Portfolio *Confidential*

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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 haven't been paying attention to my investment portfolio as I've been too busy running my own business. I recently took some time off to recover from surgery, and I reviewed my personal finances. On the positive side, my wife and I have both accumulated sizeable Registered Retirement Savings Plans (RRSPs)—we have been diligent savers for the past 40 years. On the negative side, I really don't know how well our investments have performed for us. Over the years, we've always had our accounts with one of the big banks, but there has been a revolving door with investment advisors at our bank. I'd like to understand how we are actually doing.

I am always thrilled to hear when investors are taking stock (as it were!) of their investment performance. At a guess, your bank has not provided you with your annual rate of return net of fees from the inception date of your portfolio. A great first step would be to get in touch with your current contact person and request this information. Ideally, they will be able to provide you with your rate of return net of fees for various time periods such as this year to date, three years, five years, ten years and from inception (in your case, 40 years ago.) This is a completely normal request and part of what every money manager offers.

The relevant market benchmarks should also be provided for the same time periods as a comparison. A relevant benchmark is one that is a) investable and b) widely recognized and accepted. For example, it is not relevant to measure your equity manager's performance against a Guaranteed Investment Certificate (GIC) return, a manager with a different style (such as a hedge fund) or an entirely different market (real estate, for example). Investment statements usually show standard indices for equity accounts (TSX, S&P, for example) as points of comparison. How has your portfolio performed? If you can obtain your rate of return net of fees from inception along with the relevant benchmark information, you will have a clear idea of "how you are actually doing."

While performance returns are understandably top of mind for most investors when it comes to measuring investing success, there are other factors that deserve consideration:

1. Results versus plan

When results are strong, it is tempting to pat ourselves on the back, relax and enjoy our now-larger portfolios. But it is important to compare your results with the plan you made at the start of the year. Did you achieve your investment objectives? Review your portfolio in the context of your original investment objectives. Whether or not you have a professional money manager, you should have an Investment Policy Statement (IPS) that outlines your objectives and constraints. The most common points addressed in the IPS are return requirements, risk tolerance, time horizon, legal and/or regulatory concerns, tax considerations, liquidity (need for cash during the year) and unique preferences, such as "no tobacco stocks."

2. Was the investment process adhered to?

Proper portfolio management involves patience and discipline. Most good advisors commit to many of the following portfolio management disciplines: balanced weightings for each company and sector, low portfolio turnover, regular rebalancing and active cash management. Do a check: Were there any investment decisions made during the year that were not aligned with your plan? Be sure to review the agreed-upon process with your advisor. If there are gaps, this might imply negligence or alternative motives, like an advisor who is maximizing their fees rather than your returns. The biggest value-add an advisor can offer is the discipline to remove emotion from the investment process and employ proper portfolio management techniques.

Unfortunately, it sounds like you have not received consistent proactive communication or detailed information about your investment portfolio. It is time to take charge (better late than never!), and you should request a meeting to review and discuss all these factors in great detail.

My husband and I have Tax-Free Savings Plans (TFSAs) and RRSPs, and we are interested in growing our wealth as much as possible over the next 15 years until we retire. Our neighbour is a nice guy and a financial advisor, and he has been in charge of our portfolio strategy for about five years now. Can you review our list of holdings and offer a second opinion?

Canada Life RRSPs and TFSAs	**MERs**
International Growth Fund $211,590.39	2.53%
Canadian Focused Div Fund $121,167.30	2.33%
Moderate Allocation Fund $158,654.85	2.36%
Advanced Allocation Fund $189,935.50	2.95%
American Growth Fund $112,724.30	2.98%
Money Market Fund $12,037.89	0.91%
Global Equity Fund $122,347.23	2.75%
Canadian Fix Inc Bal II Fund $163,852.54	1.86%

I am sure your neighbour is a very nice guy, but I have to say right out of the gate: that isn't a "portfolio strategy"; it's an oversight!