

MacDougall Wealth Management Group Newsletter



Winter 2024

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Looking Back, Looking Forward: Keeping Perspective

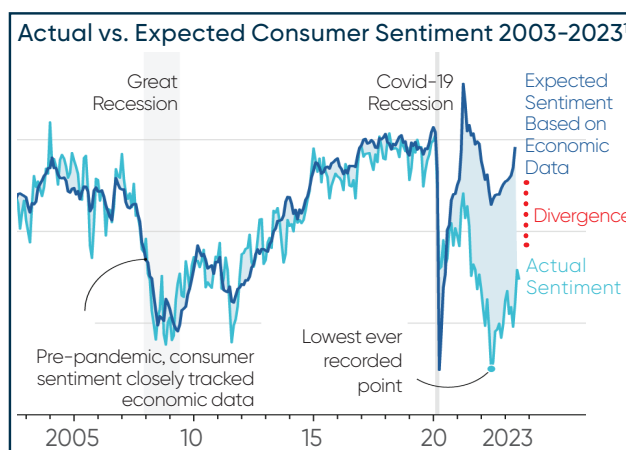
According to *The Economist*, consumer sentiment is at some of the lowest levels in decades. Yet, this collective feeling does not accurately reflect the actual economic data. Since the pandemic, there's been a growing divergence between sentiment and economic performance.¹

This may not come as a surprise. After all, we've been confronted with new challenges, many of which have come about quickly, such as inflation and higher interest rates. However, a closer look at the economic data may provide some perspective: We've also achieved a tremendous amount of progress in this economic cycle. The latest data shows that Canadian household net worth increased for the third consecutive quarter, by 3.4 percent to reach \$15,704 billion in Q1 2023.² In Q2, U.S. households held the highest levels of net worth ever recorded.³ Canadians and Americans have never been wealthier.

In the U.S., Q3 GDP was recently reported at 4.9 percent, marking the highest economic growth since 2014, after adjusting for the pandemic.⁴ While recent Canadian GDP reports indicate stagnant output over the past two quarters, let's not forget that the central banks' objective in aggressively raising rates was to slow economic growth to curb inflation. Over the past two years, economic resilience has surpassed expectations, partly due to low unemployment rates.

In Canada, this fell to a historical low of 4.9 percent in June/July 2022 and continues to remain at relatively low levels.

As we begin another year, keep perspective. Don't lose sight of the economic and wealth-building progress that can be achieved even during seemingly challenging times.



1. <https://www.economist.com/graphic-detail/2023/09/07/the-pandemic-has-broken-a-closely-followed-survey-of-sentiment>
 2. <https://www150.statcan.gc.ca/n1/daily-quotidien/230614/dq230614a-eng.htm>
 3. https://www.federalreserve.gov/releases/z1/dataviz/z1/balance_sheet/chart/#units:usd
 4. <https://www.investopedia.com/shoppers-boosted-u-s-economic-growth-to-fastest-in-years-8382874>

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Estate Planning: Your Digital Assets May Have More Value Than You Think

Even if you're not a significant technology user, your digital footprint may be larger than you think. This may be an important consideration in estate planning. A recent article in the popular press serves as a reminder: While many digital assets often have little monetary value, they may have substantial sentimental value. Overlooking the transfer of these assets may have sad consequences. One widow could not retrieve thousands of photos stored on her partner's cloud account. Another wasn't able to access her late husband's Facebook page.¹

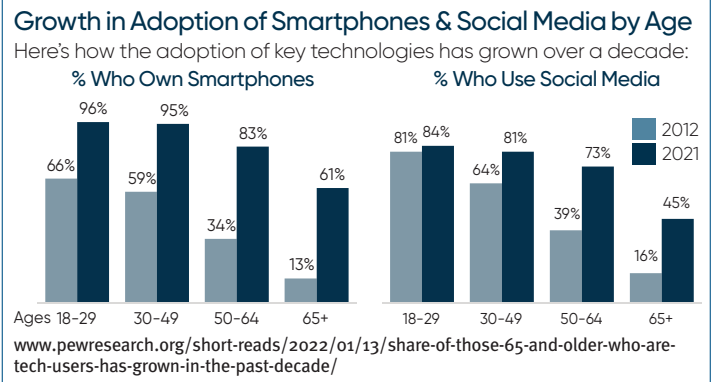
Canada lacks consistent legislation giving the executor or attorney the automatic authority to deal with digital assets, with rules varying by province – if they exist at all. Saskatchewan was the first province to introduce legislation that grants executors/fiduciaries access to digital assets.² Yet, even if laws do allow for authority, the reality is that access can be difficult if no provisions have been made by the deceased. Often, customer support for online accounts is limited, creating challenges and undue stress during an already emotional time.

Many of us carefully construct a plan for investments, real estate and other physical belongings; yet, as more of our lives operate digitally, we may not be doing a good job of planning for our digital assets. As a starting point, here are a few tips to begin the process:

Take inventory – Just as we take stock of our physical assets for estate planning, doing this for digital assets is equally important. Keep a logbook of digital assets, including usernames and passwords. This should be stored securely and updated regularly.

Practice digital housekeeping – Protect and secure your data, not just as part of an estate plan, such as regularly backing up important files, contacts, photographs and other information stored on your computer, smartphone or the cloud and encrypting sensitive data.

Consider a password manager – Often, keeping a list of accounts/passwords isn't enough, as we may forget to update it. A password manager may be helpful. These software programs maintain access information to digital



accounts, including account numbers, passwords and other important data you might need to leave behind.

Create a legacy contact or plan – Did you know you can designate a legacy contact for Apple accounts or create a legacy plan for Google accounts? Some social media accounts also offer legacy options. For an iPhone or iPad, go to "Settings" and then tap your name. Under "Password & Security" you will see the "Legacy Contact" option. The system will generate an access key for your contact, which will need to be presented alongside a death certificate to access data. For Google, go to "myaccount.google.com" and tap "Data & Privacy," then scroll down to "More Options" and look for the option "Make a plan for your digital legacy." You can decide when Google should consider your account inactive and what will be done with your data, which can be shared with someone you trust or deleted by the system.

Update your estate plan – Make sure your will and power of attorney documents (or other directives, the names vary by province) include language specific to digital assets, giving a representative authority to access, manage, dispose of and distribute them.

1. "Life After Death: Secure Your Digital Legacy Before You Die," Julie Jargon. Wall Street Journal, April 25, 2023, A11;
2. <https://dig.watch/updates/saskatchewan-ca-introduces-fiduciaries-access-digital-information-act>

As always, please consult an estate planning professional.



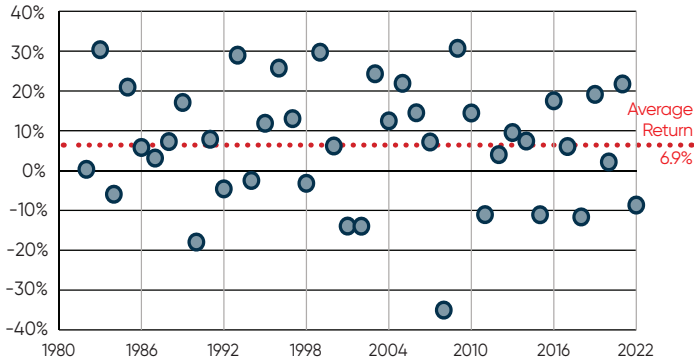
Reminders for the New Year: The Investing Road is a Long One

As we move into another year, what's your investment focus? Given the volatility of 2023, it can take discipline to stay focused on our objectives, but here are three perspectives:

1. Worth a reminder: Annual returns are almost never "average."

While we often talk of average returns for indices like the S&P/TSX Composite, annual returns often vary from the average. The visual shows the wide dispersion of annual returns of the S&P/TSX Composite Index since 1981: 83 percent of the time, annual returns did not fall within +/-2 percentage points of the long-term average return of 6.9 percent (red line). Almost 30 percent of the time, annual returns were negative. Investors should expect a wide range of outcomes each year.

S&P/TSX Composite Annual Returns, 1981 to 2022

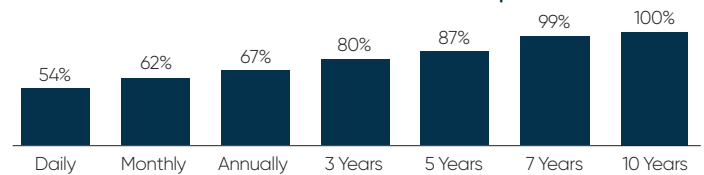


2. Investing often requires patience. Markets will experience both ups and downs, and recoveries can often take time. After the last bear market — the shortest in history at a mere 33 days during the pandemic — we may have been conditioned to believe that the markets should quickly rebound. However, a look back at S&P 500 bear markets over the past 50 years (chart) shows that it has taken an average of 30 months to recover to previous highs. Consider that a 50 percent loss requires a 100 percent gain to recover. Down-market times are a normal part of the investing process and may be opportune times to build portfolios for the future. Eventually, the pendulum swings back.

| S&P 500 Bear Markets Over the Past 50 Years | | | | |
|---|----------|-----------|-----------------------|------------------|
| Peak | Trough | % Decline | Peak-to-Trough Months | Breakeven Months |
| 1/11/73 | 10/3/74 | -48.2% | 21 | 46 |
| 11/28/80 | 8/12/82 | -27.1% | 20 | 23 |
| 8/25/87 | 12/4/87 | -33.5% | 3 | 17 |
| 3/24/00 | 10/9/02 | -49.1% | 31 | 48 |
| 10/9/07 | 3/9/09 | -56.8% | 17 | 37 |
| 2/19/20 | 3/23/20 | -33.9% | 1 | 6 |
| 1/3/22 | 10/12/22 | -25.4% | 9 | ? |
| Average | | -39.1% | 14.6 | 29.5 |

<https://awealthofcommonsense.com/2023/03/why-the-stock-market-makes-you-feel-bad-all-the-time/>

Chart: How Often is the S&P/TSX Composite Positive?



S&P/TSX Composite Index, no dividends reinvested. "Daily" returns, 1/1/80 to 5/1/23. For all others, rolling monthly returns, 1/1/70 to 5/1/23.

3. Navigating volatility: Extend your time horizon. The more you check your portfolio, the more volatile it will feel because of the greater likelihood of seeing negative performance. History has shown that by checking the markets daily, the chances of seeing a negative return are 46 percent. However, this reduces to 0 percent for 10-year rolling monthly returns. As the graph reminds us, taking a longer-term view smooths out the impact of shorter-term volatility. Extending an investing time horizon provides the opportunity to ride out market fluctuations and volatility and, by staying invested, investors are more likely to benefit from the market's overall upward trajectory.



TFSA: Do You Have Unused Contribution Room?

The TFSA contribution limit for 2024 is \$7,000. If you turned 18 before 2009 and have never contributed, your lifetime maximum TFSA contribution limit is \$95,000.

| Year | Annual Dollar Amount | Cumulative Amount |
|--------------|----------------------|-------------------|
| 2009 to 2012 | \$5,000 | \$20,000 |
| 2013 & 2014 | \$5,500 | \$31,000 |
| 2015 | \$10,000 | \$41,000 |
| 2016 to 2018 | \$5,500 | \$57,500 |
| 2019 to 2022 | \$6,000 | \$81,500 |
| 2023 | \$6,500 | \$88,000 |
| 2024 | \$7,000 | \$95,000 |

RRSP Season Reminders

Contribute – the deadline for RRSP contributions for the 2023 tax year is **Friday, March 1st, 2024**. Contributions are limited to 18% of the previous years earned income, to a maximum of (\$30,780 for 2023).

Collapse – If you are turning 71 years old in 2024, please get in touch to discuss options for closing your RRSP by year end.

Consolidate – If you hold multiple RRSP accounts at different financial institutions, consider consolidation for improved administration, convenience, and potential cost savings.

FHSA – New Account Offering

If eligible, once you have opened an FHSA, you're allowed to contribute up to a lifetime limit of \$40,000, with an annual contribution limit of \$8,000.

A client referral is the greatest complement our team can receive. If you are aware of a friend, family member, or business associate who could benefit from the services our team provides, please have them call or email our team directly.

Christmas Party

This holiday season we tested out our creative abilities at the Red Deer Paint of Interest! We had a wonderful evening celebrating an excellent year and are looking forward to some new and exciting things planned for 2024.

Who do you think creative the best painted pottery?!!



Charles Thomas Munger

January 1st 1924 – November 28th, 2023

Charlie Munger died peacefully at a hospital in Santa Barbara, California, on November 28th, 2023, at the age of 99 just 34 days shy of his 100th birthday.

In a statement following his death, Warren Buffet said, "Berkshire Hathaway could not have been built to its present status without Charlie's inspiration, wisdom and participation".

Charlie Munger was a champion of common-sense investing who forever altered the finance world as the top adviser and dry-witted sidekick to Warren Buffett. From its beginning, their partnership was marked by disciplined focus on a technique known as "value investing."

Thank you, Charlie, for a beautiful and well lived career.



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