

All-Weather Investing

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There is almost always chatter in the media about the next possible correction or recession. The most recent buzz is about a possible US recession where Canada would likely follow suit. The chatter also includes opinion about a "soft" versus a "hard" landing, etc. The primary challenge for individuals trying to build wealth is that this background noise (chatter) has nothing to do with...you!

Pursuing your financial hopes and dreams involves navigating the ever-changing world and also your own desires, goals, and ambitions. Your desire to build assets (financial freedom) and financial independence remains the same - no matter what happens in the world around you. This is sometimes referred to as your personal economy. As factors in the outside world change (tax policy or interest rates) you can make tactical adjustments to your overall financial and strategic plan.

Your primary role is to work with a financial advisor to steer your path through the various opportunities and obstacles that life serves from time to time. Recessions and market corrections are known, expected, and normal events over your lifetime. When tough times arrive, it is critical to keep talking to your financial advisor. Share your thoughts and concerns with your advisor so that they can provide clarity on how current events may or may not impact your overall financial strategy.

Your time horizon is the number one factor considered when a financial advisor recommends investments for your long-term goals and your temperament. Therefore, it is important to consider your short and medium-term spending needs when investing. If you are saving to buy a car in two years, then that money should be invested with this short-term goal in mind and not added to a long-term portfolio (long term is five years or more).

In addition to asset allocation, proper cash flow management will help you to ride out any recessions or market corrections. It may help you to not sell investments - to meet household expenses - at a possible low point. Disposing of investments during corrections may result in you selling more shares or units than necessary – compared to more stable market conditions.

You must be prepared for corrections / recessions in advance and understand what your game plan would be. Those events can happen very quickly today with automated computer trading. Sometimes market corrections are over in days versus years ago when it may have taken months or years to play out. If a small (say 5%) correction keeps you up at night, then that should be factored into your investment plan. If you have a large government pension and a modest RRSP (less than \$100,000) then you may be better prepared to weather significant market storms and corrections as your cash flow is probably minimally impacted.

The key to your successful financial planning is patience, perspective, and a keen focus on the end goal. The path is not always clear, and the ride may be bumpy at times but there are almost unlimited routes to get you to where you wish to go.

Successful goal setting requires a clear focus on where you are heading rather than constantly monitoring day-to-day changes in market conditions. You are welcome to [call us today for a review](#) [1] of how well you are positioned in the event of a recession or market correction and how these types of events fit into your long-term financial strategy!

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