Strategy UPDATE

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Remember the cash wedge strategy

There's no shortage of strategies advisors use to help protect and grow their clients' portfolios. One of the simplest and ignored approaches is the 'cash wedge'.

At its most basic, the cash wedge strategy is about keeping one year's worth of liquidity needs from your portfolio in cash or other liquid instruments like a redeemable GIC or an Investment savings account — especially if you draw most or all your income from your investments.

Let's look at a straightforward example: Say you have $1 million in your portfolio, and you plan to draw five percent or $50,000 a year. If that's the case, you should always have at least one year — or in this case $50,000 — set aside in assets that aren't subject to volatility.

Why? The current market is a perfect example. Imagine you rely on your portfolio to generate income for your lifestyle, but your investment returns have turned negative. With the cash wedge strategy, you'll already have a year's worth of cash you can use while you wait for markets to start growing again. If you don't have cash on hand and the market stays down for six months or a year, you may be forced to sell and take a loss on some of your investments to generate cash.

The key to this strategy is to build your cash wedge reserve when markets are strong. Many investors are naturally resistant to setting aside a large sum of money in an up market because confidence is usually high and there's a feeling that cash is a drag on your investment earning potential. But when markets turn negative, as they always do eventually, you'll be happy you don't have to sell money-losing investments just to create the income you are used to receiving.

What's inside

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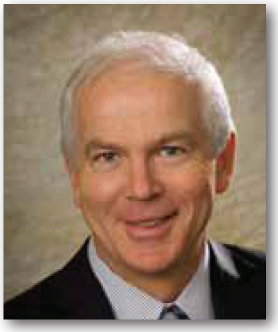
An exception – or perhaps, variation – to this strategy applies to more conservative investors or those who have a riskier investment plan, for instance those who retire early. In either of these cases, you may want to have two or even three years of liquidity in your cash wedge just to create a larger safety net.

Another thing to watch out for: always heed your advisor's counsel about rebalancing your portfolio from time to time, especially after years of stellar growth. Why? Another example may help: Let's say your portfolio was balanced at 50 percent equities and, after three years of amazing returns in the market, it's now made up of 70 percent equities. If the market suddenly take a negative turn, 70 percent of your investments are exposed to potential losses. By rebalancing your portfolio back to 50 percent when markets are flying high, you'll mitigate losses if and when they come.

Remember to ask your advisor about implementing a cash wedge strategy for your portfolio.

The FHSA is coming. . .



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The federal budget was released earlier this year, and amongst the announcements was the creation of a new vehicle to help first time homeowners, the Tax-Free First Home Savings Account, to be referred to as the FHSA. The regulations have yet to be drafted, but here's an early first look at the plan.

The FHSA will be available starting 2023 to any resident of Canada at least 18 years of age. You cannot currently own a home nor have owned one in the year the account is opened nor the preceding 4 calendar years. This suggests that long time renters might wish to have a look at opening a FHSA, especially considering the RRSP/RRIF provisions outlined below.

The maximum annual deposit is $8000, which would be tax deductible. The cumulative maximum contribution is $40,000. Surprisingly, there is no carry forward or catch-up provision if the maximum is not deposited each year. Plan holders would be limited to a single tax-free withdrawal to purchase a property. Like a TFSA, any investment gain is tax free. The purchase of the property must take place within 15 years of opening the plan.

What if no eligible property purchase takes place in time or for the full amount in the FHSA? Any funds in the plan can be transferred tax free to your RRSP or RRIF, in essence providing an extra contribution to your RRSP or RRIF. As well, the $40,000 maximum limit can be funded in whole or in part by transferring, tax free, money from your RRSP or RRIF. This could convert some taxable RRIF income into tax free principal residence proceeds down the road.

There will be changes and refinements to the proposal before the January 1, 2023 start date. Your PBD advisor will be keeping you current on this significant new savings vehicle.

Introducing Greg Pike

Greg joined Polson Bourbonniere Derby | iA Private Wealth in 2021 and will soon be celebrating his first anniversary with the team. Greg had big shoes to fill as he assumed responsibility for the clients of Lydia Bzowej, but has definitely proven equal to the task.

"*Do unto others as you would have them do unto you*." Like many of us, it's a lesson Greg learned from his father and one that guides him every day in his work as an advisor.

"I still get emails from clients from five years ago," says Greg, "when I was a financial planner in Port Credit, saying 'thanks so much' or 'we're in a great position for retirement'. It's a wonderful feeling and sense of accomplishment to know that you were able to help people."

The Golden Rule wasn't the only thing Greg learned from his dad. A stockbroker who worked on the trading floor at the TSX – back then, the TSE – for over 30 years, the elder Pike instilled in his son a fascination and love for the world of finance and investing.

"It was ingrained into me as a teenager," Greg remembers, "charting stocks on graph paper and keeping records of the ones he wanted us to follow." Then came an Honours Bachelor of Arts in Industrial Relations Economics and Sociology, and nearly two decades at the big banks where he cut his teeth in a call centre before heading in-branch as a Senior Account Manager and Financial Planner.

"I learned early on – and I've never forgotten – the importance of developing a plan built around each client's unique experiences," Greg says. "Finding out what matters to each individual and family. Never painting people with a broad brush. Building their trust. Always striving to put a plan and strategy in place that speaks to their values – whether their kids' education is the most important goal for them or buying a new home or retirement."

"Clients really need to have confidence in the value, knowledge and expertise you provide and to know you're there to help no matter what. It's what attracted me to Poulson Bourbonniere Derby – they're as committed as I am to delivering sound objective advice and lasting value, and building long-term relationships based on mutual trust and integrity. They really get it."

Married "to the woman of my dreams" for 20 years, Madeleine works for a global hotel company. Together they have two beautiful boys – Aydan and Gryffin – as well as a rescue cat named Simba and live in the Millcroft area of Burlington. While Greg loves to golf and plays when he can, the real fun times he and his family share are their trips to Disney World – along with the wealth plans Greg is focused on for his clients, he's likely planning his family's next getaway right now.

Saying goodbye to Lydia Bzowej

Lydia Bzowej, BA, EPC, CEA
CERTIFIED FINANCIAL PLANNER®

It is with great sadness that we share the passing of Lydia Olga Bzowej. Lydia passed away on Tuesday May 17th after a 2 year battle with ALS (Lou Gehrig's Disease).

Lydia was born on August 29th, 1964 to Adelaide and Boris Bzowej in Toronto. After Lydia graduated from Thornhill Secondary School in 1983, she went on to obtain her BA at the University of Toronto. Lydia started working for Polson Bourbonniere Derby in 1997. She gained her CERTIFIED FINANCIAL PLANNER® professional designation in 1999. Throughout her years with Polson Bourbonniere Derby | iA Private Wealth, she developed wonderful relationships with her clients. She is a shining example of the best of this industry – displaying integrity, empathy, professionalism, and an unswerving focus on putting clients first.

While Lydia was taken too soon, we can take comfort in the fact that she lived life to the fullest. Her years were filled with delights: concerts, theatre, road trips, friendships, white wine, pedicures, scrapbooking, and of course - travel. Lydia's most exciting and fulfilling trip was in 2003, when she braved the frozen landscapes of Siberia to bring home the daughter she cherished, Katya.

A Celebration of Life will be organized for the fall.

We will miss our dear friend and colleague.

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