Strategy UPDATE
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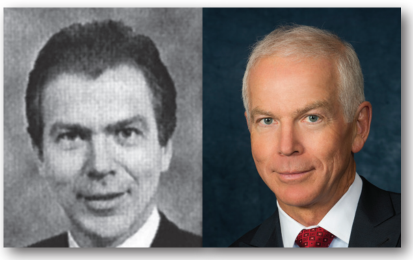
Kirk Polson, CFP®, CLU, CH.F.C., CEA
Investment & Insurance Advisor



Paul Bourbonniere
CFP®, CLU, CH.F.C., CEA
Investment & Insurance Advisor

20 YEAR ANNIVERSARY

What's inside

Polson Bourbonniere Turns 20

In June of 1997 Kirk Polson and Paul Bourbonniere linked 2 similar practices to form Polson Bourbonniere Financial, with the goal of becoming one of Southern Ontario's pre-eminent retirement income planning firms. For the previous decade, we had separately begun building businesses that served a new and growing market. RRSPs had grown after a period of record high interest rates, Registered Retirement Income Funds were now an alternative to annuities, and people were beginning to look for independent advice. By 1997 GIC interest rates had dropped to the 5% range, and mutual funds were becoming more popular in response. The first of the Baby Boomers was approaching the pre-retirement stage of life, with financial questions of their own.

Since opening our doors 20 years ago, we have grown from 7 people to 15, quadrupled our assets under advisement, and have added to our services to reflect the needs of our growing client base. From the beginning, we knew we wanted to build a multi-generational firm that could follow our clients and their families throughout their financial lives. We are proud and delighted to say that we are still working with many of our first clients, and we now serve several 3 and 4 generation families. We are grateful for the confidence you have shown us throughout the first 2 decades.

Our team here at Polson Bourbonniere is excited about the future. We are committed to continuing to bring state-of-the-art strategies and opportunities to you, our clients. We are also committed to growth, and welcome referrals to your family and friends. With this in mind, we have a strong succession plan in place to ensure continuity of service.

As Canada approaches its 150th birthday this year, we're proud to be celebrating our 20th. Once again, we appreciate your confidence in us. Thank you.

Polson Bourbonniere FINANCIAL

HollisWealth®

Fixed Income: Hate it or Love it. You need it!

Derek Polson, CFP®, CEA
Investment and Insurance Advisor

Fixed income: Bonds, GICs, Investment Savings & Cash. These are the four major components that likely make up the Fixed Income portion of your portfolio. Whether you own these products individually or wrapped up in a Mutual Fund or ETF, your Fixed Income products are designed to mitigate risk and stabilize your portfolio.

In our current low interest rate environment many Media outlets have made suggestions that owning Fixed Income is a waste of time. Fixed Income yields are low and the opportunity for growth in this space is viewed as potentially limited. Equities have experienced tremendous growth during the current 8 year bull market and they have continued to be viewed as the product for growth. It's no secret that historically, Equities have consistently outperformed Fixed Income over long periods of time. However, it's important to remember that growth is unpredictable, bull markets aren't guaranteed and what goes up must come down.

The problem with investing in a high concentration of Equity products is that it leaves your portfolio vulnerable to market downturns. If a market correction happens at a time when you need cash for spending or emergencies it acts as a double whammy if you need to panic sell an Equity Position – A 10% market correction + a 5% withdrawal rate now has your Equity position down 15%. This is where having an appropriate Fixed Income allocation will help buffer against a significant downturn.

In 2008, Equity positions were down nearly 40% while the Aggregate Bond Index was still positive! A 40% drop on a $500,000 portfolio containing all Equities now has your portfolio total at $300,000. Can you handle that drastic of a portfolio drop? Depending on your age you may argue that you can wait for the value to come back. But what if you are nearing retirement, already in retirement or had a significant amount of your portfolio earmarked for a major purchase? Would you be able to stomach this kind of risk?

Year	Barclay's Aggregate Bond Index	S&P 500	Difference
2002	10.26%	-22.10%	32.36%
2008	5.24%	-37.00%	42.24%

Source: thebalance.com/stocks-and-bonds-calendar year performance

By utilizing an appropriate amount of Fixed Income in your portfolio you can help hedge against inevitable market downturns. This is not to say that Fixed Income (especially Bonds) can't decrease in value, they can. But a structured portfolio of Bonds, Cash, and/or GICs along with your Equities will not experience the sharp declines that you would as a pure Equity holder. While every investor is different, one Financial Planning theory suggests that you take a "100 minus your age approach". This rule of thumb suggests that individuals should hold a percentage of stocks equal to 100 minus their age. So, for a typical 60 year old, 40% should be in Equities and up to 60% in Fixed Income. This approach can be adjusted up or down depending on your appetite for risk, your stage in life and your goals/objectives for your portfolio. But remember, this Asset Mix is what ultimately controls your overall returns in good markets and more importantly in poor markets.

So don't get caught up in the hype to reduce your Fixed Income holdings and increase your Equity exposure. Be cautious of Alternative strategies that while not directly correlated to Equities, can be just as volatile at times themselves. As always, your Polson Bourbonniere CERTIFIED FINANCIAL PLANNER® professional would be more than happy to review your Fixed Income strategies with you. Overall, portfolio investment returns since the 2008 Financial Crisis have been excellent. Maybe it's time to reassess your risk tolerance?

Investing for the Short-Term

Cory Bruner, CFP®
Account Executive

When thinking about suitable alternatives to invest a portfolio over the 1-5 year Time Horizon beyond cash and cash equivalents, it is important to examine Goals & Objectives, Risk Tolerance, and Time Horizon.

The first step in any financial planning process is to un-cover your goals and objectives for your investment. Any Goal or Objective must relate to a dollar amount and a Time Horizon. As an example, let's say you want to save $100,000 for a down payment on a home in five years.

Now that we have defined your Goals, your Risk Tolerance and Time Horizon are closely connected. Time Horizon is about determining when you are going to need the money (five years) and Risk Tolerance determines how much risk you are willing to accept to meet your Goals and Objectives. The general rule is the longer the Time Horizon, the greater your ability to take risk.

So, we have finished our discovery and have established that you have the ability to take on some risk and we know how long a time frame you have to invest. That brings us to the million dollar question: What are the investment options that would be appropriate?

One alternative to holding cash and equivalents is a bond portfolio. We would suggest using a basket of global bonds through a mutual fund or ETF as you will get the appropriate geographic and credit diversification and remove the difficult decision of determining which individual bonds to buy. Since bonds are riskier than cash you would expect to be paid for that in higher expected returns.

Another option is a bond portfolio combined with a small percentage of equity. Adding equity not only improves the expected return but can also decrease the overall risk of the portfolio because bonds and stocks are generally negatively correlated.

Let's look at three portfolios for comparison: GIC portfolio, Bond Portfolio, and 90% bonds/10% equity.

Rates of Return

	1 year	3 year	5 year
GIC*	1.35%	1.65%	2.00%
Bond**	1.68%	3.23%	2.97%
90% bond/10% Equity***	2.04%	3.80%	3.81%

* source https://canada.deposits.org/gics.html.

**Morningstar.ca – DFA Five Year Global Fixed Income F (50%) and DFA Investment Grade Fixed Income F (50%)

***Morningstar.ca – 90% (DFA Five Year Global Fixed Income F and DFA Investment Grade Fixed Income F) and 10% (DFA Canadian Core Equity, DFA US Core Equity (unhedged), and DFA International Core (hedged)).

The data shows that a bond or a combination of stocks and bonds might be a suitable choice for you if you can accept some risk. These two strategies could also potentially increase returns over the various time horizons compared to GICs or high interest savings. Speak with your Polson Bourbonniere CERTIFIED FINANCIAL PLANNER® professional to discuss your options.

Making a Difference!

Ruth Ashton will be singing her heart out again this year at the 2017 Above & Beyond Concert: Rock for SickKids. Ruth and her band, Essential Soul, will be competing in a good-natured Battle of the Bands at the Mod Club, 772 College St, Toronto on Friday, April 28. Proceeds from the evening will go to the Hospital for SickKids Foundation, in support of all the wonderful work they do.

To learn more about the event and buy tickets, visit www.abcforsickids.com. If you'd like to support Ruth and Essential Soul with a donation, go to the Polson Bourbonniere Financial Facebook page and click on Upcoming Events. We hope to see you there!

Meanwhile, Paul Bourbonniere and Michael Derby are getting in shape for the 10th annual Ride to Conquer Cancer. The event is in support of the Princess Margaret Cancer Centre and is staged over 2 days, June 10 – 11. The lads from Polson Bourbonniere won't be lonely as they ride the 250km distance from Toronto to Niagara Falls – last year's event turned out over 4000 participants and raised over $17 million. This will be Paul's 10th Ride, so we are especially proud of him.

If you would like to support Paul or Michael in their fundraising efforts, donations can be made by going to www.conquercancer.ca and entering their names in the Donate section.

Polson Bourbonniere Financial
HollisWealth, a division of Scotia Capital Inc.
HollisWealth Insurance Agency Ltd.

7050 Woodbine Ave., Suite 100
Markham, Ontario L3R 4G8
Main: 416.498.6181 or 905.413.7700
Fax: 905.305.0885
Toll Free: 1.800.263.0120
Website: www.worryfreeretirement.com

Ruth Ashton, CFP®
Certified Financial Planner®
Investment and Insurance Advisor
Direct: 905.413.7710
Email: rashton@pbfinancial.com

Paul Bourbonniere, CFP®, CLU, CH.F.C., CEA
Certified Financial Planner®
Investment and Insurance Advisor
Direct: 416.498.6181
Email: pbourbonniere@pbfinancial.com

Cory Bruner, CFP®
Certified Financial Planner®
Account Executive
Direct: 905-413-7706
email: cbruner@pbfinancial.com

Lydia Bzowej, CFP®, EPC
Certified Financial Planner®
Investment and Insurance Advisor
Direct: 905.413.7703
Email: lbzowej@pbfinancial.com

Michael Derby, CIM®
Investment and Insurance Advisor
Direct: 905.413.7726
Email: mderby@pbfinancial.com

Derek Polson, CFP®
Certified Financial Planner®
Investment and Insurance Advisor
Direct: 905.413.7709
Email: dpolson@pbfinancial.com

Kirk Polson, CFP®, CLU, CH.F.C., CEA
Certified Financial Planner®
Investment and Insurance Advisor
Direct: 416.498.6181
Email: kpolson@pbfinancial.com

Office Hours
Monday to Friday,
8:30 a.m. – 5:00 p.m.