



2020: FINANCIAL LESSONS LEARNED

How has your life shifted this past year due to the pandemic? Like most people, you've probably had to quickly adapt and change things you once considered "normal".

As 2020 nears its close, it's a good time to reflect and consider some of the financial lessons you've learned. After all, they may play a role in your future financial habits, or those of your loved ones.

"This is a good time to revisit your wealth plan to understand the effect of market volatility and adjust where necessary. Doing so can provide peace of mind that you're still on track to achieve important goals for yourself and your family," says Lana Robinson, Executive Director, Wealth Strategies, CIBC Private Wealth Management.

Why planning's important—especially now

When the economy shut down earlier this year, many Canadians felt the pressure of reduced cash flow and were stressed about covering expenses. The importance of having a financial strategy became apparent and immediate.

"Organizing your finances helps you take control of your income, expenses and investments so you can achieve both your short- and long-term goals," advises Robinson.

Mapping out finances is for everyone, regardless of income level. Having more wealth today doesn't always guarantee that you'll have enough money in the future. Ensuring your financial well-being involves managing the increasing cost of living and other more immediate expenses. It also requires saving enough for long-term goals like retirement and preserving wealth for the next generation.

Estate planning is also a critical component of your overall financial health. An estate plan may reduce the taxes and expenses of your estate, simplify any intergenerational wealth transfers and help protect your beneficiaries. Elements like a will, power of attorney, insurance and final arrangement details can make it easier to pass on your wealth to your family and loved ones.



Maintain a nest egg for rainy days

This pandemic has reminded us why it's important to keep at least six months of cash accessible in case of an emergency. With businesses closing and jobs lost, a cash reserve gives you immediate access to money in a financial crisis. This means that you won't need to take on more debt or sell your investments hastily or at the wrong time.

A misconception about emergency funds is that the more money you have, the less you need one. In fact, the opposite is true: The more you have, the more you need. Having a higher net worth can mean bigger expenses. As a successful investor, you understand the importance of assessing your lifestyle and expenses from time to time, and saving accordingly. This is a great lesson to pass on to future generations.

Keep an eye on the long term

This year was a great example of why market timing doesn't work. Markets fell sharply in March, followed by a recovery in certain sectors while other sectors lagged. Even the U.S. elections taught us that trying to predict an outcome or market reaction is an exercise in futility.

Rather than trying to predict the market, we help you develop and stick to a strategic investment plan that you can periodically adjust. It's a time-tested way to position your portfolio for success over the long run. It's also important to maintain a diversified portfolio so you may benefit from the return potential of assets that react differently to various economic conditions and events.

Luc de la Durantaye, Chief Strategist and Chief Investment Officer, CIBC Asset Management, also suggests considering very broad diversification. "By that I don't just mean geographic and traditional diversification, but also looking at alternative diversification," he says. Non-traditional strategies such as multi-asset strategies and non-traditional asset classes such as gold and safe-haven currencies could be options to consider when creating a robust portfolio that can weather unavoidable market corrections.

The pandemic has forced many of us to change our daily routines and re-evaluate our lives and finances. Contact us anytime to review your current strategy or discuss your financial goals.