Second Quarter Update 2020

There has been a significant market recovery in the last 3 months. This is likely due to the massive stimulus that governments around the world have put into the bond market and economies. In the long run markets are usually reflective of corporate earnings. The recovery this quarter is not fuelled by earnings but by optimism due to government injections of capital into the global economy.

Corporate earnings for the most part are hugely down except for sectors that are doing well in the COVID-19 crisis- i.e. grocery, couriers, online retail, and technology. Companies are quite guarded in forward profit projections because no one knows how the pandemic will play out.

In some countries, the curve has flattened, and economies have started to re-open. The U.S. seems to be the exception. Many states re-opened while COVID cases were on the rise resulting in new infections, hospitalization, and deaths. Canadians can be proud of our own COVID-19 response-individually, provincially, and nationally.

Our actions though have come with a large price tag attached. Deficits have exploded not just here but around the world. Without government programs, the cost would have been devastating so it was the only thing to do. People complain about governments and politicians, but many complain as they cash their CERB and CEWS cheques. These payments kept the economy going.

COVID-19 has certainly changed the way we do business and the way business is done around the world. I have had Zoom and WebEx meetings with clients that in the past would have been face to face. People are successfully working from home, resulting in less congested highways, less air traffic and significantly cleaner air and water.

So-here's the good news- our balanced portfolios are about even for the year to date. As you can see by the numbers below, global markets are still down but our managers have done well in outperforming this quarter.

Looking forward- COVID-19 is here to stay for the foreseeable future. We will learn to live with it. But life has irrevocably changed- some parts good, some parts uncomfortable. I have learned in almost 39 years in the business that what we absolutely know about the future is that we absolutely don't know the future. No one can outguess what markets will do. We do know that well managed businesses will continue to do well and owning them in the long run will be profitable- we all need patience. Stay the course and keep in mind that markets have always recovered from the most unprecedented world events. Humans are resilient and will find a way forward. Stay safe, healthy and enjoy the summer months!

	Market	Dec 31/19	Jun 30/20	YTD
Canada	TSX	17062	15515	-9.07%
U.S.	DOW	28539	25810	-9.56%
U.S.	S&P 500	3231	3100	-4.05%
U.K.	FTSE	7442	6169	-17.11%
France	CAC	5978	4946	-17.26%
Germany	DAX	13249	12310	-7.09%
Japan	NIKKEI	23837	22288	-6.50%
Canadian $		77.96	73.66	-5.52%
Oil (US$)	WTI	61.02	39.27	-35.64%
Western Canadian Select	WCS	38.57	29.17	-24.37%

***Source: CNN Money*

July 2020

More Baby News!

Eva McKenzie Maude was born May 13,2020 to parents Jessica Maude & Jarod McKenzie. Eva weighed 7lbs 4oz at birth and is gaining daily. Jasper is adjusting to having a baby sister to love. The Maude Financial family welcomes Eva with open arms!

"There are two times when people forget their principles: at the top of the market and at the bottom"

-Philip A. Lowe

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The Magic Number

The most common question we get asked is "How much do I need to save for retirement?". Unfortunately, there isn't a magic number as the title of this article suggests! The magic number is unique to each individual or couple.

When we help clients plan for retirement many factors are considered. Our January 2020 newsletter article outlined 6 key factors.

#1. It is very unlikely that anyone will spend less in retirement.

#2. People are living longer, meaning retirement will be longer.

#3. People live longer but not necessarily healthier lives. Future health care costs are unknown.

#4. At age 60 assume that 4.5% of your retirement savings account can be withdrawn per year as income.

#5. Investment returns are not what they were 20 years ago.

#6. Inflation is a real risk when it comes to making retirement income last.

In addition to the above considerations the two outlined below must be addressed.

Consideration #7: Paying down mortgage debt at an increased pace is considered a type of retirement saving.

Although paying down mortgage debt will not directly increase one's retirement income, it will do the following: a) reduce expenses in retirement b) free up cash flow before retirement to invest in retirement savings.

However, we caution that both a balance of aggressive debt reduction and accumulation of retirement savings are needed.

Consideration #8: Government benefits will make up a significant portion of a base retirement income for many people.

Currently a couple both receiving maximum CPP and OAS benefits will have a combined base income of about $3500/month ($45,000/year). As you approach retirement an estimate of your monthly benefit is available.

Government benefits are partially indexed so they will increase over time with inflation.

It is also important to note that if a partner dies those benefits could be reduced by up to fifty percent.

All of these variables contribute to calculating any one person's, or couple's, "magic number".

Since we are all human and thus creatures of habit it is important to recognize that a lifetime of fundamental habits are not likely to change in retirement. If you are a spender of money, you will continue to spend in retirement. If you are a saver of money, you will continue to save in retirement.

My point is this: most people do not know where their money goes. It is crucial to understand, well in advance of retirement, where your money goes. Only then can you adequately plan for the retirement income that will support you in the style to which you have become accustomed.

"True contentment is not having everything but being satisfied with everything you have" – *Oscar Wilde*