



Portfolio Confidential

Barbara Stewart

Do you have questions about your own investment portfolio? I have recently set up The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion: barbara@barbarastewart.ca

I recently retired and now think that I need to take over my investment portfolio. Quite frankly, I feel that I'm not being served very well by my investment advisor. I have been considering this for a few years now, and I have developed a strategy that I think will work for me. I've put together a theoretical portfolio of 27 holdings with a combination of 12 covered call Exchange-Traded Funds (ETFs), three regular ETFs, and 12 stocks, all with a minimum six per cent yield. Income would be the objective, and capital growth very secondary. What are your thoughts?

Diversification is good, but there is such a thing as too much diversification. Given your overriding investment objective to generate income for the long-term, it is unclear as to why there are so many different ETFs in your overall portfolio. In particular, why do you need so many different covered call ETFs? Why not pick two or three? I think it is better to have fewer holdings and keep your portfolio structure as simple as possible.

When you are putting together your portfolio, always ask yourself, "What role does this stock or ETF or fund play?" If you can answer that question for each holding, you will be more comfortable with volatility and less likely to keep switching things around. In an ideal world, you will have a simple yet solid list of holdings that you understand and expect to deliver on your objectives over time.

How long have covered call ETFs been around? They seemed to have performed relatively well over the last year in comparison to a lot of other things.

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