CIBC PRIVATE WEALTH

SLATER FINANCIAL GROUP

Slater Chronicles February 2025

It's been an eventful—and perhaps alarming—start to the year! With Donald Trump re-elected as U.S. President, concerns over Canada's economic future are growing. Threats of a trade war and even the extreme idea of Canada becoming the 51st state (a highly unlikely but dramatic scenario) have left many questioning their next steps. Adding to this uncertainty, the Canadian government is currently prorogued, and the Liberal Party is racing to find a new leader ahead of the election. Amidst all this uncertainty and speculation, it's a great time to revisit our 10 Principle Rules of Long-Term Wealth Creation. We've also included an insightful read from Nick Murray's newsletter, highlighting the critical difference between investors and speculators, and reinforcing the notion that the best course of action is to stick to your plan.

Coming Up: *Register Here for an exclusive conversation on February 27, at 4 pm, with Canada's preeminent tax expert, Jamie Golombek, as he explores key tax strategies for 2025.*

Reminder: *The deadline for RRSP contributions is fast approaching. Remember to make your contribution before March 3, 2025!*

In The News: *The deadline for charitable cash donations for 2024 has been extended to February 28, 2025, and the capital gains inclusion rate increase has been deferred until January 1, 2026.*

Mark

NAVIGATING UNCERTAINTY: ARE YOU AN INVESTOR OR A SPECULATOR?

Investor VS Speculator

Principle 1: "Long-term investment success comes from continuously acting on a plan, and investment failure comes from continually reacting to current economic and market events."

If you're always reacting to headlines, you'll constantly be knocked off course by events you didn't foresee. With Trump making threats left and right, many feel confused—even offended—that he would come after Canada so harshly. After all, Canada and the U.S. have a long-standing successful relationship. While it may sting to see our closest neighbour and ally take an aggressive stance, the best course of action remains the same: stick to your plan.

Uncertainty is the Only Certainty

Principle 6: “The most vexing problem of the market’s frequent temporary declines is that neither their peak nor their trough can be predicted; therefore, they can’t be timed.”

- Uncertainty in the markets and the world is the only certainty as we constantly move from on uncertainty to another.

Take Peter, for example. At the start of COVID-19 in 2020, he cashed out his investments as the market started to decline. Initially, he felt relieved, thinking he avoided further losses. But as markets rebounded, Peter hesitated to reinvest, unable to predict the right moment. By staying out too long, he missed the recovery and ultimately lost more than if he had simply stayed invested. As Nick Murray concludes, “The only practical way to be reasonably sure of capturing the compounding is to ride out the interruptions.”

The Market Can’t be Timed

Principle 7: “There is no known method of getting out of the market and back in again opportunely, such that one consistently achieves an excess return over a buy-and-hold investor.”

- A study by Nobel laureate William Sharpe found that market timers must be correct 82% of the time to match the returns of buy-and-hold investors.
- The only way to achieve the full permanent advance of a diversified basket of publicly traded enduring successful businesses is to be willing to ride out their temporary declines. See link.

We’ve been here before—Trump’s 2018 25% tariffs on Canadian steel prompted companies like Stelco and Algoma Steel to expand domestic sales, improve efficiency, and seek new markets. The Canadian government responded with counter-tariffs and support packages, helping businesses adjust. If new tariffs are imposed, history suggests that resilient companies will adapt once again. Mainstream market declines, though frequent and sometimes deep, have always been overcome as successful, leading companies to continue to innovate and adapt to their changing environment.

Fight the FOMO

Principle 9: “Untreated human nature will always fail as an investor.”

- Financial journalism panders to human nature’s worst instincts, namely fear of loss and fear of missing out (FOMO).
- Research has shown that the psychological bias of loss aversion makes losing money feel twice as bad as making the same amount of money.
- As a result of trying to avoid negative feelings many poor investment decisions are made.

these biases influence behavior. Think back to the great toilet paper panic of 2020—fueled by news reports and viral social media posts. People hoarded absurd amounts, causing artificial shortages, even though supply chains were fine.

Similarly, in recent weeks, DeepSeek, a Chinese AI startup, has introduced a powerful AI model that has shaken the tech sector. Their efficiency has disrupted U.S. giants like Nvidia, which saw a decline in market cap. Investors are chasing AI stocks in a frenzy, despite clear signs of speculation.

In Howard Marks' memo, "On Bubble Watch," he describes financial bubbles as psychological phenomena rather than quantifiable events. He warns of behaviors such as irrational exuberance, blind adoration of certain companies, and FOMO. The AI craze exemplifies this: the excitement is real, but the emotional reaction may be excessive.

The lesson? Avoid chasing trends. Stick to fundamentals. Don't fall victim to FOMO—or as Nick Murray humorously rebranded it, FOSPDTYGR (Fear of Seeing People Dumber Than You Getting Rich).

Working with your advisor

Principle 10: Speak to your advisor before making market-related financial decisions.

- One of our principal roles as advisors during periods when human emotions are elevated is to coach people to avoid making decisions that could hurt them long-term financially.
- One of the core purposes of our advisory services is to help save people from themselves.
- We accomplish this maintaining our faith in the fact that optimism is the only long-term realism and that the most innovative, dynamic, transparent, enduring quality companies and economies will continue to adapt opportunistically and rise and rise (referencing the Andex Chart as proof of fact).

A core purpose of financial advisors is to help people avoid costly, emotion-driven mistakes. Our role is to provide perspective, ensuring that investors remain focused on their long-term goals.

The market rewards those who stay disciplined, avoid knee-jerk reactions, and trust in the resilience of quality businesses. As history has shown, the most innovative, transparent, and enduring companies and economies will continue to adapt and thrive.

We're always here to help. We stress-test portfolios for situations like today's uncertainty, ensuring unnecessary risks are avoided and your best interests remain at the forefront. Stay focused, stay calm, and carry on. And if recent events frustrate you, consider buying Canadian!

Reach out to us

At Slater Financial Group, we're happy to speak with you or your family members, friends or colleagues trying to navigate many of these details. In addition, our clients have the benefit of tapping into the many resources available to us here at CIBC.

416 594-8835

mark.slater@cibc.com

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About us

Your Trusted Partner in Wealth Management: *Empowering Families, Enriching Futures*

Since 1995 we have made ourselves available to act as a sounding board for anyone who may need urgent financial advice or just a second opinion. We have been able to help many families by providing comprehensive wealth management services. As a result, our business now comes to us almost exclusively through referrals.

So, if you're approached by a friend, neighbour or family member, or if you know someone who needs a sympathetic ear, please let them know we always have time to listen, and do our best to help. By making ourselves available this way, we're striving to make people's financial lives less stressful and better, knowing that we're *"doing well by doing good."*

Past newsletters

Blog

Contact us

slaterfinancialgroup@cibc.com

Tel: 416 980-6960

Toll: 1 800 263-3803

slaterfinancialgroup.com

West Tower, The Bay Adelaide Centre

333 Bay St., Suite 2800

Toronto, ON M5H 2R2