Educators FINANCIAL GROUP

Insights

SUMMER 2022

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DID YOU KNOW?

History shows the best course of action during volatile markets is…no action.

It's been a bumpy ride for investors recently, with markets reacting to covid-19 variants, the Ukraine-Russian war, inflation, and rising interest rates. Morningstar states that almost half of the trading days from November 2021 to February 2022 closed with market losses. Investors may feel this turbulence more strongly, because before then markets were relatively calm – the bear market in early 2020 recovered by August 2020; and most of 2021 saw below average volatility. But reacting emotionally to market change can have adverse consequences. (Read more on 'emotional investing' here: www.educatorsfinancialgroup.ca/learning-centre/investing-you-and-your-emotions-here-are-the-issues/)

"It's important to remember that market volatility is normal, and to be expected," **says Robert Johnston, Certified Financial Planner professional.** The Morningstar report also says that the losses are in line with historical averages. About 45% of trading days, and 42% of weekly trading periods, finish with negative returns[1]. Although some years are up and others down, history shows that the best returns come from buying high-quality stocks and keeping them for the long term. A review of several decades of asset class returns, shows that the S&P 500 returned an average of 11.82% per year between 1928 and 2021.[2]

(For more on the benefits of long-term investing, see here: www.educatorsfinancialgroup.ca/learning-centre/good-news-bad-news-doesnt-mean-you-should-bail-from-the-market/)

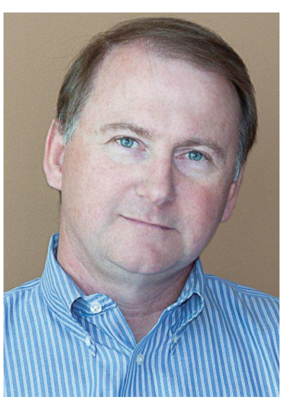
"Before changing your portfolio, revisit your original investment plans," **says Robert.** *"If you're experiencing life changes – nearing retirement or making a large purchase - you might reconsider your asset mix. But if your financial plan still fits your time horizon and ability to take on risk, avoid major changes."*

An Educators' financial advisor can answer your questions about market volatility and your portfolio. Call us today at 1.800.263.9541.

CHUCK'S CORNER

"Taking Stock" with Chuck: understand your financial 'new normal'

A lot of people have talked about 'the new normal' recently. And while they probably meant smaller social gatherings or wearing a mask, your finances probably have a 'new normal' too. Taking stock of your financial situation now is critical to ensuring you're on track to meet your financial goals.



First, scrutinize your expenses. They may have increased, with dining out and travelling available again. And inflation has probably upped the price of basics like groceries. Did you deplete your emergency fund … or are your savings healthier than before the pandemic? Review your debt – particularly mortgages – and the interest you're paying. If your budget needs revising, our online budget tool can help: www.educatorsfinancialgroup.ca/budget-calculator/

You may also want to assess your portfolio, for many reasons – market volatility, for one. Fixed income investors may be concerned about negative returns, and GIC rates are looking more attractive. There's also new investments such as cryptocurrency, which may seem exciting. However, you should revisit the objectives, investment horizon, and risk tolerance your portfolio was built on before making any changes. Your Educators financial advisor can answer your questions, including recommending the trading platform for you, whether that's working with an advisor or trying DIY or robo-investing (we have three platforms to choose from: www.educatorsfinancialgroup.ca/investing/).

Remember when reviewing your current state, we're here to help and answer your questions. And if a family member needs assistance, we can help them, too.

Cheers!

C. Hamilton

Chuck Hamilton, *President and CEO,*
Educators Financial Group

chamilton@educatorsfinancialgroup.ca

Do you have questions? We want to help. Call us at 1.800.263.9541 and let's talk about it!

PLANNING

Don’t give your money the summer off!

Summer is here! Many of you may be planning some well-deserved vacation time. Enjoy! But remember…you should never take too long a vacation from managing your finances.

The summer is ideal for doing a semi-annual financial ‘reset’ and seeing if you’re on track to meet your goals (whether that goal is a family holiday, buying a home or travelling in retirement). Have you been able to save regularly this year, building your emergency fund, and investing in your TFSA and RRSP? If you have, take a look to see if you could increase the amount you’re saving. And if you haven’t, review your budget now. See what changes you need to make so you can turn your finances around and end the year on a positive note. (Our online budget tool can help: www.educatorsfinancialgroup.ca/budget-calculator/.

Financial experts agree: one way to continue to invest regularly is to make it a habit. A Preauthorized Contribution plan (PAC) is a simple way to invest regularly and automatically. *“If you stop investing during the summer, you’re out the amount you would have invested, as well as interest you might have gained,”* **says Educator's Certified Financial Planner professional Corrinne Mallender.** *“Who knows when you’ll be able to catch up? With a PAC, you approve a specific amount – as little as $25 – to be transferred from your chequing account and invested on a regular basis that works for you. When investing is automatic, it’s easy to continue.” You can find out more about the benefits of a PAC with Educators, here:* www.educatorsfinancialgroup.ca/learning-centre/pre-authorized-contribution-plans/.

Educators has many strategies to help you stay on track to save and meet your goals (a PAC is just one of them!) Call us today at 1.800.263.9541.

Setting up a budget is easy with Educators’ Online tool: www.educatorsfinancialgroup.ca/budget-calculator/

INVESTING

Understanding today’s market volatility.

What is causing the markets’ volatility? How long will it last? Key to understanding the markets today is knowing the underlying reasons behind its ups and downs. Here are some of the key causes of today’s market volatility:

Inflation. Inflation in Canada increased to 6.9% in March, the highest in three decades[3]. International affairs are likely to contribute to inflation for awhile – the war in Ukraine is keeping oil prices high, and more COVID-19 lockdowns in China could add even more pressure on prices. For more information about inflation and how it impacts your finances, check out this article in our Learning Centre: www.educatorsfinancialgroup.ca/learning-centre/how-to-better-manage-your-finances-during-times-of-runaway-inflation/.

Rising interest rates. Increasing interest rates is a strategy used to fight inflation. Experts predict that both the U.S. and Canada will increase their borrowing rate further by summer. Markets are processing how increased borrowing costs will impact companies with billion-dollar balance sheets.

The Ukraine war. Markets could be affected by supplies of staples like potash, neon gas, nickel, maize and wheat from Russia and Ukraine, two of the world’s biggest producers. *“The pressure that the conflict brings to bear makes the uphill battle against inflation even more steep,”* **says Edward Gougeon, Senior Financial Advisor.**

China lockdown. China’s zero tolerance policy towards COVID-19, and subsequent lockdowns in Shanghai and (potentially) Beijing, could mean further restrictions in China’s production abilities, and increase inflationary pressure caused by weakened supply chains.

If you have questions about the markets and how to protect yourself against market volatility, talk to a financial advisor at Educators Financial Group today.

BORROWING

Take the sting out of rising interest rates.

“Rising interest rates are new territory for many Canadians, who have experienced an extended period of low interest rates,” **says Nick Rao, Agent, Regional Director, Educators Financial Group.** *“How higher interest will affect you depends on the kind of debt you have.”*

Variable rate debt is most affected by rising interest rates. For example: If your current monthly payment is $2,000 at a variable rate of 1.5 percent, after four interest rate hikes of 0.25 percent each your monthly payment would increase to approximately $2,241. You can calculate how much your mortgage will be with Educators’ online mortgage calculator: www.educatorsfinancialgroup.ca/mortgage-calculator/.

Lines of credit will see an increase in both your interest rate and minimum monthly payments. *“For people with a mortgage and several lines of credit, these increases could add up quickly,”* **says Nick.** Although most car loans and credit cards are fixed-rate, there are exceptions, so check your loan and credit card agreements.

Good news: you can still prepare. First, pay down high interest rate debt. Second, adjust your budget for increasing prices and cut non-essentials. Third, lock in low interest rates if you can. Current mortgage holders can renew before interest rates increase again. Home buyers can get a pre-approved mortgage now, and lock in a lower rate for up to 120 days. If you have high-interest debt, debt consolidation can cut your interest. If your mortgage is coming up for renewal, and you have a secured line of credit, refinancing and consolidating can result in paying less interest, increasing your cash flow, and paying down your debt faster.

Educators has strategies to help you prepare for rising interest rates. Call us with your questions today at 1.800.263.9541.

Interested in locking in a lower rate with a pre-approved mortgage? Find out more: www.educatorsfinancialgroup.ca/learning-centre/3-tips-housing/

Educators Financial Group
2225 Sheppard Avenue East, Suite 1105, Toronto, ON M2J 5C2
Tel. **416.752.6843** or **1.800.263.9541** • educatorsfinancialgroup.ca

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