Dahms Wealth Management Group Newsletter

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In this edition

The golden age of here and now

In a world flooded with headlines about conflict, it may be easy to lose sight of how far we've come. It's worth a reminder: we are living through an extraordinary chapter in history. Of all the progress over the past 10,000 years in raising living standards, half has occurred since 1990. As **The Economist** recently put it, *"Of all the golden ages, the greatest is here and now."*[1]

Much of today's prosperity is rooted in the post-WWII global order, with decades of expanding trade and cooperation lifting economies around the world. Respected investor Howard Marks recently noted: *"Globalization has contributed to a rising economic tide that has lifted all boats."*[2]

It is therefore not surprising that the U.S. administration's April "Liberation Day" caught much of the world off guard. The breadth and global scope of the introduced tariffs challenged long-standing norms in international trade relations. As the situation continues to quickly evolve—with legal challenges underway at the time of writing—observers remain divided on the potential consequences. Some foresee heightened recession risks, while others believe evolving policy responses could help avert a significant slowdown. Regardless of the outcome, these developments have introduced a notable degree of uncertainty.

What's more certain is that changes in U.S. trade policy have accelerated a broader shift away from globalization toward a more multipolar world, where nations increasingly prioritize self-sufficiency and national security. This may also be undermining the long-standing role of the U.S. as the dominant superpower. During April's volatility, a sharp selloff in U.S. Treasurys raised concerns, particularly as China—holding roughly one-sixth of foreign-owned U.S. Treasurys—has been increasing its gold reserves. At the same time, demand for the U.S. dollar, once the world's default safe haven, has remained muted, raising questions about waning confidence in U.S. leadership. As one analyst put it: *"You can't antagonize and influence at the same time."*

Indeed, the pace and tone of recent policy shifts have felt rapid, volatile and often confrontational—prompting some to compare the new U.S. approach to the tech-world mantra: *"Move fast and break things."* Complicating the situation, we are living in a time when technology increasingly influences our perceptions—delivering news in real-time and amplifying the sense that change is urgent. Yet, many of these policies are still evolving, and their true impact remains uncertain. Market reactions, meanwhile, have been swift and exaggerated. The sharp selloff in April, followed by a strong rebound in May, serves as a reminder of how quickly investor sentiment can shift. As investors, this doesn't mean we should become complacent about how rapidly change can occur—but it does underscore how volatility can distort our sense of urgency.

Looking ahead, we should expect continued shifts in policies, as well as new—and likely unexpected—developments from south of the border. In an era where headlines can move markets in minutes, disciplined decision-making can play an essential role in investing. Equally important, patience, perspective and participation remain cornerstones of longer-term success—without losing sight that we continue to live through one of the most prosperous periods in human history.

1 https://www.economist.com/culture/2025/05/01/how-golden-ages-really-start-and-end
2 https://www.oaktreecapital.com/insights/memo/nobody-knows-yet-again

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Less can be more: Simple ways to simplify your finances

Former *Wall Street Journal* personal finance columnist Jonathan Clements has long advocated planning for a financial life that extends past age 90. But when, at 61, he was given a one-year prognosis, his priorities shifted to preparing his family for life without him. One of his biggest tasks? Simplifying his finances. *"I thought (they) were simple, yet since my diagnosis, I've spent endless hours trying to simplify them further."* His takeaway: *"Death is hard work."*[1]

When life becomes difficult, financial simplicity can offer relief. Here are some ways that, when it comes to money, less can mean more:

Consolidate financial accounts – Where possible, consolidating bank, investment and other financial accounts can improve asset allocation and tax efficiency, reduce paperwork and prevent forgotten "orphan" accounts over time. It also eases administration for loved ones should something happen to you.

Reduce your digital footprint – The average person holds around 100 digital accounts.[2] (They quickly add up when factoring in email, social media, financial, entertainment, retail and other services!) More accounts mean greater exposure to data breaches. Protect yourself by limiting the information scammers can access. Close unused or inactive accounts to limit the risk of identity theft or fraud.

Automate transfers – Set it and forget it: setting up automatic transfers to investment accounts can help you stay on track toward achieving long-term goals with minimal effort.

Cut subscription fat – Cancel unused streaming services, apps or memberships to free up cash flow.

Streamline credit cards – Fewer cards can reduce missed payments and fees, encourage more intentional spending and simplify overall management. Assigning specific cards to different purposes—such as online purchases or recurring bills—can also help with tracking or fraud resolution if a card needs to be cancelled.

Minimize debt accounts – Consolidating loans or prioritizing high-interest debt may be financially prudent to lower interest costs.

Teach younger folks to avoid lifestyle creep – Focusing on needs over wants can reduce overconsumption and financial stress. Fewer possessions also mean less maintenance and more financial freedom.

1 https://www.wsj.com/personal-finance/jonathan-clements-personal-finance-cancer-e30d1396
2 https://www.cnn.com/2024/02/26/tech/digital-legacy-planning-personal-technology/index.html

Navigating choppy waters: The value of discipline

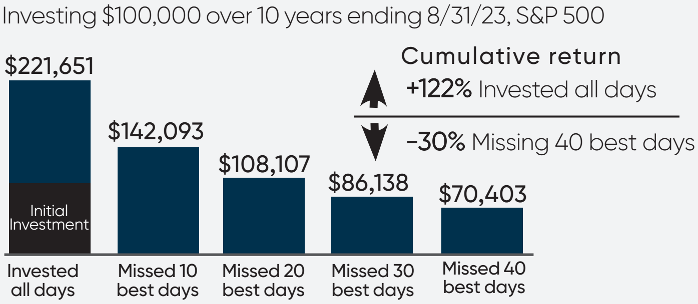
After April's sharp decline and May's quick rebound, it's worth repeating: reacting emotionally to short-term headlines can hamper long-term success. In challenging markets, discipline is key. Core to our role as advisors is remaining objective and unemotional, building portfolios on research and fundamentals with the understanding that market or economic setbacks are a normal part of investing.

The dilemma, of course, is that human nature often compels us to want to take immediate action when faced with adversity. This instinctive response—rooted in our evolutionary drive for survival—can lead to decisions that hinder longer-term investing success.

While exiting the markets during tough times may feel right, the opportunity cost—when markets reverse their course, often unexpectedly—can significantly impact future wealth. Avoiding the worst days is ideal but nearly impossible to predict. Many of the strongest market days also tend to follow the weakest. Missing just a handful of the best days can reduce long-term returns. Ironically, sometimes the best "action" is to do nothing.

The investment impact of missing the best market days[1]

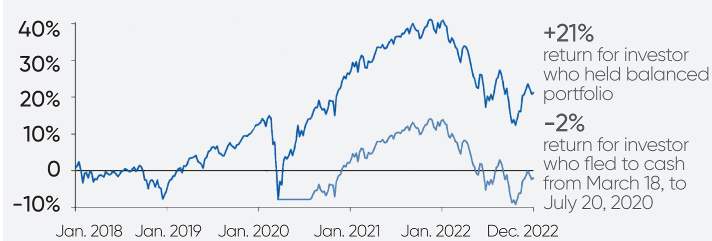
Investing $100,000 over 10 years ending 8/31/23, S&P 500



Source: Morningstar. Returns based on S&P 500 Index, for the 10-year period ending 08/31/23.

This dynamic isn't limited to the longer term. During the 2020 pandemic, when the U.S. stock market fell 34 percent in just 22 days, an investor who moved entirely to cash at the bottom in March and remained on the sidelines until July would have seen a 2 percent decline (from 2018 to 2022). In contrast, a disciplined investor holding the same balanced portfolio throughout that period would have seen a 21 percent gain.

Impact of shifting to cash: 2020 Pandemic market drawdown[2]



Balanced 60/40 portfolio: Stocks are represented by the MSCI All Country World Index; bonds are represented by the Bloomberg Global Aggregate Bond Index (USD Hedged).

A well-constructed wealth plan serves as a critical roadmap, but professional guidance can help navigate uncertainty and stay on course. One study suggests behavioural coaching alone may provide an average annualized return of 3.4 percent.[1] Don't underestimate the role of discipline and support in making informed decisions, managing risk and maintaining focus on longer-term wealth goals.

1 https://russellinvestments.com/-/media/files/au/support/voa/voa_report_2023.pdf
2 https://investor.vanguard.com/investor-resources-education/article/four-timeless-principles-for-investing-success

Understanding tariffs: A primer on the "why" and "what"

When the U.S. administration unleashed tariffs on the rest of the world on Liberation Day, it rattled the financial markets. Since then, many tariffs have been dialed back or put on hold, leading to the equity market rebound. However, the tariff situation is far from over and remains a focus as global trade negotiations continue to evolve.

Here is an overview of how U.S. trade policy is shifting global dynamics:

First, why tariffs?

While the U.S. administration hasn't formally outlined its full rationale, President Trump has long endorsed tariffs as a way to strengthen the U.S. position. The goals behind broad-based tariffs may include: reducing the trade deficit (increasing exports and decreasing imports), supporting U.S. manufacturing and onshoring, securing supply chains, countering unfair trade practices, raising U.S. Treasury revenue and pressuring countries into negotiations.

What are the potential impacts of these tariffs?

The tariffs have introduced broader economic uncertainty, given their potentially wide-ranging effects, including:

1. Inflationary pressures — Tariffs act as a tax on imports. U.S. importers are responsible for paying the tariff—collected by the government—a cost that is expected to be passed on to the end consumer, leading to higher prices.

2. Trade & supply chain disruptions — Tariffs disrupt global supply chains and production cycles. Until now, the uncertainty has made it difficult for businesses to plan, invest or maintain stable supplier relationships. Tariffs can slow trade volumes, as we witnessed between the U.S. and China in April. Outbound Chinese shipments to the U.S. fell by 21 percent (year on year) due to the temporary 135 percent tariff put on many Chinese goods.[1]

3. Corporate earnings pressure — Firms affected by the tariffs face rising input costs and supply chain complications, which can shrink profit margins and undermine business confidence. Sectors reliant on global trade may respond by cutting costs, potentially leading to increased layoffs and higher unemployment.

4. Recessionary headwinds — Together, the increased costs, supply chain disruptions and corporate earnings pressures create headwinds that can slow economic growth. Consumer spending accounts for roughly 68 percent of U.S. GDP, so rising unemployment, higher prices and increased uncertainty can reduce purchasing power. This, in turn, can slow business activity, further fuelling the headwinds.

For many decades, the world has operated its trade on the basis of a nation's "comparative advantage"—the idea that countries should specialize in producing goods they can create more efficiently or at a lower cost than others. This system has allowed for greater global efficiency and lower prices for consumers.

Critics also argue that many of the perceived U.S. tariff objectives may be aspirational. Onshoring manufacturing would require significant infrastructure investment, which is capital-intensive and would take years to build. For many products, U.S. manufacturers simply can't compete with the low input wages of developing countries. One estimate suggests that producing an iPhone in the U.S. would cost about US$3,500.[2] While globalization has helped lift the living standards of many nations abroad, we shouldn't overlook that developed countries like Canada and the U.S. have also benefited tremendously from lower consumer prices.

What should investors do?

In the coming months, developments surrounding the tariff and trade situation are likely to continue unfolding, and investors should be prepared for related market volatility. Yet, periods of disruption are a recurring feature of modern capital markets. While the current environment may feel uncertain, history has shown that free-market economies are remarkably resilient and capable of adapting over time. This time is likely no different.

1 https://www.cnbc.com/2025/05/09/chinas-exports-jump-us-tariffs-imports-tumble.html
2 https://www.cnbc.com/2025/04/11/heres-how-much-a-made-in-the-usa-iphone-would-cost.html

This summer: Why not take a vacation from the headlines?

This summer, why not take a break from the headlines—or a vacation from your smartphone? Remember, we are here to manage your wealth so you can focus on what truly matters, like spending meaningful time with family and friends. One of our roles is to simplify your financial life so you can focus confidently on other things that matter. We also remain available to support family or friends who may need a fresh perspective, especially after this spring's events left many feeling unsettled.

Here are six perspectives on how our hyperconnected world may be impacting our investing focus—and why unplugging may be more beneficial than you'd expect:

Shorter holding periods can hurt returns — Today, the average holding period for a stock has dropped to around five months, down from nearly eight years in the 1950s.[1] With platforms offering real-time data and near-instant execution, it's easy to conflate access with insight, which may encourage more frequent trading. Yet, studies continue to show that this comes with costs: the average underperformance by the most active traders annually (versus the U.S. stock market) is around 6.5 percent.[2]

Technology drives impulsive purchase decisions — Quite alarmingly, a recent study by NYU Stern researchers found that the median individual investor spends just six minutes researching a stock before buying it online.[3] Technology continues to accelerate the speed at which we access, process and react to information—likely encouraging impulsive investor behaviour. Beyond investing, consider this: for every 100-millisecond improvement in load time, Amazon reportedly sees a one percent boost in revenue.[4] Speed influences behaviour.

Constant checking can make us feel worse — By one account, the average person checks their phone 352 times a day—about once every 2 minutes and 43 seconds.[5] Checking portfolios more frequently increases the chance of seeing a loss: daily monitoring of the S&P/TSX Composite Index shows negative performance 48 percent of the time versus just 28 percent when checked annually. Losses tend to feel twice as painful as equivalent gains feel rewarding.

Doomscrolling amplifies anxiety — Many of our phone checks lead to news headlines, social media—and "doomscrolling," a term officially added to the Merriam-Webster dictionary in 2021. Many studies on mental health suggest that reducing screen time, especially doomscrolling, can lead to significant reductions in anxiety and depression symptoms, some within just weeks.[6]

Negative bias distorts investment perspective — Our brains are hardwired to focus on threats—a survival instinct that makes negative news more attention-grabbing. Media outlets know this and tailor their headlines accordingly. During periods of heightened fear, studies have also found that social media increases herd behaviour among investors. The result? Emotional decision-making that may not serve long-term goals.[7]

It may also waste valuable time — According to some statistics, the average adult spends about 4 hours and 39 minutes a day on their phone—roughly 70 full days per year.[8] Over a 60-year adult life, that adds up to nearly 12 years of screen time! Smartphones can support productivity, but if you've ever lost an hour to TikTok or Instagram, it's worth asking: how much of life is being traded for scrolling?

Take a break from the headlines

Despite what the headlines suggest, we're living in one of the most prosperous times in history—life expectancy and wealth are at highs; poverty, child mortality and violence are at multi-decade lows. Innovation continues to shape a world with more opportunities than ever. While challenges remain, it's worth remembering that progress often unfolds quietly—far from the spotlight of daily news cycles.

In a world that is constantly connected, why not consider unplugging? We are here to support your longer-term wealth plan, built to do the heavy lifting—freeing you to focus your time and attention on what matters most. Wishing you a wonderful summer!

1 https://www.visualcapitalist.com/the-decline-of-long-term-investing/
2 https://www.cfainstitute.org/-/media/documents/support/future-finance/avoiding-common-investor-mistakes.pdf
3 https://www.wsj.com/finance/investing/buying-stocks-research-study-2a839a4a
4 https://www.forbes.com/sites/steveolenski/2016/11/10/why-brands-are-fighting-over-milliseconds/
5 https://www.asurion.com/connect/news/tech-usage/
6 https://bmcmedicine.biomedcentral.com/articles/10.1186/s12916-025-03944-z; https://www.researchprotocols.org/2024/1/e53756/
7 https://www.sciencedirect.com/science/article/abs/pii/S1059056023001326
8 https://www.statista.com/statistics/1045353/mobile-device-daily-usage-time-in-the-us/

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