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IN THIS ISSUE

1. Taking a Fresh Look at Retirement Planning
2. Celebrating a Decade of Hillside Performance
3. Performance Results

TAKING A FRESH LOOK AT RETIREMENT PLANNING

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When it comes to retirement planning, the industry typically takes a very conservative stance on drawing down your accounts to support your lifestyle. This is especially true for those invested in index-like portfolios, which is widely recommended for managing money. The reason for this caution is simple: index investors have no control over what they own, so their portfolios rise and fall with the market's movements. And markets can be unpredictable—just this year, Japan's Nikkei index finally surpassed its 1990 levels. No one wants to outlive their savings, so planning for the worst is often the default.

However, as Jason mentions later in this newsletter, we've been managing money differently for the past 10 years—by investing the equity component of your portfolio in high-quality businesses. But what exactly does that mean, and how does it affect your retirement?

What Makes a Business "High-Quality"?

Here's a quick look at the characteristics of a high-quality business:

1. Minimal or no debt.
2. A simple, easy-to-understand business model.
3. A strong management team, often led by the founder.
4. A history of delivering above-average profits.
5. A track record of growing both revenue and profits.

By owning 20-30 of these types of businesses—rather than thousands of companies spanning a range of quality, as is typical in an index portfolio—you gain a significant advantage. You know what you own, you trust in each company's ability to handle future challenges, and you can be confident that these businesses will drive returns for you and your family.

Sure, there will be short-term market challenges, as there are with any portfolio. But in the long run, regardless of broader market fluctuations, the prospects for high-quality companies remain strong. And that confidence translates into your retirement plan.

Staying Conservative, but with Confidence

While we remain careful with your retirement plan, here are the conservative assumptions we make:

1. We plan for you to live until 95.
2. We don't include the equity in your home.

3. We only project a 2% real rate of return.
4. Current inflation rates are factored into your lifestyle target.

Your plan is also updated annually based on the actual market value of your portfolio. So, as your portfolio outperforms our assumptions, you may find yourself able to afford more than initially planned. This surplus is what we call your "***Dreampool.***"

Now, it wouldn't be responsible to say, "Your portfolio has earned 8% over the past decade, so let's assume that'll continue indefinitely." But it's also not right to say, "Let's be overly cautious, just in case," because this kind of thinking can lead to missed opportunities. You might reach a point where you realize you could've done more while you had the chance.

We want you to know that the last 10 years have been strong, and we're optimistic about the next 10, 20, or even 30 years. Let's plan for a future where you can enjoy the ride.

EMBRACE VOLATILITY IN YOUR RETIREMENT PLAN

Learn how to navigate market fluctuations and make the most of your retirement savings with smart tips from Mike Preto CFP®, CIM® in this must-watch video.

Jump to: Next Article | Full Newsletter

HILLSIDE WEALTH MANAGEMENT | FREEDOM | FAMILY | PERFORMANCE

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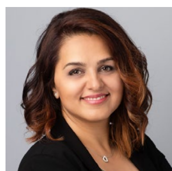

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