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WHEN MARKETS FEEL ROUGH: WHY YOUR PLAN MATTERS

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Welcome back to the Informed Investor.

For many of you, the last 6 months have felt uncomfortable, frustrating and at times unsettling — we've heard that clearly from some of you. The inquiries have been a version of the following:

"I have seen my portfolio drop by \$X in the last 6 months. Am I going to be okay?"

This is a legitimate question and we're going to dig into it.

Rather than talk in abstractions, let's walk through a real planning example to show how short-term portfolio movements actually affect long term outcomes.

A REAL-LIFE PLANNING EXAMPLE

Meet **Mr. and Mrs. Smith**. They're both 62 years old and plan to retire in three years with an **after-tax retirement lifestyle of \$110,000 per year** (in today's dollars).

They've done a lot right:

- Their mortgage is paid off
- They're still saving **\$34,000 per year** toward retirement
- They have no pension or rental income
- They'll receive standard CPP and OAS

At the **beginning of 2025** (four years from retirement), they had **\$2,080,000** in retirement assets.

When we ran their plan in early 2025, here's what it showed:

Retirement Lifestyle: \$110,000/yr
Sustainable Lifestyle: \$124,000/yr
Dreampool: \$366,000 after tax.

What does this mean in plain English?

They were **ahead of schedule**. They were aiming for \$110,000 per year, but their plan showed they could sustainably spend \$124,000 per year. The difference — **\$366,000** — is their *Dreampool*: the surplus in their plan. In other words, they could withdraw \$366,000 and still remain on track to fund their desired lifestyle.



FAST FORWARD ONE YEAR

Now let's jump to the **beginning of 2026**.

Returns over the last full year were slightly positive, but recent months have felt more difficult. To keep things simple, let's assume a **10% decline in portfolio values** for planning purposes.

Here's what the updated plan shows:

- Retirement Lifestyle:** \$112,500/yr (remember we need to up the lifestyle with inflation).
- Sustainable Lifestyle:** \$118,000/yr
- Dreampool:** \$116,000/yr.

So what's the short answer?

Yes — the Smiths are still tracking nicely toward their retirement goal.

And remember: this plan already assumes:

- A lower rate of return than historical averages
- No house value included
- No recovery from here

In other words, there's a lot of conservatism baked into the plan.

PUTTING MARKET MOVES IN PERSPECTIVE

With all due respect, a **10% drop** in portfolio values over a six-month period is well within the realm of normal. It has happened before, and we're as sure as we can be that it will happen again.

So why does this bout of volatility feel harsher than usual?

We can't say for sure — but if we had to guess, we'd point to one thing: **markets have generally been going up**. [FOMO](#) is real, and it has a powerful way of distorting how short-term results *feel*, even when the long-term plan remains solid.

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A REMINDER FROM OUR OWNER'S MANUAL

As you know, [The Hillside Owner's Manual](#) clearly outlines:

Courage builds independence



"YOU CAN'T OUTPERFORM THE MARKET IF YOU BUY THE MARKET"

- Sir John Templeton -

- Why we do what we do
- How we do our job
- What you should expect along the way

Here's one of the most important lines from it:

"While we have a benchmark, your portfolio, by design, looks nothing like the benchmark. There will be periods where we outperform and periods when we underperform."

ABOUT RECENT PERFORMANCE (INCLUDING OUR OWN MONEY)

For those of you in the **Focused Growth Model** (where my wife's and my own money is invested), returns have been tougher — down roughly **13% from peak to trough**.

So why aren't we more concerned?

Because this model is designed for people who are **five or more years away from retirement** and who are (hopefully) **still saving**. And for people who are saving, this is actually the *best* kind of environment to be investing in.

Buying quality companies at cheaper prices, all else being equal, sets up:

- Better future returns
- Which supports a better future lifestyle

(As Jason and Steven have been highlighting in their recent content.)

THE BIGGER PICTURE

I want to be crystal clear: **this has been our toughest stretch of relative performance**, and we don't know how long it will continue.

We understand this part of the journey is uncomfortable and frustrating — and we're here to support you through it.

One of the most powerful tools we can offer is our **planning expertise** and a constant focus on the **bigger picture**. Keeping things in perspective matters. Periods like this — uncomfortable as they are — have historically been the environments where disciplined investors set themselves up for stronger long-term outcomes.

We wish you and your family a happy, healthy, and prosperous year ahead.

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