVID-19 pandemic in the first half of 2021, the economy and the equity markets made significant progress. **My midyear report** to you is, as always, divided into two parts. First is a brief recap of our shared investment philosophy; second is my perspective on the current situation. As always, I welcome your questions/comments.

- With the Summer comes times at the Cottage and this year with the explosive growth of Cottage values we thought it might be a good time to look at the **Tax and Estate issues with Vacation Properties**.
- A couple of reminders around **RESP withdrawals** with children and grandchildren going back to school and **Annual Administration Fee** for Registered Accounts.

Thank you for being my clients. It is a privilege to serve you. My family and I wish you and yours a safe and happy summer with the newfound freedom our vaccinations are now offering us.

Sincerely,

Gord

A Midyear Letter

GENERAL PRINCIPLES

- You and I are long-term, goal-focused, planning-driven equity investors. We've found that the best course for us is to formulate a financial plan—and to build portfolios—based not on a view of the economy or the markets, but on our most important lifetime financial goals.
- Since 1960, the Standard & Poor's 500-Stock Index has appreciated approximately 70 times; the cash dividend of the Index has gone up about 30 times. Over the same period, the Consumer Price Index has increased by a factor of nine. At least historically, then, mainstream equities have functioned as an extremely efficient hedge against long-term inflation and a generator of real wealth over time. We believe this is more likely than not to continue in the long run, hence our investment policy of owning successful companies rather than lending to them.
- We believe that acting continuously on a rational plan—as distinctly opposed to reacting to current events—offers us the best chance for long-term investment success. Simply stated: unless our goals change, we see little reason to alter our financial plan. And if our portfolio is well-suited to that plan, we don't often make significant changes to that, either.
- We do not believe the economy can be consistently forecast, nor the markets consistently timed. We're therefore convinced that the most reliable way to capture the long-term return of equities is to ride out their frequent but ultimately temporary declines.
- The performance of our equity portfolios relative to their benchmark(s) is irrelevant to investment success as we define it. (It is also a variable over which we ultimately have no control.) The only benchmark we care about is

the one that indicates whether you are on track to achieve your financial goals.

CURRENT OBSERVATIONS

- The World economy continued its dramatic recovery in the first half of 2021, spurred by (a) the proliferation of effective vaccines against COVID-19 and the retreat of the pandemic, (b) massive monetary and fiscal accommodation, and (c) its own deep fundamental resilience, which ought never to be underestimated.
- The economy continues to struggle with supply chain imbalances, as well as with a historic mismatch between the number of job openings available and continued high (though rapidly declining) unemployment. The chattering class of pundits and financial journalists continues to speculate on when these blockages will clear; to long-term investors like us, the key is our belief that they will, in the fullness of time.
- We are still in the midst of an unprecedented experiment in both fiscal and monetary policy; the outcome remains impossible to forecast. The possibility that we've overstimulated the economy was highlighted this spring by a significant resurgence in inflation.
- Nonetheless, for investors like us, I think the most important economic report of this whole six-month period came just a few days ago. It was that household net worth in this country spiked 3.8% in the first quarter of 2021 propelled by broad gains in the equity market and in home prices. Even more important, perhaps, is the fact that the ratio of household debt to assets continued to fall, and is now back down to about where it was 50 years ago.
- The consumer powers this economy, and the consumer has rarely carried more manageable debt levels relative to disposable income—and has simply never been holding more cash—than he/she does today.
- On February 19, 2020—the market's peak just before the pandemic took hold—the S&P 500 closed at 3,386. It then proceeded to decline 34% in 33 days, amid the worst global health crisis in a century. But if you bought the Index at that epic top, and were still holding it on June 30 of this year, your total return with reinvested dividends has been close to 28%. I've never seen—and don't expect to ever see again—a more vivid demonstration of Peter Lynch's dictum that ***"The real key to making money in stocks is not to get scared out of them."***

I believe I was put here for just that reason, to help you not get scared out of them.

Gord

TAX & ESTATE PLANNING FOR YOUR VACATION PROPERTY

Summer is a great time to enjoy a vacation property with family and friends. With real estate values increasing significantly in the past year, and notably so for vacation properties, it's also a good time to do some estate planning for the potential transfer of your cottage, chalet or cabin to future generations. Attached is an article by our Tax & Estate Planning Specialist, Jamie Golombek, that focuses on strategies for Canadian vacation properties.

Click here to read the full article.

REMINDER: Annual Administration Fee

The Registered Account Annual Administration Fee, covering the period from September 1, 2021 to August 31, 2022, will be processed on **Friday, September 10th, 2021** and will be reflected in your account on Monday, September 13th, 2021.

If you would like to pay this fee from your bank account, please contact our office at (905) 372-5330 or 1-877-217-9323 and Angela, Jaclyn, Carly or Lynn will be happy to assist.

RESP Withdrawal Reminders!

High school graduation day has come and gone, and your son or daughter is taking the next step in their educational pursuits by starting college or university. When you're ready to begin making withdrawals from your RESP, there are a couple of requirements that we can help guide you with.

Below are a few requirements and regulations for RESP withdrawals:

- The beneficiary (your child or grandchild) must be enrolled either **full-time or part-time** at a Canadian or foreign post-secondary institution (this includes online courses).
- The beneficiary may withdraw up to **$5,000**, for the first **13 consecutive weeks** of full-time studies ($2,500 for part-time studies).
- After the 13-week wait period, grant and income portion of the plan of $24,676 or less may be withdrawn without receipts or approval from CRA.
- A RESP withdrawal form prepared by our office must be signed by the subscriber (parent or grandparent) and beneficiary (child).
- The application for RESP withdrawals must also provide a **proof of enrolment letter** from the college/university that includes the school letterhead, student name and whether they are in full-time or part-time studies.

Please feel free to reach out to our office if this is your first time withdrawing from your RESP and let us know if you have any questions. Our main office line is **(905) 372-5330**.

Gordon M. Ley, CIM
Vice President, Investment Advisor

Lynn Agueci
Associate Investment Advisor

Carly Ley, CIM
Associate Investment Advisor

Angela Brown
Administrative Associate

Jaclyn Agueci
Administrative Assistant

Subscribe Contact Us

Ley Wealth Management Group
302, King George Court
72 King Street West
Cobourg, ON K9A 2M3

Tel: 905 372-5330 | Fax: 905 372-6281
Toll Free: 1 877 217-9323
leywealthmanagementgroup@cibc.com
www.gordonley.com