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BACK-TO-SCHOOL WITH RESPS!

CANADIAN MONEY SAVER

SEPTEMBER 2024

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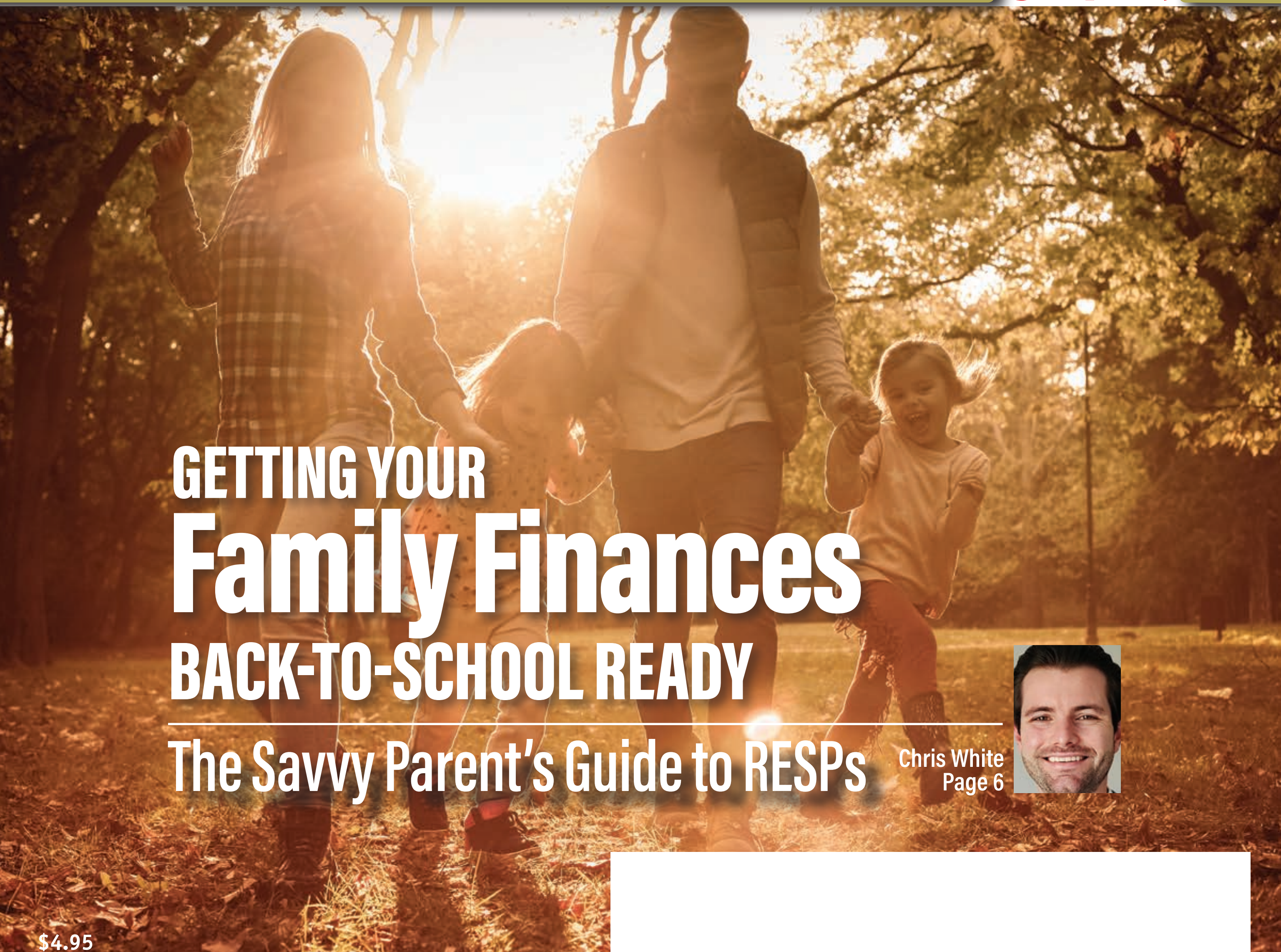
Independent Financial Advice For Everyday Use - Since 1981



GETTING YOUR Family Finances BACK-TO-SCHOOL READY

The Savvy Parent's Guide to RESPs

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REGULAR FEATURES

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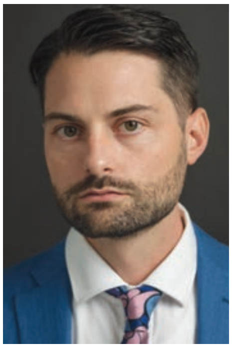

It's September already and for many of us that means the schoolbags are packed, lunches are ready to go, and the kids are back to school for another year! As life gets back to routine, September is always a busy month but also tends to be a good time to do a bit of a status check and get things back in order that may have gotten away from us over the summer months. With back-to-school season upon us, one of those things that we find often gets overlooked are Registered Education Savings Plans (RESP's). For whatever reason (and there are a few), RESP accounts seem to be one of the least discussed and most overlooked savings accounts but can be a powerful savings tool with more flexibility than many seem to think. Where else can you get a 'return' of 20% simply by depositing the annual amount into the RESP account? That on its own is a powerful benefit to start, ignoring any of the benefits of deferred taxes on investment returns over time. So, needless to say, we have dedicated much of the September issue to the idea of getting your finances 'back-to-school' with topics around RESP accounts and Will's. All of the things that you know you should get on top of, but maybe just haven't quite gotten around to yet!

Some of the issues I tend to see surrounding RESP accounts is that the rules around them might be a bit more complicated than say a Tax-Free Savings Account (TFSA), turning people away from the idea. Other issues are simply that there is only so much savings that can go around between the alphabet soup of accounts available (RRSP, TFSA, RESP, FHSA). Another issue is that the contribution room has not kept pace with the rising costs of education, possibly making people think the account is just a 'drop in the bucket'. Hopefully some of these articles help to bring the RESP and the value they offer back to the top of mind. They might not work for all of those who are eligible but they can be a handy tool to help get a leg up on savings during a time when it seems it is only getting harder and harder to save for the future.

Ryan

Ryan Modesto, CFA
CEO at 5i Research Inc.

MoneySaver DIVIDEND & COMPANY NEWS

In this column we list recent news, events, dividend income news and any other relevant information for *MoneySavers*. News items are those received after our last publication date. Please go to **https://www.5iresearch.ca/dividend-updates** for a more comprehensive list of dividend updates.

- Empire Co. (EMP.A) raises dividend by 9.6%.
- CT REIT (CRT.UN) raises distribution by 3%.
- Surge Energy (SGY) raises dividend by 8%.
- Meg Energy (MEG) declares inaugural 10 cent dividend.
- West Fraser Timber (WFG) raises dividend by 6.3%.
- CGI Inc. (GIB.A) to initiate a 15-cent dividend.
- Capital Power (CPX) increases dividend by 6%.
- Tourmaline Oil (TOU) boosts dividend by 3.1%.
- Open Text (OTEX) raises dividend by 5%.
- Brookfield Infrastructure (BIP.UN/BIPC) raises distribution/dividend by 6%.
- Topaz Energy (TPZ) raises dividend by 3.1%.
- Propel Holdings (PRL) raises dividend by 8%.

Canadian MoneySaver MODEL ETF PORTFOLIO

ETF	SYMBOL	CATEGORY	PRICE	# OF UNITS	TOTAL	% OF PORTFOLIO
iShares 1-5 Year Laddered Corporate Bond	CBO	Fixed Income	18.02	506	9,118.12	4.0%
iShares DEX Universe Bond	XBB	Fixed Income	28.16	280	7,884.80	3.4%
iShares S&P/TSX Canadian Preferreds	CPD	Fixed Income	12.08	738	8,915.04	3.9%
iShares S&P/TSX Capped Composite	XIC	Equity: Canada	36.87	740	27,283.80	11.8%
iShares S&P/TSX Cdn. Div Aristocrats	CDZ	Equity: Canada Div.	33.36	613	20,449.68	8.9%
iShares U.S. High Yield Bond Index ETF	XHY	Fixed Income	16.49	350	5,771.50	2.5%
Vanguard FTSE Emerging Markets Index	VEE	Equity: Emerging	36.75	375	13,781.25	6.0%
Vanguard FTSE Developed Europe All Cap	VE	Equity: Interntional	36.66	304	11,144.64	4.8%
SPDR S&P 500	SPY	Equity: U.S.	550.81	41	31,182.90	13.5%
Vanguard US Dividend Appreciation Index	VGG	Equity: U.S. Div.	89.26	217	19,369.42	8.4%
iShares Russell 2000 Growth	IWO	Equity: U.S. Growth	283.96	57	22,349.24	9.7%
BMO Covered Call Utilities	ZWU	Equity: N.A. Div	10.64	604	6,426.56	2.8%
Vanguard Information Technology Index	VGT	Equity: U.S	568.01	30	23,529.25	10.2%
Consumer Discretionary Select Sector SPDR	XLY	Equity: U.S	187.49	60	15,533.17	6.7%
Cash	**Cash**	**Cash**			**7,900.70**	**3.4%**
Total Portfolio					**230,640.07**	

Exchange Rate	1.38	$ Gain/(Loss):	130,640.07
Inception value:	100,000.00	% Gain/(Loss):	130.64%
Inception date:	October 18, 2013	% Annualized:	8.05%

Prices are at market close on July 31, 2024.
Individual prices are in USD$. Portfolio values, $Gain/(Loss), % Gain/(Loss), % Annualized all reflect USD$ values are converted to CAD$
Returns include foreign exchange gains/losses
Current notes: Added a 2.0% position of IWO and a 1% position of VGT as of Feb 02, 2024 market close.
Added a 1.5% position of VEE as of July 03, 2024 market close.
Other notes: Keep in mind all investors are different. This portfolio is designed as a guide in setting up your own personal portfolio. Unique considerations and adjustments need to be made to reflect your personal situation. Please perform your own due diligence before making investment decisions. For use by *Canadian MoneySaver* subscribers only. Not for redistribution.
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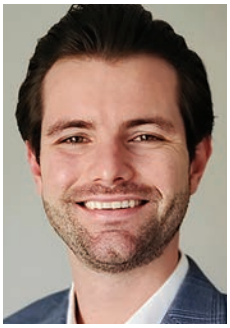


The Savvy Parent's Guide to RESPs

Chris White

A Quick Primer on the Registered Education Savings Plans (RESP)

The Registered Education Savings Plan (RESP) is a long-term savings vehicle offered to Canadians as a way to help save for a child's continued education after high school. It is a tax shelter for investments for a beneficiary's post-secondary education costs, and an RESP can be set up by any adult for a child, grandchild, nieces, nephews, themselves, or even family friends. In the following section we will highlight some of the basic rules around an RESP:

- **Plans:** There are two RESP options available: Individual RESPs and Family RESPs. Family RESPs can have more than one beneficiary, but each beneficiary must be connected by either blood or adoption to the subscriber (the person who opened the account). Individual RESPs are a good option for saving for someone who isn't related to the subscriber.

- **Maximum Contributions:** Subscribers can contribute any amount to an RESP, up to a maximum lifetime limit of $50,000 per beneficiary combined across any and all RESP accounts that the beneficiary may have.

- **Canadian Government Grant:** The Canadian Government offers a grant called the Canada Education Savings Grant (CESG) which matches 20% on the first $2,500 of annual contributions. The lifetime CESG matching grants max out at $7,200. The CESG matching contributions are eligible until the end of the calendar year that the beneficiary turns 17. Unused CESG entitlements can be carried forward to the following year. The maximum CESG in any given year is $1,000.

- **Length of Plan:** RESP plans can remain open for a maximum of 35 years, and contributions can occur up until 31 years from the date it was first opened.

- **What the Funds Can Be Used For:** Withdrawals from a RESP can be used for education-related expenses, including tuition, textbooks, and living expenses, subject to certain qualifying conditions.

- **If Beneficiary Does Not Attend Post-Secondary Education:** The funds can be used to fund the education of another beneficiary if it is within a Family Plan. If the beneficiary is 21 years old, and the plan is at least 10 years old, funds can be withdrawn subject to certain conditions and penalties. Up to $50,000 can be transferred to a Registered Retirement Savings Plan (RRSP) if the beneficiary does not need the funds for education-related purposes.

Now that we have a high-level overview of some of the rules and limits around RESPs, we will be looking at reasonable amounts that savvy parents can save in an RESP and how best to maximize efficiency in saving within an RESP.

Potential RESP Portfolio Values and Contribution Styles

To illustrate different ways parents can contribute to an RESP, in Figure 1 we have outlined three different scenarios of contribution methods.

The first scenario is what we consider an "optimal" method of contribution to an RESP. This method maximizes the Government's CESG grant each year, and also the maximum lifetime contribution limit of $50,000. In Scenario 1, $2,500 is contributed each year until age 18, where a final $7,500 payment is made to maximize the contribution limit. This ensures that the total $7,200 CESG are received.

In Scenario 2, a family might not be able to financially contribute to an RESP until age 10, where they are able to maximize contributions—$5,000 each year until age 18 when a lump sum of $10,000 is made. This also ensures a total of $7,200 CESG grants are received.

In Scenario 3, a family can make small contributions at first, and then larger payments at the end. Small contributions of $500 annually are made until age 10, whereas $5,000 annual payments are made until age 18. This also ensures that the total $7,200 CESG grants are received.

Lastly, we illustrate the breakdown between contributions and CESG grants when factoring in 18 years of returns. Figure 3 uses Scenario 1 (the "optimal" method) and a 7% annualized rate of return on the portfolio. The grey and orange bars indicate the RESP contributions and CESG grants, respectively, without any returns. What we can see is at year 18 the grey bars show $50,000 (the maximum lifetime contribution) and the orange bars show $7,200 (the total CESG grant amounts).

Contrasting this, we demonstrate what these amounts look like over the years when factoring in a 7% annual return. The black bars at year 18 amount to $77,000 (18 years of contributions including returns) and the blue bars amount to $14,000 (the CESG grants including returns). We can see that the total gap between earning a return and not earning a return over the 18-year period is $48,000 (the difference between investing the contributions and CESG grants versus keeping them uninvested in an RESP account and not earning a return).

The Ways to Invest in an RESP

There are many different ways that an individual can set up an RESP, as well as different investments that can be held within an RESP. Here are the different ways that an individual can set up an RESP account:

	Scenario 1		Scenario 2		Scenario 3	
Year	Contributions	CESG	Contributions	CESG	Contributions	CESG
1	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
2	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
3	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
4	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
5	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
6	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
7	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
8	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
9	$ 2,500	$ 500	$ -	$ -	$ 500	$ 100
10	$ 2,500	$ 500	$ 5,000	$ 1,000	$ 5,000	$ 1,000
11	$ 2,500	$ 500	$ 5,000	$ 1,000	$ 5,000	$ 1,000
12	$ 2,500	$ 500	$ 5,000	$ 1,000	$ 5,000	$ 1,000
13	$ 2,500	$ 500	$ 5,000	$ 1,000	$ 5,000	$ 1,000
14	$ 2,500	$ 500	$ 5,000	$ 1,000	$ 5,000	$ 1,000
15	$ 2,500	$ 200	$ 5,000	$ 1,000	$ 5,000	$ 1,000
16	$ 2,500	$ -	$ 5,000	$ 1,000	$ 5,000	$ 300
17	$ 2,500	$ -	$ 5,000	$ 200	$ 5,000	$ -
18	$ 7,500	$ -	$ 10,000	$ -	$ 5,500	$ -
Total	$ 50,000	$ 7,200	$ 50,000	$ 7,200	$ 50,000	$ 7,200

Figure 1 Source: 5iResearch

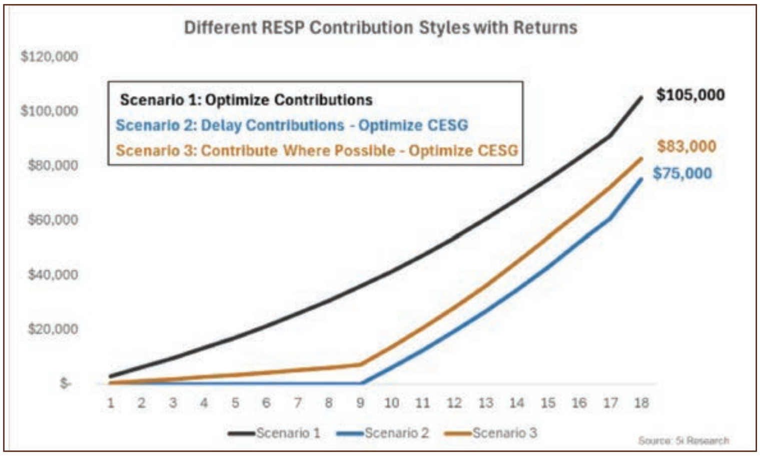


Figure 2 **Assuming a 7% rate of return* Source: 5iResearch

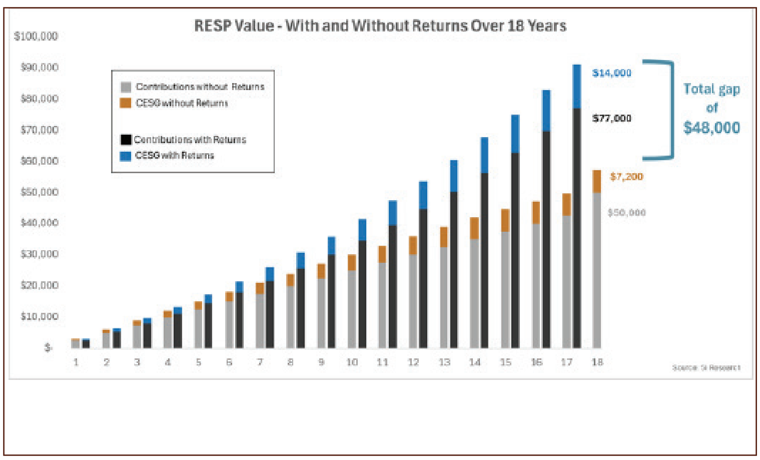


Figure 3 Source: 5iResearch

- ### Banks and Credit Unions:
  - Traditional Canadian banks and credit unions offer RESP accounts managed by a financial adviser or bank adviser.
  - Traditional Canadian banks and credit unions also offer the ability for an individual to manage their own RESP account, which is known as “self-directed”.
- **Discount Brokerages:** Many online discount brokerages that are available to Canadians offer the self-directed RESPs.
- **Full-Service Brokerages:** These are firms that provide investment advice and portfolio management and will manage an RESP for an individual. These institutions may charge higher fees than what is available at discount brokerages.

There are also many types of investments that can be held inside an RESP, these include stocks, Exchange-Traded Funds (ETFs), bonds, GICs, mutual funds, and savings deposits.

General Rules of Thumb for Self-Directed RESP Investing

There are so many different investment styles for an RESP and there is no “one size fits all approach”, There are a few rules that are critical to keep in mind when investing in an RESP.

One of the first things is that in the initial stages of contribution, when the beneficiary (s) is young, contributors can feel more comfortable with taking on risks in the portfolio. If the beneficiary is a newborn, for example, then there are at least 18 years of growth in the RESP, which far outpaces most historical bear markets, black swans, and periods of volatility in the stock market.

However, this strategy should change as the beneficiary ages and less risk is warranted. Reducing risk as the beneficiary nears post-secondary age, and the strategy could change to include a higher proportion of ETFs, fewer small-cap stocks, or more money market funds, bonds, Guaranteed Investment Certificates (GICs), etc. This minimizes the possibility of a large drawdown in the portfolio right before the money is needed for post-secondary education.

In Figure 4, we outline two asset allocation strategies that we have designed which can act as a rough model for reducing risk in an RESP as the beneficiary reaches post-secondary education age. Both strategies use the “optimal” contribution scenario where contributions are made from age 1 to 18. The first strategy is the “all-equity” strategy for investors who do not wish to have fixed income (bonds) as part of the RESP. The second strategy is an equity and bonds asset allocation mix.

RESP All-Equity			RESP Equities and Bonds			
Age	Equities	Cash	Age	Equities	Fixed Income	Cash
1	100%	0%	1	100%	0%	0%
2	100%	0%	2	100%	0%	0%
3	100%	0%	3	100%	0%	0%
4	100%	0%	4	100%	0%	0%
5	100%	0%	5	95%	5%	0%
6	100%	0%	6	90%	10%	0%
7	100%	0%	7	85%	15%	0%
8	100%	0%	8	80%	20%	0%
9	100%	0%	9	75%	25%	0%
10	100%	0%	10	70%	30%	0%
11	100%	0%	11	65%	35%	0%
12	95%	5%	12	60%	40%	0%
13	90%	10%	13	55%	45%	0%
14	85%	15%	14	50%	50%	0%
15	65%	35%	15	40%	55%	5%
16	45%	55%	16	30%	60%	10%
17	25%	75%	17	15%	65%	20%
18	5%	95%	18	0%	60%	40%
19	0%	100%	19	0%	40%	60%
20	0%	100%	20	0%	20%	80%
21	0%	100%	21	0%	0%	100%

Source: 5i Research

Figure 4 Source: 5iResearch

The all-equity method assumes a 100% allocation to stocks for the first 11 years, followed by a gradual 5% annual shift to cash or money market funds. The allocation to cash accelerates from a 5% allocation to a 20% annual allocation until age 18 or 19 when the portfolio is about 100% cash.

The equity and bonds method assumes a 100% allocation of stocks for the first four years until a 5% annual shift is made to bonds. In year 15, an additional 5% is allocated to cash or money market funds, with the rate increasing by 10%, and then 20% until the portfolio is 100% cash by year 21. This also implies a reduction in fixed income from year 17 on, as the funds are shifted to cash.

We feel these allocation mixes demonstrate how a portfolio can evolve to gradually reduce risk, volatility, and the potential for large drawdowns in the later years of an RESP portfolio.

Making the Most of an RESP

Savings of any form can be a challenge for young and growing families, but for families that can make it work, investing early in an RESP and utilizing the 20% match from the CESG grants can go a long way by the time a beneficiary needs the money for education. We have shown the wide gap between the ending portfolio value of an RESP that takes advantage of the CESG grants early versus a portfolio that delays contributions, and we have also demonstrated how the CESG grants can grow tax-free in a RESP account.

Contributions and investment styles are personal, and individuals have unique risk tolerances. We believe one of the key components is understanding the long-term horizon of an RESP, and taking on higher growth at the onset of an RESP can be beneficial, given the long-term nature of the account. The other key component is that an eventual shift towards less risk in the portfolio as the beneficiary reaches post-secondary education age is critical to minimizing the event of a large drawdown in the portfolio.

There is no right or wrong method to open an RESP, or what to invest in. However, understanding the dynamics of investing early and utilizing the CESG grants is one of the most important steps in the process. The journey may be long, but being early is crucial.

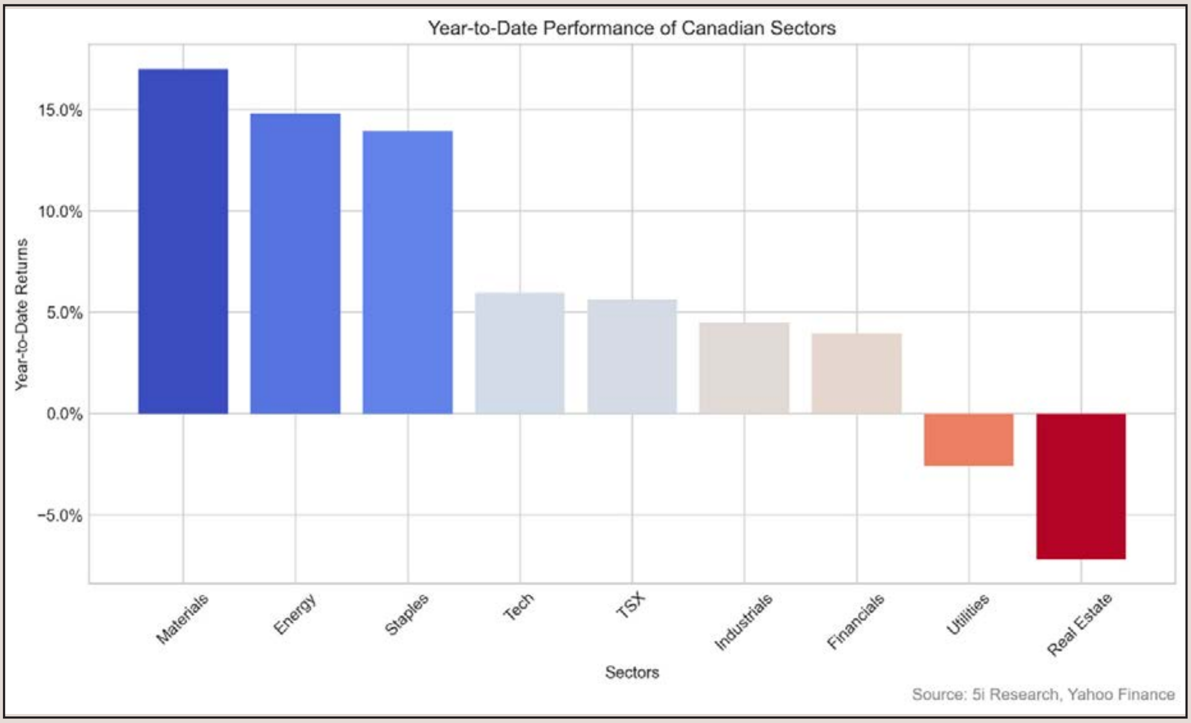
Chris White, CFA, Analyst for 5i Research Inc.

MoneyTip

Year-To-Date Canadian Sector Performance

There are some parallels to be drawn between the year-to-date (as of June 30, 2024) performances between the Canadian and US sectors, however, for the most part, these two regions performed very differently this year. In Canada, the basic materials, energy, and consumer staples sectors all saw strong returns year-to-date. The tech, industrials, and financials sectors saw moderate returns, while utilities and real estate were negative, lagging the broader market. It is perhaps unsurprising that the most interest-rate sensitive areas (financials, utilities, real estate) have been lagging the most year-to-date.

Continued on page 24



Saving For School: Can The RESP Get You There?

Julie Petrera

As you prepare for back-to-school season, you'll likely notice the costs associated with returning to the classroom this year have increased. Until recently, inflation was at a forty-year high in Canada, impacting the costs of consumables like rent, food and books, as well as big-ticket items like tuition. And while the rate at which prices are rising has stabilized, the already-inflated costs are here to stay.

> **Take this back-to-school season as a time to check in with your education savings plan**

Higher education costs may require Canadian families to save more to support their students-to-be through post-secondary education and training. In many cases, Canadian families start saving for post-secondary before their beneficiaries enter pre-school. While this gives savings lots of time to grow, it can be difficult to determine the cost of school for a child who cannot yet articulate their interests.

The average cost of undergraduate tuition in Canada varies widely by province, which adds to the difficulty of determining how much to save. In Canada, annual undergraduate tuition costs range between $3,500 in Newfoundland and Quebec to over $9,000 in Nova Scotia and Saskatchewan.[1]

On top of where a student goes to school, what they study (and for how long!) can also impact costs, especially for those who pursue legal, medical or master's degrees, which can cost up to ten times the cost of undergrad.[2]

Parents, grandparents and other family members often help with these additional costs, as does the federal (and some provincial) government(s). In some cases, it takes a village to send a child to school. But with a highly variable goal, how do you determine how much to save and where? With any plan, make some assumptions based on what you know today, determine where to save and start saving, and adjust as the goal comes into focus. Follow these three steps:

1. Give The Future Value Your Best Guess

While the cost of tuition varies considerably by province and program, you know the parameters in which they vary. Using those ranges—give it your best guess. Consider adding the cost of room and board, if you think the beneficiary may go to school away from home, and if you want to support that. Consider adding the cost of a graduate program if that is something you want to fund. Calculate the total estimated cost in today's dollars.

2. A) Determine Where To Save

When thinking about saving for tuition, many Canadians think of the Registered Education Savings Plan (RESP). This plan allows subscribers to contribute after-tax dollars to a plan, which will grow on a tax-deferred basis and can be withdrawn by the beneficiary at their marginal tax rate.

Contributions to the RESP could be eligible for grants of up to 20% on the first $2,000 contributed annually[3], and possible additional grants subject to province and income.[4] While there are some distinct advantages to the RESP, there are also limits including who can open and maintain a family RESP[5], withdrawals from plans where the beneficiary does not attend a qualifying post-secondary program[6], how long the plan can remain open[7], and contributions. While there is no annual maximum contribution, RESPs are subject to a lifetime maximum contribution of $50,000 per beneficiary. The contribution limit on the RESP was last updated in 2007 despite the forty-year-high inflation Canada just experienced. Limitations of the RESP, specifically surrounding contributions bring us to step 2B.

2. B) Determine Where Else To Save

If the RESP contribution limit is less than the amount you think you'll need to contribute to meet your savings goal if you don't qualify as a subscriber for a family plan, or if you're concerned about the time or program restrictions, consider alternative savings accounts. These accounts can be in addition to, or instead of, the RESP. More flexible accounts include:

Tax-Free Savings Account (TFSA): After-tax dollars are contributed and grow and can be withdrawn tax-free. Withdrawals can be made for any reason at any time, and withdrawn amounts are added back to the contribution limit the following year. Therefore, if TFSA funds are withdrawn for education, the TFSA-holder can use the account again for another purpose the following year.

Like the RESP, the TFSA is subject to a maximum contribution limit. For 2024, that limit is $7,000, which, unlike the RESP, keeps pace with inflation. While Canadians can't open a TFSA until age 18—at which point there may not be a lot of time to save for education, anyone else who wishes to provide for a student can save in a TFSA. In many cases, TFSAs are used to supplement the RESP, since RESPs do not allow for large enough contributions.

Non-registered investment accounts: There are no contribution limits but, in return, these accounts offer no tax deferral, sheltering or grants. Anyone over the age of majority can open this type of account, there is no limit on deposits and withdrawals can be made for any reason at any time. Gains earned in the account are taxable, either in the year they are earned or received (interest/dividends) or when triggered (capital gains) at the accountholder's marginal tax rate. Non-registered plans offer complete flexibility and control and can be used to replace or supplement other accounts. There is no restriction on how long they can remain open which can provide flexibility to students that want to take a break before or between completing their education.

3. Adjust

As with any plan, review your inputs and assumptions annually and adjust as you gain new information or clarity. As the student approaches post-secondary school and the goal details come into focus, adjust as needed. Typical planning assumptions include future value, rate of inflation, rate of return and tax on withdrawal. Consider the education-specific assumptions such as province and program(s), and when the student is likely to attend school. Adjust inflation, contribution amounts and frequencies, plan types and investments within the plan as needed.

As the cost of education continues to rise, more students pursue degrees beyond undergraduate, and families evolve to include non-traditional financial providers; the RESP may not work on its own, or as intended. Take this back-to-school season as a time to check in with your education savings plan to ensure it reflects what you know today. Start saving amid the unknowable and adjust as you approach your goal.

Julie Petrera, MBA, CFP, CIM is a certified financial planner. X (Twitter): @petrerajulie

1 https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710004501

2 Example: https://md.utoronto.ca/current-fees

3 Subject to certain conditions: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-education-savings-plans-resps/canada-education-savings-programs-cesp/canada-education-savings-grant-cesg.html

4 Learn more about RESPs here: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-education-savings-plans-resps/resp-contributions.html

5 https://www.canada.ca/en/services/benefits/education/education-savings/opening-plan.html#_PlanTypes

6 https://www.canada.ca/en/services/benefits/education/education-savings/paying-education.html

7 https://www.canada.ca/en/services/benefits/education/education-savings/managing-plan.html

The Basics Of Preparing A New Will

Jason Heath

The National Institute on Ageing (NIA) released a 2023 report entitled "Where There's a Will, There's a Way: Exploring Canadian Perspectives on Estate Planning". The findings were clear that most Canadians have ignored their estate planning.

Less than half of those surveyed—48 per cent—have a Will. And those Wills are not necessarily up to date, or representative of an overall strategy. In fact, only 30 per cent of people said they have an estate plan.

The good news is that older people are more likely to have Wills. 74 per cent of those aged 55 or older report having a Will. But all adults should have Wills regardless of age, stage, or wealth, particularly since preparing a Will is easier than ever thanks to technology.

If you want to prepare a Will, there are a few primary considerations to get started.

Which Assets Make Up Your Estate?

Not all assets end up forming part of your estate. If you own assets jointly-with-right-of-survivorship, particularly with a spouse, they typically transfer directly to the surviving owner outside your Will. In some cases, a jointly-held asset with a child may form part of your estate to be addressed by your Will due to the presumption of resulting trust. You should definitely seek advice about holding assets jointly with a child.

Assets with named beneficiaries like Registered Retirement Savings Plans (RRSPs) or Tax-Free Savings Accounts (TFSAs) generally pass outside an estate. The same applies to life insurance with a named beneficiary.

As a result, many couples may find that on the first death, nothing passes through the estate of the deceased. This is not a reason to forgo a Will, rather it highlights the importance of understanding which assets actually get dealt with in your Will in the first place.

Primary Will Considerations

The main parties of a Will are:

1) Executor

2) Beneficiaries

3) Trustees

4) Guardians

There is a lot more that goes into Will-drafting, but before preparing new Wills, you should have an idea of the people you intend to name in your Will.

Choosing An Executor

Your executor is the person who carries out your final wishes. They are responsible for administering the instructions in your Will. Most people name their spouse if they are married. Many people name their adult children or other family members or friends. You can even name a trust company if you prefer having a professional over an individual.

Your executor does not necessarily need to be an expert in financial matters. It may help if their knowledge is reasonably good, but the main consideration is that they will be up for the job. They can seek input from third-party professionals to settle the estate as well.

As you age, you need to consider if naming someone the same age or older than you is best. You also need to consider whether there could be any conflict between any of the people you may name as co-executors.

Beneficiaries of a Will

The beneficiaries of a Will are those who are inheriting the estate of the deceased. For a couple, the primary beneficiary may be the surviving spouse. For parents, children are generally named as beneficiaries.

You can provide specific bequests so that some of your estate goes to other family members, friends, or charities. There is no "right" way to distribute your estate.

Although you may want your estate to go to your spouse, notwithstanding whom your children are, you also need to account for the chance that one of your beneficiaries dies before you or at the same time as you. So, you need to have contingent beneficiaries.

If you name your children, and they predecease you, you may dictate that their share goes to their children (called "issue")—your grandchildren.

If your primary beneficiaries die before you or at the same time as you, your Will should contain a common disaster clause that deals with this situation, however unlikely. This ensures any remainder of your estate (residue) has instructions for how to distribute it.

Essentially, your beneficiary list needs to consider what-if scenarios so that there are backup beneficiaries so that none of your estate goes undistributed.

Trusts and Trustees

Wills often refer to your "executors and trustees" and in many cases, these roles are the same. But in some cases, a Will contains a trust, whereby money is held and paid out over time to a beneficiary. Although uncommon, you could have a special trustee for money held in trust that is not necessarily the executor you named in the first place.

An example could be if your grandchild inherits, and they are below the age of majority. Their share would generally be held in trust until they attain a certain age. You may include instructions for money to be advanced to, or on behalf of, a beneficiary before they inherit outright to advance them in life and provide for their living expenses, health care, or education.

You might name your two children as executors of your estate but if you leave money to your grandchildren in trust, you might name their parent as the trustee for that grandchild's trust. Alternatively, it would be their parent and their aunt or uncle (your two children) if the two executors were the trustees for that trust.

You can have money held in trust and distributed in tranches over time. For example, you do not have to pay it all out at age 18. It could be that one-half is paid at 21 and the balance at 25, for example. Or you could have criteria like no distribution until the completion of post-secondary education, as another example.

Naming Guardians For Minor Children

If you have minor children, you should name guardians for them. Ideally, you should name a primary guardian and a secondary guardian.

This is a common point of disagreement for parents who are unsure who to name to care for their children in the event they both die while their children are young. It is not a good reason to hold up preparing a Will.

It bears mentioning that a guardian clause in a Will is just a wish. It is not legally binding upon the named guardian to accept their role if you die. Regardless, it is something to seriously consider and discuss with the person or people named.

Powers of Attorney

In addition to Wills, your estate documents should include Powers of Attorney. In some provinces or territories, these are called personal directives, representation agreements, or mandates. Unlike a Will, Powers of Attorney name people to make decisions on your behalf while you are still alive, but incapacitated.

You generally name people to make financial decisions for you as well as health care decisions. These can be different people if you would rather delegate financial decision-making to someone and medical decisions to someone else.

Powers of Attorney cease to apply once you die. This is when your Will kicks in and your Powers of Attorney expire.

Lawyer or Online

You can prepare Wills and Powers of Attorney with a lawyer or using online resources. If you use a lawyer, you should consider whether your lawyer is a generalist or an estate-planning specialist. A lawyer who does not specialize

Annuities Offer Income For Life

Prescribed Annuity Rates: $100,000 10-year Guarantee

1. Male Single Life Prescribed Annuity ages 65, 70, 75 and 80.

Male age at purchase	Annual income	Annual Taxable Amount
65	$6,564	$1,633
70	$7,319	$1,422
75	$8,292	$1,299
80	$9,514	$1,384

2. Female Single Life Prescribed Annuity ages 65, 70, 75 and 80.

Female age at purchase	Annual income	Annual Taxable Amount
65	$6,226	$1,806
70	$6,887	$1,561
75	$7,749	$1,276
80	$8,873	$1,123

3. Joint Life Prescribed Annuity Male/Female ages 65, 70, 75 and 80.

Joint age at purchase	Annual income	Annual Taxable Amount
65	$6,128	$2,173
70	$6,776	$2,006
75	$7,672	$1,821
80	$9,013	$1,700

Annuity income values were obtained from highly rated Canadian insurers and are for illustration purposes only.

Annuity rates change daily. Income and tax rate will depend when the annuity contract is issued.

in estate-planning might simply take your instructions and put them into a template. If your situation is more complex, working with an estate-planning expert who can develop an estate plan has a benefit.

According to eState Planner's 2024 Estate Practice Report, in 2023, the average legal fee for a couple was $1,330 for standard Wills and Powers of Attorney. Your estate documents are important and could be applicable for many years, so may prove much more valuable than this up-front cost.

There are more and more online Will and Power of Attorney options available. Costs are generally in the low hundreds of dollars but may also be discounted through affiliations with banks or other organizations.

Technology has made online providers more proficient in providing estate documents. For a simple case for a single person or for a couple in their first marriage with no kids or with adult children, online options may work well. That is not to say that others cannot or should not use online Wills, but they should at least consider the benefit of personalized advice from an estate lawyer.

Summary

Lots of people may be Will-less but that does not mean you should delay your estate planning. Death is an unfortunate certainty in life and forgoing a Will can result in your estate being distributed differently than you would like and makes things more complicated for those you leave behind.

If you lose capacity, you cannot prepare a Will, nor can your family. Naming people you trust in your Power of Attorney documents can help maintain continuity if you can no longer make decisions on your own to bridge the gap until your Will takes over.

Write your Will based on the presumption that you die tomorrow but try to do so in a way that could still apply years from now. Hopefully, you will be able to update your Will many times in the future before it is invoked, but you should never count on it.

Jason Heath is a fee-only, advice-only Certified Financial Planner (CFP) at Objective Financial Partners Inc. in Toronto, Ontario. He does not sell any financial products whatsoever.

Off The Beaten Path
Unusual Jobs and Their Salaries

Richard Morrison

Recent wildfires in Jasper, Alberta and a new movie, Twisters, about chasing tornadoes both inspired questions from young inquisitors: How much do forest firefighters make, and can you be a professional storm chaser? The queries recalled a column on unusual occupations I wrote about two years ago, which deserves a revisit.

Parents and grandparents often steer their progeny toward careers in medicine or law. However, most young folks end up working in offices, stores, schools or on construction sites. Such jobs may be satisfying and lucrative, but more unusual occupations may be overlooked.

Many job seekers concentrate their search locally, but worker mobility is essential and those willing to travel have an edge over those who are not. The Canadian federal Job Bank site's allocation of available jobs by province shows job seekers are most likely to have success in Ontario, which has 32% of all available jobs, followed by British Columbia at 25%, Alberta at 22% and Quebec at 11%. Job seekers need not concentrate their search on large—and expensive—cities as good jobs can be found in remote locations. Subject to certain restrictions, those who work 80 kilometres or more from the nearest "established community" don't have to declare the value of allowances paid to them for lodging and transportation, the Canada Revenue Agency (CRA) says.

The most popular site for job seekers is Indeed (245,215 openings in Canada as of 25 July 2024). Others include Glassdoor, the Canadian Job Bank, Workopolis, Kijiji, Monster and ZipRecruiter. TalentEgg focuses on entry-level and student jobs. Most job search sites feature tests and quizzes to help those who are unsure of which occupations best suit them. The positions mentioned below may require diplomas or certificates from community colleges or a period of apprenticeship, but not a university degree.

Here are some unusual jobs worth considering.

Forest Firefighter ($47,000 to $79,000)

Thanks to global warming, the job prospects for those interested in fighting forest fires are excellent. Last year's forest fire season in Canada was more than twice as bad as any other, the Natural Resources Canada site says. A total of 6,623 fires burned more than 15 million hectares in 2023 and more than 230,000 people had to be evacuated because of potential dangers to life and health, says the Canadian National Fire Database.

Prospective forest firefighters can take courses such as the 40-hour SP100 Wildland Firefighter Training offered at a variety of government and private facilities before heading off to the woods.

Candidates must be willing to work anywhere at any time, and in addition to carrying hoses, digging trenches and using chainsaws, they may have to rescue trappers or hikers.

When fire trucks cannot access fires, rangers may be parachuted into dangerous locations. Candidates must be fit and willing to work anywhere anytime between spring and fall. Fire rangers are usually employed by provincial governments, but private resource sector companies and utilities may also have rangers on staff.

An entry-level fire ranger earns an average salary of $47,262 over a fire season, while a senior ranger earns an average salary of $79,364, figures from Glassdoor Canada show.

Ethical Hacker ($74,000 to $114,000)

If you prefer working indoors in air-conditioned comfort, remember that corporations and government agencies must defend themselves against computer hackers, creating a huge demand for qualified applicants in the cybersecurity sector. The hired hackers, which include job titles such as penetration testers, use their malevolent skills to test the security of computer systems and recommend ways to improve them.

Many courses and programs are available, with designations such as the Certified Information Systems Security Professional (CISSP). Among providers are Offensive Security (OffSec), while GIAC, formerly the Global Information Assurance Certification, offers more than 40 certificates in the areas of ethical hacking, cyber defense and penetration testing. Burp Suite is another course provider in the sector. Some organizations end up hiring the same people who hacked them, turning "black hat" hackers into "white hat" ones.

Videographer/Drone Pilot/Drone Operator ($50,000 to $87,000)

Those interested in piloting and operating drones are getting in on a nascent industry. Hobbyists who own relatively cheap, lightweight drones (under 250 grams) need no license, but heavier ones must be registered with Transport Canada. Commercial drones, also known as Remotely Piloted Aircraft System (RPAS) are used for aerial inspections of industrial and commercial projects and facilities. Companies in the resource sector, such as oil and gas, forestry and mining, employ drone operators and videographers to evaluate prospective properties. Farmers use drones to check on their crops and spray pesticides. Real estate companies, particularly those selling high-end properties, retain the services of drone operators to offer a bird's-eye view of panoramic estates. Drone videographers may also be paid by wedding and special event organizers and film and television production companies.

Transport Canada offers a Drone Management Portal that takes care of everything drone-related, including rules and regulations and licensing of professional RPAS drone pilots. Courses can be taken at a variety of community colleges and private drone pilot schools across the country. The average base salary for Canadian drone pilots is between $50,000 and $87,000, based on 66 responses, Glassdoor Canada says.

Wind turbine technician ($49,000 to $70,000)

Having no fear of heights is obviously a prerequisite for wind turbine technicians who often work 100 metres above ground. The U.S. Bureau of Labour Statistics Occupational Outlook Handbook says the demand for wind turbine technicians is projected to grow by 45% between 2022 and 2032, much faster than what it notes is the 3% average growth rate for all occupations. The bureau predicts 1,800 wind turbine technicians should open each year over the next decade in the United States, which bodes well for Canada.

Those interested in working on wind turbines should obtain technical and safety certifications from the Copenhagen, Denmark-based Global Wind Organization (GWO), whose site lists eight Canadian training providers in Canada.

The average salary for a wind turbine technician is $63,153 per year in Canada, based on 34 responses, Glassdoor Canada says.

Member of Parliament ($203,100)

Thick-skinned extroverts with strong political convictions and a talent for arguing will enjoy excellent remuneration should they be elected as one of the 338 members of Canada's federal parliament. Backbench MPs earn a base salary of $203,100 while cabinet ministers get a total package of $299,900, as does the Leader of the Opposition. Other party leaders earn $271,700. MPs also get reimbursed for extra amounts billed for travel, hospitality and constituency office leases, although these must be reported and disclosed on the House of Commons site.

Those who have already had exemplary careers may land an appointment to the Senate, whose 105 members are also well compensated at $178,100 per year. Since senators are appointed by the Prime Minister, candidates must attract the favourable attention of the PM and other senior government officials.

Running for any sort of political office costs a huge amount of money and time, making it beyond the means of ordinary folk. To be eligible for partial reimbursement of election expenses, candidates must be elected or win at least 10% of the votes. Personal sacrifices aside, the financial costs are a deterrent that leaves parliament over-represented by lawyers and business executives.

Those determined to try politics can take political science courses and, providing they have the right prerequisites, time and money, may be admitted to university programs. For example, the University of Toronto's Political Science program costs about $6,000 per year.

Marine Occupations

Job seekers need not focus their search on land as marine jobs can be both interesting and lucrative. Occupations for mariners fall into four broad categories: officers who oversee navigation, engineering and logistics, who frequently gross more than $100,000 a year, and lower-ranking workers called ratings, assigned to either a ship's deck, engine or galley, whose pay is often about $30 an hour. A Canadian ship captain or master earns $65,000 to $122,000 annually with an average annual salary of $88,794, the Glassdoor site says. A first mate earns from $41,000 to $72,000, with an average of $62,767, a seaman an average of $57,420 and deckhands $56,855, it says. Many marine jobs are paid by the day.

Transport Canada certifies many seafarer positions and lists 18 recognized institutions across the country that offer training for marine occupations, while Imagine Marine, the site for the Canadian Marine Careers Foundation, is an industry-specific employment search engine that acts as a hub for Canadian marine employers and employees.

Storm Chaser (variable income)

Thanks to movies and documentary TV shows, storm chasing has become such a popular hobby that there are often as many cars heading toward tornadoes as away from them. Professional storm chasers make money by videotaping tornadoes and hurricanes and posting them on YouTube, collecting ad revenue. Having a degree or certificate in meteorology is helpful, but not required. Those with such a certificate may get grants to do climatology research. Some storm chasers have become entrepreneurs and offer tour services to thrill-seeking visitors.

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Boomer Candy: Satisfying Our Craving For Income

Rita Silvan

If hearing the names Frosted Flakes, PEP, and Almond Joy elicits a glow of nostalgia, congratulations, you're a Boomer! As the Boomers and Gen Xers shuffle into retirement, they're not just getting misty-eyed over sugary breakfast cereals, they're also feeling nostalgia for a bi-weekly paycheque. That's been replaced by a lump of savings to be chipped away and *that's* a whole different ball game.

Government pensions, such as Old Age Security (OAS) and Canada Pension Plan/Quebec Pension Plan (CPP)/QPP, and for some retirees, regular cash infusions from a defined benefit pension plan or annuity, provide Canadians with a reasonable cashflow for basic expenses but for extras, it's necessary to break into the personal kitty. The switch from a lifetime of accumulating savings to decumulating is a mind-bender. Investment products that generate income are dubbed "Boomer Candy" by the industry because they're irresistible to this demographic.

One Million Dollars!

In the film, *Austin Powers: International Man of Mystery*, Dr. Evil (Mike Myers) demands a one-million-dollar ransom which causes the U.N. representatives to burst out laughing. His Number Two (Robert Wagner) gently reminds him, "A million dollars isn't exactly a lot of money these days."

Indeed, it isn't. Today, having a cool million in investible assets (ex-principal residence) is no great shakes. In 2023, Toronto had over 100,000 of them and Vancouver 41,000. According to the Global Wealth Report (UBS, 2023), Canada has over two million millionaires and the report predicts a 63% growth by 2027.

It certainly is great to be a millionaire on paper, the challenge is how to turn it into income you can actually use in your lifetime. Assuming a moderate, nominal annual return of 5%, a million dollars would generate $50,000 annually. Subtract inflation (assume 2.5%), subtract taxes (perhaps 45%), and your real return is barely above water. Of course, you can withdraw some of your principal to boost annual income, but that comes with a potentially higher marginal tax bracket, and a smaller investment base for future income growth.

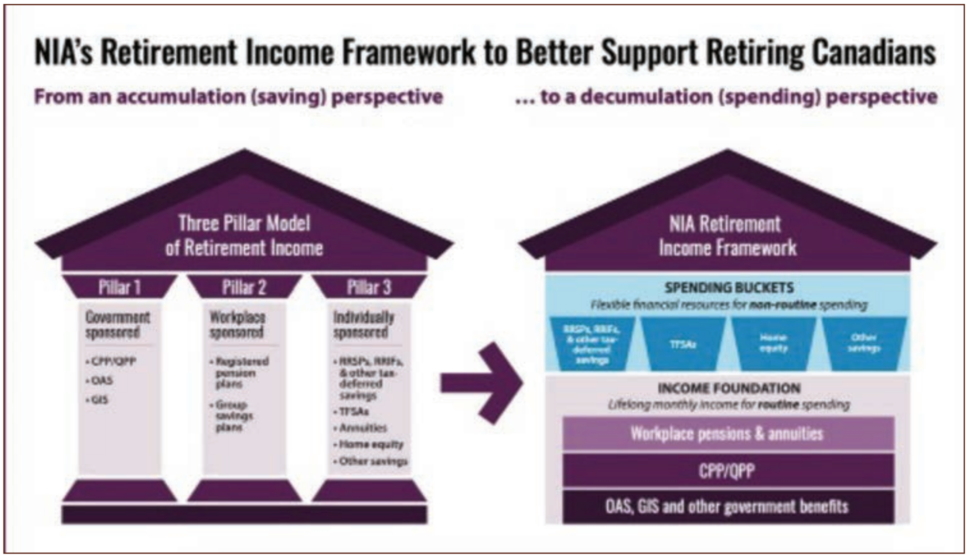
Keeping your principal intact for longer is more important than ever due to longer lifespans and healthspans—the latter denotes healthy and active years. According to Pew Research, the American centenarian population is expected to quadruple in the next 30 years—from 101,000 in 2024 to 422, 000 in 2054. And, unlike the Depression-era cohort to whom debt was anathema, Boomers and Gen X are more comfortable with it. Easy access to credit, historically low interest rates, and ever-rising equity and real estate prices have encouraged seniors to delay paying down mortgages and credit cards prior to retirement. According to Statistics Canada, since the 80s and 90s, the number of seniors with mortgage debt has doubled. The need to service consumer debt means seniors require a higher predictable monthly income. They are also less resilient in the event of a crisis such as the death of a spouse, or a health problem that requires paying for nursing and household assistance.

Boomer Candy Shoppe

The traditional model of retirement income, which is shown below on the left, is based on the perspective of accumulation, not decumulation which is what retirees need and want, shown on the right. The income foundation which should provide for routine spending is composed of government and workplace pensions and annuities, although not everyone receives a workplace pension. Extra consumption would be financed by other sources.

Bottom Shelf: CPP/QPP, OAS, annuities, DB pension

In a nutshell, CPP/QPP and OAS are the ballast of retirement income. They are a source of risk-free, inflation-protected income that addresses longevity risk (outliving your money), and sequence-of-returns risk (permanent impairment of capital growth). Delaying CPP until age 70 provides 2.2 times the monthly pension than starting at 60 and a very competitive real return of over 3%. For those who are in good health and can self-fund their retirement until age 70, delaying OAS/CPP is a no-brainer.



[Courtesy of National Institute of Ageing Canada: https://www.niageing.ca/reports]

Defined benefit pensions and annuities also form a strong income base. Studies show retirees view their savings as investments, not as a source of income to fund retirement spending. This is one reason why most people avoid purchasing annuities which would raise their risk-free income level, since doing so involves parting with a chunk of savings and taking the risk of dying early and losing the money. (You'll have lost a lot more when you're dead…but whatever.) Researchers found that framing retirement with a focus on consumption made retirees significantly more interested in securing lifelong pension income instead of keeping the funds in regular savings or investment accounts.

Middle Shelf: Interest, Dividends, Preferreds, Covered Calls

Investments held in Registered Retirement Savings Plans (RRSPs), Locked-in Retirement Accounts (LIRAs), Tax-Free Savings Accounts (TFSAs), and unregistered accounts can generate income through interest on bonds, dividends, capital gains, and rental income. Historically, over the long term, most of an investor's total return has come from dividends, not capital gains or interest. The decision to build a basket of individual high-quality, dividend-growers vs. a dividend mutual fund or Exchange-Traded Funds (ETFs) is a personal decision. In Canada, dividend ETFs are less popular due to their lumpy distributions.

To further boost income, covered call strategies which deploy an options overlay to generate steady monthly income are the sweet caramel centre in Boomer Candy. Large fund companies are launching copycat products to satisfy demand. Covered call strategies provide some protection against being sideswiped by a 2008- or 2020-type of market and they also generate modest capital gains.

Top Shelf: Home Equity

The equity in a principal residence represents a significant part of the average Canadian's net worth. According to the National Institute of Ageing, data from 2019 showed one-third of Canadians had more than $250,000 of equity in their primary residence compared to the 60% of 60-69-year-olds who had TFSA balances of under $5,000 and 40% who held a zero balance in a RRSP. Despite so much of our personal wealth being tied up in our homes, we don't see them as a flexible financial resource in retirement. In 2022, only 1% of total retirement income came from reverse mortgages. As lifespans rise and the trend to age-in-place continues, there is likely to be a societal shift to viewing principal residence as an income-generating asset in retirement. This should spur demand and competition for more affordable and accessible products to tap home equity.

Both stock and bond markets are richly valued today which typically presages muted future returns. If central banks continue to wrestle with inflation by keeping interest rates higher, retirees will need to deploy diversified income-oriented strategies to generate reliable income to cover higher living costs and unexpected expenses—and to provide the sweetest candy of all, peace of mind.

Rita Silvan, CIM is a finance journalist specializing in women and investing. She is the former editor-in-chief of ELLE Canada and Golden Girl Finance. Rita produces content for leading financial institutions and wealth advisors and has appeared on BNN Bloomberg, CBC Newsworld, and other media outlets. She can be reached at rita@ellesworth.ca.

Markets

An Investment Journey
Part 1

Zachary Diaz

The decision to start investing in the stock market can trigger many questions and even feelings of fear for prospective investors with minimal experience. Investing in the stock market is im-portant whether it is in the context of saving for a large purchase or general retirement plan-ning and time is one of the biggest factors impacting returns.

I am new to the idea of actually investing and deciding where/what to put my money in, so I thought it would be helpful to provide insights into my journey as I start out. I recently joined 5i Research as a Junior Investment Analyst after graduating from Wilfrid Laurier University. While I was always intrigued by investing and finance, I had never picked my own investments—that was something my dad always did. What attracted me to get into investing was that I thought it was actually a fun and interesting concept that I think many people would agree on. The idea of selecting a company or industry that could do well, developing a thesis and then watching that play out intrigued me.

After joining *5i Research* and being immersed in the markets daily, I wanted to share some of my experience now that I am beginning to invest on my own and hopefully, I can share some valuable insights along the way. The important concepts that I wanted to highlight, especially being a recent university graduate with not a whole lot to invest are starting small and staying consistent.

Ways to Start

Before getting into the specifics of trading and selecting stocks, for new investors I think it is extremely important to set out ground rules. One of the biggest factors impacting investment returns is time. As a rule of thumb, the longer the time horizon someone has, the greater potential returns they will have.

To effectively capitalize on this concept, I think having a disciplined approach to saving and budgeting is key. For someone in a similar situation who has some money saved (or even none), utilizing a dollar-cost-averaging (DCA) approach makes a lot of sense. This entails investing a specified portion of your paycheck into the market on a specific time interval. This approach is beneficial because it creates a consistent habit of saving and is reassuring to risk averse investors since money is being deployed slowly over time.

Creating and sticking to a monthly budget build on the DCA concept. There are many different budgeting principles, one of the most common being the "50-30-20" rule. This entails allocating 50% of your income toward needs, 30% toward wants, and 20% toward savings. I think this concept is great, but you can tailor it any way you want to fit your needs as long as there is some portion allocated toward saving. Additionally, there many apps and planners that can help to make budgeting easy. A simple excel spreadsheet or even the notes app (which is what I use) to track spending and saving is really all you need.

Getting Started

Now let's get into the actual process of starting out investing. The first essential step is setting up a trading account. This can be intimidating because there are so many options out there. Of course, the traditional route is to set up a bank brokerage account but there are some newer options of interest known as "discount brokerages."

Discount brokerages include platforms like Wealthsimple, Questrade, and Robinhood. The main benefit offered through these platforms is the low fees and simplicity. Of these three options, I personally think Questrade makes the most sense. While Wealthsimple and Robinhood are advertised as being good platforms for beginners due to the simplicity and the minimal fees they offer, they do not provide a full range of investment options and also can suffer from customer service/support issues. Questrade offers a wide array of investment opportunities and research tools paired with overall lower fees.

Traditional brokerages offer key benefits such as an established reputation, providing a full-service offering of investment options and access to personalized advice/research. There are negatives such as the higher fees, a non-user-friendly interface, timely setup, and minimum investment requirements (sometimes).

As I have started investing, I chose to go with the traditional route. I had previously been set up with a bank brokerage account and I have not given too much thought to a switch yet. Questrade seems interesting to me due to the lower fees and similar investing options to a brokerage. However, for the time being I will be sticking with the traditional route due to my familiarity with the platform and integration with the bank. For new investors, I would say if you want a simple easy-to-use platform for investing, go with a Wealthsimple or Robinhood. On the other hand, if you plan on getting very involved in investments and want access to more options along with research go with Questrade or a brokerage platform.

Resources Once Trading

Once a brokerage account is set up, the fun part can begin with trading stocks. Being new to the markets myself, I think one of the most important things I have learned is the power of Exchange-Traded Funds (ETFs). By purchasing an ETF with a simple strategy like SPDR S&P 500 ETF Trust (SPY), iShares Core S&P 500 (IVV), Vanguard S&P 500 (VOO), or Invesco QQQ Trust Series 1 (QQQ), where the goal is to replicate the market, it helps eliminate the initial learning curve related to picking stocks—which is not easy. I have also noticed that there is an ETF for almost every type of trading strategy or asset class. This makes ETFs an ideal way to get exposure to an area in the market that you think could perform well, but you cannot decide on one specific stock to buy. I have personally been eyeing the Bitcoin ETFs due to the run up in the asset class along with diversification benefits it provides, since it is obviously too expensive to directly purchase the cryptocurrency.

Two sources that provide semi-detailed research to assist you with individual stock picking depending on the size of the company are Seeking Alpha and The Motley Fool. Both sources are valuable for discovering good stocks and explaining what complicated businesses do, and why they will grow. While these are good sources to reinforce research, they cannot be relied on completely for stock picks because they often look at things from a high level and their view can be biased. I think that finding industries and companies on your own is the best. For general finance and market knowledge, Investopedia has virtually every concept explained in a succinct manner, and I can't recommend it enough as a starting point.

My Portfolio

To take a look at my portfolio's current holdings we have: Broadcom Inc (AVGO), Oracle Corp (ORCL), and DraftKings Inc (DKNG). Most of these names had been selected before I started working but I added ORCL after. As I make more trades and add to my portfolio, I will be back to update you in Part 2 of this series for what resources I have found to be useful and what I have learned along the way as my investing journey continues.

Zachary Diaz is a Junior Investment Analyst with 5i Research. Zach is a graduate from the Bachelor of Business Administration program at Wilfrid Laurier University where he minored in Economics and concentrated in Finance. Prior to joining 5i Research, Zach worked numerous co-op terms in corporate development and accounting. Zach has a growing passion for financial markets and enjoys following macro trends."

The Single Greatest Predictor of Canadian Stock Market Returns, Part 2

Brian Chang

In the first part of this series, we explored existing research which showed how the equity allocation of the average U.S. investor has historically proven to be the single greatest predictor of future U.S. stock market returns (see the March/April 2024 edition of *Canadian MoneySaver*). We hypothesized that this metric, when applied to Canada instead of the U.S., also could be highly predictive of future Canadian stock market returns.

We calculated the average Canadian investor equity allocation since 1990 and measured the metric's ability to predict future 10-year returns of the TSX. Unfortunately, the results from the analysis were somewhat disappointing, with the metric showing far less predictive power for Canadian stocks than the original U.S. study. While changes in the stock market allocation of the average U.S. investor explained approximately 91% of the change in subsequent 10-year stock market returns, in Canada, that number was only 59%.

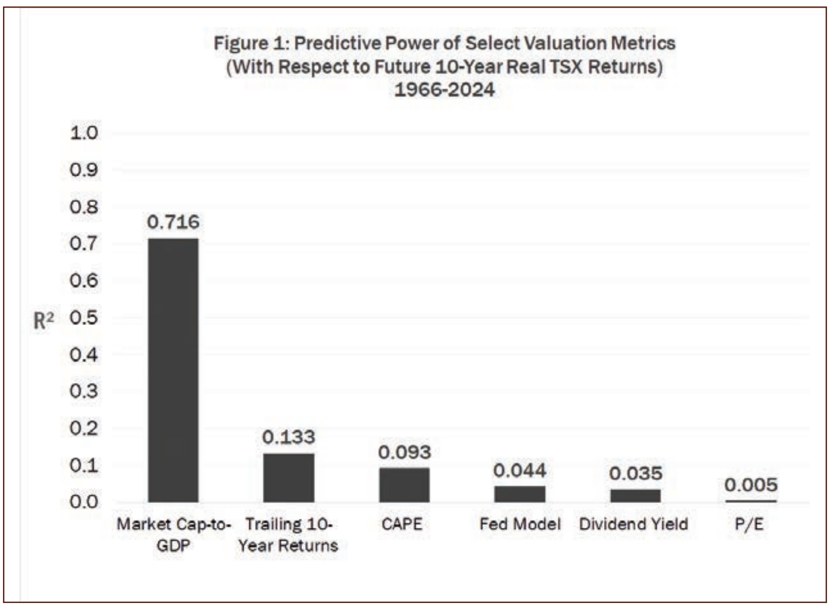


Figure 1.

Now to be fair, 59% is still a fairly strong result, but how does it compare to the competition? This article will analyze an assortment of alternative valuation metrics and compare their effectiveness in predicting future 10-year stock market returns in Canada. While our previous analysis in Part 1 of this series had data only as far back as 1990, for this analysis, we will extend our time series back further. Unlike U.S. equity markets, Canada doesn't have 100+ years of available financial market data to compare the track record of these valuation metrics over the long-term. However, after incorporating a series of reasonable data estimations and making use of certain long-run proxies, we have extended our data set for each of the valuation metrics back to 1966. Figure 1 compares the predictive power of these valuation metrics concerning future 10-year real returns of the TSX.

Our data shows that over this longer period, only one valuation metric stands out as a reliable predictor of future stock market returns for Canada. Market Cap-to-GDP has the highest predictive power of all the valuation measures we've analyzed, and the contest isn't even close.

Referred to once by Warren Buffett as "probably the best single measure of where valuations stand at any given moment", Market Cap-to-GDP, often simply referred to as “the Buffet Indicator”, measures total stock market capitalization divided by trailing twelve-month nominal GDP. In Canada, GDP data is available from Statistics Canada quarterly going back to 1961, although total stock market capitalization data is much more limited. To get around this problem, we used the TSX price as a proxy for the total market capitalization of Canadian stocks. In reality, the TSX represents only about 95% of total equity market capitalization in Canada, but as an approximation, it's held up admirably over the years. With an R^2 of 0.72, it effectively means that 72% of the change in subsequent 10-year returns can be explained by changes in Market Cap-to-GDP, even with the TSX as a proxy.

Consider the most popular valuation metrics used by investors, the Shiller Cyclically Adjusted Price-to-Earnings Ratio (CAPE), "the Shiller PE", which is designed to measure stock prices relative to "smoothed-out" corporate profits. The metric is calculated by dividing the stock market's price by the average inflation-adjusted earnings over the previous 10 years. The main limitation with using this measure is that, with an R^2 of 0.09, CAPE has almost zero ability to accurately forecast future TSX returns, which could be disconcerting for those Canadian investors who continue to use CAPE as an indicator of stock market valuation.

When we empirically measure CAPE's predictive strength for future equity returns, we see a shockingly poor track record over the past 57 years. Despite its horrible performance at forecasting future equity returns, CAPE continues to be widely used by Canadian investors as a popular measure of "value".

However, the problem is not limited to CAPE. Figure 1 shows that the stock market's current dividend yield is also an extremely poor measure of equity market valuation, which is another shock to your average Canadian retail investor. Canadians, after all, tend to love their dividend-paying stocks, generally adhering to the belief that a high dividend yield is indicative of a low current valuation. While this might be true for certain segments of the market, and certain individual stocks, on aggregate for the entire market, the current dividend yield has an extremely low correlation with future equity returns. With changes in the dividend yield explaining only 4% of the variation in 10-year real returns, its predictive power over future returns is almost non-existent.

Worse still is the ever-popular P/E, which is the current price of the TSX divided by trailing twelve-month (TTM) earnings. While most experienced investors are generally aware that the TTM P/E has limitations due to the inherent volatility of corporate earnings, few investors realize how poorly P/E serves as a measure of value for the Canadian stock market.

The mistake isn't limited to everyday DIY retail investors, either. We've seen various investment publications and commentators over the years touting the TSX P/E ratio as an indicator of the market's obvious state of "overvaluation" or "undervaluation". They have no inkling that the P/E ratio, with an R^2 of only 0.005 from 1966-2023, is more or less a useless metric for predicting future equity returns. As Figure 1 shows, the P/E ratio of the TSX is the worst valuation measure of those included in our analysis.

Surprisingly, after Market Cap-to-GDP, we determined the most predictive measure of future stock market returns is the trailing 10-year real return of the TSX. In other words, low TSX returns over the previous 10 years tend to be indicative of higher returns over the subsequent 10 years, and high past returns tend to be indicative of lower future returns. While the predictive strength is still low at 13%, it's notable that this simple predictive metric beats out the majority of the most widely used valuation measures such as CAPE, P/E, and dividend yield. Of course, these commonly used metrics might very well be extraordinarily low or excessively high relative to their long-run average, but so what if they are? If these valuation metrics tell us little about future equity returns in Canada, then why should we care about them at all? The answer is we shouldn't. We should discard these types of metrics in favour of other more predictive measures that are more highly correlated with subsequent equity returns such as Market Cap-to-GDP. Figure 2 shows the scatterplot of Market Cap-to-GDP versus subsequent 10-year real returns.

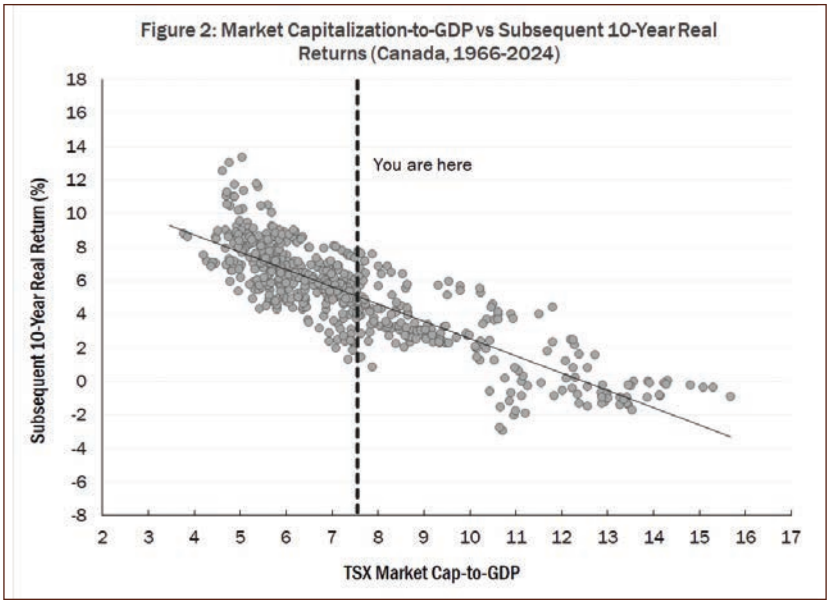


Figure 2.

As of the end of June 2024, the TSX Market Cap-to-GDP ratio of 7.59 corresponds with a future 10-year real return forecast of 5.04%. The standard deviation over the entire data set is 1.52%, meaning that future 10-year real returns have a 67% probability of falling within 3.52% and 6.56%, assuming a normal distribution.

By contrast, the average equity allocation of Canadian investors (described in Part 1 of this series), currently predicts a future 10-year real return of 4.06% with a 67% probability of returns falling within 2.63% and 5.49%. While the average investor equity allocation, with reliable data going back only to 1990, has a predictive strength of just 59%, it's still the second-best metric available for Canadian investors and something we like to use as a confirming indicator to Market Cap-to-GDP.

The two methods corroborate one another reasonably well, making an investment in the TSX at current valuations seem like a reasonable bet for 10-year real returns in the 4 to 5-per-cent range. Could we still end up with a decade of horrific returns despite these predictions? That's certainly a risk. But at current valuations, the TSX is offering up an expected 10-year return that's more or less in line with the historical average. Investors shouldn't be afraid to take it.

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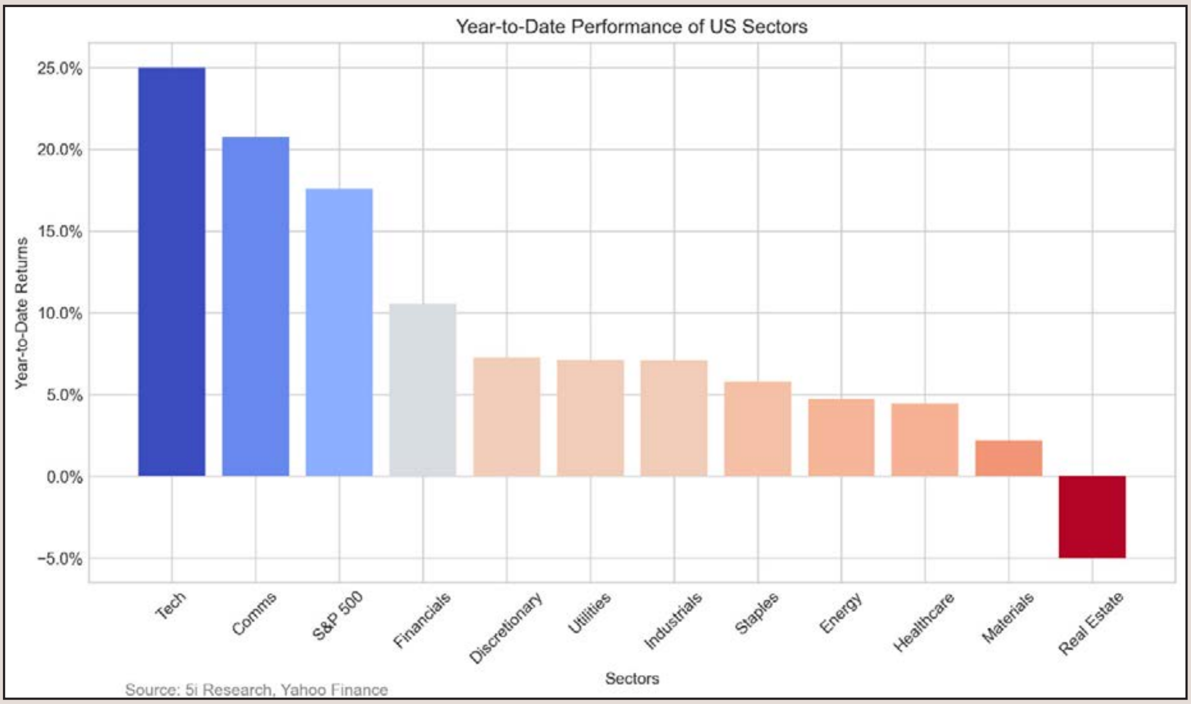
MoneyTip

Continued from page 9

Year-to-Date US Sector Performance

In the US, technology and communications have been clear winners so far this year (as of June 30, 2024), with financials close behind, and discretionary, utilities, industrials, consumer staples, energy, and healthcare all performing moderately. Basic materials and real estate have been underperformers this year. The wide divergence in performance between tech and the rest of the market is evident and is demonstrative of why we feel investors should not be concerned by tech's often high valuations. Investors that have been leery of tech stocks due to their high valuations would have likely missed out on much of this years' gains, but we do believe that diversification is important, and we see other sectors 'catching up' eventually.



TOP US DIVIDENDS - $2B MARKET CAP MINIMUM

Includes special dividends and prior to any recent cuts over the last 12-month period.

Ticker	Name	Market Cap ($)	Proj 12M Dvd Yld (%)	Price ($)	P/E	Total Return YTD
VZ US Equity	VERIZON COMMUNICATIONS INC	169.47B	9.06	6.61	40.26	12.16
PFE US Equity	PFIZER INC	166.14B	42.45	5.73	29.32	6.37
T US Equity	AT&T INC	137.59B	8.09	5.78	19.19	19.89
UPS US Equity	UNITED PARCEL SERVICE-CL B	106.51B	17.97	5.24	124.50	-19.06
BMY US Equity	BRISTOL-MYERS SQUIBB CO	95.91B	10.77	5.07	47.31	-4.22
MO US Equity	ALTRIA GROUP INC	84.42B	13.42	7.92	49.48	28.23
EPD US Equity	ENTERPRISE PRODUCTS PARTNERS	62.75B	10.95	7.27	28.90	15.85
ET US Equity	ENERGY TRANSFER LP	53.90B	13.36	8.01	15.99	20.84
O US Equity	REALTY INCOME CORP	52.63B	42.58	5.22	60.44	8.86
SPG US Equity	SIMON PROPERTY GROUP INC	50.67B	25.28	5.27	155.54	11.92
CCI US Equity	CROWN CASTLE INC	49.09B	36.47	5.54	112.97	1.09
STLA US Equity	STELLANTIS NV	47.07B	2.70	10.60	15.57	-28.75
KMI US Equity	KINDER MORGAN INC	45.85B	19.72	5.57	20.66	22.53
MPLX US Equity	MPLX LP	42.47B	9.93	8.17	41.62	18.32
F US Equity	FORD MOTOR CO	38.87B	5.98	6.13	9.78	-16.64
DOW US Equity	DOW INC	36.90B	24.46	5.34	52.48	-1.91
VICI US Equity	VICI PROPERTIES INC	32.75B	12.30	5.29	31.40	1.39
LYB US Equity	LYONDELLBASELL INDU-CL A	31.06B	12.81	5.61	95.56	3.20
CQP US Equity	CHENIERE ENERGY PARTNERS LP	23.96B	11.34	6.54	49.52	3.20
BIP US Equity	BROOKFIELD INFRASTRUCTURE PA	17.94B	26.95	5.41	29.96	-2.11
DOC US Equity	HEALTHPEAK PROPERTIES INC	14.95B	53.99	5.61	21.38	13.26
WES US Equity	WESTERN MIDSTREAM PARTNERS L	14.77B	12.92	8.99	38.93	42.27
GLPI US Equity	GAMING AND LEISURE PROPERTIE	13.51B	17.10	6.17	49.26	3.26
KEY US Equity	KEYCORP	13.44B	18.59	5.75	14.26	1.93
BAP US Equity	CREDICORP LTD	13.00B	9.75	5.72	163.51	15.28
ARCC US Equity	ARES CAPITAL CORP	12.82B	8.76	9.43	20.35	6.45
WPC US Equity	WP CAREY INC	12.50B	25.50	6.09	57.12	-9.09
PAA US Equity	PLAINS ALL AMER PIPELINE LP	12.17B	12.19	7.31	17.37	21.19
BEN US Equity	FRANKLIN RESOURCES INC	11.39B	9.72	5.69	21.79	-24.21
PR US Equity	PERMIAN RESOURCES CORP	11.00B	6.44	6.12	13.72	3.07
BXP US Equity	BXP INC	10.79B	60.09	5.74	68.35	0.49
OHI US Equity	OMEGA HEALTHCARE INVESTORS	9.55B	29.10	7.23	37.06	28.73
CHRD US Equity	CHORD ENERGY CORP	9.54B	7.81	7.69	152.98	-4.57
WBA US Equity	WALGREENS BOOTS ALLIANCE INC	9.41B	4.20	9.17	10.91	-57.15
SUN US Equity	SUNOCO LP	8.18B	10.94	6.53	53.60	-7.86
HESM US Equity	HESS MIDSTREAM LP - CLASS A	8.08B	15.72	7.39	36.15	18.78
AGNC US Equity	AGNC INVESTMENT CORP	7.81B	27.00	14.41	9.99	11.10
VNOM US Equity	VIPER ENERGY INC	7.61B	15.22	5.94	43.08	41.57
IVZ US Equity	INVESCO LTD	6.98B	10.46	5.28	15.53	-10.69
CMA US Equity	COMERICA INC	6.87B	8.43	5.48	51.83	-4.36
AM US Equity	ANTERO MIDSTREAM CORP	6.76B	17.18	6.41	14.05	17.87
MTN US Equity	VAIL RESORTS INC	6.42B	20.66	5.20	170.65	-18.24
KNTK US Equity	KINETIK HOLDINGS INC	6.37B	11.90	7.41	40.49	28.59
STWD US Equity	STARWOOD PROPERTY TRUST INC	6.12B	19.60	9.92	19.35	-3.38
BXSL US Equity	BLACKSTONE SECURED LENDING F	5.91B	7.44	10.47	29.42	11.84
OBDC US Equity	BLUE OWL CAPITAL CORP	5.77B	7.71	9.99	14.81	6.12
CIVI US Equity	CIVITAS RESOURCES INC	5.75B	5.76	10.40	58.48	-10.78
NE US Equity	NOBLE CORP PLC	5.66B	11.62	5.04	39.65	-16.15
CWEN/A US Equity	CLEARWAY ENERGY INC-A	5.61B	13.16	6.30	26.49	7.33
OMF US Equity	ONEMAIN HOLDINGS INC	5.44B	8.76	9.16	45.42	-3.79
FSK US Equity	FS KKR CAPITAL CORP	5.38B	54.44	14.58	19.21	3.87
RITM US Equity	RITHM CAPITAL CORP	5.29B	11.42	9.13	10.95	7.30
UGI US Equity	UGI CORP	5.08B	7.47	6.18	24.28	1.89

MoneyDigest

This column offers excerpts from published and online sources to provide other viewpoints.

JACOBS SOLUTIONS; QUARTERLY REVIEW

Net, net J reported largely in-line results, reiterated FY24 EBITDA guide and narrowed EPS guide, expects separation to close in second half of September, and announced a new strategic overview to be released at a February investor day. J reported 3Q:24 adj EPS of $1.96 which was in-line with Street estimates, while adj EBITDA of $392 (11.5% margin) was slightly below the Street's $409M. FY24 guidance was narrowed to $7.85-$8.05 [Street $7.99] while adj EBITDA guidance was maintained at $1.540-$1.585B [Street $1.556B], and J still expects >%100 FCF conversion for the year. J's backlog ended the quarter at $30.6B represented a book:bill of 1.29x. The closing of the separation of J's Critical Mission Solutionssegment and merger into Amentum is now expected in the second half of September 2024. The remaining, People & Places Solutions (P&PS) segment was the strongest contributor in 3Q;24 with adj operating margin hitting 15.3%, reached record backlog of $19.3B, and a B:B of 1.53x. The Divergent Solutions segment op income of $12M was below the Street's $22M, and will need to be explored on the call. J's new CFO, Venk Nathamuni, noted a new strategic plan post the separation which will be revealed at an investor day February 18th. J executed $151M of repurchases in the quarter with another $528M remaining on authorization.

Benchmark Securities

ATI INC. QUARTERLY REVIEW

Net, net ATI reported a 2Q:24 EPS beat driven by aerospace and defense, while reaffirming FY24/FY25/FY27 targets, and pointed to upside in long-term targets given recent contract wins. ATI reported 2Q;24 adj EPS of $0.60 beating Street estimates of $0.58, with adj EBITDA of $183M (16.7% margin) vs, the Street's $176M. ATI noted aerospace and defense sales now represent 62% of total, and increased sequentially 11% alone. ATI's 2024 outlook was reaffirmed, while ATI also remains confident in FY25 and FY27 financial targets. In fact, ATI called out the recent $4B order from the Farnborough Airshow delivering $550M of revenues in FY27, which puts the company on track to exceed the $5B revenue and $1B EBITDA targets for FY27. The High Performance Materials & Components (HPMC) segment sales were $562M vs. Street's $589M, and EBITDA of $114M (20.2% margin) ahead of our $110M estimate. ATI noted volumes on higher margin aerospace materials driving results. The Advanced Alloys & Solutions (AA&S) segment sales were $533M vs. Street's $513M, and EBITDA of $88M (16.4% margin) ahead of our $72M estimate. ATI noted increased aerospace and defense and specialty energy sales driving the segment somewhat offset by conventional energy sales.

Benchmark Securites

CORMARK'S QUANTITATIVE AND TECHNICAL REVIEW

Here are some of the charts that caught our eye in August – there's obviously a lot going on in a short period of time, so the list is far from exhaustive; there were numerous downgrades to our indicators. The many yellow lights that we have been highlighting have turned red. The last time these sell signals flashed was late 2021.

- The Defense is on the field: =wgt Staples + Utes vs. the market are in an uptrend for the 1st time since the Sep/22 peak. Utilities are the top sector YTD among US =wgt groups and our bottom up stock momentum models have turned very defensive – see today's TSX Index and S&P100 for specific ideas. Pipes, Gold, Staples, Utes, REITs are the biggest overweights.

- **Credit spreads:** our basket of spreads has flashed a red light for the 1st time since Nov.21 – r2 with the "defense" = 0.75.
- **Volatility remains high.** VIX > 28 = trouble. We combine vol for stocks, bonds, and currencies into one chart – it flashed a red light, similar to Nov/21.
- **Big down days**: yesterday was a 90% down day and another -2 deviation down day on the S&P – big up/down days tend to come in bunches and are the characteristic of a bear market / high vol environment. While the market often bounces after a big 90% down day, it is generally best to wait for signs of renewed demand in the form a 80-90% up days.
- **Yen / Nikkei:** unwinding of the Yen rally carry trade was in full display with the Nikkei off 12.3% followed by a 10% gain overnight – talk about big up/down days.
- **Baker's Dozen:** our risk appetite chart has broken down for the 1st time since Nov/21 – yet another red light.
- **Breadth / Trender:** the S&P broke < weekly trender support = innocent until proven guilty. Next support 5000 / 4828 / 4667 / 4318. Resistance 5300 / 5566. The Global =wgt index broke < Apr. lows so the average stock is much weaker. 58% of North America > weekly trender support, but defensive sectors are leading: REITs, Gold, Utes, Health Care

MACRO TRENDS: many downgrades last week

Upgrades: Sentiment, Yield Curve, "Defense", Global Health Care, REITs, Utes, Volatility

Downgrades: S&P, RSP, TSX, EM, Financial Conditions, Credit, Breadth, Volatility, Rates, Sector Rotation, Risk Appetite, US$, Oil, Yield Indicators, Inflation expectations, Global Technology, Stock:Bond ratio, =wgt discretionary vs. staples, beta vs. low vol.

SECTORS AND INDUSTRIES THAT BENEFIT FROM DECLINING INTEREST RATES

MICHAEL HUYHN | INVESTMENT ANALYST | 5i RESEARCH

THE MACROECONOMIC BACKDROP AND SECTORS THAT COULD BENEFIT FROM THIS TREND

Over the past few years, there have been challenging macro issues on many different fronts, from the black swan events of the pandemic to high inflation and large financial market drawdowns that result from rapidly rising interest rates. Canada's Consumer Price Index (CPI), the key indicator of inflation, showed a meaningful slowdown in recent months in the wake of inflationary pressure. To prevent the risk of over-correcting the economy to moderate inflation, the Bank of Canada has recently begun cutting its key policy rate, and this move will potentially have a positive impact on risky assets.

Successful investing requires shrewd stock picking and patience. Over the long term, "time in the market" matters more than "timing the market". However, different sectors with unique characteristics tend to perform better or worse depending on the macro backdrop. While investors may not know exactly where the market will go, they should be aware of where the market is in the cycle and, as a result, position their portfolios properly to maximize the potential returns.

Because of rapidly rising interest rates, small-cap companies, in general, and businesses with a high degree of operational and financial leverage have been largely shut out by the investing world in favour of scalable, Artificial Intelligence (AI)-related, high-tech businesses. The question becomes what will be the next "theme" or "tailwind". Given the macro backdrop, we think high-risk assets such as Real Estate Investment Trusts (REITs), small-cap and highly leveraged companies will be beneficiaries of a rate-cutting environment. Here are a few Canadian Exchange-Traded Funds (ETFs) in three main categories.

1. SMALL-CAP ETFs

"Big things start small"; small-cap is where some of the greatest growth companies were born. Companies such as Constellation Software (CSU), Alimentation Couche-Tard (ATD), etc. all graduated from the small- and micro-cap landscape and continue to compound capital over many years. The small-cap segment consistently trades at a premium to large-cap names, and the market rewards the small-cap segment with a higher multiple due to its longer runway for growth, better prospective returns and expected longevity in growth assumptions.

However, for a few reasons, the valuation discrepancies between small- and large-caps have never been wider. First, the small-cap segment is perceived as a high-risk asset and tends to be neglected in an environment of rising interest rates. Second, the insurgence of big technology companies due to AI helped lift the valuations of a few large tech companies, making the valuation discrepancy compared to large-cap even more significant. However, as the macro situation turns more favourable, we think risky capital could finally see its day again.

iShares S&P/TSX Small-Cap ETF (XCS)

This fund, launched in 2007, has the objective to provide investors with exposure to small-cap Canadian equities by replicating the S&P/TSX Small-Cap Index through a low-cost portfolio. XCS has $155.8 million in Assets Under Management (AUM).

The fund's holdings have an average price-to-earnings ratio of 11.7 times. The fund pays a quarterly distribution that yields about 2.35%. It carries a Management Expense Ratio (MER) of 0.6%.

iShares Russell 2000 ETF (IWM)

This fund is a well-established ETF with US$70 billion invested in 1,987 small U.S. companies. The fund has an average price/book ratio of 1.93 times and a price/earnings ratio of 15.6 times.

The fund seeks long-term capital appreciation through long-term small-cap growth. The fund pays a dividend that yields about 1.3%. IWM charges an attractive MER of just 0.19%.

2. REAL ESTATE/ REIT ETFs

The simple investing thesis on real estate could be "Buy land; they're not making it anymore". Generally, real estate investments demonstrate characteristics such as predictability and stability that interest most investors. Scarcity is a key feature for price appreciation over time due to limited land supply. In addition, most REITs generate a stable stream of rental income. REITs are one of the most popular ways for investors to get exposure to the real estate sector in the public market due to their liquidity.

Along with small-cap funds, real estate is highly sensitive to the movement of interest rates. First, most real estate companies have a highly leveraged capital structure, as most REITs borrow heavily to acquire, and build properties. In addition, investors who bought REITs for income may not find them as appealing when rising interest rates make alternative investments (fixed income) more attractive. As a result, REITs could directly benefit in a falling interest rate scenario.

A few prominent Canadian REIT ETFs include:

Vanguard FTSE Canadian Capped REIT Index ETF (VRE)

This fund tracks the performance of the FTSE Canada All Cap Real Estate, which provides exposure to Canadian small-, and large-cap stocks in the real estate industry.

VRE has $260.5 million in AUM, a trailing twelve-month dividend yield of 3.05% that is distributed monthly. The fund's holdings have an average price-to-book ratio of 1.0 times. It charges a MER of 0.39%.

BMO Equal Weight REITs Index ETF (XRE).

BMO Equal Weight REITs Index ETF (XRE) was launched in 2002 and has $1.2 billion in AUM, invested in a portfolio of assets focused on retail, residential, office and industrial properties.

XRE has an average price/book ratio of 0.79 times, a meaningful discount to book value on average. The fund pays a monthly distribution that yields about 4.81% and charges a MER of 0.61%.

3. UTILITY ETFs

Similar to REITs, utility companies are capital-intensive and usually borrow heavily to build and upgrade their capital assets, making higher cost of capital a significant headwind. Public utilities are basically regulated monopolies, and investors can expect decent returns over time along with decades of runway to grow. Similar to REITs, investors who prefer predictable income are attracted to utility ETFs. The prospect of lower rates is good news for utility ETFs such as:

BMO Equal Weight Utilities (ZUT)

This fund is designed to replicate the performance of the Canada Utilities Index. BMO Equal Weight Utilities (ZUT) is a decent fund with $444.1 million in AUM and charges a MER of 0.61%.

The fund owns shares in some of the highest-quality utility companies in the Canadian market, that, on average, pay a monthly distribution with an annualized yield of 4.5%.

iShares S&P/TSX Capped Utilities (XUT).

This fund has been around since 2011 and currently has $ 290 million in AUM and charges a MER of 0.61%. The fund has an average price/book ratio of 1.44 times and a price/earnings ratio of 17.9 times.

The fund seeks a combination of long-term capital growth and predictable yield, currently paying a 3.8% yield that is distributed on a monthly basis.

Disclosure: Authors, directors, partners and/or officers of 5i Research have a financial or other interest in XIT, IWM, and ZRE at the time of writing.

TOP FUNDS RANKED BY FIVE-YEAR RETURN AS OFAUGUST 2 2024

Fund Name	1 Month Return (mth-end)	3 Month Return (mth-end)	6 Month Return (mth-end)	YTD Return (mth-end)	1 Year Return (mth-end)	3 Year Return (mth-end)	5 Year Return (mth-end)	10 Year Return (mth-end)	15 Year Return (mth-end)	Yield 12 Mo	MER	Mgmt Fee	Total Assets ($Mil)
US SMALL/MID CAP													
Fidelity AsiaStar Series O	-0.89	6.74	14.46	6.12	12.09	0.92	7.33	10.52	9.98	2.09	-	-	130.04
Invesco Canadian Plus Div Cl Ser I	-0.75	1.54	8.74	8.74	11.20	8.14	12.02	8.27	-	2.34	-	-	217.04
Hillsdale US Micro Cap Equity Z US$	13.07	12.21	8.38	6.28	13.09	15.45	20.24	-	-	0.00	-	-	14.37
BMO U.S. Small Cap F	8.65	12.84	21.72	22.82	27.74	13.14	15.04	-	-	0.00	0.90	0.7	75.42
BMO U.S. Small Cap A	8.53	12.53	21.05	22.04	26.39	11.93	13.81	-	-	0.00	1.91	1.70	75.42
BMO U.S. Small Cap Advisor	8.55	12.54	21.08	22.07	26.44	11.91	13.78	-	-	0.00	1.93	1.7	75.42
Pembroke Concentrated Class A	11.97	13.23	22.07	21.10	22.23	6.01	13.12	-	-	0.16	0.15	1.50	131.15
RBC U.S. Small-Cap Core Equity Fund O	9.80	10.32	17.30	17.93	20.21	10.41	11.72	9.98	-	0.95	0.12	-	269.96
CI U.S. Sm/Mid Cap Eq Fd (Ser I U)	8.44	11.03	16.77	15.89	22.25	6.19	11.65	11.53	13.67	0	-	-	78.59
RBC U.S. Mid-Cap Growth Equity Fund O	0.69	2.97	8.12	10.44	14.83	7.34	11.62	14.48	14.34	0.47	0.02	-	1,862.71
RBC Private U.S. Small-Cap Eqty Pool O	8.81	16.85	24.95	23.93	25.92	7.65	11.58	12.54	14.24	1.19	0.11	-	201.78
CI U.S. Sm/Mid Cap Eq Fd (Ser O U)	8.42	11.01	16.71	15.81	22.07	6.03	11.47	-	-	0.00	0.17	-	78.59
CI U.S. Sm/Mid Cap Eq Fd (Ser P U)	8.41	10.96	16.63	15.73	21.96	5.95	11.40	-	-	0.00	0.22	-	78.59
CIBC US Small Companies	5.94	7.14	12.16	10.50	15.12	2.75	11.29	9.91	11.73	0.00	2.48	2.00	665.90
United US Equity Small Cap Pool Class I	12.11	13.80	12.59	11.20	14.47	4.23	11.13	10.12	12.65	1.60	-	-	329.01
CI U.S. Sm/Mid Cap Eq Corp Cl(SerIShrs)	8.34	10.88	16.60	15.67	21.78	5.59	11.03	11.09	13.31	0.00	-	-	257.38
CI U.S. Sm/Mid Cap Eq CorpCl(SerIT8Shrs)	8.34	10.88	16.60	15.67	21.77	5.58	11.03	11.08	-	0.00	-	-	257.38
United US Equity Small Cap Pool	12.10	13.75	12.50	11.09	14.28	4.06	10.94	9.9	12.43	1.45	0.23	-	329.01
CI U.S. Sm/Mid Cap Eq Corp Cl(SerOShrs)	8.33	10.82	16.50	15.55	21.57	5.41	10.84	10.90	-	0.00	0.17	-	257.38
CI U.S. Sm/Mid Cap Eq CorpCl(SerOT8Shrs)	8.33	10.84	16.51	15.56	21.56	5.39	10.83	-	-	0.00	0.17	-	257.38
CANADIAN FOCUSED SMALL/MID CAP EQUITY													
Fidelity AsiaStar Series O	-0.89	6.74	14.46	6.12	12.09	0.92	7.33	10.52	9.98	2.09	-	-	130.04
Renaissance Floating Rate Income O	1.07	3.38	8.27	8.27	15.26	9.48	6.96	7.66	-	7.86	0.01	-	1,473.68
Brandes Canadian Equity I	5.29	8.56	14.89	15.35	21.41	13.24	15.59	11.34	15.02	1.66	0.00	-	62.61
Brandes Canadian Equity Class F	5.18	8.22	14.19	14.53	19.92	11.86	14.18	9.75	13.32	0.69	1.24	0.85	62.61
Pender Small Cap Opportunities F	4.40	11.14	26.18	29.84	32.30	0.41	14.03	12.36	15.45	0.50	1.59	0.95	339.83
Brandes Canadian Equity	5.08	7.92	13.56	13.79	18.60	10.63	12.93	8.56	12.09	0.00	2.33	1.85	62.61
Pender Small Cap Opportunities A	4.31	10.85	25.53	29.07	30.93	-0.64	12.86	11.18	14.32	0.00	2.64	1.95	339.83
Pender Small Cap Opportunities Class G	4.40	11.14	26.19	29.85	32.31	0.60	12.39	-	-	0.53	1.59	0.95	339.83
Pender Small Cap Opportunities Class B	4.31	10.85	25.52	29.05	30.91	-0.47	11.50	-	-	0	2.64	1.95	339.83
CI North Amer Sm/Mid Cap Eq Fd (Ser I U)	6.16	11.12	13.69	16.98	23.17	5.56	10.58	9.08	14.56	0.1	-	-	1,175.64
CI North Amer Sm/Mid Cap Eq Cl(SerIShrs)	6.14	11.10	13.67	16.95	23.14	5.55	10.58	9.05	-	0	-	-	92.41
CI North Amer Sm/Mid Cap Eq Cl(SerPShrs)	6.13	11.05	13.57	16.84	22.94	5.39	10.40	-	-	0.00	0.16	-	92.41
CI North Amer Sm/Mid Cap Eq Fd (Ser P U)	6.14	11.06	13.58	16.85	22.95	5.37	10.37	-	-	0.11	0.16	-	1,175.64
CI North Amer Sm/Mid Cap Eq Cl(SerOShrs)	6.12	11.06	13.56	16.82	22.88	5.33	10.33	-	-	0.00	0.22	-	92.41
CI North Amer Sm/Mid Cap Eq Fd (Ser O U)	6.14	11.06	13.57	16.84	22.92	5.35	10.33	-	-	0.28	0.16	-	1,175.64
Canada Life Canadian Fcs Sm-Md Cp Fd N	6.43	8.78	11.44	13.60	17.01	2.28	9.76	8.76	-	0.70	-	-	80.11
TD North American Small-Cap Equity-Priv	9.10	9.91	12.60	11.57	17.14	9.25	9.64	-	-	2.11	0.04	-	603.44
Steadyhand Small Cap Equity	2.89	4.67	9.49	11.52	11.99	7.45	9.30	4.6	9.24	0.07	1.78	1.78	113.48
CI,North Amer Sm/Mid Cap Eq Fd(SerEF U)	6.05	10.76	12.98	16.12	21.64	4.24	9.16	-	-	0.20	1.24	0.93	1,175.64
CI North Amer Sm/Mid Cap Eq Cl(SerFShrs)	6.02	10.72	12.91	16.04	21.51	4.15	9.10	7.66	-	0.00	1.33	1.00	92.41

TOP FUNDS RANKED BY FIVE-YEAR RETURN AS OF AUGUST 2, 2024

Fund Name	1 Month Return (mth-end)	3 Month Return (mth-end)	6 Month Return (mth-end)	YTD Return (mth-end)	1 Year Return (mth-end)	3 Year Return (mth-end)	5 Year Return (mth-end)	10 Year Return (mth-end)	15 Year Return (mth-end)	Yield 12 Mo	MER	Mgmt Fee	Total Assets ($Mil)
INTERNATIONAL EQUITY													
Fidelity AsiaStar Series O	-0.89	6.74	14.46	6.12	12.09	0.92	7.33	10.52	9.98	2.09	-	-	130.04
1832 AM Intl Growth Equity Pool I	-1.28	12.11	23.42	29.47	33.17	5.34	14.44	-	-	1.15	0.08	-	364.01
Desjardins Overseas Equity I	1.72	6.64	11.69	14.60	18.57	7.94	12.69	8.93	-	1.46	-	-	662.32
NBI Intl HighConv Eqty Priv Ptf GPO	1.69	7.04	11.65	14.59	18.61	7.61	12.53	-	-	1.23	0.52	-	1,624.69
Guardian International Eq Slct I	3.38	5.88	10.84	12.05	15.30	11.23	12.44	-	-	2.16	0.20	-	70.27
RBC International Equity Cur Neutral O	-0.50	4.14	11.99	14.93	19.45	9.26	12.22	9.99	-	2.14	0.04	-	228.99
Canada Life Intl Concntr Eq I	1.63	5.11	9.75	10.70	15.22	7.79	12.19	-	-	1.20	-	-	217.32
NBI Intl HighConv Eqty Priv Ptf GP	1.65	6.96	11.51	14.37	18.25	7.24	12.16	-	-	0.99	0.43	-	1,624.69
NBI Intl HighConv Eqty Priv Ptf NR	1.62	6.96	11.46	14.34	18.09	7.18	12.06	-	-	1	0.52	0.30	1,624.69
Brandes International Equity I	6.00	6.66	14.38	14.73	23.63	14.17	12.06	7.97	7.12	1.76	0.00	-	235.00
NBI Intl HighConv Eqty Priv Ptf N	1.64	6.92	11.45	14.35	18.08	7.17	12.05	-	-	1.36	0.52	0.30	1,624.69
NBI Intl HighConv Eqty Priv Ptf F5	1.62	6.90	11.32	14.25	17.91	6.99	11.88	-	-	0.80	0.67	0.45	1,624.69
NBI Intl HighConv Eqty Priv Ptf F-2	1.63	6.89	11.31	14.17	17.90	6.98	11.85	-	-	0.80	0.68	-	1,624.69
CI International Equity Alpha Priv Pl I	4.08	2.18	12.61	12.17	18.43	8.07	11.67	-	-	1.78	-	-	41.92
NBI Intl HighConv Eqty Priv Ptf Prvt	1.63	6.89	11.31	14.17	17.90	6.98	11.60	-	-	0.80	0.84	0.45	1,624.69
NBI Intl HighConv Eqty Priv Ptf GPOH	-0.53	4.74	9.66	12.98	16.04	7.71	11.59	-	-	1.24	0.16	-	1,624.69
NBI Intl HighConv Eqty Priv Ptf FH-2	-0.63	4.53	9.31	12.48	15.25	7.04	11.44	-	-	0.75	0.79	0.55	1,624.69
Desjardins Overseas Equity F	1.61	6.34	11.08	13.87	17.26	6.75	11.41	7.58	-	0.19	1.10	0.74	662.32
NBI Intl HighConv Eqty Priv Ptf GPH	-0.58	4.60	9.41	12.67	15.58	7.33	11.34	-	-	0.94	0.10	0.31	1,624.69
Desjardins Overseas Equity D	1.62	6.34	11.08	13.87	17.26	6.72	11.26	-	-	0.38	1.12	0.75	662.32

CHART NOTES

For information on the category definitions, please visit http://www.cifsc.org/en/index.php. Front load funds (Frnt) charge a fee to investors when units are purchased; deferred load funds (Def) charge a fee when units are redeemed. Front loads may be reduced (in percent terms) as the size of the investment increases; deferred loads may decrease as the time elapsed between purchase and redemption lengthens. Some funds have either a front load or a deferred load (FnDf). Others have no load fee (None). Deferred sales charges also known as a back-end load, these deferred charges typically go down each year you hold the fund, until eventually they reach zero. Deferred sales charges give investors an incentive to buy and hold, as well as a way to avoid some sales charges. n Year Return - The average annual compound (annualized) rate of return the fund has performed over the last "n" years. It assumes reinvestment of any dividend or interest income. 1 Year Return (Yr ending DecYY) - An annual return is the fund or portfolio return, for any 12-month period, including reinvested distributions. Tax Efficiency - Calculated by dividing the fund's tax-adjusted return (pre-liquidation) by its pre-tax return, and can only be calculated when both pre-tax returns and tax-adjusted returns are positive. Distribution Frequency - The interval at which regular capital or income dividends are distributed to fund unitholders. Year end Quartiles - The quartiles (1 to 4) give the individual fund its position relative to all others in the fund type category. For example, if the fund's quartile value is "1" for the Dec 2010 yearend, this means the fund's rate of return for the 12 months ending Dec 31, 2010 is in the top 25% of all funds in its fund type category.

Source - Morningstar PalTrak, Morningstar Canada, (800) 531-4725, http://www.morningstar.ca.

Ask the Experts

You must accompany your inquiry with your Membership Number (ID) and your e-mail to have your question reviewed. Inquiries are responded to directly and the Q&A may be published here later.

ALL ANSWERS ARE PROVIDED BY 5i RESEARCH.CA

Q: *Is it a good idea to have a 7% trailing stop loss, on portfolio stocks now? Reasons?*

A: Generally we do not like stop losses, as they turn orders into market orders at the exact wrong time (when investors are panicking). Depending on the sector, 7% drops are not uncommon, and one could fine themselves stopped out far more than one expects. We prefer stock price 'alerts' which are widely available at most brokers/websites. This allows a more orderly decision and a possible 'limit' sell that is not at the full mercy of market forces.

Q: *My question is about "keeping cash", I read that prudent professionals like to keep between 10% and 20% on portfolio. Can you share your view on this?*

A: Too much depends on personal factors to generalize. Much depends on income and spending levels, other assets, age, and other factors. From an investment standpoint, cash will underperform long term, and is taxed at the highest rate. Thus, we do not like it so much, and would see little need to hold more than 5% for an average investor. We also think it is ridiculous that a manager would still charge a fee on their 'cash' holdings. A high level of cash is market timing, plain and simple.

Q: *Everyone, I have been investing since 1981 and during that time very few people are interested in talking about investments. My two adult children are the same. Any ideas how I can get people talking about investing money?*

A: It can be tough. Most people investigate the purchase of a TV moreso than they do their investments. One trick we use is to cultivate people's inherent 'laziness'. A well-selected stock of course is one of the best ways to get rich while lazing around on the couch: it just goes up while you do nothing. Dividends are like a paycheque but you don't have to do any work. We find younger audiences very receptive to such comments, and it can spark more discussion on how to get this cushy lifestyle with money coming in and only some work done for the initial investment. .

Q: *I always hear that when company Buy Back their shares that would benefit the investors. I know that when they buy back their shares number of outstanding shares reduces. Is there any other Benefit.*

Plus I have seen company buy back their shares so shares get reduce and then they split their shares in next 2 years so in other words they increase their shares indirectly. Is this normal.

One example currently that Royal Bank buying back their shares usually they buy back when they are cheap on valuation since they are not cheap on valuation are they planning to split their shares.

A: Share buybacks reduce the number of shares outstanding and, as a result, increase per share earnings leverage (income divided by fewer shares). Also, a share buyback is a signal to the market that the company may have too much capital and that the share price is cheap (at least in their view). For shareholders, dividends are taxed but reducing the number of shares is not (to them) so more capital can compound at the company.

Split shares do not affect EPS, share splits only reduce the nominal share price and, as a result, increases liquidity to retail investors. Share splits do not offset any effect from share buybacks (share issuance does). For companies like RY, if shares are not cheap, companies would tend to reinvest those earnings, raise dividends, and pay special dividends more so than do buybacks.

Q: *Well, this rotation is making my head spin! Could you provide some calming words to settle my stomach :)*

A: We'll start with the hard part - the US unemployment rate increased from last month, and triggered what is known as the 'Sahm rule', causing a sell-off in bond yields and the market. Rate cut odds increased rapidly, and this is worrying the markets of a potential recession.

Now the good news. Typically, by the time a recession is officially announced, it is likely already over in real-time, and the stats show that the market has usually already bottomed by the time it is announced. The volatility index (VIX) is up 45% and is heading into areas which are historically favourable for forward returns.

If the markets' worst fears are to materialize, there are lots of policy tools that can be used to combat this (quantitative easing, reducing interest rates, etc.) and the markets being forward-looking see right through this.

Portfolio *Confidential*

Do you have questions about your own investment portfolio? *Consider calling The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion:* ***barbara@barbarastewart.ca***

Barbara Stewart

Along with 8.5 million other Windows PC users, I got hit with the Blue Screen of Death after the botched CrowdStrike update on 19 July 2024. I read that the damage from the various outages is measured in the billions of dollars, and I see that CrowdStrike (CRWD) is trading at about US$264 these days, down about 33% from the start of July. It feels like there must be an easy investing angle— any ideas?

Great question. The CRWD situation is a perfect example of how hard it is to make easy money investing around headlines.

Obviously, if you could have sold CRWD short the day before the botched update you would have made a lot of money. But failing perfect foresight, the investment angle after the disaster for the company is much less clear. Some investors think it will go lower: lawsuits, liability, damaged reputation and so on. Others think this is a good entry point: liability may be limited, and although their software release process needs to be improved, they have committed to doing that, and their cyber-reputation is still strong. And it's a lot cheaper than it was two weeks ago, right? Should you short, go long, or stay on the sidelines? Your guess is as good as mine.

The next angle is Microsoft (MSFT). After all, only Windows PCs were affected, and perhaps consumers and businesses will steer clear of the computer-maker going forward and switch to Apple. Microsoft stock is down since the outage, but more or less in line with both Apple shares and the tech-heavy NASDAQ, so not much evidence that investors see big PC share losses. After all, Microsoft itself didn't have glitchy software, it was a third-party vendor. Apple has those too, and there is no guarantee the next outage might not hit their ecosystem.

What about cyber stocks in general? That makes a lot of sense: the single biggest takeaway for most people is: "Wow, we really rely on computers to do things like fly, bank, shop and provide healthcare. Wouldn't it be awful if a cyber attack that hit 80 million computers took place?" There are various cybersecurity Exchange-Traded Funds (ETFs) out there. Since the outage they have performed roughly in line with the NASDAQ, and over the last five years they are up about 11%, but the NASDAQ is up about 32%! Cyber has NOT been an outperforming sector recently.

The problem is that spending on cyber is a bit like flossing: we know it's good for us, we know we should do it more, but at the end of the day, it doesn't get the attention it deserves. For years now, global companies have been polled on questions like "Are you spending enough on cyber?" and the answer is always that they admit they should spend more. And they do—cyber is about 10% of the average company's IT budget, or (very roughly) about 1% of sales, and they tend to spend more year-over-year. But spending growth is pretty much in line with overall IT spending: there doesn't seem to be any big inflection point where they are about to double or triple spending any time soon. As the outage showed, maybe they should. But they probably won't.

In my view, the big lesson is that investing in Black Swan news events tends to be hard. You can't predict when they are going to happen, so you can't invest ahead of time. And once the news hits, every investor in the world factors in the new info in a few seconds (or milliseconds for the computer-driven hedge funds that increasingly dominate trading volumes) so you can't make easy money after the fact either.

Our 31-year-old adult son has mental health and addiction issues. He is on long-term disability and living with us. We're concerned about how to best take care of his financial needs after our deaths. Can you offer some advice?

First of all, yours is an excellent question, and not uncommon. You obviously want your son cared for, but you also know that giving him a whack of cash on your deaths would likely be a disaster. Typically, testamentary trusts created by your Wills are used to provide care for dependent adult children, to safeguard assets where the child is unable to prudently manage their own affairs, or to protect an inheritance from potential creditors or relationship breakdown. It's complicated, you can't do this on your own, and you should use experts.

To set this up you can hire a third-party trustee to be your executor and trustee of your estate. I have had good experience setting this up for some of my former clients using Concentra Trust (now owned by Equitable Bank.) Your testamentary trust will be one part of your overall estate plan. There are other details to consider—Concentra's website suggests reflecting on the following questions before setting up a meeting:

- Should my spouse and I both pass away, who will care for our minor or dependent children?
- Who will take charge of my assets if I'm unable to make financial decisions?
- Who will make health decisions for me if I cannot?
- Who are the beneficiaries I want to inherit my assets?
- What do I want each beneficiary to receive?
- Should my beneficiaries receive their inheritance immediately, or should some, or all, be held in trust?
- If one or more of my beneficiaries predeceases me, what should happen to their inheritance?

Do we have too many financial stocks? About $1.7 million of our total $7 million (24%) is in Canadian banks.

On average, the financial sector (which includes bank stocks) makes up just over 30% of the S&P/TSX composite index as of July 2024. Most professional money managers in Canada will have a high weighting in Financials—somewhere between 15-35% on average. At a 25% weighting, you are not out of line, however, I would recommend diversifying and holding some U.S. Financials to round out your mix and reduce overall portfolio risk.

Having said that, likely, you will have to incur significant capital gains tax when rebalancing your non-registered holdings so this will be an important consideration. Your risk/return equation is not so unreasonable: Canadian bank stocks have generally outperformed the broader market during and after recessions.

The following charts (courtesy of CIBC Asset Management) show the returns of Canadian banks during and after recessions along with the start date of every recession over the last 40 years in Canada.

https://www.cibc.com/en/asset-management/insights/investment-research/bank-stocks-smart-investment.html

Canadian bank stock performance during 1990s recession — Start date: March 1990

Timeframe	S&P/TSX Composite Banks TR Index	S&P/TSX Composite TR Index
1 year	9.34	-2.12
2 years	13.72	2.38
3 years	7.76	1.22

Canadian bank stock performance during financial crisis — Start date: October 2008

Timeframe	S&P/TSX Composite Banks TR Index	S&P/TSX Composite TR Index
1 year	13.39	-2.30
2 years	12.39	5.92
3 years	8.31	2.65

Canadian bank stock performance during COVID-19 — Start date: March 2020

Timeframe	S&P/TSX Composite Banks TR Index	S&P/TSX Composite TR Index
1 year	17.75	16.27
2 years	24.53	17.04
3 years	13.24	10.89

TSX 60 - Constituents listed by Dividend Yield

DATE AS OF AUGUST 1, 2024

Name	RIC	Annualized Dividends ($)	Dividend Yield (%)	Dividend 5-Year Growth Rate (%)	Latest Dividend Pay Date	Latest Dividend Ex-Date
BCE Inc	BCE.TO	3.99	8.57	5.09	15-Jul-2024	14-Jun-2024
Enbridge Inc	ENB.TO	3.66	7.08	5.75	01-Sep-2024	15-Aug-2024
Telus Corp	T.TO	1.56	6.98	6.77	02-Jul-2024	10-Jun-2024
Algonquin Power & Utilities Corp	AQN.TO	0.60	6.89	0.74	15-Jul-2024	28-Jun-2024
Bank of Nova Scotia	BNS.TO	4.24	6.58	4.97	29-Jul-2024	03-Jul-2024
TC Energy Corp	TRP.TO	3.84	6.55	--	31-Jul-2024	28-Jun-2024
Emera Inc	EMA.TO	2.87	5.76	4.08	15-Aug-2024	01-Aug-2024
Power Corporation of Canada	POW.TO	2.25	5.63	6.59	01-Aug-2024	28-Jun-2024
Bank of Montreal	BMO.TO	6.20	5.32	8.94	27-Aug-2024	30-Jul-2024
Pembina Pipeline Corp	PPL.TO	2.76	5.16	5.19	28-Jun-2024	17-Jun-2024
Brookfield Infrastructure Partners LP	BIP_u.TO	2.24	5.06	4.07	28-Jun-2024	31-May-2024
Canadian Imperial Bank of Commerce	CM.TO	3.60	5.04	10.29	29-Jul-2024	28-Jun-2024
Toronto-Dominion Bank	TD.TO	4.08	5.00	8.66	31-Jul-2024	10-Jul-2024
Canadian Tire Corporation Ltd	CTCa.TO	7.00	4.94	13.90	01-Sep-2024	31-Jul-2024
Sun Life Financial Inc	SLF.TO	3.24	4.73	9.51	28-Jun-2024	29-May-2024
Manulife Financial Corp	MFC.TO	1.60	4.35	9.72	19-Jun-2024	21-May-2024
Canadian Natural Resources Ltd	CNQ.TO	2.10	4.28	22.52	05-Jul-2024	17-Jun-2024
Magna International Inc	MG.TO	2.62	4.22	6.93	31-May-2024	16-May-2024
Nutrien Ltd	NTR.TO	2.98	4.17	5.46	19-Jul-2024	28-Jun-2024
Fortis Inc	FTS.TO	2.36	4.09	5.78	01-Sep-2024	20-Aug-2024
Suncor Energy Inc	SU.TO	2.18	3.95	7.89	25-Jun-2024	04-Jun-2024
National Bank of Canada	NA.TO	4.40	3.81	10.28	01-Aug-2024	24-Jun-2024
Rogers Communications Inc	RCIb.TO	2.00	3.75	0.20	03-Oct-2024	09-Sep-2024
Royal Bank of Canada	RY.TO	5.68	3.68	7.21	23-Aug-2024	25-Jul-2024
BROOKFIELD ASSET MANAGEMENT LTD	BAM.TO	2.10	3.44	--	28-Jun-2024	31-May-2024
Restaurant Brands International Inc	QSR.TO	3.20	3.29	4.10	05-Jul-2024	21-Jun-2024
Open Text Corp	OTEX.TO	1.38	3.13	10.98	18-Jun-2024	31-May-2024
Canadian Apartment Properties Real Estate Investment Trust	CAR_u.TO	1.45	3.02	2.06	15-Aug-2024	31-Jul-2024
Hydro One Ltd	H.TO	1.26	2.90	5.13	28-Jun-2024	12-Jun-2024
Cenovus Energy Inc	CVE.TO	0.72	2.59	21.29	31-May-2024	16-May-2024
Imperial Oil Ltd	IMO.TO	2.40	2.43	21.85	01-Jul-2024	03-Jun-2024
Saputo Inc	SAP.TO	0.74	2.33	2.33	26-Jun-2024	18-Jun-2024
Tourmaline Oil Corp (Alberta)	TOU.TO	1.32	2.17	23.20	21-Aug-2024	13-Sep-2024
Barrick Gold Corp	ABX.TO	0.55	2.13	31.06	17-Jun-2024	31-May-2024
Canadian National Railway Co	CNR.TO	3.38	2.11	11.67	27-Sep-2024	06-Sep-2024
Agnico Eagle Mines Ltd (Ontario)	AEM.TO	2.21	2.02	25.34	15-Mar-2024	29-Feb-2024
Gildan Activewear Inc	GIL.TO	1.13	2.00	10.75	17-Jun-2024	22-May-2024
Intact Financial Corp	IFC.TO	4.84	1.93	9.46	28-Jun-2024	14-Jun-2024
Metro Inc	MRU.TO	1.34	1.63	10.94	04-Jun-2024	14-May-2024
CCL Industries Inc	CCLb.TO	1.16	1.54	15.31	28-Jun-2024	14-Jun-2024
George Weston Ltd	WN.TO	3.28	1.53	8.07	01-Oct-2024	13-Sep-2024
Kinross Gold Corp	K.TO	0.17	1.32	--	06-Sep-2024	22-Aug-2024
Thomson Reuters Corp	TRI.TO	2.98	1.31	5.34	10-Jun-2024	15-May-2024
Loblaw Companies Ltd	L.TO	2.05	1.21	8.58	01-Oct-2024	13-Sep-2024
Franco-Nevada Corp	FNV.TO	1.99	1.11	7.51	27-Jun-2024	13-Jun-2024
Wheaton Precious Metals Corp	WPM.TO	0.86	1.03	10.83	11-Jun-2024	29-May-2024
Alimentation Couche-Tard Inc	ATD.TO	0.70	0.82	25.00	19-Jul-2024	05-Jul-2024
Teck Resources Ltd	TECKb.TO	0.50	0.74	20.04	27-Sep-2024	13-Sep-2024
Canadian Pacific Kansas City Ltd	CP.TO	0.76	0.66	8.63	28-Oct-2024	27-Sep-2024
WSP Global Inc	WSP.TO	1.50	0.65	4.56	15-Jul-2024	28-Jun-2024
Brookfield Corp	BN.TO	0.44	0.65	(6.89)	28-Jun-2024	13-Jun-2024
Waste Connections Inc	WCN.TO	1.57	0.64	13.63	22-Aug-2024	07-Aug-2024
Firstservice Corp	FSV.TO	1.38	0.57	10.83	05-Jul-2024	28-Jun-2024
Dollarama Inc	DOL.TO	0.37	0.28	11.31	02-Aug-2024	05-Jul-2024
Cameco Corp	CCO.TO	0.12	0.19	8.38	15-Dec-2023	29-Nov-2023
Constellation Software Inc	CSU.TO	5.52	0.13	0.56	11-Jul-2024	20-Jun-2024
First Quantum Minerals Ltd	FM.TO	0.00	0.00	83.84	--	--
Shopify Inc	SHOP.TO	--	--	--	--	--
CGI Inc	GIBa.TO	--	--	--	--	--
CAE Inc	CAE.TO	--	--	--	--	--

Source: Thomson Reuters

** Due to pace of changes to dividends, yield may not reflect rates in real-time.*

CANADIAN MONEYSAVER SUGGESTED CANADIAN DIVIDEND REINVESTMENT PLANS (DRIPS)

Canadian MoneySaver SUGGESTED CANADIAN DIVIDEND REINVESTMENT PLANS (DRIPs)

TSX Companies	Symbol	52-Week		Closing Price	Div	Yield	EPS	P/E	Payout Ratio %	5-Yr Dividend Growth
		High	Low							
Agnico Eagle Mines	AEM	106.94	$59.36	$106.53	$2.21	2.07%	$4.60	23.2	48.1%	25.3%
Algonquin Power	AQN	10.66	$6.75	$8.62	$0.60	6.95%	$0.65	13.3	92.3%	0.7%
BCE Inc	BCE	58.1	$42.58	$46.57	$3.99	8.57%	$3.01	15.5	132.7%	5.1%
Bk of Montreal	BMO	133.95	$102.67	$116.45	$6.20	5.32%	$10.72	10.9	57.8%	8.9%
Bk of Nova Scotia	BNS	70.4	$55.20	$64.47	$4.24	6.58%	$6.47	10.0	65.5%	5.0%
Canadian Tire	CTC.A	179.54	$126.25	$141.78	$7.00	4.94%	$11.60	12.2	60.3%	13.9%
Cdn Imperial Bk (CIBC)	CM	71.77	$47.44	$71.40	$3.60	5.04%	$6.97	10.2	51.7%	10.3%
Constellation Software	CSU	4476.50	$2,585.25	$4,356.29	$5.52	0.13%	$113.83	38.3	4.9%	6.1%
Emera	EMA	52.57	$43.67	$49.84	$2.87	5.76%	$2.88	17.3	99.8%	4.1%
Exchange Income Corp	EIF	50.64	$42.05	$48.59	$2.64	5.43%	$3.28	14.82	80.5%	3.1%
Fortis	FTS	57.94	$49.82	$57.72	$2.36	4.09%	$3.24	17.83	72.9%	5.8%
Hydro One	H	43.66	$32.79	$43.27	$1.26	2.90%	$1.90	22.83	66.3%	N/A
Imperial Oil	IMO	101.63	$68.84	$98.91	$2.40	2.43%	$8.72	11.34	27.5%	21.8%
Manulife	MFC	37.46	$23.69	$36.78	$1.60	4.35%	$3.70	9.94	43.3%	9.7%
National Bank	NA	118.77	$84.27	$115.48	$4.40	3.81%	$10.07	11.47	43.7%	10.3%
Royal Bank	RY	155.22	$107.92	$154.28	$5.68	3.68%	$11.54	13.37	49.2%	7.2%
Sun Life Financial	SLF	74.935	$61.84	$68.54	$3.24	4.73%	$6.47	10.60	50.1%	9.5%
Suncor Energy	SU	56.69	$40.01	$55.14	$2.18	3.95%	$5.38	10.24	40.5%	7.9%
Superior Plus	SPB	10.9	$7.79	$7.98	$0.72	9.02%	$0.23	34.27	309.2%	1.6%
TD Bank	TD	86.96	$73.67	$81.53	$4.08	5.00%	$8.07	10.11	50.6%	8.7%
Telus	T	25.94	$20.04	$22.29	$1.56	6.98%	$1.02	21.80	152.2%	6.8%
TransCanada Corp	TRP	58.945	$44.70	$58.62	$3.84	6.55%	$4.29	13.66	89.5%	7.5%
WSP Global	WSP	230.98	$174.39	$229.34	$1.50	0.65%	$7.98	28.73	18.8%	4.6%

CHART NOTES - Prices as of July 3, 2024. Source: TD Waterhouse/Bloomberg LP. Stock prices change daily. Check for current prices. These Canadian companies listed on the TSX are our recommended companies a DRIP. With the DRIP, you can reinvest all your dividends to purchase additional shares at no cost. Some DRIPS offer a discount so that additional shares are bought at a discount to the average market price. Some dividends are paid in US dollars and we have adjusted numbers and ratios according to recent exchange rates.

Div. 5yr gr: We have added the five-year dividend growth rate to our chart, information obtained from Bloomberg LP.

Earnings are forward earnings estimates.

Yield = Dividend divided by current price. Payout ratio = dividend divided by earnings per share (EPS). The dividend payout ratio is simply calculated by dividing the company's dividend by its forward (estimated) earnings. If a company with a low payment ratio experiences an earnings decline, it may continue to pay the same dividend. Or, at least, it may weather the downturn without cutting the dividend. A high dividend payout ratio of 100% indicates that the dividend payout is equal or above the company's earnings. Therefore, one should be very vigilant and place the stock on your "watch" list.

Calculation for interest equivalent of dividend yield for eligible shares: (100 - marginal rate for dividends) divided by (100 - marginal tax rate on regular income). For example, an Ontario taxpayer with ordinary income of $65,514 uses: (100 – 11.72) divided by (100 – 31.15) is approximately 1.2822. Therefore, a stock with a Canadian dividend yield of 5.0% has an equivalent interest return of 5.0 x 1.2822, which is approximately 6.41%.

TOP EXCHANGE TRADED FUNDS RANKED BY FIVE-YEAR RETURNS AS OF AUGUST 2, 2024

Specialty ETFs

Fund Name	Ticker	Mkt Tot Return YTD (Current) (%)	Mkt Tot Ret 1 Mo (Current) (%)	Mkt Tot Ret 3 Mo (Current) (%)	Mkt Tot Ret 12 Mo (Current) (%)	Mkt Tot Ret 3 Yr (Current) (%)	Mkt Tot Ret 5 Yr (Current) (%)	Mkt Tot Return Since Incept (Current) (%)
Global X Big Data & Hrdwr ETF	HBGD	15.51	-1.09	26.16	35.49	10.86	33.98	-
Global X Big Data & Hrdwr ETF	HBGD.U	13.32	3.31	27.95	53.28	6.28	32.83	-
Global X Uranium ETF	HURA	3.71	-7.3	-3.66	53.31	29.75	30.95	-
BetaPro NASDAQ-100® 2x Daily Bull ETF	HQU	29.82	-2.87	25.38	40.23	8.81	28.89	-
Global X NASDAQ-100 Index Corp Cl ETF	HXQ	21.4	-0.96	12.95	30.09	13.9	21.83	-
TD Global Technology Leaders ETF	TEC	26.25	-0.72	14.36	34.68	13.1	21.63	21.38
BMO NASDAQ 100 Equity ETF	ZNQ	21.37	-1.02	13.01	30.01	13.8	21.56	-
Blockchain Technologies ETF	HBLK	17.04	9.36	22.12	37.93	-8.31	21.49	-
CI Japan Equity ETF Hdg	JAPN	31.12	6.05	8.36	43.56	26.67	21.18	-
Harvest Tech Achievers Gr&Inc ETF USD	HTA.U	17.94	-2.11	10.74	30.23	14.07	20.99	-
Global X NASDAQ-100 Index Corp Cl ETF	HXQ.U	17.36	-0.86	13.47	26.08	10.35	20.56	-
Global X S&P/TSX Capped Energy CorpClETF	HXE	20.94	4.19	-1.05	28.46	36.67	20.42	-
iShares S&P/TSX Capped Energy ETF	XEG	20.27	3.65	-1.57	27.79	36.01	20.22	6.72
Harvest Tech Achievers Gr&Inc ETF	HTA	18.61	-2.1	10.68	28.63	13.34	19.65	-
Global X Canadian Oil &GasEqCovCllETF	ENCC	14.26	3.35	1.47	21.53	30.34	19.63	-2.08
Invesco NASDAQ 100 ETF CADH	QQC.F	16.97	-1.03	13.06	23.83	9.78	19.41	18.16
iShares NASDAQ 100 ETF (CAD-Hedged)	XQQ	16.95	-1.14	13.23	23.52	9.49	19.13	17.19
BMO NASDAQ 100 Equity Hedged to CAD ETF	ZQQ	16.67	-1.19	13.05	23.36	9.44	19.08	18.1
CI TecGntsCovCallETFComm(UnH)	TXF.B	21.16	-2.35	9.88	38.33	14.86	18.76	-
BetaPro S&P 500® 2x Daily Bull ETF	HSU	29.98	1.57	20.44	37.7	9.92	18.66	-
Brompton Tech Leaders Inc ETF	TLF	14.64	-4	8.96	23.53	11.31	18.52	-
iShares Japan Fundamental ETF CADH Comm	CJP	29.27	6.8	8.52	41.91	23.64	18.37	3.57
BMO MSCI USA High Quality ETF	ZUQ	23.72	-0.46	10.62	33.5	13.96	17.74	16.88
Fidelity US High Quality ETF	FCUQ	20.29	1.02	10.44	25.17	13.15	16.49	-
CI TecGntsCovCallETF Comm	TXF	17.32	-2.06	10.62	32.45	10.84	16.37	15.27
RBC Quant US Dividend Leaders ETF (CAD)	RUD	24.75	-0.12	11.25	33.76	16.08	16.33	14.61
BMO Equal Weight Oil & Gas ETF	ZEO	16.3	3.37	1.73	25.01	25.69	16.31	3.53
BMO MSCI All Country World High Qual ETF	ZGQ	22.66	-1.04	10.12	30.7	11.32	16.23	14.63
Franklin FTSE U.S. ETF	FLAM	22.97	3.25	12.02	31.23	12.99	16.03	-
Mackenzie US Large Cap Equity ETF	QUU	21.23	1.08	10.46	28.71	12.32	15.8	14.37
iShares Core S&P 500 ETF	XUS	20.96	1.09	10.51	28.28	13.11	15.78	-
Vanguard S&P 500 ETF	VFV	21.02	1.1	10.54	28.29	13.1	15.78	17.39
BMO S&P 500 ETF (CAD)	ZSP	20.91	1.05	10.44	28.22	13.06	15.78	17.35
FT AlphaDEX US Technology Sector ETF	FHQ	10.75	0.61	8.4	18.4	6.64	15.74	-
TD U.S. Equity Index ETF	TPU	21.02	1.05	10.47	28.71	12.37	15.73	15
BetaPro S&P/TSX Cap Engy 2xDlyBull ETF	HEU	36.55	6.5	-5.64	46.74	61.27	15.71	-
Global X S&P 500 Corp Cl ETF	HXS	21.03	1.21	10.43	28.24	13.01	15.69	16.04
CI WisdomTree US Qual Div Gr ETF Non-Hdg	DGR.B	18.88	1.33	10.11	25.3	14.6	15.47	-