



Portfolio Confidential

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I'm in a bit of a bind. I lost my job in late 2023, I just turned 60, and I unfortunately panicked and sold about 80% of my stock portfolio when the tariff wars started. I have always been a successful buy-and-hold investor, but somehow it really felt like this could be a repeat of the financial crisis of 2008/09, and I wanted to avoid losing a lot of money. Luckily, my wife is still gainfully employed, and we own our house outright.

I'm feeling kind of stupid now because not only did I sell most of my stocks, but I took advice from a Globe & Mail columnist and with the proceeds, I bought a bond Exchange-Traded Fund (ETF) he recommended, thinking it would be a safer bet. I'm underwater on that already!

I guess on the positive side, I didn't incur any tax liabilities since all my portfolio is in registered accounts. I sold all the stocks that had gains and decided to keep the 20% that are still in a losing position...hopefully they will come back soon! I've always liked to own dividend-paying stocks, mainly in Canada and some in the U.S. Another positive is that I have other savings to cover any income needs for quite some time, so I am still able to invest for the long term. In retrospect, I dearly wish I had just kept everything the way it was.

What do I do now?

First of all, my condolences. Decision regret is not for the faint of heart! I have been there, done that, and so have a lot of investors. The proverbial school of hard knocks can definitely teach us a few valuable lessons. I'll be happy to share a few nuggets of wisdom with regard to your situation.

I made a mistake and panic-sold. I will wait for the market to drop a lot before getting back in!

Yeah, that would be awesome, right? If the market goes below where you sold, your panic sell was no longer a mistake. But what if the market never goes back to the level where you sold? Not only would you miss the gain so far since the April lows (the S&P500 is up almost 30% since 8 April 2025), but you would miss all future gains, too.

A lot of success is just "time in the market". As you have learned, the biggest mistake investors make is attempting to time the market. The average investor usually gets it backwards and cashes out when they should be buying, and vice versa. Remember that all markets are cyclical. Sometimes it can feel like the stock market is a casino, and we forget that proper investment plans are in place for good reasons.

It seems that before you panicked, you had a sound investment strategy that had worked well for you for many years. Why argue with success? Your investment objectives have not changed. You've had some time to lick your wounds, but now it is time to work on a disciplined approach to buying back your dividend-paying stocks. Put together a stock purchase plan and stick to it. Maybe buy 20% on the first of the month for the next four months or something along those lines. If we happen to get a huge pullback, then, of course, you can buy more, faster.

From whom should I take investment advice?

Sometimes, even the most level-headed investors can get caught up in a hot stock recommendation or a compelling story. Many loud voices are hovering around us! We must deal with the (mostly unsolicited) views from friends and relatives, and then there are the ultra-confident pieces of investment advice from the mainstream media.

Just because someone is on the radio and television or in the newspaper, it doesn't mean they are in a position to give investment advice. What are their qualifications? I just checked the biography of one of the most widely read Canadian financial reporters and see that he took the Canadian Securities Course. That was it! Not to mention, he has never worked at an investment firm.

Our industry is not well-regulated in this regard. The media always need content to publish or air, and of course, the strongest personalities make for the best entertainment. But who protects the consumer? It is one thing if someone exciting is trying to sell you soap, but the consequences can be more serious when they are selling you investment products or ideas.

Unfortunately, when it comes to investment advice, it is buyer beware. There are a gazillion so-called accreditations and designations, but they all sound the same to the average person. Some financial courses require three weeks (or less) of study, and some require three years (or more) of study. There are only a handful of truly professional designations that self-regulate properly: I have the CFA designation myself, so obviously, I think it is best to be accredited.

Of course, some industry veterans don't have a professional designation but do have the credibility and track record to offer sound advice. Your best bet is to Google the name of the person and do your own extensive online research. And feel free to get in touch with me if you are wondering about an advisor's qualifications.

Why bond ETFs are not always so safe

Many investors believe that owning bonds—also called fixed income securities, bond funds or ETFs—always de-risks an investment portfolio. But this is a very dangerous assumption.

There are a few general principles. First, when you buy a bond, it has a fixed coupon rate. When interest rates go up, the value or price of the bond goes down. Second,

what is the relationship between bond prices and stock prices? In normal markets, prices for stocks and bonds tend to move in opposite directions. However, if we are living in stressful market conditions, bond prices and stock prices can move together rather than in different directions.

There is a big difference between investing in government bonds and investing in corporate bonds from a risk perspective, and the trouble is that the media often lumps all categories of bonds together. You have to clarify what you are talking about! Government bonds and short-term, high-quality corporate bonds do tend to have more stable prices and diversify a stock portfolio. But when you get into longer-term, or high-yield corporate bonds, their prices will act more like stock prices.

Look beyond the marketing. What exactly are the holdings in your bank bond ETF? Understand them... and if you don't? Exit the position.

Is holding on to losing stocks a good strategy?

I am reminded of a great paragraph I read in Ashvin Chhabra's book, *The Aspirational Investor*: "A well-diversified portfolio will deliver market return with market risk, yet it does so on its own terms, unaware and uncaring of your needs and aspirations." I think it is the same concept here with holding on to losing stocks. The thinking is no doubt that because they are down in value, they are bound to come back? Actually no. Those stocks don't owe you anything! They certainly don't know the price at which you bought them.

My advice is to try and remove emotion and take a long, hard look at what is in your portfolio today. If you wouldn't go out and buy those companies today, get rid of them. There are plenty of other fish in the sea. Forget about whether they were losers or winners, especially as you don't have to worry about tax implications in your registered accounts.

Do you have questions about your own investment portfolio?

Consider calling *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:
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