

# 2020 Annual Letter to Clients

*Michael Kirkpatrick*

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## **The year of COVID**

From January 1<sup>st</sup> to December 22, 2020 the Canadian stock market (S&P/TSX Composite Index) was up 6.8%. The world stock market (MSCI World Index) was up 17.1% over the same time period.

This our fourth annual letter to our clients. We will share some of the highs and lows of the past year and as always your feedback is welcome.

## **What would we have done differently?**

If we could go back to January 1, 2020, we would have allocated more money to gold. Gold was up 24.4% in 2020 which means it outperformed the S&P 500 (the US stock market) which was up 17.3% and Emerging Markets which were up 14.2%.

## **Market Highlights and Lowlights/ Le Malaise du Jour**

The year started off well as January was a great month for the stock market. Then the COVID-19 crisis began and the stock market began to sell off. It was not until March 23<sup>rd</sup> that the market found its bottom and began to climb its way out of negative territory. The presidential election came and went and the stock market continued to climb. On the fixed income side, central banks lowered interest rates and as a result long term bonds measured by the Canadian Universe Bond Index ETF (ticker XBB) were up 7.54%.

## **Wealth Management Highlights and Updates**

We hosted a few webinars in 2020 which you can [view by clicking here](#). Our plan for 2021 is to host more webinars to discuss topics ranging from charitable giving, risk planning, business owner planning, and estate planning. The next webinar is on January 28<sup>th</sup> at noon: [Risk Management for Business Owners and Executives in a Higher Risk World](#).

David Chilton, the author of the best-selling book the Wealthy Barber is RBC's spokesperson when it comes to trust and estate planning. RBC had an internal contest to share one of his [humorous and insightful estate planning videos](#). After watching that video, am I the only one who thinks of that McDonald's commercial from the 80s where the customer orders every single item on the menu?

At any rate I am very proud of my team because we won the contest and as a result we were able to have a phone call with David Chilton himself!

I started the call by sharing that I read *The Wealthy Barber* back in the 90s and it had such an impact on me that not only did I end up working in wealth management, but I also married a barber (my wife's family runs the [Imperial Barber Shop](#)). I know most of you have already heard that joke so I need to retire it but I can't help myself. David was happy to hear the book impacted my life and did want to stop by the Imperial Barber Shop for a haircut the next time he is in Ottawa so I hope that he enjoys the experience. Here are my notes from the call:

David's advice to my in-laws who run The Imperial Barber Shop and are going through a tough time during the pandemic:

People's habits have changed. Gyms, hotels, barbers: very tough time. Government has taken good action. Need to now focus on the right sectors that really need help. In Waterloo, the tech sector is booming and there will be spinoffs and other positive impacts from that. But when the tech employees come in to The Daily Grill, David's favorite restaurant in Waterloo, they talk about how they are doing better during COVID, yet the owner of the restaurant is struggling big time. He is trying to survive and they are thriving during COVID. Perfect was not possible so it was good that the government did something.

Advice to Anna and Adnan who are young and want to work in the wealth management world:

Firstly David joked that Anna's school, Queen's University is a good school but Laurier is much better and that she should consider doing her master's there. A formal education at school is helpful but an informal education, what you gather by reading books and listening to podcasts and can be more impactful. David also shared that the corny advice from Tony Robbins and Jim Rohn, such as daily affirmations are great and they work!

Advice to Heather or anyone who wants to be the best associate/executive assistant:

David's assistant of many decades, Maureen (Mo) takes tremendous pride in what she does. She wants to help out. Has great attention to detail. She fills in the gaps that her executive is missing and she is a strong communicator.

On Communication:

If the topic is dull or dry such as estate planning or investment planning, you need to drive home the importance by jolting folks into action. For example, in the wealthy barber he used a barber because folks could relate or at least think: well if a barber can explain how to plan for retirement then I can understand that. The message is less intimidating coming from the barber. This is how he was able to change people's behavior and encourage Canadians to plan and save for retirement. David mentioned that you have to be empathetic and truly want to help people.

On living within your means:

COVID has helped! It has made people focus on what is important to them: their health and their family. We are now living more simple lives. We have all re-evaluated our lives and what is important.

### On spending and happiness:

People usually buy with no regard to their savings and it does not increase their happiness. One area of spending that actually increases happiness has been kitchen renovations as it usually opens up the kitchen and they have more guests and family over and they derive much joy from it.

## **WM Online**

In 2020 we launched the new online platform which we call Wealth Management Online (WM Online). It took some getting used to but overall the feedback has been positive. Please keep sending me your feedback and I will forward it to the WM Online team. More and more features will be added to WM Online so the experience will get better and better over time. If you have not yet been enrolled for WM online please let us know and we will get you set up.

As a reminder, the secure inbox is a great way for us to send you documents that contain sensitive information and vice versa. I wanted to highlight the secure inbox tool again as a way to encourage you to adopt using this platform when sending us information that should be kept secure.

Your 2020 tax documents can be accessed online so if you would prefer to receive your tax documents electronically instead of by mail please let us know or you can make the switch via WM Online (click on "Settings", then the "Document Delivery" tab and then click on the "delivery type" drop down menu to make the change followed by "save changes")

## **Team Changes**

As for our team we had some personnel changes this year. In the summer we welcomed our summer intern Anna Lepsoe who helped many clients get acquainted with the new WM Online and move from paper to electronic statements. As mentioned above Anna is in her 3<sup>rd</sup> year of business at Queen's and is looking for a 2021 summer internship in investment banking.

Heather who has worked with us for 3 years is now working with a new team so while it was sad to see her leave our team we are happy for her and wish her the very best in her new role.

We also welcomed Adnan to our team. Adnan is a triplet so he knows how to work well in a team environment and he has been a welcome addition to the team. Many of you have already met him and if not please feel free to reach out to say hi.

We decided that we can offer a better experience to our clients by having more help and as a result We are looking to hire a new Associate. [Click here and scroll to Associate for more information on the role and please share with anyone who might be interested in applying.](#)

## Education

Adnan completed the Canadian Securities Course and will be writing his Conduct and Practices Course in early 2021. Next time you speak to him ask him how it is going and what he has learned so far. He plans to work towards his CFP and CIM Certification over the coming years.

I am a member of the Family Enterprise Exchange (<https://family-enterprise-xchange.com/business-families-overview/>) and they have shared educational webinars for family businesses on communication, dealing with change, dementia, neuro-economics, and much more. Aside from that I have been reading many books such as Pinkalicious, Fancy Nancy, Barbie, Moana, and Frozen to my daughters Heidi, Martina, and Farrah which they enjoy. I also try to do flash cards with them after meals which they seem to tolerate so far. It is tough to predict when, but I look forward to resuming my accounting classes as I always find them to be interesting and helpful.

## Books

The book I have been sharing this year is The Wealthy Barber Returns written by none other than David Chilton. The chapters are short, funny and very insightful. He covers budgeting, planning, investing, estate planning and even has some overall life advice thrown in for good measure. I would say most of our clients live by the advice shared in the book but feel free to share it with anyone who might benefit from reading it.

I will continue to try and find books that I think are relevant to you and will share them when I find a good one. Your book recommendations are also welcome.

## Portfolio Highlights and Lowlights

On the fixed side of the portfolio, our worst performers from January 1<sup>st</sup> 2020 to November 30, 2020 were: ZHY (BMO High Yield US Corporate Bond ETF which was up 3.7% and CVD (iShares Convertible Bond ETF) which was up 2.8%.

I said this last year and I will say it again this year, if our worst performers are in positive territory then that is a good thing!

Our best performers on the fixed side were XRB (iShares Canadian Real Return Bond ETF) which was up 10.81% and TIP (iShares Treasury Inflation Protected Securities) which was up 7.33%.

Those are pretty amazing returns for fixed income assets. My big concern is how our fixed income holdings will hold up if and when interest rates rise. I think we have done our utmost to protect ourselves and our holdings in the above two positions will help to protect us as inflation increases.

On the equity side our worst performers were EDIV (SPDR S&P Emerging Markets ETF) which was down 11.33% and ZRE (BMO Equal Weight REITs) which was down 8.24%.

Our best performers on the equity side were BMG Bullion which was up 17.56% and VSP (Vanguard S&P 500 ETF) which was up 13.83%

Going forward I think our two biggest risks will be rising taxes and rising inflation. The only way we can protect our portfolios from those risks is by owning companies that consistently increase their earnings. The way that we do this is by owning stock market indices which gives us broad based exposure to great companies from many different sectors. This worked out well for us in 2020 and it

will see us through the next decade.

### **Modifications**

No major changes we made to our portfolios in 2020. I am happy with our stable of ETFs and our focus is making sure each of you have the right balance between equity and fixed income. In 2020, many of you added to your portfolios which worked out well. As always, dollar cost averaging, or regular contributions is the best way to deploy new money or cash as it removes the guess work, acknowledges that we cannot time the market in the short term but also that over the long term equity prices will rise.

### **Thank you**

Adnan and I want to thank you for your trust and we look forward to serving you in 2021.

Here's to the end of 2020 and to the start of a New Year!

Michael Kirkpatrick

In case you have not seen enough of the David Chilton videos, here are some more:

Have you talked to your family about estate planning?

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/2452246-Have-you-talked-to-your-family-about-estate-planning>

Why The Wealthy Barber won't act as executor for even his closest friends

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/2097131-Why-The-Wealthy-Barber-wont-act-as-executor-for-even-his-closest-friends>

The Wealthy Barber: Get an up-to-date Will!

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/2099320-The-Wealthy-Barber-Get-an-up-to-date-will>

The Wealthy Barber: What is a Trust?

<https://www.rbcwealthmanagement.com/ca/en/cmp/what-is-a-trust-the-wealthy-barber-explains#dcTwo>

Named an executor? The Wealthy Barber thinks it's important to know what you're getting into

<https://www.rbcwealthmanagement.com/ca/en/cmp/named-an-executor-the-wealthy-barber-says-renounce>

The Wealthy Barber's strategy for family heirlooms and personal belongings.

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/2705404-Estate-planning-to-avoid-a-family-feud>

Why your digital assets should be part of your estate plan

<https://www.rbcwealthmanagement.com/ca/en/cmp/the-wealthy-barber-why-your-digital-assets-should-be-part-of-your-estate-plan>

Have you made these two estate planning mistakes?

[https://www.rbcwealthmanagement.com/ca/en/cmp/the-wealthy-barber-have-you-made-these-two-estate-planning-mistakes?utm\\_id=wm1553330806239355](https://www.rbcwealthmanagement.com/ca/en/cmp/the-wealthy-barber-have-you-made-these-two-estate-planning-mistakes?utm_id=wm1553330806239355)

The Wealthy Barber has a power of attorney. Do you?

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog//2264981-Planning-to-protect-your-estate-and-your-loved-ones-now-and-for-the-future>

Winner of the Chilton Challenge: Michael Kirkpatrick and his team speak with the Wealthy Barber, David Chilton



**Kirkpatrick Wealth Management**

Michael Kirkpatrick – VP & Portfolio Manager

Heather McNenly – Associate

Adnan Shaikh – Associate

Anna Lepsoe – Summer Intern



Kirkpatrick Wealth Management of RBC Dominion Securities Inc.



August 12 · 🌐

Named an executor? The Wealthy Barber says, "Renounce!"

<https://bitly.com/33Umhbk>



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Named an executor? The Wealthy Barber says, "Renounce!"

Learn More

2,158

People Reached

304

Engagements

*"It was absolutely inspiring being in his (virtual) presence. The wisdom that he shared really allowed me to gain an appreciation for the industry I am in and I'm looking forward to putting his advice into action."  
Adnan Shaikh, Associate*

*"Interning for Michael Kirkpatrick and Heather McNenly this past summer was an extremely meaningful experience. Michael was a great mentor to me. I helped support his clients' needs and transition them to Wealth Management Online in accordance to the eSwitch campaign. I am very appreciative to have had the opportunity to work with such a dedicated and supportive team who care deeply about their clients and colleagues." Anna Lepsoe, Summer Intern*