CEV WEALTH
FINANCIAL PLANNING • WEALTH MANAGEMENT • INSURANCE

mutual gains

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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

Does Our Today Mirror The Past?

If you are in your 50's or 60's I'm sure you've seen the movie "Wall Street", where Bud Fox (played by Charlie Sheen) is a young aggressive stock broker, trying to make a name for himself. An older, much more seasoned and conservative broker (Lou, played by Hal Holbrook) cautions Bud on a few occasions, the most famous quote being, "The main thought about money, Bud: it makes you do things you don't want to do". Warren Gecko (Michael Douglas), Bud's nemesis, a ruthless corporate raider however says, "Greed is Good" (Greed Is Good Scene | WALL STREET (1987) Movie CLIP HD).

The push and pull between these 2 is summed up in a line in my favorite band's (RUSH) song title "Circumstances": "Plus ça change, plus c'est la même chose" (the more things change, the more they stay the same).

The market is made up of peoples' decisions with human nature's flaws and emotion embedded in all of these. The things that influence us in the decisions we make don't change because we are human. That was true today as it was 1000 years ago.

The human element for a lot of investing is slowly changing, where more and more machines (larger driven by AI) are making the decisions. However, today humans are still the ultimate decision makers and the chasing effect hasn't seemed to change from 25 years ago. Today, the chase continues to be anything related to AI.

So are you missing out? Depends what you mean by missing out. There are the obvious beneficiaries and there are the non-obvious. Any deep diving Portfolio Manager who analyzes businesses from a business buyer's perspective, would see those non-obvious ones when others don't AND not pay the price that the chasers are buying.

Of course, like times past, we are seeing a concentration in a specific group of businesses / sector (or country) and it is getting to extreme levels like it has in the past (see chart above).

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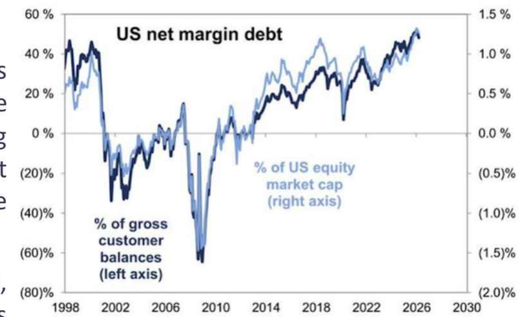
Exhibit 9: Margin debt remains near record highs



Ultimately the valuation of these hot businesses gets more and more expensive as time goes on due to the increasing numbers of indiscriminate buying "investors" (Speculators would be a more accurate term in my view). In addition to that there is a whole lot of money being borrowed to invest (which is called "margin" in the investment business). This is already past levels that we saw just before the tech bust 26 years ago. This can exacerbate the downside in these "priced for perfection" businesses in velocity, depth and duration.

The 3rd indicator is what I've personally witnessed over the past several months. That is, questions coming in from people who have a relatively limited experience with investments as a whole. These questions include, the general, "do I have AI in my portfolio?" and why their portfolio has only increased 7% over the past 6 months when another investment product has gone up by over 30%. Both of these scream FOMO.

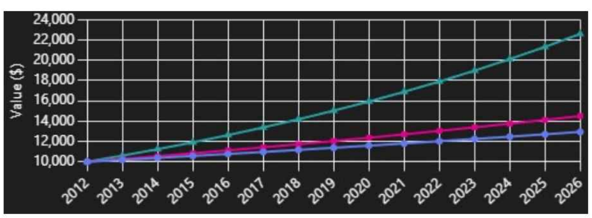
Our client portfolios (and my own) are largely managed by a team of 15 Portfolio Managers, headed up by a handful of very seasoned people who are used to taking flack in times like these; for not doing what the market is doing. The strongest case of this was over 26 years ago, when the portfolios they managed ultimately sailed through the ensuing and inevitable havoc, virtually unscathed and ultimately doing what they were hired to do (for us and 100% of their own investable assets). That is, to produce long term returns at minimum risk?, better than 75% of their peers while not putting money at risk of permanent loss. That is, to be good stewards of investment capital. They've done this in spades.

History Shows Bank GIC's Lose Money Always (More So After You Pay Tax On The Interest)

When you lock your money up in a GIC you are lending your money to the bank. They in turn will give you a fixed rate of interest (~2.5% for 1 to 2 yrs). Sounds good, but that is below the rate of inflation (3.2%). Prices are going up by 3.2% but your money is only going up by 2.5%. That means a .7% loss in 1 year. The longer you do that, the higher your losses. Plus, we haven't subtracted the tax you'll pay on that 2.5% which means even higher losses than I've stated.

Assuming $10,000 invested in a 1 year GIC in 2012 and renewed each year at prevailing interest rates, your GIC value today (with compounded interest) would be worth $12,942. To keep up with inflation that number would have to be $14,505. In other words, you've lost over $1,500 (a 10.8% loss) for that "safe" investment. No wonder so many (mostly seniors) are feeling squeezed over time.

The best long term alternative (one which you don't have to manage), is to own a portfolio of several businesses that increase their earnings and free cash flow, year after year. Free cash flow is the most important metric since it indicates a very healthy business that has lots of money available to flow to shareholders (via dividends and / or to buy their competitors) after paying all expenses.



So what does that look like? At a very conservative, 6% compounded growth rate that same $10,000 would be worth $22,609. Add 0's to that based on your own situation. E.g. $100,000 would be $129,420 in a GIC. To match inflation you would need $145,050 (anything below that red line is losing money). A portfolio of high quality companies would be worth $226,090.

Who is this most important for? 1) Those who are trying to build a retirement nest egg and have most of their RRSP's in GICs 2) Retired people who have GIC's, particularly outside of a RRIF or TFSA, who plan to pass money on to their kids and grandkids.

PS. When interest rates are higher, so is inflation and a bank GIC interest rate is very rarely higher than the inflation rate—higher interest rates don't change the money losing outcome. But banks won't tell you that.

3 Reasons Why You Don't Want To Get A Tax Refund

Did you get a tax refund this Spring? Was it large? Everyone likes a tax refund and the larger it is the better, right? I love the biggest chocolate Frosty I can get at Wendy's and I would love one every day. Would that be good for me? Both the tax refund and a daily Frosty aren't. Here's why tax refunds aren't, and ways to get the same enjoyment without the downside:

1) Overpaying Your Taxes—A refund on a tax return means you've given the government an interest free loan. I can see giving your kids an interest free loan, but the government? Why not reduce the amount of tax withheld, giving you $X extra per month and have that same $X go into a High Interest Savings vehicle every month?

2) Poor Planning—If you have too much tax withheld on your pay cheque every month you can file a CRA "Tax Reduction At Source" form to correct that. This would mean more money coming to you every month and you could redirect those extra $'s as in #1 (above). If you have retirement income being paid to you out of a RRIF, you'll want to reduce the withholding tax on those payouts.

3) False Sense Of Security—Seeing a tax refund can make you feel like you are doing a good job with your finances. As well, it probably makes you feel at ease knowing you always have a tax refund coming to you? I hope that reading #1 and #2 can show how wrong that thinking is (and how to better arrange your finances so you can get both the good feeling AND be smart in what you are doing).

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6 Assets That Can Drain Your Cash

Assets are things you own. Your home, your car, the stuff filling your home and even your ability to earn an income. However, not all assets are created equal. Some will increase your wealth, others will drain it. Here are the things that you generally don't want to own (or buy) because they will cause you to be poorer rather than richer:

A New Car—I confess; I've bought 2 new cars in my entire life, my last 2. I was looking at used on both occaisions but I was finding 2—3 year old ones were almost as expensive as the new ones. The 1st new car I purchased I did so at a Subaru dealer in Bellingham, Washington. The reason? It was ~$10K less than I could get the exact same new car in Canada (that was in 2008 when the Canadian dollar was more valuable than the US dollar and after all extra taxes) and cheaper than used ones in Canada. Also, be patient and don't get emotional about your purchase (by buying a niche brand that has a terrible reliability record), you'll be so much better off (eg. Land Rover, Mercedes, Audi, Rivian).

Timeshares—These are often sold to people who are on a holiday when their guard is down and one tends to be less disciplined about spending money. Unlike owning something directly, a timeshare has highly inflated initial costs along with ongoing payments that will be a drain on your cash flow. Better to find holiday accommodation deals for each time you travel. Many years ago I looked a lot at resales of timeshare units and even those weren't attractive when you considered the alternative accommodation choices out there.

Insurance You Don't Need— In reviewing a new client coming on board in our office, I've often discovered an insurance policy. Often they have no idea how it is actually benefitting them or what it is for (and often don't realize how much they are paying for it). Several months ago I worked hard to convince a couple to cancel their insurance because they simply didn't need it. Despite my efforts to save them a whole lot of money every month, they simply decided to reduce the amount of coverage they had and pay the same monthly amount. My take is they figured they had paid for it so long that stopping it would have made them feel that they threw away so much money over the years. The fact is they didn't. It served a purpose for the time it was owned. Just like when you buy car insurance and don't crash your vehicle. Continuing to pay it though was simply paying for something they didn't need. THAT is throwing money away.

Rental Property With Negative Cash Flow—Often people will buy a rental property where the rental income can't cover the cost of the financing, taxes and maintenance (called "negative cash flow"). The thinking is that eventually the rental income will increase to cover those costs. Many start with negative cash flow, hoping that the property price appreciation will make up for all the losses. That can work but you have to remain solvent (or be able to deal with a lot of financial pain) for that potential windfall to fill your pockets. Having to do a lot of finger crossing is a bad way to invest, particularly since it adds a whole lot more risk (being forced to sell can create a loss).

Buying Way More Home Than You Need—Homes are expensive and the bigger they are the more they cost to maintain. A couple of years ago I paid over $14K to have my ~2,300 sq ft home painted. The larger my home, the more it would have cost me. Property taxes (see the chart in "Hhhmmm…", page 4 how those are going up faster that you realize), mortgage payments, heating, etc. Yes, buying a more expensive home can create a larger tax free capital gains down the road, but at what cost to your next several years of living in it? Cash flow creates freedom. The higher your costs, the lower your financial freedom.

Collectibles— I'm talking about when they are being bought strictly as an investment vehicle. The hope is it could be the new "Gretzky Rookie Card". There are so many factors that can change the value; tastes to technology. Diamonds used to be a store of wealth. They can now be created and their price is falling. Collectible cars? You need to store and insure them. Nobody seems to ever factor in the amount of money that is spent for many years to hopefully (fingers crossed) get to that big payday.

Lottery Tickets (& Slot Machines) —I'd call this the poor person's (so called), 'investment'. What is the motivation to buy a lottery ticket? For the big payoff. This is an emotional pull and can be dangerous. In the very least, if you buy them regularly, it can have you continuously obsessing about that big payoff. The last time I bought a lottery ticket was in my early 20's. I'd split the cost with my mom a few times for $1 tickets. Have you walked by slot machines in Vegas, Reno, or Laughlin? How about at a casino somewhere close to your home? To me it's depressing and emotionally dark. Rows of blank stares, moving with the rhythm of a machine, their purpose only in hoping to collect. Sad.

Life Gems– Wireless Connector For Your Car

Despite the high tech of my 2018 Subaru Outback beeping and flashing warnings telling me that someone is driving beside me, and auto steering that keeps me in my lane, as well as automatic braking, I have to plug in my Android phone to connect to the built in screen in my car. Frustrating, yet it seems this is common for cars built between 2016 and 2023. I finally got tired of this and starting looking for a solution. I can now connect via Bluetooth instead of having to plug in every time. There are many of these on Amazon. However, since Cheryl and I use the same daily driver, I wanted one that, 1) you connect via Bluetooth and, 2) can be used with 2 phones. This is what I bought and it works great https://a.co/d/0hwAIeN5. If we are driving together and we want the other's phone data (map, music, etc.) we simply push a button on the unit (it took a few times to get it set up since I'm not good at following directions).

HHHmmm…

• The only reason the S&P 500 and the Nasdaq are up this year is the technology sector. Interesting to find that Berkshire Hathaway (Warren Buffet) is 59% in cash. Berkshire has assembled a portfolio of operating businesses and investments that are remarkably resilient to disruption from AI and emerging technologies. Railroads, insurance, energy, and consumer staples form the core. These are classic businesses protected by wide, durable competitive moats that are unlikely to be upended overnight. #BasicsWeAllUse

• AI labs started OpenAI and Anthropic, both of which operate at a loss, spending heavily on data centres. Yet, they are expected to fetch valuations in excess of $1tn when they go public later in 2026. Similar periods of exuberance happened just before market downturns in

1972, 1986, 2000 and 2007. #LearnFromHistory

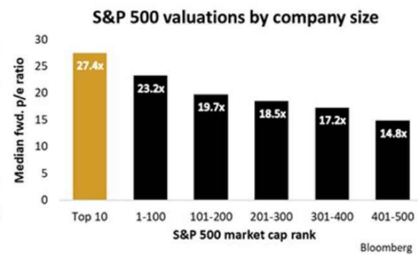
• About 80% of returns this year can be attributed to the AI theme. This is driving one of the biggest momentum-led rallies we've ever seen. #ThisTimeIsDifferent?

• Taiwan recently overtook India in stock market value, powered mainly by a breakneck rally in the world's largest chipmaker Taiwan Semiconductor Manufacturing Co. (TSMC). Taiwan's market capitalization climbed to $4.95 trillion (May 25th 2026) with 1 company (TMSC) accounting for 42% of the index. Taiwan's stock market is now the 5th largest in the world, behind only the US, mainland China, Japan, and Hong Kong. #2026'sIntel

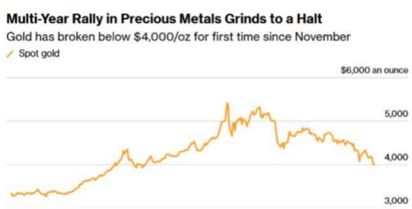
• Expectations around AI have become so high that there is little room for disappointment. Markets are assuming that today's massive spending on AI infrastructure will eventually translate into meaningful productivity gains, stronger earnings growth and new revenue streams across the economy. If expectations aren't met, or companies begin questioning returns on enormous AI spending plans, investor enthusiasm could fade quickly. #FingersCrossedInvesting

• 71% of Americans oppose the construction of an AI data center in their local area. Opposition to AI data centers exceeds opposition to building a local nuclear energy plant, which 53% oppose. #WaterDevourer

• "Sell in May and go away" is a common investment timing mantra. Despite that, May has been the 4th best performing month over the past decade (+1.46% on average). September seems to continue to be the worst month on average (-1.34%) followed by February (-.54%). #FactsOverBelief



• Money has been chasing the largest companies while the smaller companies seem to be ignored. This is very evident in PE ratios, the staple measuring on how pricey or cheap a company is where higher means more expensive; (see chart on right). Despite the larger companies becoming more and more expensive, you buy smaller companies for a much lower price. This way you can stay invested yet reduce your risk and increase your future return potential. Our client portfolios are heavily skewed to smaller companies. #GoSmall



• Court-ordered land in BC is coming to market at half the value it had at the peak of the market 4 years ago, and there's still downward pressure. A listing in the Edmonds area of Burnaby is a case in point. It has an approved development permit in place for 29 storeys, but with no one building high-rises, the price was slashed from $13 million to $5.8 million. The environment isn't expected to change until 2030. #BuildThatFHSA [A FHSA Can Grow Your Money By Up To 50% Guaranteed - Carey Vandenberg]

• Home prices in Canada are down ~20% from their peak in Q1 2022. US home prices during that time have increased because the affordability in the US is still much better than in Canada (as measured by difference between mortgage payments to income). #SofterForLonger

• 27% of U.S. adults report that they frequently or occasionally use installment plans when making online purchases. Installment-plan use is highest among adults who are very worried about making minimum credit card payments. #DebtProblemIndicator

• The monthly antidepressant dispensing rate for young people increased 66.3% from January 2016 to December 2022. #Covid&SMIsloation

• College grads (US) expect an $80K starting salary. The actual full time employee with a bachelor's degree earns $56,153 #HopeVsReality

• Cognitive decline shows up in people who have exited the workforce long before the typical retirement age of 65. There is ample evidence that extending employment age to mid- to late-60s can delay the onset of cognitive decline #CreatedToWork #WorkIsGoodForUs

• Nothing too good or too bad stays that way for very long, because great times plant the seeds of their own destruction through complacency and borrowing money, and bad times plant the seeds of turnaround through seizing of the opportunities and panic-driven problem solving #PanicToEuphoria&BackAgain #OverAndOverAgain

BC Property Tax
Home Owner's Grant Shrinkflation
(how government slowly takes more)

1996 - 2006 Basic Grant was $470 Seniors Grant was $745

	Tax No Grant	Tax Basic Grant	Grant %
1996	2092.62	1622.62	22.46
	Tax No Grant	Tax Basic Grant	Grant %
2007	2729.36	2159.36	20.88
2014	3580.05	3010.05	15.92
2018	4337.27	3767.27	13.14
2022	4644.32	4074.32	12.27
2024	5566.34	4996.34	10.24
2026	6111.16	5541.16	9.33

• Risk is what you can't see or think only happens to other people, what you aren't paying attention to, are willfully ignoring, things that aren't in the news and, in good times when it seems it can never end. #BeAContrarianThinker

• Capitalism doesn't work unless someone is doing something to benefit someone else. If you do not do a good thing for someone else your capitalistic enterprise will not work. Whoever provides best ,what society wants, will be the one who excels. That is why capitalism is the best system of all systems out there. It punishes poor service and encourages a striving for excellence. In the end, it isn't the system that corrupts but the human condition for power and control. Therefore, every economic system we can come up with, will fall by it. #WeAreTheEnemy