The Francis Forum

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INSIDE THIS ISSUE

In this newsletter, please find the information regarding COVID-19, as described by Dr. Michael Mina, and summarized by Tess Robertson.

Tess Robertson, a recent graduate from Acadia University and an intern with Capital Wealth Partners, was privy to a conference call with Dr. Michael Mina, MD, PhD. Dr. Mina is an Assistant Professor in the Department of Epidemiology and the Department of Immunology & Infectious Diseases at the Harvard School of Public Health and a clinical pathologist and medical director of molecular virology diagnostics at Brigham and Women's Hospital / Harvard Medical School.

Dr. Mina's research focuses on the development of novel high-throughput technologies to advance infectious disease diagnostics and epidemiological surveillance and understand interactions between pathogen exposures and immunity. Recently, for obvious reasons, his research has taken a turn towards understanding the epidemiology and immunology relating to the novel coronavirus. More recently, Dr. Mina has been involved at the international, national and local levels with regard to SARS-CoV-2 epidemiology and testing. He oversees the clinical testing for this virus at the Brigham and Women's Hospital and is also the medical director overseeing high throughput SARS-CoV-2 testing for multiple state laboratories and numerous hospitals in Boston.

According to Dr. Mina, COVID-19 is believed to have originated from the virus being transmitted between an animal (bat) to a human. The outbreak would have commenced late in 2019, around October/November months, and now we see the global spread. According to Dr. Mina, despite some speculation, this is not a contrived virus. The virus did not come from a lab but it is an unfortunate natural normal event.

The United States has had very low testing in comparison to their population size, unlike Singapore, which has had high amounts of testing per capita. Epidemiologists tracked the virus because of Singapore's exports and this allowed for them to accurately project where the virus was travelling and allow them to eliminate future cases. They were also able to track the virus because of the exports in China.

The South Korean and Singapore experience has resulted in a lot of successful approaches needed to be adapted by North America. Lessons from the past were not utilized by the United States and because of this many metropolitan centres are not in a good place at the moment. This will be a learning opportunity for the United States and the globe for future epidemics and pandemics.

When comparing various viruses and their impact, let's look at Ebola. Ebola kills 80% of people and many other viruses have high mortality rates but a low transmission rate. The more severe/deadly the virus, the easier it is to identify at a population level which means the virus is more easily contained. Measles and whooping cough are examples of viruses that are extremely transmissible but have very low mortality rates. Since, these viruses have extremely high transmission rates, it is easy to identify at a population level because more people in the population are affected.

Dr. Mina stated that the demographic most susceptible to COVID-19 are adults aged 30+, while those younger are getting infected but the severity is skewed. Mortality increases exponentially after the age of 50 amongst reported cases. Mortality rates are highest amongst those aged 80+ and additionally people with heart issues, diabetes, and lung issues have higher death rates than the average healthy person.

The main problem that has been encountered with testing is the supply chain issues. Not a lot of tests can be performed each day and with only a few companies being able to make parts for the tests, we are seeing global shortages.

Therapeutics are beginning to be more prevalent and this should help. Early studies have shown therapeutics seems to help people recover and alleviate symptoms. Early trial for vaccines may not pan out but there is hope in the coming months for an antibiotic. As it stands, even now we don't have many vaccines for seasonal viruses and even the flu vaccine isn't perfect.

Huge social distancing measures and behavioural changes with encouragement from authorities, hope to prevent 70% of population from becoming infected in near future. The "name of game" is to flatten curve and to protect the health care infrastructure. Too many cases will collapse our system and unfortunately, we waited too long and we are already seeing the hospitals running out of equipment. As you see in Italy, they are having to do trade-offs for who get ventilators and beds in the hospital.

With preventative measures and with only a few million in the US infected, we might see that in the middle of the summer, a small fraction not be infected and immune. Though, in the fall we might see a large second wave if we don't stay on top of it. Continuing with social distancing for now and then having people going back to work slowly will be the regimen for normalcy.

COVID-19 has created a large trade-off within economy and initiated the potential collapse of economy. Currently the main focus is protecting our public health care infrastructure and the health and safety of the population. From a public health prospective we shouldn't let the virus go unabated as if this continues, we will see things break in our economy.

We have to take the data with a grain of salt. Over the next few weeks, Dr. Mina is predicting cases will continue to climb and peak in mid-to-early April. The curve will turn over in the first half of mid-April, once social distancing measures continue to take hold. As long as we keep social distancing, we will see new cases more or less stop. However, we can't anticipate that it will remain that way. This virus will not leave the population and it will stay for a while, if not stay permanently. Eventually we will go back to work and cases may jump up again.

Sincerely,

Duane

Around the Branch

- We are excited to announce that we have added a new member, Shawn Ryan has joined us and is an Insurance and Estate Planning Specialist. He has over 30 Years of experience in the life insurance industry and has developed an effective and comprehensive approach to Business Succession and Estate Planning. Shawn brings comprehensive estate planning knowledge to the team as well as a strong community focus. Shawn holds his Certified Financial Planner® and is a member of the Society of Trust and Estate Planners (STEP).
- We are regularly updating the news section of our website at https://capitalwealthpartners.ca to keep you informed as new information and news items become available regarding COVID-19, so please check-in for updates from our team at Capital Wealth Partners.
- As we mentioned in our email last week, in an effort to minimize the spread of COVID-19 some of our team members are working from home but are all still available to help. Please call the branch and Natalie will coordinate a call or an interactive live session meeting via ZOOM until further notice. Whether it be administrative, tax related (missing slips or completion of your return), account needs or planning – all remains as it was before.

The Francis Forum

Create Wealth, Achieve Freedom

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Investing in the time of COVID-19

By Bryan Borzykowski on March 23, 2020

Four investing professionals offer thoughts on the current state of the markets.

COVID-19 has changed life as we know it. It's still hard to fathom exactly what's going on, both with the markets, which fell by about 6% in Canada and 8% in the U.S., and in life. My kids are now home all of the time, FaceTime cocktails are now a thing (and more fun than I had expected), and date night consists of a quick trip to the grocery store. Romance in Aisle 1?

I've also had a lot of talks with friends about the economy and the markets. They tell me their portfolio is down a ton, I say mine is too, though I don't know by how much because I'm not checking. I *know* they're down by 30%, but I don't need to obsess over the specifics. I'm not selling because, what's the point? My portfolio has already fallen and you only lose that money if you liquidate. I still have at least a couple decades to go before I need those savings, and my hope is that the markets, like they always have, rise at some point before then.

Still, all of this is confusing and it's hard for anyone, including a personal finance journalist, to know why the market is reacting the way it is and what they should do. So I asked four smart people for their thoughts on the current state of the markets. Here's what they had to say.

<u>Norman Raschkown</u>

President and portfolio manager at TenSquared Investments

People want to come up with comparable periods to help them put this into context. A lot of people are talking about 2008 because of the severity of that market shock, but it's different. In 2008 the real problem was excessive leverage, so the solution was backstopping banks and re-capitalizing them.

This time the issue isn't financial. Cutting rates isn't going to do anything. It's not like if there's a cut everyone is going to get back to work. The governments do have the right idea of getting cash in the hands of the public to help them get through this period. But the reality is that we don't know how long this will last and what the fallout will ultimately be.

The biggest risk is how long this lasts and how deep the impact is in the U.S.—but the U.S. is behind in terms of taking it seriously. So, the best case is that it lasts through the summer. My best guess right now is that you're looking at having a recession—two quarters of negative growth—but there will be enough pent up demand and you will see positive growth by the third quarter of the year and the recession will be over.

There are opportunities for people who have some cash and we have started to dip our toe in and make selective purchases of high-grade stocks. Canadian banks have gotten really cheap and they're offering yields of 7%. It's good to remember that in 2008 and 2009, none of the Canadian banks cut their dividends. We also added to [our holdings of] Canadian Tire, which is down 50%

from where it was months ago. It's an example of a high-quality business, and when things recover, they will be well positioned. In this environment, you don't need to speculate.

Gaelen Morphet

Chief investment officer at Cinnamon Investments

We're seeing incredible values out there, and it's exciting from an investment point of view. The big question is timing and where we see the bottom. If you were to look out 10 years, I would say there's a lot of opportunities to make money right now—and that's the biggest message I can deliver right now, given my 35 years of experience. Over the medium term, though, how long does this go and how depressed does the stock market get?

The stock market does discount that in advance, and so that's why we've seen such a swift reaction and this pullback. I've been involved in 1987, 2000, 2008 and 2011, and this one is the swiftest—and the impact to the economy, or at least the perceived impact to the economy has happened much faster. If this is short, then there's an unbelievable opportunity here, because as soon as the market sees some signs of improvement, it will respond accordingly. If we get any good news, I expect the rally to be swift and large—but it may not last, that's the problem. You have to be careful in times of so much volatility.

There are a lot of good financial stocks that have been absolutely crushed, and they're trading around book value with really decent yields. There are also companies that are always expensive that investors never feel comfortable owning, but if they focus on the basic investing tenets of low price-to-earnings ratio and a great balance sheet, then you can find things you normally couldn't buy. I'm looking at CGI (a Canadian tech company that's down 30% since Feb. 21) and Brookfield Asset Management (down 38%), which has had a huge run. I'm watching those two closely.

Brendan LaCerda

Associate director and senior economist with Moody's Analytics

Despite what a lot of people think, the economy was on shaky ground before the pandemic hit. It looked like there was a recession in manufacturing, and global demand was softening up. We didn't think it would spread to the rest of the economy, but there were sore spots. That's one part of the story.

Stocks also looked a little overvalued and there was an incredible amount of leverage in the financial system, whether it be hedge funds or private equity really levering up their bets to maximize returns. The problem becomes that once prices start falling, they have to cover their margin calls and so they have to liquidate. With the panic, everyone wants to hold cash and that creates this snowball that, because of leverage, people are forced to liquidate those positions and then it balloons into what we're seeing now.

The next question is, does [this quarantine situation] evolve into a credit crisis? And that's sort of the same way we think about the great recession. It started in the real estate market and then it spawned into a credit crisis, and then you had Lehman and Bear

Sterns going bankrupt. So, there's a question of liquidity and solvency, and how long can these businesses hang on when they have no revenues coming in? If they don't have revenues and they can't pay debt, then they go bankrupt. Maybe you have emergency financing if you're a big corporation, but it's an ugly predicament for small businesses. Even if you get an infinite amount of interest-free loans and you hang on, and get up and running again—what good is that if you have so much debt that you can never dig out of that hole? The only thing that makes economic sense is to close.

One thing that is encouraging is that the fiscal response is going to be much more robust than we had during the last recession. [Prime Minister Justin] Trudeau's $82-billion package is more than 3% of GDP. That's the first step. Now they're saying they'll mail every adult in the country a $2,000 cheque. That's good news and hopefully that means once the closures are done, people will have money waiting to go into the economy. That is the optimistic scenario.

As for markets, during the financial crisis we saw stocks decline by 50% from their peak to trough [their highest point to their lowest]. The dot-com bubble, peak to trough, was about 30%. That 30% number is more typical of an average recession. I think it's too easy for people to conjure up a doomsday scenario narrative, but when I try and look through the noise, I imagine we're in store for something more of a typical average recession. So, I would go with 30% peak to trough.

<u>Jeet Dhillon</u>

Vice-president and portfolio manager, TD Wealth Private Investment Counsel

We really haven't seen anything like this, with people worried about their physical and financial health. It's a double whammy. We're trying to help people keep their emotions at bay. We're not saying don't have those feelings, but look beyond them to make sure you're not making decisions based on emotions, especially when it comes to your financial health.

Those who invest on their own have to be careful—how do they not make decisions based on emotion but instead assess their portfolio for quality holdings? Diversification is important, because certain sectors are more impacted, such as travel or oil. Investors who are diversified will be OK because there are going to be pockets that haven't fallen as much as others. It can help to talk to a professional who can help you look at how your portfolio is positioned in this downturn.

Also, be mindful of your cash flow needs. We don't want to be taking a lot of money out of a portfolio during a market downturn, but you need to be mindful of what your cash flow needs are. That's critical. See how you can satisfy your cash flow needs over the next six to 12 months without impacting your long-term investments. The government said [when they announced their $82 billion stimulus plan] that you can take 25% less out of a registered retirement income fund [RRIF]—they don't want to force people to take money out if they don't need it. So that money can stay invested [and recover] in a rebound.

You don't want to miss the recovery, but we don't know if we're on the other side of this yet, so go in slowly over the next few months. [As for opportunities,] some energy stocks have been beaten down and banks have been hit hard. Companies like Walmart (down 3.8% since Feb. 21) or Costco (down 9.7%) will be OK because there's still demand for what they're doing. But we still say it's better to diversify across sectors. I wouldn't put money into one particular sector—spread it out. Geographically, too.

Canada is heavily invested in energy and financials, but there are a lot of good tech and healthcare companies in the U.S. Our focus is owning large blue-chip, dividend-paying companies that are in a good position to withstand this downturn.

https://www.moneysense.ca/save/investing/how-to-manage-investments-during-covid-19-market-downturn/

RRSP OR TFSA OR BOTH?

By Michael Prittie, CFP, CIM FCSI, CIWM

Many Canadians do not understand the differences between Registered Retirement Savings Plans (RRSP) and Tax-Free Savings Accounts (TFSA). Depending on your personal income and income tax rate, one may be a better choice for retirement savings if savings capacity is limited. Let's explore why; an RRSP deposit provides a tax deduction…and deferral of tax on any income or growth so long as it remains in the RRSP. In essence, an RRSP is a "deferred liability" because in retirement, all withdrawals are taxable when your anticipated income is expected to be lower. A deposit to a TFSA provides no such tax deduction, however it remains tax free when withdrawn. Thus, an RRSP provides a deduction today and repayment later when withdrawn while a TFSA deposit gives both tax free growth and tax-free withdrawals. How does this affect planning and choice?

If your taxable income is above $47,000, your marginal tax rate in Ontario is about 30% on each additional dollar earned. Above $94,000 it is 43%. Depositing $5,000 to an RRSP would save you $1,500 in tax in the first example and $2,130 in the second example. The best-case scenario is that you would use your refund to pay down debt or invest it further into a TFSA. Assuming just the RRSP savings from age 25 through to age 65 you would amass ~$825,000 of RRSP capital assuming a 6% compounded return. However, what if your income is lower? Assuming an income of $38,000 your marginal tax is about 20% and the tax savings from an RRSP deposit is reduced to $1,000. That's still good, however, at age 65 without a company pension plan, your RRSP capital will generate just over $41,000 annually at an initial withdrawal rate of 5%. This will rise with age. Added to CPP and OAS income, you may well find that your retirement income is higher than your pre-retirement income and thus you are paying tax at a higher rate upon withdrawal than you saved while working. In addition, for those who might otherwise qualify for the Guaranteed Income Supplement (GIS), RRSP income can disqualify you, creating additional hardship. In this example, saving within a TFSA would have been a better option.

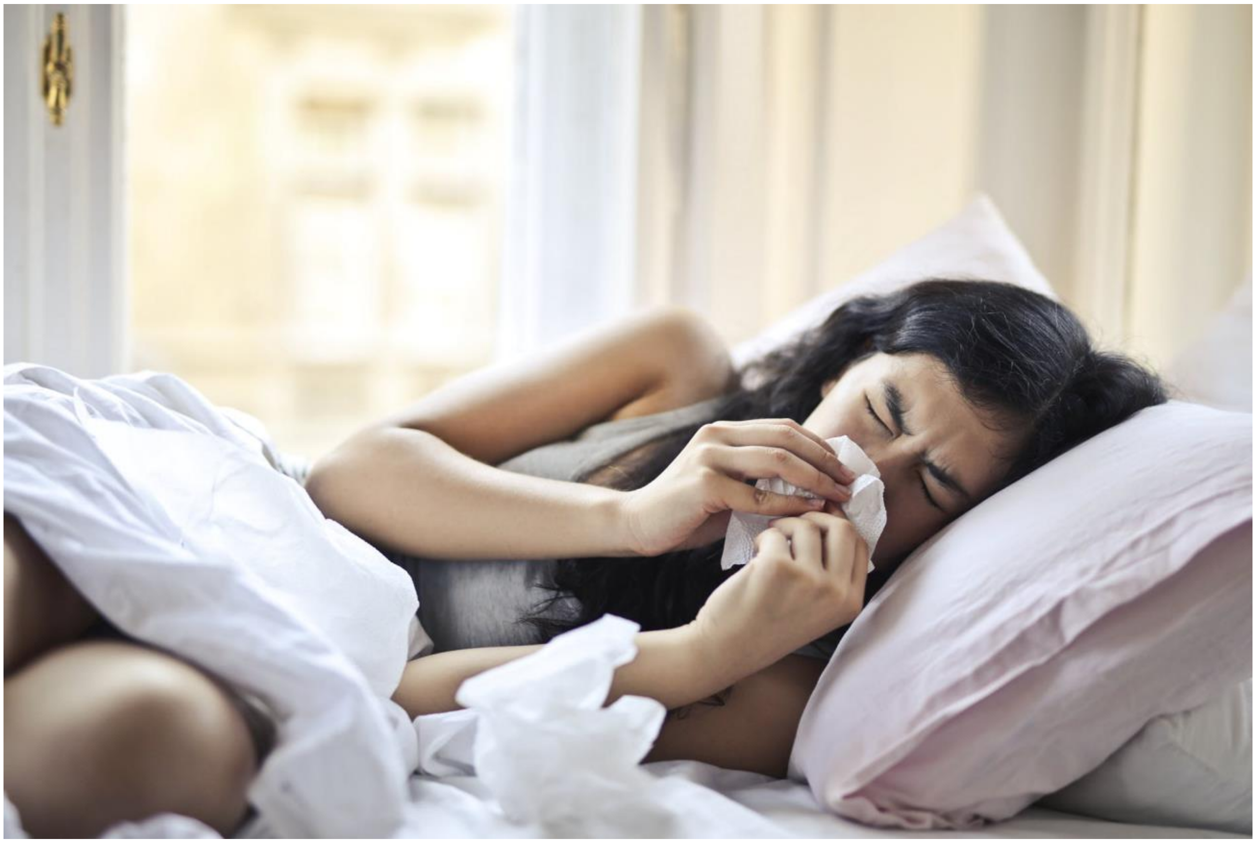
A competent advisor will be able to run projections and demonstrate which program is best suited to your current situation. In addition, if you begin saving within a TFSA, you can always transfer money later into an RRSP should your income increase and tax deductions be more beneficial. Regardless, both plans offer a world of investment opportunity. Too many Canadians are under the impression that a TFSA is only available in the form of a regular bank account or high interest savings account. This could not be further from the truth! A TFSA (and RRSP/RRIF for that matter) can be invested in bonds, stocks, private debt and equity, real estate etc., where the potential returns are much, much more rewarding. Personal objectives, investment time horizon and risk tolerance help determine the asset allocation once it is determined which plan is best for a given situation.

For a detailed illustration on the differences, please visit our website www.captialwealthpartners.ca

Tips on staying healthy during the COVID-19 outbreak

Amid the Coronavirus outbreak, it's more important than ever to make sure we're keeping healthy to try protect against the virus. Some might also be concerned about how they're going to be able to stick to their healthy lifestyle when having to stay inside.

Staying at home will massively reduce your risk of becoming infected, and will help stop others contracting the virus too. Maybe before this time you went to the gym a few times a week to keep fit, or meal prepped healthy lunches for the working week or had a strong sleep pattern. Staying inside doesn't mean you have to give these up, but there are some things you can do.



It's a unique situation hardly any of us will have found ourselves in before and can be daunting to feel like you're trapped indoors. Therefore, following these few tips can be hugely beneficial for both our physical and mental health to stay healthy.

Even by following advice to stay home, you're already one step closer to keeping healthy. So we've put together the best advice and tips for maintaining your healthy lifestyle.

1. Sleep Well

Sleep is an essential part of life and crucial for all-round health and wellbeing. Having a good night's sleep can help relieve the heightened stress and anxiety you may have at this time. A lack of sleep can also cause more stress and put our bodies under strain- which won't help us fight off disease.

Sleep is also the body's chance to regenerate and recover- so the quality of your sleep matters too. One thing that can help, especially with those that struggle with sleep anyway, is a supplement.

But, make sure you're looking for a natural product with top ingredients like Montmorency Tart Cherry– which is the highest natural source of melatonin.

Melatonin is a natural hormone that promotes better sleep quality and supports a healthy body clock and sleep cycle. Supplements with synthetic melatonin won't address your stress or muscle aches unlike natural sources.

If you're working from home in this outbreak, taking a sleep supplement and having high quality sleep will make you more productive the next day too.

2. Strengthen your immune system

Getting all the essential vitamins and minerals is always important, but more now than ever before. It may also be difficult to get hold of your usual food and healthier, fresher options at the supermarkets right now while everyone panic-buys.

Ensuring you have a strong, working immune system will help reduce the impact of COVID-19 if you were to catch it, and hopefully aid a swift recovery. During this time, taking a multivitamin will make this easier for you and support your immune functions.

The best multivitamins will contain 100% of your daily intake and needs, so you can be confident you're still getting the nutrients you need every day. Vitamins A, C, D3 and Zinc support different cellular functions of our immune system.

Again, look for a multivitamin that is natural with no unnecessary ingredients to bulk them out. Multivitamins can help your cardiovascular health, digestion, brain and nervous system too. They're also great for supporting your everyday diet, by filling any nutritional gaps.

3. Home workouts

There are a plethora of workouts online and on social media that you can do at home, so you don't have to worry about losing progress or not getting your exercise in.

From HIIT classes to yoga, you only need to do a quick search online to find something you want to try that doesn't require any equipment. Personal trainers have been keeping busy during the outbreak by creating many free home workouts for everyone. If you don't mind paying, there are some great apps available too.

Still try to get in your 30 minutes of exercise a day, as this is still beneficial for your mental and physical wellbeing. Keeping to a varied schedule that gets you up and moving is a great idea. And if you have your own home gym- even better!

Although it's important to stay inside, you can still go outside and get some fresh air and some exercise- such as a run, walk or cycle.

4. Eat healthy food

Just because you're at home all the time now, doesn't mean you have to start snacking on sugary food all the time. However tempting! Make the effort and take the time to make healthy food high in nutrients.

Again, there's loads of free healthy recipes online and some nutritionists on Instagram are giving away advice at this time too. So, if you can manage to find some fruit and vegetables in the supermarket, there's definitely some simple ideas out there to inspire you.

Eating healthily will also boost your immune system. Foods like: spinach, peppers, yogurt, citrus fruits, and green tea are great choices to include alongside staying hydrated. There's not one quick fix, but diet, age and exercise are all contributing factors to maintaining a strong immune system over time.

Also, try to avoid drinking too much alcohol as too much can affect our systems. Drinking too much can also put our bodies under strain and dehydrate- which will mean you'll lose the nutrients you've put in.

5. Keep the house clean

Even if you or no one in your household has the virus, making sure your house stays clean is another key thing you can do in your bid to stay healthy.

We all know the biggest thing we can do is wash our hands frequently and when we enter somewhere, but don't forget about the high-touch surfaces around your home or where you're spending your time.

High-touch surfaces are things like door-handles, kitchen worktops, TV remotes and light switches, among many others. Coronavirus is capable of living on surfaces like stainless steel and plastic for 2-3 days, so it's strongly recommended we continue cleaning our homes most days.

We should be doing a bit of both cleaning and disinfecting, because this will remove any contaminants and kill pathogens. All you need is some soapy water and some disinfectant spray to clean effectively.

Even though the risk of transmission from surfaces is less risky than from person-to-person, adding these quick steps to our daily routines will help keep our homes safe from the virus.

Summary

These are just a handful of easy ways to make sure you're staying healthy during the Covid-19 outbreak. And how you can try to maintain your lifestyle without leaving the house.

Making some healthy choices at home could reduce your risk of more severe symptoms if you were to get Coronavirus. And trying to create a routine might help us feel a bit more at ease. However, you're passing the time, your mental and physical health will benefit- even when the outbreak is over

http://fingerlakes1.com/2020/03/27/tips-on-staying-healthy-during-the-covid-19-outbreak/

Client Seminars and Upcoming Activities

- Due to Covid-19 we have postponed our seminars and client events until further notice as the safety of our clients and staff is always our first priority.

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