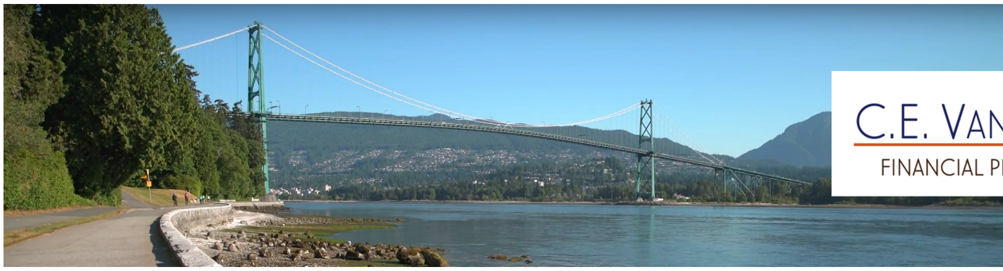

C.E. VANDENBERG & ASSOCIATES INC.
FINANCIAL PLANNING – WEALTH MANAGEMENT – INSURANCE

mutual gains

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WE WILL LISTEN CAREFULLY
TO WHAT YOU ARE SAYING
AND BE ATTENTIVE TO YOUR DESIRES
AS WELL AS YOUR FEARS
SO TOGETHER WE CAN BUILD
AND ENJOY
A HARMONIOUS
AND RESPONSIVE RELATIONSHIP
IN ATTAINING YOUR LIFE'S DREAMS
AND THROUGH THAT
WE WILL BE ATTAINING OURS.

Starts, Stops, Spikes & Stalls

Just 2 months ago in this space, I mentioned the significant price increases for lumber. Guess what? They have dropped significantly and are now below where they were at the beginning of 2021.

As the world transitions back to a more normal course of business and social interactions, there will be pleasant surprises along with many disappointments. Expect those. Stop yourself from reacting emotionally to any event or news. "The market" however will be doing exactly the opposite. It hates uncertainty. I think we may be dealing with bouts of it this summer.

One of these will be due to "supply chain" shortages, something we are dealing with now. These may get worse. This is where products can't be produced as fast as they are needed. It has happened with lumber and it is (or will be) happening in so many other areas.

Cheryl and I are looking for a high roof, extended van (many generically call these "Sprinter" vans). We'd like to purchase one, which we can convert to a camper. In early June the Ford dealer (Sprinter is a Mercedes product) told me they aren't accepting any more new orders. It seems they can't get enough computer chips. No new vehicles has caused used car prices to increase up. I guess we'll have to wait then. Luckily we don't really need to buy now.

Another case is in our office, which needs an upgrade of one of our PC's. Microsoft tells me they don't know when they will have the one we want, in stock. There are many parts that are needed to build a computer and they can't get all of the components. I did buy a used, lower grade one for a very reasonable price which will tie us over.

You name the product and there is most likely a supply chain bottleneck. This isn't going away anytime soon. At the same time though, we may have lots of products and services that people may not be using as much anymore: Take-out ordering, Zoom and bigger homes farther from city cores perhaps?

Overall though, the global economy will be on a long but bumpy recovery. Inflation (as I also mentioned last time in this space) will seem like a definite problem at times. This too is expected to normalize as the global economy slowly re-opens and production lines get back to being fully operational.

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"There will be a ripe breeding ground for inflation scares in markets for the next couple of years." Drummond Brodeur, Global Strategist, CI Global Asset Management

With inflation fears and longer term inflation pressures, interest rates will probably trend upwards. They are artificially low (very close to 0%) currently so there is only 1 direction they can go. This could create strong headwinds for anything that is paid for using mostly (or 100%) borrowed money. With the recent surge in home prices etc., primarily due to the drop in interest rates by ~30% since early 2020 (home prices went up by ~30% following that) if interest rates are forced up due to inflation concerns, what do you think will happen when people's debt payments go up by 5, 10, 20 or more percent?

The "balanced" portfolio of old (60% equities and 40% bonds) will struggle as well. Rising bond prices are primarily driven by falling interest rates. Since I started as a Financial Advisor in 1987, interest rates have been on multi-decade decline. With interest rates on an inevitable-long term, trend upwards, 40% of your portfolio could be declining while the other 60% is increasing.

Bonds come in various forms however. There are bond categories that actually do well with rising interest rates. You need to have your portfolio actively managed and the structure of your finances (both what you own and what you owe) continually adapting to the new reality. Time for a Financial Planning & Portfolio review maybe? Call or email me directly to do that sooner rather than later.

10 Reasons You Should Be Fully Invested (Now)

There are always reasons to be pessimistic. However, if you look at the history of individuals who have done well and succeeded in <u>anything</u> you won't find a pessimist among them. How you view things will determine your success. Because I want to help you in succeeding, here are 10 very sound reasons why you don't want idle cash sitting in any of your accounts, particularly those that will be invested for more than 1 year:

1) It's early in the business cycle—Business cycles last about 7 years. We are only 1 year into the current one, which the end of the last one came abruptly to a halt because of Covid.
2) The economy is actually doing well—Consumer spending, business investment and housing are all driving this.
3) People are concerned about company valuations—Company valuations generally jump in the 1st year coming out of a recession. As the economy grows valuations actually start declining, despite rising share prices. We have started to see this; valuations were 23 times earnings at the beginning of the year. They have declined to 21 (the 5 yr average is 18). Prices can go up while valuations fall (How does that work? I can explain that in person. Just ask.)
4) Very low interest rates—low financing costs are the primary fuel for pushing an economy along. It encourages people and business to borrow. That definitely has been happening.
5) Future low interest rates—The US said they won't start raising interest rates until 2023. Highly unlikely they will do it sooner and it could be later since the US unemployment rate is still above 10%.
6) Lots of room for interest rates to move up — Rising interest rates won't be a concern since that is a sign of a growing economy. Rates can go up for a long stretch without any worries.
7) Modest Inflation expectations—Short term, inflation is expected to be above 3%. We are seeing that. Forecasts for inflation 3 and 5 years out are only 2.5% which is right where the US and Canadian (and most other governments globally) want them.
8) Lots of room to increase production—Remember those supply chain issues? There are lots of people unemployed and many facilities are still no where near full operating capacity. Full production is one of the key solutions in moderating the short term inflation pressures we've been experiencing (read my recent decking product price increase experience in the "Hhhmmm…" section, pg 4).
9) Lots of money on the sidelines—Money sitting in chequing and savings accounts in the US alone has grown to $20 Trillion. As Covid shutdown and fears slowly disappears into the past, this money will look for a better place, searching for a higher rate of return.
10) People are not chasing equities— Market cycles tend to end in euphoria. Since 2008/09 (the global financial crisis) about $4 trillion has gone into bond and cash like "safe" investments while at the same time only $550 billion has gone into equities. No euphoria here; not even remotely close to that.

"Most of the already passed US$1.9 trillion stimulus package will fuel exceptional growth in 2021, with maybe a third tipping into 2022. One significant aspect of the upcoming packages is that they will be spread out over the coming decade. This will provide support for a potentially longer and stronger economic cycle." Drummond Brodeur—Global Strategist, CI Global Asset Management

Variable or Fixed Rate Mortgage?

The question today is, do I go for the variable rate mortgage which can change but is an ultra low 1.45% / year OR lock in for 2.09% for 5 years? For a $500,000 mortgage balance, the monthly payments on a variable rate would be $1,986.94. It would be $2,139.04 on a fixed rate mortgage. So what do you choose? Here are some questions to help you decide:

Is it likely you will move within 5 years? If 'No', go with the variable since your penalty to break a 5 year fixed would be higher. Will an in-

(Continued on page 3)

crease in your monthly payments down the road stress you out or put a real strain on your finances? If 'Probably', choose fixed. Is this your 1st mortgage? Go with fixed. Do you have low mortgage payments relative to your income? You can probably absorb an increase in costs should interest rates go up so place your bet and go with a variable rate. Is it a rental property? I'd go with a 5 year fixed rate to reduce the many expenses that can come up with this kind of asset.

There are other ways you can have your cake and eat it too. Most variable rate mortgages give you an option to allow you to lock into a fixed rate at anytime, with no penalties. How about doing this: Go the variable route but set your monthly payments at the rate you would have paid with a 5 year fixed rate mortgage. You will be saving on borrowing costs while at the same time paying down your mortgage faster. This would create a buffer should you need to refinance at higher rates since your mortgage balance would be lower.

Having said all of that though, I wouldn't be fixated on saving as much as possible on the interest costs. Rates are so low already so the impact of those savings is much less than if interest rates were higher. Again, interest rates really only have 1 way to go eventually and that is up. Locking in gives you a lot of peace of mind while allowing you to steer money toward RRSP and TFSA contributions. You could use what you save in mortgage payments to go toward a TFSA, using those dollars to pay down your mortgage when it comes due.

Don't Pay Off Debt (Do 1-3 Of These Instead)

It used to be, "Pay off your mortgage as fast as possible" and focus on that above all other things. Today however, with interest rates so low, it actually doesn't make sense to. Yes, you read that right. You can borrow money for as low as 1.45% so why be adamant about steering money to reduce interest costs, when you can earn 3, 4, 5, 6% or more on it? Paying off 1.45% debt and forgoing earning 1—4 times that amount makes no sense. Here are a few good alternative strategies:

Contribute to your RRSP—RRSP money is invested for the long term and historically investing in equities has provided high single (8%) to low double digit (12%) compounded annual returns. Rather than paydown debt costing you 2% / year, how about using that money to contribute to your RRSP? You'll get a much better return PLUS you'll be getting a 22—53% tax refund (which you could use to paydown your mortgage). Look at it this way: $10,000 paying down debt, saving you 2%/year or $12,200—$15,300 (RRSP & refund) giving 8—12%/year?

Add to your TFSA—Same reasoning as the RRSP. OK, you won't get the tax refund but you will have more flexibility. You can grow your money tax free inside your TFSA and anytime in the future, paydown your mortgage should interest rates go up. You'll actually be paying down your mortgage faster this way.

Property Tax Deferral—If you are 55 or older and live in BC this is for you. Instead of paying your annual property tax, take that money and invest it in your TFSA. The current interest cost on BC's Property Tax Deferment program is a measly 0.45%. I think anyone who is not taking advantage of cheap money like this, is missing out on a BC government gift. Anytime you want you can simply take the money out of your TFSA and pay off your Property Tax Deferral. I have clients that are thousands of dollars richer because of this program. Some can now choose not steer their annual property tax to their TFSA's because the money they owe in property tax deferrals is much less than what they have re-directed to their TFSA.

5 Practices For Financial Success

Having been a Financial Planner / Advisor for over 30 years, I've seen a wide variety of personal financial situations. What is consistently clear is this: certain financial habits and practices seem to automatically lead to financial success. On average, those who do most or all of these 5 things have are in a much better financial position (like night and day) than those who don't:

1) Save Monthly—As soon as you are earning an income (age 16, 18, 22 etc.), set up a monthly amount that will automatically be invested and not touched until your income earning years are behind you (60, 65, 70 or?). Learn to live on whatever is left. Shoot for 10% of your income and in time, you'll never have any reason to worry about money.
2) Buy A Home— You have to live somewhere for as long as you live. It isn't so important on what you buy (although condos and their potential for large special assessments scare me). More so, that you can at least make your payments over many years.
3) Buy Used—this comes down to cars, musical instruments, expensive bikes and yes, even houses. Because new things depreciate so much, you'll loose very little buying used. I've bought things, used them and then sold them for close to what I paid. As well, you are much better off buying a used house in the best area (smaller house, more land) than a new house (larger house, less land), particularly if there are a lot of other houses like it, in the neighborhood. Go with quality and scarcity. As well, the value is in the dirt.
4) Don't Get FOMO—What I'm really talking about here is feeling like you have to buy NOW because everyone else is. Don't look for the silver bullet that will catapult you to wealth. Are you seeing prices going up and are convinced you'll miss out if you don't buy now? 99 times out of 100 it is better to sit and wait. When you are buying after prices have gone up dramatically in a short period of time, you are probably paying too much, setting yourself up for disappointment. You'll get a much lower return than if you had waited for things to settle (or better yet, decline when most everyone is selling). This applies to any kind of investment or asset.
5) Stay Together— In virtually all cases, relational breakups will really mess up your finances. It has been shown that couples who have stayed together are the ones that have done the best, financially when looking at groups of people. As the 70's song goes, "Love The One You're With".

Transferring Out Your "Pension Plan" When Leaving Your Employer

What I am referring to is a "defined contribution" pension plan or DC plan, hence the "Pension" plan being in brackets. These are glorified RRSP's because they don't have the guarantees of monthly retirement income for life that "Defined Benefit" pension plans do. Most "pension" plans now are "defined contributions" plans with really no guarantees.

There has never been a reason I could see, for leaving a DC plan at an employer you have left. I have a number of clients who have changed jobs. We have simply transferred any past DC “pension” plans they have, into a "Locked In" RRSP. These locked in plans can have the acronym LRSP, LIRA (Locked In Retirement Account) or LIF (Life Income Fund). Despite the name, they are essentially the same thing. The name is only defined by the legislation that applies to it; Provincial or Federal).

Transferring your DC plan tax free to your own LRSP, LIRA or LIF, allows you to invest how you and your Financial Advisor see fit, while keeping pension like restrictions in place. These restrictions determine how much can be withdrawn from your plan, in any given year.

If you have been with your employer for a very long time, there could be a limit to how much can be transferred to your LRSP, LIRA or LIF, tax free. If you have RRSP contribution room, you may be able to use for any money that can’t be transferred tax free. As with all things financial, I'd highly recommend checking with us before or shortly after leaving your employer.

Tech Gems—Doodle

The Doodle app has nothing to do with drawing. It is about making it much easier to coordinate the schedules amongst a group of people, when trying to set a date for something. This could be an extended family dinner, getting together with a group of friends, scheduling a band practice, a leisure event or co-ordinating a meeting. Suggest a number of days and times and invite participants to select their preferences. The majority or all of you will soon be together. What a concept “together”, for real, in a group… without masks.

HHHmmm...

- Over the past 50 years the average calendar year return for the S&P 500 Index is 12.2%. The market will only give an “average” return (between 10—15%) once in every 10 years. For all the other years you are getting a return that is higher or lower than that. 60% of the time you are earning more than 10%. Manulife Investment Management, June 2021 #IllTakeIt

Rate of return	Number of years required to double investment
2%	36
3%	24
4%	18
5%	14
6%	12
7%	10
8%	9
9%	8
10%	7

- I expect the U.S. will see growth of around 7% this year, while some forecasters are pushing numbers as high as 9%. This will be the fastest U.S. economic growth that most of us have ever seen. China, the other major global growth engine, led the world in exiting the pandemic last year, and is now starting to tap the brakes to slow the trajectory of its economy. Drummond Brodeur, Global Strategist, CI Global Asset Management, April 2021 #RoadToRecovery
- Markets and the Fed (US) have now navigated the first mini inflation scare. There will be many more in the coming year. Drummond Brodeur, Global Strategist, CI Global Asset Management, April 2021 #DontBeScared
- Are bonds overvalued? What is bitcoin worth? How high can Tesla go? You can’t answer those questions with a formula. They’re driven by whatever someone else is willing to pay for them in any given moment; how they feel, what they want to believe, and how persuasive storytellers are; and those stories change all the time. They can’t be predicted anymore than you can predict what kind of mood I’ll be in 3 years from now. Morgan Housel, May 2021 #StoryInvesting
- “Greenwashing” is when investment product manufacturers put together an investment vehicle that says it will be investing with environmental, social and governance (ESG) screens so as to invest “ethically” on behalf of all it’s investors yet, they apply these screens very loosely. #WhatYouWantToHear #SalesPitch
- In 2001, a US manufacturing sector worker earned over 27 times the amount of a Chinese worker. By 2019, that figure had narrowed drastically to under 5 times, as Chinese manufacturing wages grew a cumulative 845% over the period. Forstrong, May 2021 #TheNewMiddleClass #BubbleOfConsumers
- Used vehicle prices soared the most on record, dating all the way back to 1953. Core inflation jumped in April 2021, more in 1 month than it has since 1982. Forstrong May 2021 #CovidPigInPython
- I ordered Timbertech “Azek” composite decking in late April to replace my old deck. I had to order a bit more in early July to complete the project. The price had gone up by 14.4% in those 2 months. #CovidInflation #Don’tExtrapolate
- In Canada the average age of a widow is 56. Ivari, June 2021 #ThatYoung?
- 46% of US adults are already comfortable enough to be in a big crowd at a concert, sports venue or public gathering. That’s up from last month’s poll which was 34%. Fortune, May 2021 #LessFear
- The 1st of my 2 Covid vaccines was AZ (Pfizer 2nd) because most every government official in Canada I heard said “Get the 1st vaccine that is given to you”. So what happens when I (and over 2 million Canadians) want to go to the US and they won’t allow us in? What other things did our government’s miss in their haste with vaccinations? #ClassActionBrewing?
- Who decides what is doing “the right thing”? General consensus? What we as a group decide is right and wrong? What if other groups of people have a different view of what is right and what is wrong? Which group is “right”? Does right and wrong change over time? Or is there a right and wrong that has been there from the beginning of time? If the latter, where did that right and wrong come from? #MoralReasoning #WhoSays?