CEV WEALTH

FINANCIAL PLANNING • WEALTH MANAGEMENT • INSURANCE

mutual gains

ISSUE NO. 232 March / April 2026

We will listen carefully
to what you are saying
and be attentive to your desires
as well as your fears
so together we can build
and enjoy
a harmonious
and responsive relationship
in attaining your life's dreams
and through that
We will be attaining ours.

Carey

Compelling Values Are Harder To Find

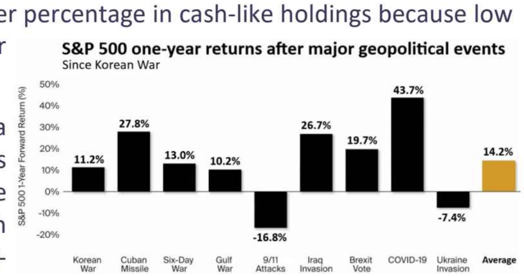
The USA debt has been an issue of growing concern lately. However, for the last few years in particular, we have been seeing a lot of governments around the world increasing their debt at a much faster clip than usual. Despite the messaging you would get in the media that the US is the outlier, China's debt is actually increasing much faster than the USA's (13.6% vs 8.4% annually).

However, this is in stark contrast to corporate balance sheets as a whole, particularly the very large businesses around the world. Cash seems to be piling up there and the aggregate amount is quite staggering. This has led many companies to make strategic purchases of other companies, including their competitors. Why do they do this? They can't just sit on the cash so they look at what their options are. They can dividend it out to shareholders, buy their competitors and / or buy back their own shares.

All of these options can have a tendency to push up share prices. If paid in dividends out to shareholders, the cash paid out would end up back buying shares of other companies. This is especially true when interest rates are as low as they are today. The other 2 options, buying back shares and buying other companies reduces the amount of shares available in the market. What happens when supply decreases? Prices go up. It's a Basic Economics 101 theory, which everyone knows.

Our client's portfolios have been the beneficiaries of this in 2025. With the Portfolio Management team we use the most, 3 of our holdings have been bought out by other companies throughout 2025, giving us a nice boost in returns on the equity side. The cash received from these is still available for redeployment into other growth investments.

On the "fixed income" side (bonds & shorter term deposits / debt instruments; again, referring to the PM team who manages the most of our client's portfolios), we are holding a much larger percentage in cash-like holdings because low risk alternatives don't offer enough return.



Most recently, there has been a pullback because of the US vs Iran conflict, as well as in the software sector as of late, which could present some opportuni-

(Continued on page 2)

www.careyvandenberg.com

(Continued from page 1)

ties. The latter usually means being able to buy bonds below their 'par' (maturity) value. As an example, the combination of being able to buy at even a relatively small discount (e.g. a 10% discount on bond due in 3 years) means 3.3% /yr return if held to maturity. Plus you get the fixed rate of interest stated on the bond (e.g. 4%) which increases the annual return substantially (e.g. total 7.3% / yr).

Is Your Money Invested In A Seg Fund. If So, Why?

There are all kinds of investment wrappers, and a "Seg Fund" is one of those. It is simply a life insurance company mutual fund.

If you deal with a Financial Advisor / Planner who first set you up with some kind of life insurance, chances are good that they are licensed as a 'life insurance agent'. Once you are in a position to invest additional cash (aside from what they'll recommend you invest inside your life insurance policy), they may recommend a Seg Fund for your situation. This may be fine; however, you need to recognize the pros and cons of these, versus your alternatives:

1) Pro—A Seg Fund can be passed on directly to someone (and bypass probate) because you can name a beneficiary on it. However, this is helpful only if you are elderly since the likelihood of you dying prematurely is much less likely if you are younger. (Furthermore, you have less money when you are younger, so the potential probate fee saving is much less).

2) Pro—They have a guarantee on your investment if it is held for a set number of years. This is normally 10 years and the guarantee can be 100% but it might only be 75%. Frankly, I've listed this as a Pro; however, history has shown that the probability of you ever needing this is so small.

3) Con—You are paying for both of those Pro's and in my view, you are paying too high a cost for too little benefit. The extra cost can be from .1% to 1% higher (10 to 100 basis points over a regular mutual fund). Most people would be paying approximately .5% (500 bps) higher. That is significant in my opinion, not worth the cost.

So why would you be recommended these? You'll have to ask the Financial Advisor who suggested them. I'd also ask if they can recommend any other investment vehicle besides Seg Funds (ones that aren't sponsored by an insurance company). Listen carefully to what they say. If you are dealing with a life insurance agent as your Financial Advisor, the answer will be 'no' (or some round about way of saying no).

In the financial services field, there are all kinds of "advisors". Make sure yours isn't restricted from offering something that could fit better for your situation. You don't want to pay for something that you don't need or want, just because the advisor is substantially restricted in what they can advise on (and this applies equally to insurance agents and banks / credit union advisors).

Why Your Bank / Credit Union 'Advisor' Is Prone To Drop The Ball

If it isn't obvious to you, I'll state it here. Banks aren't there to be proactive in advising you on your financial situation. Their modus operandi is to sell you something. However, if they see cash come in, they'll contact you right away. Yet, if you have money with them they generally won't scour your account to see if they can make things better for you. They need to benefit from the transaction. Unlike many independent Financial Advisors, they aren't looking at your situation and money as they would their own.

Why do I say this so frankly? It came from someone I know very well who has been dealing with a credit union for many years. I discovered she has just under $35,000 in a TFSA and a whack of cash that is spread out amongst GIC's, a Savings Account and a Chequing Account. Her husband passed away a few years ago. The current TFSA limit is $109,000.

Up until her husband died they could have collectively contributed $176,000 into their TFSA's ($88K each). When her husband died his TFSA contributions were transferred into her TFSA. However, neither of their TFSA's were topped up. Add the TFSA contributions she could have made since then ($21K) would have put her total TFSA balance today at just under $200K. Yet, she only has $35,000 in her TFSA currently.

She can catch up her TFSA room but her husband's is gone forever. Because of that, she could have had $88,000 more in her TFSA earning interest TAX FREE. However, she now has to pay tax on this every year for the rest of her life. If she eventually wants Fraser Health to subsidize her potential care costs, that may be eliminated or greatly reduced. As well, for the many years she didn't keep her TFSA topped up, she has paid tax on the interest still sitting in her GIC's, chequing and savings accounts. I want to pull my hair out but… I have so little left.

Why did this happen? Banks are sales organizations. The don't give advice for your benefit alone and they most often don't seem to plan strategically, because they don't have a fiduciary responsibility to you. This means they aren't obligated to act in your best interest. That fact makes them think only about what they can sell you. Sure, the proof I laid out above is anecdotal. However, I'm sure there are many more cases out there exactly like it. Why people deal with a bank or credit union for financial advice, I'll never understand.

The Bank's GIC / Savings Account Vs A GIA

I came across a situation recently where a client's elderly father has all of his money at the bank and the adult kids were trying to do some estate planning. One of the objectives is trying to minimize (or completely avoid) probate fees. The bank advised them to simply add their names to their father's bank accounts.

Yes, that does accomplish that 1 objective, avoiding probate fees. However, this change makes it very different than it was before. The father's money is now owned by him and all his beneficiaries. Legally now, any of the beneficiaries could ask for their ownership share of the money at any time. As well, the interest on all of that money will now be split between all the beneficiaries. If the father is in a lower tax

(Continued on page 3)

bracket than the beneficiaries, this increases the tax earned on all of the interest, potentially offsetting the benefit of not having to pay probate fees in the future.

The best solution is to keep the money in the name of the elderly parent whose estate you are trying to plan (which may include trying to minimize probate). The way to do that simply is to put the money into 1 or more GIA's, not a GIC or any other bank account for that matter. The GIA (Guaranteed Interest Annuity) is the insurance sector's version of a bank GIC. The big advantage to the GIA is that you can name beneficiaries on it. This allows you to bypass probate (which includes the delay to go through this process along with the fees). PLUS, it isn't of public record. Nobody else can see where the money goes because the money goes straight to the beneficiaries. As well, the interest rates you can get with a GIA are competitive to any bank GIC (there are lots of insurance companies that offer GIA's). GIA 3—GIC 0.

Renewing A Mortgage Or Looking At Buying Your 1st Home?

It is very important to get specialists advising on every part of your financial life. This is why our office works with 2 mortgage brokers. Here is some guidance from 1 of these mortgage professionals (Peggy), on today's mortgage market, and what you might want to do with yours when your mortgage renews.

There are more 'B deals' being done than Peggy has ever seen (she's been doing this a very long time). B deals are ones where borrowers don't meet the stricter guidelines of the big banks lending policies. Therefore more borrowers are going to smaller lenders whose lending criteria are looser. This is a sign of significant stress in the real estate and lending market. Most of it is in the bottom end (condos & townhomes) and what starts at the bottom, often moves up the ladder.

However, B lenders in this environment are reducing the amount they are willing to lend (max. 65-70% of a property's value). This is not surprising since appraisals are coming in lower than expected, especially with new builds. A few weeks ago I went to an Open House of a beautiful 46th floor condo on the Fraser River in New Westminster. I said to the listing agent the sellers would probably lose on this. I confirmed that the loss would be over $300K, a decline of over 20% in value in the ~1 year since they bought it. This isn't just happening in BC but across the country (Peggy does mortgage deals across Canada).

With all of this happening, interest rates could move a bit lower, especially in short term mortgages. This makes going variable and 3 year rates the most attractive (for those of you renewing). Also, we are probably seeing an opportunity for 1st time home buyers, one that we haven't seen since 2008. If you are looking at buying for investment purposes you have to be aware that rental rates are coming down continually and expect more to come. If you are downsizing, this may be your opportunity. Single family homes have declined less than condos and townhomes which gives you the benefit of having more equity to create retirement income from.

Protecting Your Family With Critical Illness (CI) Insurance

This is coverage you can buy that will provide a pre-determined lump sum of cash should your family really need it. CI Insurance is paid out when the insured person is diagnosed with 'critical' illness. The name of this coverage is actually deceiving because 'critical' can mean something that many people don't see as critical (life or death). However, the key point is, you'll have cash to use how you see fit (medical help).

Usually this kind of coverage is bought by 1 of the primary income earners in the family. However, losing that income earners cash flow isn't the only risk you face. What if your child is diagnosed with something? Could you easily pay for what needs to be done, including pulling all the stops in getting them the care they need? 'Child Critical Illness' can provide that. I'm sure you have seen the family pictures and pleas for financial help on various media outlets, including maybe on your social ones? None of them had this coverage, I'm sure.

PS. CI Insurance can be bought with "Return of Premium". This means that if you don't claim on the coverage, you can get all your premiums back at maturity. Not much downside here for substantial peace of mind (a friend of mine had CI coverage on herself and she said that it really helped her and her husband).

Prepaying Your Funeral Expenses

When you pass on, your family will inevitably deal with much emotional pain. Of course, this can't be avoided. However, the pain you can avoid is putting your family through the extra duress of having to make decisions about your funeral, as well as paying for it. This became very clear to me very recently, with unexpected passing of a very good friend's (AB's) mother. What seemed to put so much weight on AB was all of the micro-decisions that can become simply too much to bear. There was no time to take in what had transpired, or to grieve because of the tyranny of so many decisions that had to be made (e.g. What kind of pillow do you want in the coffin?).

Having a pre-paid package from a funeral home eliminates having to make all of these relatively unimportant, minutiae decisions. It can also greatly reduce the bickering between family members over what the deceased would have wanted. This lets your family members focus on the memorial service solely (who will speak, what music will play, what pictures to show, etc.). When my dad passed a way a few years ago, he had pre-paid his funeral expenses and I must say, with that, the funeral home was there to lead the way.

With a pre-paid funeral, costs can be locked in at today's prices. The money is put into a Trust Account at a bank and collects tax-free interest. Your money is safe because if the funeral home goes bankrupt, the Trust Account is protected from creditors. Also, if you want to change funeral homes, you can have the money transferred to another pre-paid funeral plan. A burial plan can cost between $5K to $25K, while a cremation packages is $2K to $5K. When the time comes, your family doesn't have to figure out who is going to pay and eventually get reimbursed for it which they may have to do if the estate is locked up in probate.

Life Gems– HaveIBeenPwned.com

Data breaches seem to more common than ever. We use our emails for everything and since it is what is used to log into any online portal, it is probably simply a matter of time before your email address, which is tied to passwords and personal data you enter on a site (e.g. banks, retail, medical etc.), your data is in unscrupulous hands now.

Do you know if the email address(es) you use has had a data breach somewhere? haveibeenpwned.com

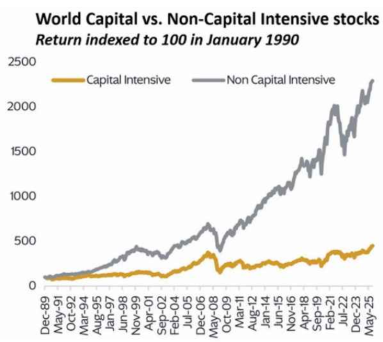
will quickly tell you with what entity your information is stored (and probably still is?) along with the month and year the breach happened. It will also include exactly what kind of data may have been stolen. What do you do with this? Go to these entities' websites and change your passwords. This is especially important if you use the same password on multiple sites. Solution going forward? Because data breaches aren't going down in frequency anytime soon, using a password manager like Bitwarden, LastPass, or NordPass is your best path forward.

HHHmmm...

• 1 of the most common reasons people state about not wanting to invest is that the markets are at all time highs. It feels risky and imprudent. Emotionally, it seems like you are setting yourself up for a fall. However, history (since Jan. 1st 1988) shows that the average returns for investing at all time highs has produced better results, than if you invested randomly (over 5 years it was a 80.9% total return vs 74.7%).

• For the month of February the S&P/TSX (a Canadian index) was up 7.6%, its biggest monthly gain since November 2020.

• Since 1945, whenever the US market index rose in January, it posted an average 16.2% for the full year. #LetsSeeWhatHappens

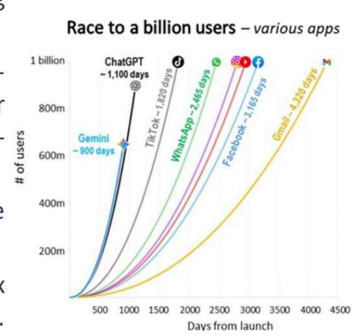


• If you have a choice on what kind of investment to make, it's far better to choose one that doesn't have to invest a substantial amount of money in equipment and continue to have to maintain and upgrade that equipment (referred to as a "capital intensive" business; see graph on left). Having to do so puts the company on a treadmill of having to re-invest a large portion of its profits rather than use it to pay it out to shareholders or buy its competitors. #FreeCashFlowIsKing

• When a company purchases its own shares in the open market, it "retires" them which causes remaining shareholders to own a slightly larger slice of the corporate pie. This can help to increase share prices because less supply in almost anything, will often do that. #ThisIsTheTrend

• Young Investment Analysts, Portfolio Managers etc. only see opportunity. More experienced PM's see risks first. The perfect Hollywood example of these 2 extremes is in the 1987 movie Wall Street, between Bud Fox (Charlie Sheen) and Lou (Hal Holbrook). Younger people (including younger Financial Advisors) don't' have the history nor the personal assets in which they could have truly experienced risk. #Ido

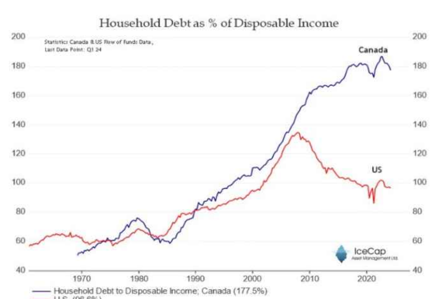
• The strongest risk-adjusted investment opportunities in AI are currently companies building and enabling infrastructure (data centres, etc.) not in AI software providers. #TheLessObvious



• Google and Apple struck an AI deal where Apple essentially threw in the towel on its own AI efforts, announcing that it would use Google Gemini to power its future AI driven apps and services. It's also a major blow to OpenAI, which had partnered with Apple to offer ChatGPT on IOS devices but was never given exclusivity. #Microsoft&GoogleVsApple

• Taiwan Semiconductor makes every Nvidia chip. The vast majority of memory producers are based outside the USA (e.g. Korea). A lot of the AI equipment is in places like Holland and Japan. #LookOutsideUSA

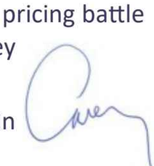
• From 1980 to 2020 (30 years), the price of gold rose by 2.3X while the S&P 500 equity market index (including dividends, which gold doesn't pay) was up by 17.7X. #CommodityVsBusinessOwnership



• Canada is in the grip of one of the deepest housing downturns in the advanced world. When looking at the peak residential real estate prices which happened in the Spring of 2022, the largest price declines have been in Abbotsford (-20.05%), Oshawa (-25.43%), Toronto (-19.06%). Average across Canada is a 17.8% decline since early 2022. #BeefUpYourFHSA #Canada'sDebtStretched

• The REMAX Housing Market Drivers Report, when looking at 9 major Canadian urban centres, shows that the highest growth cities for property price appreciation from 1994 to 2024 were: Halifax (460% increase = 5.91%/yr), Greater Toronto (436.2% increase = 5.76%/yr) and Saskatoon (377% increase = 5.35%) #NotVancouver?

• In 1981, Wardair (a Canadian airline) introduced a $459 return ticket to London (~$1,600 in today's dollars). This produced a pricing battle between them and Air Canada. Wardair had 34" between rows, gave free drinks and meals served on Royal Doulton China. They also offered this service to everyone for most of its existence. #HowFarDownWe'veCome #PaidForInBusinessClass



• Wealth is what you don't see. It's the cars not purchased, the clothes not bought, the jewelry not worn. Wealth is hidden. In my experience and from what I've seen, generally those that try to show it, don't have it. #LooksCanBeDeceiving