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THE CAMPBELL CHRONICLES

A MONTHLY NEWSLETTER FROM
THE CAMPBELL WEALTH MANAGEMENT GROUP

THIS MONTH'S NEWS AND UPDATES:

- 2021 Tax Packages
- Interest Rate Hikes
- Making Donations?
- Remember This? 60 years of excuses to not invest.
- Question of the Month

The Campbell Wealth Management Group

BMO Nesbitt Burns

FROM THE HOME OFFICE

It's hard to believe we are almost a quarter of the way through 2022. With spring only a few days away, it feels like we already have been through a full years worth of events. The protests that garnered world wide attention have given way to all eyes on Ukraine. With that we have seen the return of volatility in the markets. Oil is spiking quickly, and we are now paying more for gasoline than ever before. All of you with Tesla's or other electric or hybrid vehicles must be enjoying driving by the pumps, and not having to fill up! As I write this, the Canadian market is essentially flat so far in 2022, while our US counter part has entered into correction territory being down just over 10% year to date. With that being said, it's not a time to panic, but certainly a time to review goals and objectives. On the next page is a great chart of "reasons not to invest" going back over the decades, but you can see despite 60 years of reasons to not invest, the markets have certainly continued to grow during that stretch.

2021 TAX PACKAGES

You may have been getting individual slips in the mail already. Like past years, once all the slips are available we will be producing a tax package that has everything needed for you and your accountant. If you are not sure we have your accountant's information, just send us a quick note with their information and we will ensure they get everything they need. Most of the slips are in, and we should have all this out to you very soon.

DONATING MONEY?

As we watch the events unfold in Ukraine, there is once again an outpouring of requests for donations. From local businesses that are trying to help out, all the way to the Red Cross. If you are thinking of making donations to assist, keep in mind there are other ways to donate than just writing a cheque. As with any charitable donations, you have the ability to donate shares instead of cash, and there could be some great tax savings to doing so. I know the point of the donation is to help out, and not for tax purposes, but if you can make the donation, and do it in a more tax efficient way, isn't that a win-win? Feel free to reach out anytime to discuss.

INTEREST RATES START THE RISE

The Bank of Canada, as long expected, recently raised interest rates for the first time in many years. This should not have been a surprise to anyone, as the Bank had been warning of such a move for quite some time. So, what does this really mean? Well, anyone that has debt that is tied to the Prime lending rate on a variable basis, is now paying 1/4% more interest on any outstanding amounts. Or in dollar terms, an extra $250 per year for every $100,000 borrowed. While this may not seem like much, there could be anywhere from 2-5 more hikes of this amount to come this year. If it's on the higher end as some analysts expect, that would be $1,500 per $100,000. That amount can start to add up if someone has significant borrowings that are in a variable product. So the question we get asked a lot, is, "Should we lock in our mortgage?" See the question of the month for a detailed look at this.

REMEMBER THIS? PREVIOUS REASONS TO NOT INVEST

1962 Cuban missile crisis
1963 Kennedy assassination
1964 Gulf of Tonkin
1965 Civil rights marches
1966 Vietnam war escalates
1967 Newark race riots
1968 USS Pueblo seized
1969 Money tightens - markets fall
1970 Cambodia invaded
1971 Wage/price freeze
1972 Largest U.S. trade deficit ever
1973 Energy crisis
1974 Nixon resigns
1975 Clouded economic prospects
1976 Economic recovery slows
1977 Market slumps
1978 Interest rates rise
1979 Oil prices skyrocket
1980 Interest rates at all time high

1981 Market slumps
1982 Worst recession in 40 years
1983 U.S. Embassy, Marine barracks bombed
1984 Record federal deficits
1985 Economic growth slows
1987 Record-setting market decline
1988 Junk bond scandal
1989 October "Mini-Crash"
1990 Persian Gulf crisis
1991 Recession
1992 Riots sweep Los Angeles
1993 Bombing, World Trade Center
1994 Rising U.S. interest rates
1995 Oklahoma City bombing
1996 Taiwan Strait crisis
1997 Collapse of Thailand economy
1998 President impeachment proceedings
1999 Y2K 2000 Internet stocks plummet
2001 September 11 terrorist attacks

2002 WorldCom accounting scandal
2003 War in Iraq
2004 Madrid terrorist attacks
2005 London train bombing
2006 India, Israel, Lebanon bombings
2007 U.S. housing bubble bursts
2008 Global financial crisis
2009 Financial crisis continues
2010 European debt issues emerge
2011 Japan, Fukushima earthquake
2012 China slowing growth concerns
2013 U.S. gov't temporary shutdowns
2014 Russia and Ukraine conflicts
2015 Paris terrorists attacks
2016 Brexit - U.K. votes to exit the EU
2017 Britain triggers article 50
2018 U.S. - China trade tensions
2019 U.S. - China tensions continue
2020 COVID-19 pandemic

If you had invested $100,000 in the U.S. stock market on Jan. 1, 1960, it would be worth $49,669,300 on Dec. 31, 2021! IF YOU STAYED INVESTED!

*Invested in the S&P 500 Index in local currency terms. Source: Market events - Ned Davis Research, Bloomberg Fidelity Investments Canada ULC.

QUESTION OF THE MONTH

Should I be looking at locking in my variable rate mortgage?

With record low interest rates over the past few years, many took advantage of borrowing money at rates they never imagined would be possible. But as the rates make a turn, and start to head higher, is that a signal to lock-in? The answer depends on many factors. How high do you think the rates can go? How much more is a 5 year fixed rate than you are paying on your variable now? How tight is your cashflow (can you afford to pay more if you have to)?

If you are in a variable mortgage right now, there's a good chance your current rate is still below 2%, and if you lock in for 5 years, the best rate now is likely right around 3%. Rates need to go up another 4-6 times for your variable mortgage to get to where you would lock in for a 5 year period. Each month you make a payment at the lower rate, the better off you are, and the higher rates need to go past 3% before you would be on the wrong end of the equation.

Many economists believe The Bank of Canada will only raise rates a total of 4-6 times, and if that's the case, even though your rate will keep going up with each hike, you will come out better off by sticking with the variable option. Only in a scenario where you believe the rates may keep going up another 4-6 times, and staying higher, would you be worse off at the end of the 5 years. Of course, if the thought of that happening is causing you sleepless nights, it may be worth it for your own sanity to remove the variables, and lock in for a period of time that you are comfortable with.

Have a question you would like addressed in a future letter? Send me a note: jamie.campbell@nbpcd.com

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