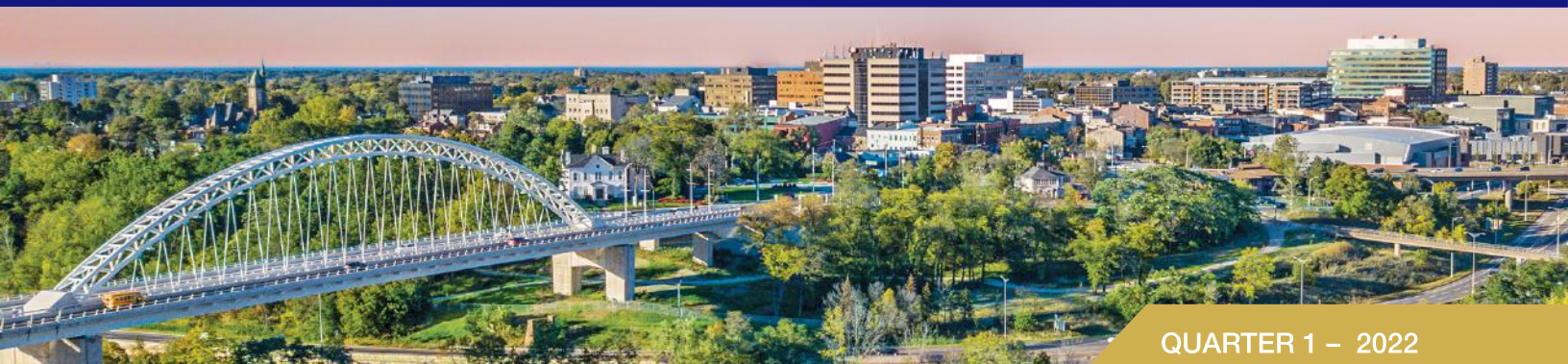




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QUARTER 1 – 2022

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Our customized services include:

- Retirement Income Planning
- Investment Management
- Asset Planning
- Wealth Protection
- Risk Management
- Tax Planning
- Tax Preparation & Filing

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We are happy to release our first issue of In Touch for the year. We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

What's Happening

We'd like to start off by saying Happy New Year! Our team wishes you and your loved ones the very best in health, happiness and personal successes this year.

Three hundred and sixty five days have come and gone in the blink of an eye. 2021 was a year to go down in history, that's for sure. With the COVID-19 pandemic in full swing, we had amazingly effective vaccines developed, distributed and administered, a new President in America that promised unity, and new rules and regulations in Canada that have been adopted to reflect our new "normal". Sure, there were both positives and negatives, but we choose to focus on the positives and will continue to do so to keep moving forward! The glass is always half full at Basic Financial.

With the many changes in 2021, there will be another change in our office for 2022. After over 50 years in the financial service industry, our partner Bill Goodfellow has decided

to retire. Bill has always had a particular skill in nurturing his relationships and has had a successful career based on those valued relationships. In 2022, he will be spending his retirement with his lovely wife Jean and their family. Please join us in congratulating Bill for his many years of service and wish him all the best in his retirement years!

Market & Economic Update

With 2021 in the review mirror, let's look back on how some of the major markets performed.

The Canadian market had its' best year since 2009 amid a rebound in oil prices. The S&P/TSX gained 21.7% in 2021 compared to only 2.17% in 2020. The market was strengthened by a resurgence in energy stocks, which had underperformed for several years but rebounded in 2021 along with crude oil prices as demand bounced back from the pandemic.

In the USA, the S&P 500 had 28.7% as the global economy began its recovery from the 2020 Covid lockdowns. The US Federal Reserve maintained it's supportive measures first implemented at the onset of the pandemic.



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Canadian housing continued its' torrid rise in 2021 – Until November 2021, the average home price in Canada stood at \$720,850 which is a 19.6% year-over-year increase from November 2020. But not all markets were equal. Some markets like the Prairies and Atlantic Canada had single digit growth, whereas more local markets like Toronto saw 22% growth and the Niagara Region saw a 27% jump in the average home price. The RE/MAX 2022 Canadian Housing Market Outlook anticipates growth of 9.2% across Canada. One key driver of the increase is housing supply, there just are not enough new listings to satisfy buyer demand, which in turn drives simple supply and demand theory.

Moving forward we are expecting an expansive budget in the spring 2022 from the Liberal Government. After 2 years of massive budget deficits driven by the Covid-19 pandemic, we might see the first signs of fiscal “tightening the belt.” Many tax considerations are being discussed, notably will Canadians be taxed on the sale of their home? There has been some comment hinting towards no – however we will need to wait and see.

2022 brings with it new limits to both the TFSA and RRSP accounts. The TFSA limit for 2022 provides an additional \$6,000 of contribution room with a maximum of lifetime limit of \$81,500 for eligible Canadians. The 2022 RRSP limit caps out at 18% of earned income or \$27,830, whichever is less.

For many Canadians an increased CPP contribution rates will be felt in your paycheque. CPP Rates will increase from 5.45% to 5.70% and the maximum employer and employee contribution to the CPP for 2022 will be \$3,499.80 each – this is up from \$3,166.45 in 2021 an increase of \$333.35 for employee and employer.

As we do, we will continue to monitor the markets and broad economy throughout the year and report back. If there is a need to adjust if change happens, we will be reaching out to you directly.

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As always, please feel free to reach out if you have any questions, comments or would like to book some time to speak. We offer both face-to-face or electronic meetings via Zoom. If you feel the information above may be helpful to a family member or friend, feel free to share or visit our website www.basic360.ca

Sincerely, your team!

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Articles of Interest



The trouble with overestimating your investing risk tolerance

Instead of diving into equities, get your feet wet with a balanced portfolio and find out what kind of investor you are, Dan Bortolotti recommends in this second of three excerpts from his new book, *Reboot Your Portfolio*.

By Dan Bortolotti

If you've been investing for a while, you've heard that expecting higher long-term returns usually means accepting the risk of larger short-term losses. Too many inexperienced investors forget this trade-off and choose portfolios that are far too risky. When those short-term losses eventually happen, they sell in a panic and may never fully recover from the experience.

New investors—especially if they're young—may be especially prone to this mistake, but it's not all their fault. The conventional advice is that young people should be aggressive. After all, they have time on their side. It's very unusual for stocks to deliver a negative return over any 10-year period, so if your time horizon is 50 or 60 years or more, why not put 100% of your savings in stocks? That argument has some merit, and if you truly understand all the implications of making that decision, then sure, go ahead and build an all-equity portfolio. But I don't think any inexperienced investor should do this. As a newbie, you're like a fighter pilot who has only been in a flight simulator and

has never flown in combat. You really don't know how you're going to hold up until you've been battle-tested.

If you're going to invest virtually all of your portfolio in stocks, you need to be prepared for the possibility that you could lose half your money—even if you're holding broadly diversified index funds. In 2008–09, we had a 50% decline in about six months, and it could happen again. Yes, if you're in your teens or 20s, you have the time horizon and earning potential to make up a loss like that. But try telling that to a student who worked for three summers to earn the \$5,000 they just lost, or a young professional who just vaporized a dozen paycheques.

The danger here is that investors who get badly burned when they're young may be scared out of the market for years—maybe forever. There's evidence that this happened with millennials who were slammed by the 2008–09 financial crisis and lost their faith in equities as long-term investments. It might have happened again following the crash of 2020 if markets hadn't recovered so quickly.

There's another issue to consider if you're a new investor contemplating a very aggressive portfolio. When your account is still relatively small, your rate of return doesn't have much of an impact in dollar terms. Say you're starting out with \$10,000. If you have a great year and earn 10% in an all-equity portfolio, you'll make \$1,000. If you instead earn 4% with a balanced portfolio, you'll make \$400. Obviously over the long term, the difference between 10% and 4% returns is absolutely enormous. But right now, with a small portfolio, it's a few hundred bucks a year, and it comes with all the risk we've just discussed. I'm not sure it's worth it. At this stage of your investing life, you're more likely to regret being too aggressive than being too conservative.

Here's what I suggest for young people building their first ETF portfolio. Start off with a balanced allocation—about 50% or 60% stocks is about right. Get your feet wet for a couple of years and see how you react to the ups and downs in the market. Find out what kind of investor you really are. Do you check your account balance every day and feel stressed when it's below its peak? If the markets tank, is your instinct to sell, or do you get excited about buying on the cheap?



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The big test will come during the next bear market: if and when you lose 20% or 30% and it doesn't faze you, then you can consider making your portfolio more aggressive in the future. Until then, stay focused on saving: that habit will have the biggest impact on your financial success.

Dan Bortolotti, CFP, CIM, is a portfolio manager with PWL Capital in Toronto. He works with clients to combine investment management with long-term financial planning. He also promotes investor education through his blog, articles and podcast.

This article was excerpted from **Reboot Your Portfolio: 9 Steps to Successful Investing with ETFs.**