

2022 Annual Letter to Clients

Michael Kirkpatrick

A tough year for the stock market

From January 1st to December 20, 2022 the Canadian stock market (S&P/TSX Composite Index) was down 8.73%. The world stock market (MSCI World Index) was down 16.96% over the same time period.

This our sixth 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, 2022, we would have allocated more money to either cash or precious metals. Cash was one of the few assets that did not go down in 2021 and BMG Bullion which owns gold, platinum, and silver was up 6% year to date and was one of our best performers.

Market Highlights and Lowlights/ Le Malaise du Jour

The stock market just seemed to keep going down in 2022. Rising interest and inflation are spooking investors and are causing the sell-off.

On the fixed income side, the Bank of Canada raised interest rates. Long term bonds measured by the Canadian Universe Bond Index ETF (ticker XBB) were down 13.12% while Canadian Preferred Shares (ticker ZPR) were down 22.02%. It has been a disastrous year for fixed income.

Wealth Management Highlights and Updates

The Smith Manoeuvre

In 2022, we hosted a webinar on the Smith Manoeuvre which you can [view by clicking here](#). The Smith Manoeuvre is a debt conversion strategy that helps Canadians convert their non-deductible mortgage debt into tax deductible debt. The end result is a growing annual tax refund, a reduction of the number of years to pay off the mortgage, and a growing portfolio at the same time. I have shared

the story with all of you and will continue to do so as I think all Canadian homeowners need to know about it.

Infinite Banking Concept (IBC)

I have been actively sharing the IBC story with you and will continue to do so. IBC shows us how to become wealth creators by being able to finance major capital expenses without giving up control of our capital. On March 9th at noon we will host a webinar on the Infinite Banking Concept. Our guest speaker will be David Stearns who is the son in law of the late Nelson Nash who came up with the concept. I am very much looking forward to this and if you would like to attend you can [RSVP for it by clicking here](#).

Estate Planning

With folks getting older it is important to making sure the Will and the Power of Attorney documents are completed and that the executors know where those documents are. Having them in place makes settling the estate a lot easier and smoother for the executor and the beneficiaries. If you have elderly parents make sure that they have done the above estate planning and also encourage them to consolidate their assets with one institution as this will make the executors life much easier when they have to step into that role.

Elder Care Planning

RBC has partnered with Audrey Miller who has extensive experience helping aging Canadians and their caregivers create a health and well-being plan for current, intermediate and long-term living situations. Here are some [reasons why we need to plan ahead](#) and a few of her videos and I will continue to share her helpful ideas and articles

[Caregiving, like dancing the tango, requires two people](#)

[Why preparing power of attorney documents can provide peace of mind](#)

[How to age well in our own homes safely, securely, and comfortably](#)

Auto funding TFSAs

We can now fund your TFSAs automatically using cash from your bank account or nonRSP account. This ensures that your TFSA is fully funded on January 1st of each year. Just reach out if you would like to have this set up. The 2023 TFSA dollar limit is \$6500.

Wealth Management (WM) Online

Our WM Online portal is where you can log in to view your accounts, update your address or contact details, and pull up account statements and tax documents. When you are logged in to your portal, you can communicate with us using your secure inbox. This is the most secure way for us to communicate and send documents back and forth. I encourage you to get comfortable using it and we are happy to help you get set up as well. Note that you can log in via the desktop website or via the RBC Mobile app on your phone or handheld device.

Your 2022 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”).

Education and Business Operations

Many of you have gotten to know our new associate, Allison Book. Allison is from Newfoundland and has already completed the Canadian Securities Course. She is enrolled in the Conduct and Practices Course and in 2023 will tackle the Wealth Management Essentials course.

I completed Infinite Banking Concept (IBC) Practitioner course in 2022. As mentioned above, I thought this was an interesting strategy so I wanted to make sure I learned as much as I could about it and the best way to do that was to do the course. Every year all of the practitioners get together for what they call the IBC Think-Tank in order to share best practices and new insights. I look forward to continuing to learn more about IBC

Aside from that I am the volunteer coach for my daughter’s West Ottawa Basketball Association team and I will have to do a course on how to coach basketball. Thus far I can say that all of the girls on the team listens and follows my instructions....except for my daughters.

Books

The book I have been sharing this year is Become Your Own Banker (BYOB) by the late Nelson Nash. When interest rates went sky high in the early 1980s Nelson found himself in a tough financial position. Through that experience he came up with the Infinite Banking Concept (IBC) and he wrote BYOB. By sharing the concept with you all individually, and by sharing the BYOB book, and by having Nelson’s son in law on a webinar I think that I will have done my job in raising awareness of this important concept.

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 were: ZPR (BMO Laddered Preferred Share Index ETF) which was down 22.02% and XEB (iShares JP Morgan USD Emerging Markets Bond Index ETF) which was down 22.38%. Note that in 2021 ZPR was one of our best performers so we can see how quickly one of our ETFs can turn from a “star” into a “dog”.

Our best performers on the fixed side were VSB (Vanguard Short-term Bond Index ETF) which was down 5.6% and Renaissance Floating Rate Income Fund which was up 0.31%.

My only observation from the above is that all fixed income assets got whacked in 2022 and that is unusual. Bond prices have to mature at par or at \$100 which means that these fixed income assets will have to start moving up at some point and I am sure we will start to see that move upwards in 2023.

On the equity side our worst performers were RIT (CI Canadian Real Estate ETF) which was down 24.56% and XSU (iShares US Small Cap index ETF) which was down 22.12%.

Our best performers on the equity side were BMG Bullion (gold, silver and platinum bullion) which was up 6% and WXM (CI Morningstar Canada Momentum Index ETF) which was down 2.47%. Note that in 2021 BMG was one of our worst performers and now it is one of our “stars”

Last year when I reflected on the 2021 returns I wrote how I did not think the high returns were sustainable over the long term. Well we can now see that was the case as our returns for 2022 were poor across the board. There was no place to hide in 2022. As I mentioned above, I think our fixed income is poised to improve in the short term. On the equity side, it is anybody’s guess when stocks will make their comeback but while we wait it is nice to know that the boring companies we own (Royal Bank, TC Energy, Bell etc) are not going anywhere and in fact they continue to increase their revenues and dividends which bode well for our future.

Modifications

No major changes we made to our portfolios in 2022. I am happy with our stable of ETFs and my focus is making sure each of you have the right balance between equity and fixed income. 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

Allison and I want to thank you for your trust and we look forward to serving you in 2023 and beyond.

Here’s to the end of 2022 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

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>

Three Will & Estate Planning Facts that will Surprise you

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/3116645-Three-Will-and-estate-planning-facts-that-will-surprise-you>

The Wealthy Barber's Advice to Bryan and Sarah Baeulmer

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/3116625-The-Wealthy-Barbers-advice-to-Bryan-and-Sarah-Baeulmer-on-being-named-an-executor-of-a-Will>

How Family Real Estate and Business can complicate finding the right executor

<https://ca.rbcwealthmanagement.com/michael.kirkpatrick/blog/3116606-How-family-real-estate-and-business-can-complicate-finding-the-right-executor>

[The Wealthy Barber on why it's important to talk to your family about estate planning](#)

[Do you have a power of attorney? The Wealthy barber and his daughter discuss why everyone needs one](#)

[Hear from the Wealthy Barber's dad on why he's named a corporate executor, instead of family](#)

[The Wealthy Barber's dad on being an executor of a Will](#)

[The Wealthy Barber explains two ways you can invest](#)

[The Wealthy Barber on how a corporate executor helps family harmony](#)

Elder Care Planning with Audrey Miller:

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