Portfolio Strategy

North American central banks continued their tightening cycle in July leading to higher short term interest rates. The Bank of Canada caught the market off guard, raising it's target overnight rate by a full percent, while in the US, the Federal Reserve increased it's fed funds rate by 0.75%. Both banks are trying to reign in surging inflation numbers in their respective country. Despite these increases to interest rates by the central banks, longer term bonds rallied (meaning their prices rose), leading to a monthly gain for the Canadian Bond Universe Index for the first time in 2022.

Meanwhile, equity markets rallied in July despite economic data continuing to deteriorate. A number of themes seemed to contribute to the rebound including the peak Fed and peak inflation narratives, oversold conditions, and better-than-feared earnings. Q2 GDP in the US declined for the 2nd consecutive quarter, while inflation continues to dominate headlines. However, history has proven that absolute numbers matter far less than the trajectory for asset performance. In other words, even if current conditions are still poor in absolute terms, as long as things start to improve, then stock and bond performance can rebound since the market anticipates conditions in the real world several months in advance. Of course, markets are not out of the woods quite yet and the next concern to deal with will be the magnitude of a growth slowdown. The outcome is to be determined, but any good news is worth highlighting in the current universally bearish context.

Earnings Season

While investor sentiment heading into the Q2 reporting period was very negative, 75% of S&P 500 stocks have surpassed earning per share (EPS) expectations thus far, year over year growth is tracking 2% higher than projected at the end of June, and 2022 bottom-up EPS has still not been revised significantly lower. We continue to believe that markets will experience a higher-than-normal amount of volatility over the coming months, but the quality of earnings and guidance from the businesses we own speaks to the quality of the companies we are invested in.

Asset Allocation

We have yet to deploy any of our increased cash position. Rather we continue to monitor our risk indicators and are beginning to signs of improvement. We require a degree of follow-through before our models will indicate confidence that the rally, we're experiencing is longer term in nature. Our asset mix for the time being remains overweight cash while being underweight fixed income and equity.

[Top Five Financial Planning Tips for the “Sandwich” Generation]

Life can be hectic and overwhelming. Jobs and the general day-to-day responsibilities aside, many of us have kids to take care of which comes with its own subset of duties and expenses. When you add the responsibility of caring for older family members, it can be a lot to handle. The attached article provides financial planning tips for those sandwiched between managing responsibilities of taking care of aging parents and raising children.

As always if you have any questions, please do not hesitate to contact us.

Hassan Fox Wealth Management

www.hassanfox.com | toll-free: 1-800-567-2626 | fax: 416-590-7601

Top Five Financial Planning Tips
for the Sandwich Generation

July 2022

Even on the best of days, life can be hectic and overwhelming. Jobs and the general day-to-day responsibilities aside, many of us have kids to take care of which comes with its own subset of duties and expenses. When you add the responsibility of caring for older family members, it can be a lot to handle. Hopefully, it's comforting to know that you are not alone. This article provides financial planning tips for those sandwiched between managing responsibilities of taking care of aging parents and raising children.

Your may be part of a growing number of Canadians who find themselves as members of the "Sandwich Generation" – those juggling both the needs of their children and their parents at the very same time. In fact, one in four Canadians currently find themselves in this compromising position.[1]

Serious financial pressure and emotional demands from all corners amounts to overwhelming stress. Something's got to give. The good news is that with a little financial planning, you can make the transition into this new phase of your life a little easier and a lot less stressful, without putting your own retirement plans at risk. Here are a few suggestions to help prepare for the new responsibilities.

1. Organize and update your financial records

First things first, try not to worry about the unforeseeable future, plan for it. You're likely already managing a massive list of to-dos, but it's important to make sure you have a lay of the land now, so you don't get overwhelmed later. Making a list of financial priorities will also help prepare you in case anything urgent comes up, like an unexpected health event or a further decline in your capacity. And, be sure to do an annual (or more) review of your list as things continue to change.

Just as you should "always put your own oxygen mask on first before helping those around you," the same holds true for your personal finances. That's why planning is critical. And, because you'll have your hands full with your daily routine, it's a good idea to get a jump on creating efficiencies now while you still have a little breathing room.

Start by getting a gauge on your own financial landscape. This will help you establish boundaries between what you want to do, what you're able to do, and what you can do, in case anything unexpected pops up along the way.

Here are a few questions to ask yourself:

Emergency preparedness – Do you have at least six months of living expenses saved in case a crisis arises? No one can predict the future, but we can do our best to at least prepare financially for the unexpected.

Retirement – Are you maximizing your annual registered plan contributions? Don't derail your savings. Continue to make your contributions as planned, even take the time to run a basic retirement calculation to make sure you're on the right track.

Income/Cash flow – Do you have a handle on your monthly income and general expenses? Once you have an idea of how much you need to make ends meet, you can determine how much is left to help take care of your loved ones.

Future expenses – What kind of expenses do you have on the horizon? Things like college/university tuitions, necessary renovations, cost of living increases. These are the kinds of things you need to factor in to truly see the road ahead.

2. Understand your parents' financials

Once you've taken the time to go over your personal finances, it's time to do the same with your parents. It may feel challenging to have a conversation with your parents about their income and investments, but it is a critical first step. You need to understand where your parents stand financially before they can begin counting on you for care. It goes without saying that seniors can have some tricky financial situations, so make sure you have a good handle on things to avoid any surprises.

Income – Find out exactly how much money they have coming in every month from pensions or any other sources of income, as well as their retirement savings.

Monthly expenses – Make a list of all of their monthly expenses, including health care, bill payments, living costs, insurance, medication, etc.

If they already have estate planning in place, take some time to discuss it with them so you can understand your role (more on this in tip #5).

3. Encourage adult children to contribute

Though it will likely be a difficult subject to broach, urge adult children still living at home to contribute financially as they move closer to independence. There are many different ways to go about it, but the easiest would be to have them start paying for room and board.

If they're planning on going to college or university, you could encourage them to apply for scholarships, loans, or grants. If that's the route you take, just be sure to also have the talk with them about the impact of debt, the importance of saving and how to manage their spending.

It's also a good idea to involve them in your own financial planning so they will not only understand the situation, but they will be better prepared for their own financial trajectory and help you set some boundaries. For example, certain expectations like a car, college/university tuition, home down payment or a wedding may not be realistic based on your financial situation. If they understand your limitations, they can have a more realistic view of their own future.

4. Share financial responsibilities

While life can seem overwhelming and chaotic at first, turning the tables and getting ahold of it all is easier than you think. The key is to ask for help when you need it. Juggling the financial planning on top of everything else can take a toll, and overextending yourself can make it more challenging to meet your responsibilities, including caring for loved ones.

Explore the possibility of sharing the caregiving and financial planning responsibilities with siblings or other members of the family if possible. And, be sure to set limits – it can help relieve some of the uncertainty about your financial role and encourage others to pitch in when needed.

5. Get estate planning in order

Do you have a Will? Do your parents have a Will? How can you make sure your kids are taken care of in case the unforeseeable happens? These are all important questions to ask yourself and good reasons to get your estate planning in order, sooner rather than later. Ensure you have all important documents organized for both your parents and your own family. These include Wills, trusts, advanced care arrangements, life insurance, powers of attorney, and a named executor to carry out important tasks.

Seek advice

Lastly, if you're concerned about your finances make an appointment to speak to a BMO financial professional. They can help get you to a place of confidence, so you feel better about your family's financial future. Not only will they offer you a second opinion on your current financial plan, they will work with you to develop a new strategy to manage your finances as your goals change.

For more information, please speak with your BMO financial professional.

BMO Private Wealth

[1]https://brighterworld.mcmaster.ca/articles/covid-19s-silver-lining-creating-a-caregiver-friendly-work-culture/

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