CEV WEALTH

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.

After The Best 6 Months Since The 50's

I haven't seen people more concerned about the future than this past April, when Trump was announcing tariffs on countries all over the world (the percentages threatened seemed pulled out of a hat). The reaction was that the S&P 500 (an index of 500 publicly traded companies in the US representing a broad cross section of the US economy) declined by 21%. This slide happened over about 2 months (the market high in February 19th to the low on April 21st).

In conversation about their concerns, I agreed that government policies such as tariffs are counterproductive. However, just as there are a vast number of companies around the globe, the level of harm to any 1 company could be small to non-existent while others would indeed have to pivot greatly. In any event, a person looking at investing has to weigh many things that could negatively impact a business.

That is the world of investing. It is 1 more reason why it is so important to have a highly skilled, full complement of people making the decisions on what we ultimately invest in (most often an ownership stake in companies) – a team of people who work together, questioning and challenging each other's assumptions. Their collective goal is to find excellent businesses that are shunned or misunderstood because of things that have happened, discerning what could probably play out over the next 3—5 years. We call this a "proprietary insight". This insight is balanced with a pessimistic lens at all times, giving allowance for things to go wrong. When a curve ball like tariffs gets thrown, the potential negative impacts are less likely to have an effect on the value of the investment because a less-than-rosy view was always built in to this "proprietary insight".

S&P 500: 30%+ Six-Month Gains*

		Forward % Change				
Date	6-Mth % Chg	Next Week	Next Month	Next 3 Mths	Next 6 Mths	Next Year
4/25/1963	30.4	0.6	0.2	-1.6	4.6	14.3
2/11/1971	31.0	-1.2	3.4	2.8	-2.0	7.0
3/14/1975	30.0	-1.6	2.2	6.9	-1.7	20.2
9/22/1980	31.3	-5.3	1.2	4.2	3.3	-10.1
12/7/1982	30.9	-3.7	1.7	6.4	14.0	15.9
3/18/1986	30.0	-0.4	2.8	3.5	-1.7	22.2
4/17/1991	30.6	-2.0	-4.6	-1.6	0.1	4.0
10/9/1997	31.6	-1.6	-5.1	-1.9	14.3	-1.2
3/8/1999	30.6	1.9	4.8	2.8	5.8	9.9
8/20/2009	30.8	2.3	6.4	8.3	10.0	6.8
9/10/2020	34.6	0.5	5.8	9.7	18.1	34.6
10/6/2025	32.5	?	?	?	?	?
	Avg.	-0.95	1.70	3.60	5.90	11.24
	% Positive	36.4%	81.8%	72.7%	72.7%	81.8%
	Avg. All Periods	*0.18*	*0.78*	*2.32*	*4.53*	*9.19*

*First 30%+ six-month gain in at least a year.

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No Revenues Are More Attractive?

Having an ownership stake in a business (or several, for diversification) has proven to be the best wealth creator in the world. Ultimately, the reason to own a business (either privately or through the stock market) is to generate consistent and growing sales, of a product or service. The end goal is to produce a growing profit. Those profits provide cash which can be spent or reinvested. If one pays a reasonable price for such a company, you will enjoy a very pleasing return on investment.

That is the basis of investing in businesses. In the short run however, share prices in the public equity markets can become widely detached from the fundamentals of the business. Prices become driven by investor sentiment and psychology rather than by a rational business owner's mind. That is why it is said that, in the short term markets are driven by votes (opinion), yet in the long term the market performance is driven by weight (what is true and real).

That is the rational mind of a "business person buying businesses". The AI boom we have been in for about 5 years (and counting) has shown the power of the market's voting. Yes, AI is changing the world. Yet, excitement related to a story about innovation can cause related investments to get ahead of themselves. In other words, prices go up because nobody wants to miss this big thing (and look stupid).

Recently though, it seems like a lot of people are going out on a limb even further. As you can see from chart in the upper right (as represented by indexed groups such as NASDAQ), companies with no revenues or those which are simply unprofitable (have revenues but are still operating at a loss) have seen their share prices go up more than profitable companies. For a rational investor (a business person buying businesses), this makes no sense. Many companies continue to be highly profitable yet, because they aren't wrapped in an AI story, nobody is bidding up the price of their shares.

Over the past several years, companies which are rather boring have seen their share prices grow, but not in relation to their growing earnings. Many have been almost completely ignored yet we have benefited greatly with much less risk (Eg a major North American railroad, a global packaging manufacturer, and a HR Platform company, all of which were bought from us for much more than we paid for them).

> *Earnings from high quality smaller businesses internationally are growing in the double digits yet their valuations are at levels like they were in 2018 (share price isn't reflecting their earnings growth over the past 7 years).*
>
> *Wasatch Global Investors*

The "I Need To Get Conservative When I Retire", Mistake

I often get the question (sometimes it is a statement) asking if one's portfolio should be reallocated to become more conservative upon retirement. I understand the intuition. Since the 90's, I've read articles suggesting the same thing: Take 100, subtract your age and that is how much you should have in equities. Eg. 100 minus 30 years of age = 70% equities; or 100 minus 65 years of age = 35% equities. As time has gone on this rule has been amended whereby you would start with 110 or 120 and subtract your age from that so as to account for a longer life expectancy.

I've always said this is way too simplistic and in the long term, can be dangerous. Why? Without equities (which produce growing profits) you will lose to inflation since the historic and thus expected future return, declines. Getting a 3 or 4% return rather than a 6% long term return can make a huge difference in the lifetime monthly amount that can be paid out to you from your portfolio. Also, if you won't use all of your money in your lifetime, then aren't you actually investing it for the next generation? In other words, the money you grow can continue to grow into the next generation. This makes the investment time horizon of your portfolio that much longer. As well, being in highly taxed, interest producing assets (GIC's and bonds) will have you giving more to the government and less to your beneficiaries. Compounding capital gains is much more attractive from a growth as well as a tax perspective.

Note: I was curious what an AI generated response would be to the question, "Should your portfolio become more conservative with age?" I asked Co-Pilot (the AI imbedded in my always used Edge browser) and thankfully it gave an "age minus" solution as 1 of the criteria that could be looked at. I'm glad to see it ended its many suggestions "to seek financial advice and review regularly".

3 Ways To Help Your Kids (Grandkids) Financially

Educational Costs—paying for post secondary education continues to increase above the rate of inflation. This means that paying for school is more expensive today (vis-a-vis the increase in wages) than it was 10, 20 and 30 years ago. The best way to help your kids cover this cost and getting rid of a barrier that may prevent them from furthering their education, is to set up a Registered Education Savings Plan. Every dollar you put in (up to $2,500/year) the Canadian government will add another 20%. So, the government will pay 20% of the cost.

Home Purchase—probably the biggest financial concern for those in their 20's and 30's is, how will I be able to ever buy a home? The Canadian government instituted the First Home Savings Account to help. Every $1 contributed to a FHSA (up to $40K) will add another, up to 54% by the government through tax refunds. You've magically increased your $40,000 to $61,000. You can see the full details of the FHSA and how it can be used with other home buying programs, here.

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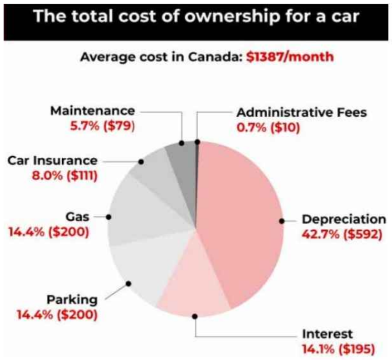
Emergency Money—there may not be a specific thing you want to help with. Maybe your adult child faces some challenges and you want to provide a financial back stop? A Tax Free Savings Account (TFSA) may be the perfect tool for that. TFSA room starts at age 18 (now $7,000/yr). The interest, dividends or capital gains accumulated in the TFSA would be tax free. Most young people don't have the money to fund a TFSA and you being a parent with perhaps a TFSA that is maxed out yourself, could funnel some financial help to your kids. This is much better than you holding the $'s that would have probably gone to your adult child, anyway.

Can You Get By With 1 Less Car?

When I was growing up, there was 1 car in the family. My mom had it during the day and my dad took transit from our home in Richmond to his office in downtown Vancouver. Before Cheryl and I got married, her car died and we tried living with 1 car between the 2 of us. We made that work for many years and did so with the help of transit. Not hard to do while my office was downtown Vancouver, commuting from Richmond initially where we had our 1st home and then South Surrey.



We put up with the inconvenience because we knew the drain it would have on our cash flow. You'll see today's costs in the pie graph which shows ~$1,400/month. Of course, not everyone has to pay for parking or gas. However, even if you take that out, the average cost of a car is still ~$1,000/month. You can try to argue that your car doesn't cost nearly that amount but that is like suggesting you are a better driver than the average person (which almost everyone will - making nobody average? Hhhmmm…).

So what would another $1,000/month do for you? If you could use that extra $1,000 (or even $500) per month, I'd suggest seriously looking at how you can do with one less car in the family. The long term benefit to your finances can be extraordinary.

Personal Note: Today, I must confess, our house has 3 vehicles. Our every day driver, a camperized Sprinter van and my motorcycle. After many years of putting up with some inconvenience (along with other disciplined decisions), our cash flow can now quite easily handle the expense. We do however only have 1 daily driver. Our camperized van has reduced the need to fly places and rent accommodation, reducing the net expense of the van dramatically. As well, I paid ~$3,000 for my motorcycle and I insure it for 6 months for less than $400. Not that I'm justifying those extra vehicles, but they become discretionary, leisure costs.

Buy Now Pay Later (BNPL) Vs SNBL

Why pay for travel all up front when you can just pay it monthly? You may have seen offers like this coming mainly from Klarna, Affirm and Afterpay who are the biggest BNPL companies. They offer BNPL to offer to help you make the smallest of purchases. The most attractive to the consumer are definitely for those bigger purchases, those that seem so elusive to get your hands on without a monthly payment offer. Why not do these? They offer them interest free. What's not to like, right?

There are a whole bunch of holes with this. The biggest of which is that you are robbing a percentage of today's income and committing to make that payment, hoping that your income will stay the same. However, even if your income is 100% guaranteed for the next year or more, if you can't seem to save up for something, the likelihood is that you won't be diligently keeping track of your future obligations. The odds are high that you will find yourself in the not too distant future in a deepening debt hole with no way to get out.

We all know Save Now Buy Later (SNBL) is the prudent thing to do. It does mean delaying our gratification. Those who can't or more accurately, won't do this (we all have a choice) are the ones that find themselves falling way behind financially. The unwillingness to wait to enjoy a trip, splurge, etc. are who these BNPL companies are trying to take advantage of.

So what does SNBL look like? Determine what that trip will cost you. I'd suggest expect to pay more (rather than expecting a great deal to come up when you need it). Count the number of months you have before you'll have to pay for it. Divide that cost up those number of months and set aside that amount from your current earnings. For our clients we often have this go into a TFSA and invest it in either High Interest Savings or Short Term Bonds, depending on the time in the future that expense will be paid. If you don't think you can do this, you can less afford to BNPL.

The CPP + OAS "Take It Now Or Take It Later?" Checklist

If you are contemplating taking CPP and / or OAS within the next year, I'd suggest going through the questions on the right. If you answer "Yes" to any of these, you should get a more thorough assessment of your whole financial situation to determine what is the best thing to do for you.

The following statements apply to both CPP & OAS benefits:		
1. I do not have an indexed pension plan.	Yes	No
2. I am a conservative investor and I avoid taking risks with my investments.	Yes	No
3. I have accumulated significant retirement savings (RRSP, RRIF, LIRA).	Yes	No
4. I plan to continue working past age 65.	Yes	No
5. I do not require government benefits to support my lifestyle in retirement.	Yes	No
6. I am 10 years older/younger than my spouse.	Yes	No
7. I am in good health and expect to live well into my 80's.	Yes	No
The following statements apply only to OAS benefits:		
1. I have a business that I plan to sell or that owns an investment portfolio.	Yes	No
2. I will have taxable income >$86,912 in one or more years from age 65 to 70.	Yes	No
3. I own real estate other than my home that I plan to dispose of before age 71.	Yes	No
4. I file my income taxes as a single taxpayer.	Yes	No

CPP Key Facts: How much you will get from Your monthly CPP benefit is based on how much you contributed to this pension plan and how long you have been making contributions. You can start your monthly CPP as early as 60; however, for every month you delay taking it you get 0.6% more plus inflationary adjustments. In other words, at age 60 you'll get 36% less than if you start at age 65 and 42% more if you wait as long as age 70. I'm waiting until 70 but of course, my situation is probably different than yours.

OAS Key Facts: OAS isn't a pension that you contributed to. It comes out of the Canadian governments general revenues and is paid to those age 65 or older at the time your OAS is approved (there are a few more requirements than that). Like CPP, you can delay taking OAS but waiting on this will increase your payments to a maximum of 36% (plus inflation adjustments) if you wait until age 70.

Tech Gems— Copilot (and other AI browser extensions)

Being a Google and Microsoft dominant user (nothing Apple here) I use Edge as my internet browser. Inside of Edge is the AI tool, Copilot. Google has Gemini; Apple has Apple Intelligence. There are also independent AI browser extensions like Perplexity. You may be aware of these but never used them. I would suggest to try any of them and you'll see the magic. Have a simple or complex math problem? Ask the question in your own words. Have a specific question related to finance? Type your question out. Drafting an email to someone and you want it to be very clear or have the right tone? Try it. Almost anything you want to know you can discover with any of these AI extensions. They will scour the internet to find your answer or give you what you need. Careful though. Despite the speed and thoroughness of the answers you will get, they won't always be right. In fact, several times I've put a thumbs down on the rating to the answer. It's an excellent answering question tool. Double check though to make sure it is correct rather than go with AI's answer.

HHHmmm...

- We experienced 1 of the best 6 month stretches for equities since the 1950s. The most recent time was the 6 months following Trump's April tariff scare. #Fear=Opportunity
- "When the tech bubble in the stock market inflated during 1999, we don't recall as much chatter about a bubble as we are hearing today. From a contrarian perspective, it is comforting that there is "a bubble in bubble fears". #ReadAllSigns
- The best investors listen to everyone, but for a different reason than you might expect. They listen in order to determine what the current consensus is. Once they do, they often start leaning the other way. #TheMadnessOfCrowds
- Sir John Templeton famously said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." #GoOppositeOfFeelings
- in the 4th quarter of 2024, US Big Tech represented 166% (yes, well more than all) of the S&P 500's gains (or 3.4 percentage points out of the index's 2.1 percent price return). In other words, without Big Tech, the index would have fallen. #ConcentrationRisk
- If you would have bought a boring investment like 1 of the largest railroads in North American 43 years ago and held it until now you would have enjoyed a price appreciation of ~13%/year not including dividends. #TurtleVsHare
- The capital spending (hard, long term assets like buildings, manufacturing equipment etc.) by Nvidia, Microsoft, Apple, Alphabet (Google), Amazon, Meta (Facebook) and Tesla is almost 40% of US real GDP growth (the entire US economy) last quarter. #HeavyLean
- 3 years ago (2022), data centres were 1.5% of US electricity consumption. Today they account for 4.5% of US electricity consumption. By 2030 it is expected it will be 10-12% which will be from AI factories. #PowerProblems?
- In September OpenAI (maker of ChatGPT) said they would spend $300 Billion to access a big chunk of Oracle's cloud infrastructure and computing power (Oracle stock had its biggest single day gain since 1992). A week later Nvidia committed $100 Billion to OpenAI and Open AI will pay $300 Billion to Oracle, which also happens to be one of Nvidia's biggest customers. #MoneyWhirlpool
- The datacentre project proposed by OpenAI and Nvidia will consume electricity at a rate of approximately 10 gigawatts. To put the figure into perspective, the recently completed Site C Dam project in BC is expected to have a total generating capacity of 1.1gw or ~1/10th what is needed for this 1 new data centre alone. #WeNeedWayMoreDams
- The average home price in Metro Vancouver was $303,535 in 1994 and $1,291,921 in 2024. This equates to 4.95% per year price appreciation. It's not that real estate has a fantastic rate of return but rather we are looking at large price tags to start with. Western Investor, Oct. 2025 #OwnershipIsKey
- Metro Vancouver's population increased 73.8% from 1994-2024 but the number of dwellings increased by roughly 50%. #Squeezed
- BC is the only province where the population declined from April to July 2025. Alberta and Quebec saw their populations increase far more (~850% more) than the other Canadian provinces who gained population. #PopulationRebalancing
- The Seattle area has the lowest mileage per person for car travel among the 100 largest metros in the USA because it has several City centers outside of Seattle including Bellevue, Redmond, Renton, etc. #VancouverSurrey
- Surrey BC Public Transit ridership is at 125% of pre-pandemic levels making it the highest uptake of public transit during that time in all of North America. #MoreToDoStill
- Calls into CRA with questions about specific issues regarding benefits or tax policy are given the correct information 17% of the time. CBC News
- Economic history is that the past wasn't as good as you remember, the present isn't as bad as you think, and the future will be better than you anticipate.