

# *Future Financial News*

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

**SUMMER 2020 NEWSLETTER**

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## **Carl's Comments**

I find it very interesting just how much things have forever changed in three or four months. The World was upside down but for now seems to have found some solid ground. However, as I went to the CIBC at Carlingwood Mall, it became abundantly clear that we are far from out of the woods.

This virus is something that exaggerated our strengths and weaknesses globally. It exaggerated opinions on how the facts were disseminated and how quickly, the lack of data, and possible efforts by some leaders to downplay the true extent of the virus to the detriment of many. Integrity comes into question.

Excellent leaders and their leadership skills can be exaggerated on the upside as they rise above others to the occasion. In the midst of a crisis people are looking for leaders that exhibit honesty, truth and empathy.

It's of my opinion that the President of the United States underplayed the severity of the pandemic on a number of fronts. This is not a flu, it was far from under control and it will not just go away by itself. Failing to be strong and make difficult choices and concessions is taking a huge toll on human life in America. The virus has exposed these weaknesses.

The pandemic also exposed weaknesses and strengths in the healthcare system. There was a lack of information about testing. Who should be tested, where to go, the costs involved and if the results were reliable. Strengths and respect for our front line workers shone like never before and yet unacceptable weaknesses were exposed in our long term care facilities. As Covid-19

uncovered, albeit too late for far too many, much work needs to be done to better the care that seniors in long term care homes receive.

Businesses that were quick to adapt whether it be due to their online presence, work from home systems, curbside pick up, takeout options etc. have shown leadership and strength. Sadly, businesses that were facing tough times before the virus surfaced are really being tested as their challenges are exaggerated. One example is the 112 year old luxury retail chain Neiman Marcus that filed for Chapter 11 bankruptcy on May 7<sup>th</sup>.

When it comes to our business of managing money it has exaggerated the value of a good financial advisor, planner, a good fund manager versus do-it-yourself planning and using the least expensive options available.

Without financial guidance, many investors jumped out of the market after being unable to stomach the uncertainty of the situation. The bad news is that those same people may have missed out on the massive rally that frankly no one saw coming as quickly as it did. Index huggers who weight their portfolio similar to the various indices may have taken it on the chin if they were over exposed to certain sectors as panic and uncertainty set in. Many leading portfolio managers (PMs) were sellers of equities back in January as price multiples indicated an overvalued stock market. These PMs were taking profits, raising cash and building up a war chest prior to the outbreak. PMs with plenty of cash on the books could exploit cheap equities amid the market free-fall. Those without a financial advisor and guidance may have missed the opportunity.

Our patience and adherence to quarantine rules has certainly been tested since mid-March. While

I've witnessed a few outbursts at the licence bureau, the supermarket and elsewhere; overall, a collective calmness has prevailed.

So where are we now? We have gone through a life changing event. I'm hoping we are all stronger and better off as a result. We may have solved our transit problems as I haven't heard of many complaints in the last several months, rush-hour is non-existent, pollution seems to be well under control and extra family time has been a true gift albeit, very challenging at times. Stock markets have almost fully recovered.

I remain optimistic as I was in my previous correspondence that we will get through this. I wish you, your families and friends continued good health and a happy summer.

### What Happened to Small Caps?

During any major economic and financial shock, investors seek the relative safety of big companies with strong balance sheets. Large losses in small-cap stocks can be expected. The pandemic sell-off this March was no different as the S&P/TSX Small Cap Index lost 46 per cent of its value, compared with a 37-per-cent drop in the overall Canadian market.

A lack of interest in Canada's junior resource stocks, coupled with ultralow interest rates has generated a demand for dividends that small-cap companies typically don't offer. This mindset has fuelled a decade of large cap dominance. This time, large cap technology stocks held their leadership position in early March on the way down and led the way back up after stocks bottomed out. This is when we would typically see small caps gaining momentum. *"Small-caps and laggards have outperformed coming out of every bear market and major market correction during the last 40 years"*<sup>1</sup> By mid-April, Amazon.com Inc. and Netflix Inc. were trading at record highs.

Investors were obviously reluctant to put money on a small cap recovery too early on, but as things and the economy slowly begin to reshape, the small cap sector is showing signs of life.

Whether it will last depends on whether governments can ease restrictions without sparking another wave of infections. *"Once confidence comes back, investors will start to move down in market cap,"* Mr. Walker of PenderFund said. *"Money is going to move to where you can get the biggest return, and small caps are offering that."*

Source: Globe and Mail. Rebound in small caps signals growing confidence in post-pandemic recovery. May 3, 2020

**Reminder – Income taxes owing for 2019 are due no later than Sept 1, 2020.**

### 8 Unexpected Benefits of the Coronavirus

We've all been forced at a very quick pace to adapt and respond to the pandemic and our new normal. As time passes, let's remember some positive effects that will hopefully last longer than the virus itself.

- 1) Enjoying Extra Family Time
- 2) Doing Nothing and not Feeling Bad About It
- 3) Avoiding the Daily Commute
- 4) Breathing in Clean Air
- 5) Getting to Know Your Neighbours
- 6) Listening to the Birds Sing
- 7) Baking Cookies and Sourdough Bread
- 8) Taking Long Walks and Bike Rides

Source: <https://news.sky.com/story/coronavirus-the-unexpected-benefits-of-a-world-in-lockdown-11985708>

### TFSA Contributions Calculator

It's hard to keep track of your TFSA contributions, especially if you have been saving odd amounts and made transfers or withdrawals over the past 10 years! After Julie came up empty with her online search, she took it upon herself to make her own calculator and share it. It's a very straightforward tool that gets the job done! If you need any help figuring out your limits, we can definitely help.

<https://tinyurl.com/TFSARoom>

<sup>1</sup> Goldman Sachs analysts wrote in a recent report. 2020-01-17

**Working from home due to Covid-19? You could be saving money on your car insurance premiums. Call your insurance company and inquire about discounts.**

## Beware of Scammers

As one would expect, the pandemic has created a ton of new opportunities for fraudsters. Almost \$1.2 million and counting has been lost due to Covid-19 related fraud. Examples include;

- Private companies offering fast C-19 tests
- Door-to-door solicitors offering decontamination services
- Emails, texts, online campaigns that capitalize on public fears about C-19
- Online ads offering cleaning products, hand sanitizers and other high demand items

Scams are getting creative and much harder to spot. Emails to update PayPal, Amazon and expired credit cards can seem completely legitimate. The Canada Revenue Agency (CRA) is often the vehicle that fraudsters use to carry out such scams. CRA will NEVER do the following;

- Ask for passport, health card or divers licence information over the phone
- Demand immediate payment via e-transfer, Bitcoin, prepaid credit cards or gift cards
- Leave voicemails that are threatening, use aggressive language or threats of arrest
- Give or ask for personal or financial information via email
- Send an email with a link to a refund
- Email a link asking the recipient to fill in an online form with personal or financial details
- Send you a text message or instant message

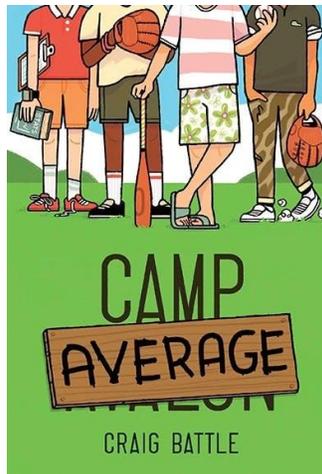
If you receive something similar to the above claiming to be from CRA, beware as it is almost certainly a scam!

Source: <http://trep.ci.com/facts-commentary/scams-fraudsters-and-covid-19-pandemic>

## Kids Summer Reading

Planning a staycation this summer? Not sure if you'll have enough to keep your kids entertained? If your kids like to read, you're in luck as our partners at TD have put together their top 10 English Reads of 2020. These books even range in age from 1 month to 12 years old!

<https://www.tdsummerreadingclub.ca/staff/news/articles/2020-english-top-recommended-reads>



Camp Average seems all too appropriate this summer!

More book suggestions can be found below.

<https://www.tdsummerreadingclub.ca/staff/recommended-reads>



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# FFPG FUND REPORT

Compounded to June 29, 2020



Fund	YTD	1 yr %	3 yr avg %	5 yr avg %	10 yr avg %
<b>CANADIAN EQUITY FUNDS</b>					
Dynamic Equity Income Sr. A	-12.52	-7.31	1.33	4.53	7.34
Fidelity Canadian Large Cap Sr. B	-1.65	2.84	2.48	3.69	9.86
Fidelity Canadian Growth Sr. B	12.74	16.89	12.36	11.08	14.92
Fidelity Dividend Plus Sr. B	-6.77	-2.71	1.38	3.02	6.39
IA Clarington Strategic Equity Income Sr. A	-14.59	-10.36	-1.59	1.10	N/A
Sentry Canadian Income Sr. A	-11.82	-5.36	-1.54	0.86	7.06
<b>US/INTERNATIONAL/GLOBAL EQUITY</b>					
Dynamic Global Discovery Sr. A	3.80	8.36	9.81	10.10	10.51
BMO Tactical GI Growth ETF Advisor Series	-1.46	0.69	3.08	N/A	N/A
Sentry U.S Growth & Income Sr. A	-9.78	0.70	3.76	6.62	N/A
<b>BALANCED FUNDS</b>					
CI Signature Canadian Balanced Cl. A	-4.20	-0.28	1.42	1.98	4.80
Fidelity Income Allocation Sr. B	2.15	4.08	3.15	3.44	5.75
Fidelity Monthly Income Sr. B	-2.57	0.53	1.94	2.88	5.81
Fidelity Canadian Balanced Sr. B	-0.09	2.83	3.85	3.48	6.31
Dynamic Strategic Yield Sr. A	-4.98	-1.27	1.54	2.61	5.39
Mackenzie Canadian Growth Balanced Sr. A	-0.77	1.55	4.59	6.04	7.58
<b>GLOBAL BALANCED FUNDS</b>					
CI Signature Global Income & Growth Sr. A	0.14	4.19	4.19	4.44	7.46
IA Clarington Loomis Global Allocation Sr. A	1.54	7.83	7.59	7.38	7.04
Dynamic Global Asset Allocation Sr. A	3.95	8.64	7.84	8.51	9.62
Edgepoint GI Growth and Income Port Sr. A	-11.22	-9.00	0.37	3.29	8.96
Fidelity Global Balanced Sr. B	0.15	4.64	4.23	4.73	7.24
<b>SMALL/MID CAP FUNDS</b>					
Dynamic Small Business Sr. A	-9.67	-4.40	-1.06	2.59	5.82
Fidelity Small Cap America Sr. B	-13.69	-13.49	0.71	2.49	14.20
IA Clarington Canadian Small Cap Sr. A	-19.04	-15.20	-4.62	-1.22	6.24
Mackenzie US Mid Cap Growth Cl. Sr. A	-8.62	-3.58	6.30	8.10	12.28
Sentry Small / Mid Cap Income Sr. A	-14.29	-6.56	-2.00	1.14	9.77

## All Mutual Funds Sold by Prospectus Only & Alternative Funds Sold by Offering Memorandum

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