HOW TO Retire1st

Dividends & Compounding

Canadian Investor Protection Fund
CIPF MEMBER

IIROC
Investment Industry Regulatory Organization of Canada

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STRATEGY

- To deliver a stable and sustainable total return stream through changing market environments with companies with sustainable dividends and with the ability to grow those dividends over time.
- Portfolios are primarily composed of high quality, dividend-paying securities, where share prices are measured against the sustainability and potential growth of the dividend income stream.
- Over time, the income produced by the portfolio represents a significant portion of the expected total return, **leaving less emphasis on stock price performance**.
- Over time, the focus on long-term dividend growth allows the portfolio to provide a growing stream of annual income which can be used as needed or reinvested and compounded for additional growth.

PORTFOLIO CONSTRUCTION

- Concentrated portfolios of 10-25 equity holdings based on portfolio size. Each portfolio is constructed based on the client's rate of return requirements. We are not inclined to own the market and, as a result, **our strategy comes in and out of favour**. This strategy stands apart from others as we are only concerned with owning the most optimal portfolio that will help clients achieve their goals over their individual time horizon.
- We are not focused on outperforming the market or buying the latest hottest trend (Bitcoin/Pot).
- Our portfolios aim to provide capital preservation, while funding an ongoing personal liability stream. Dividend-paying equities have consistently provided a lower volatility total return stream when compared with the broad stock market (chart below), with a higher income level than could otherwise be achieved in the bond market.

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Note: dividend growers in Canada have significantly outperformed both the TSX and S&P 500 on a total return basis over the last three and a half decades, especially when volatility, as measured by standard deviation, is considered. Canadian oligopolies in the Financial, Utility, Telecommunications and Energy Infrastructure sectors have consistently provided above average total returns with lower risk and the added benefits of lower taxes and currency risk for Canadian investors. As such, these sectors are well represented in the portfolios.

PORTFOLIO CONSTRUCTION

- Volatility control is the psychological and mathematical key to matching an investment portfolio to a client's multi-decade time horizon, where they are consistently in need of capital.

- Portfolios are composed primarily with Canadian equities. The Canadian market is home to a significant number of dividend-growers, with above-average yields that have been shown to both reduce volatility and outperform over time.

- Additionally, Canadian dividend-payers provide a higher level of current income, lower taxes and less currency risk when compared to market relative strategies.

DIVIDEND GROWERS EXAMPLES

ENBRIDGE

2013: $1.295
2019: $2.952
127.95% Dividend Increase

BMO

2012: $2.82
2019: $4.12
46.1% Dividend Increase

TELUS

2014: $1.52
2019: $2.33
53.29% Dividend Increase

Parkland FUEL CORPORATION

2013: $1.1148
2019: $1.194
7.10% Dividend Increase

ALGONQUIN Power & Utilities Corp.

2014: $.3450
2019: $1.32
282.61% Dividend Increase

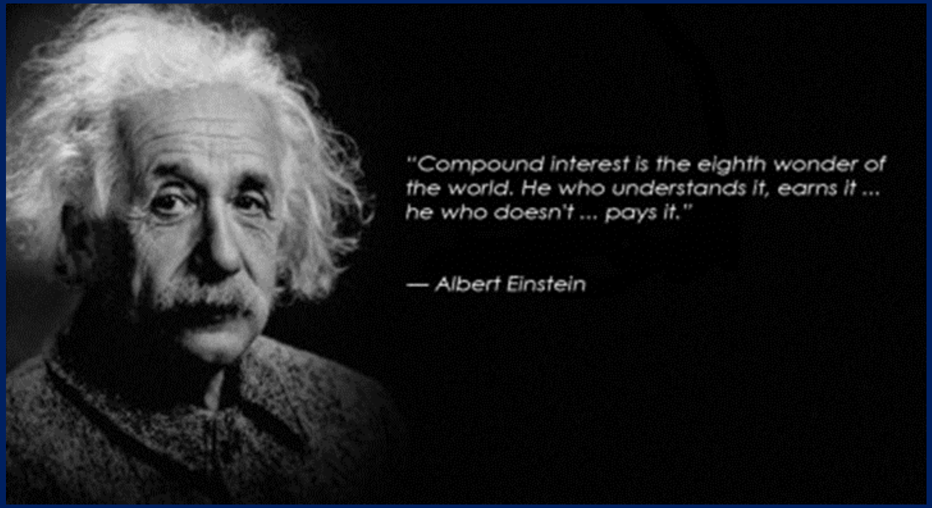
BCE

1984: $2.205
2019: $3.17
43.76% Dividend Increase

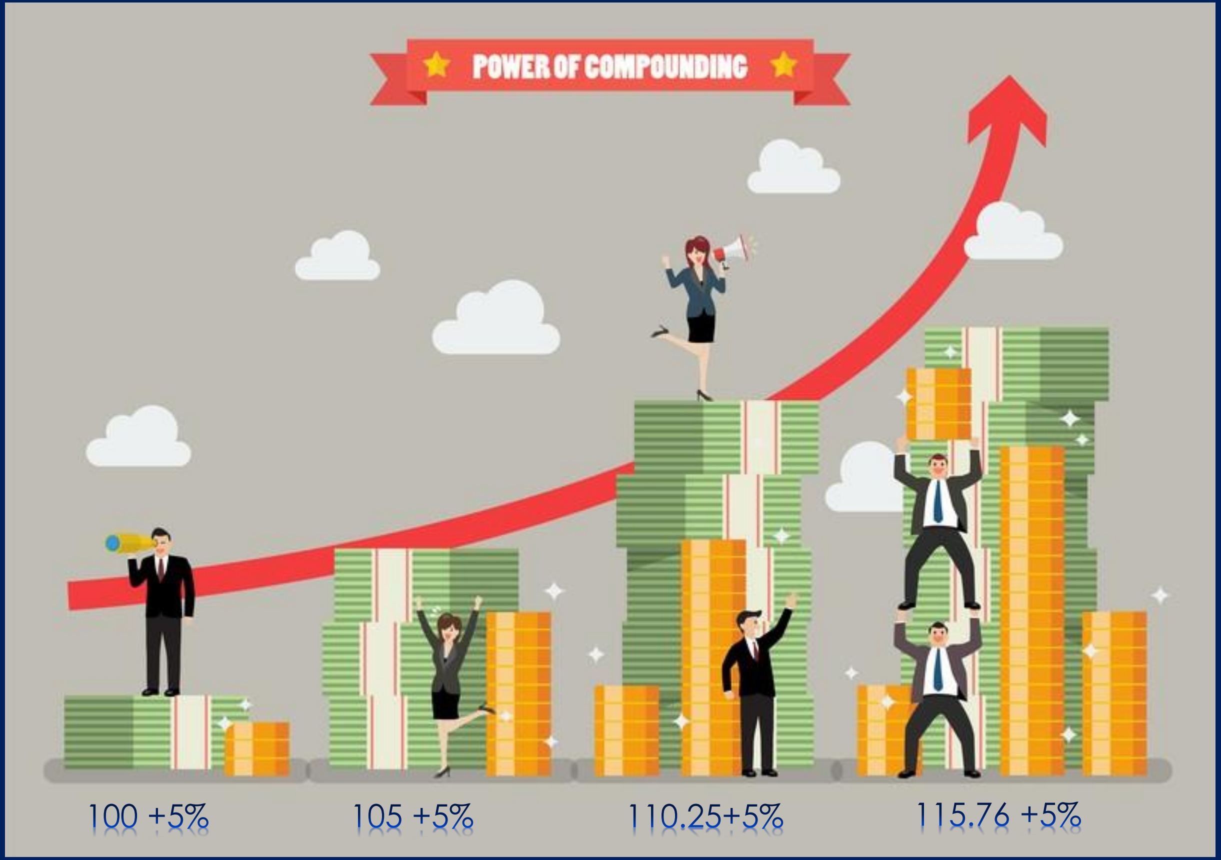
DIVIDENDS + COMPOUNDING = Retire1st

- Let's look at the 2nd part of the formula, compounding and the role it plays in wealth creation

- Albert Einstein once noted that the most powerful force in the universe was the principle of compounding. In investing, this manifests itself through something called compound interest



TIME AND COMPOUNDING



COMPOUNDING

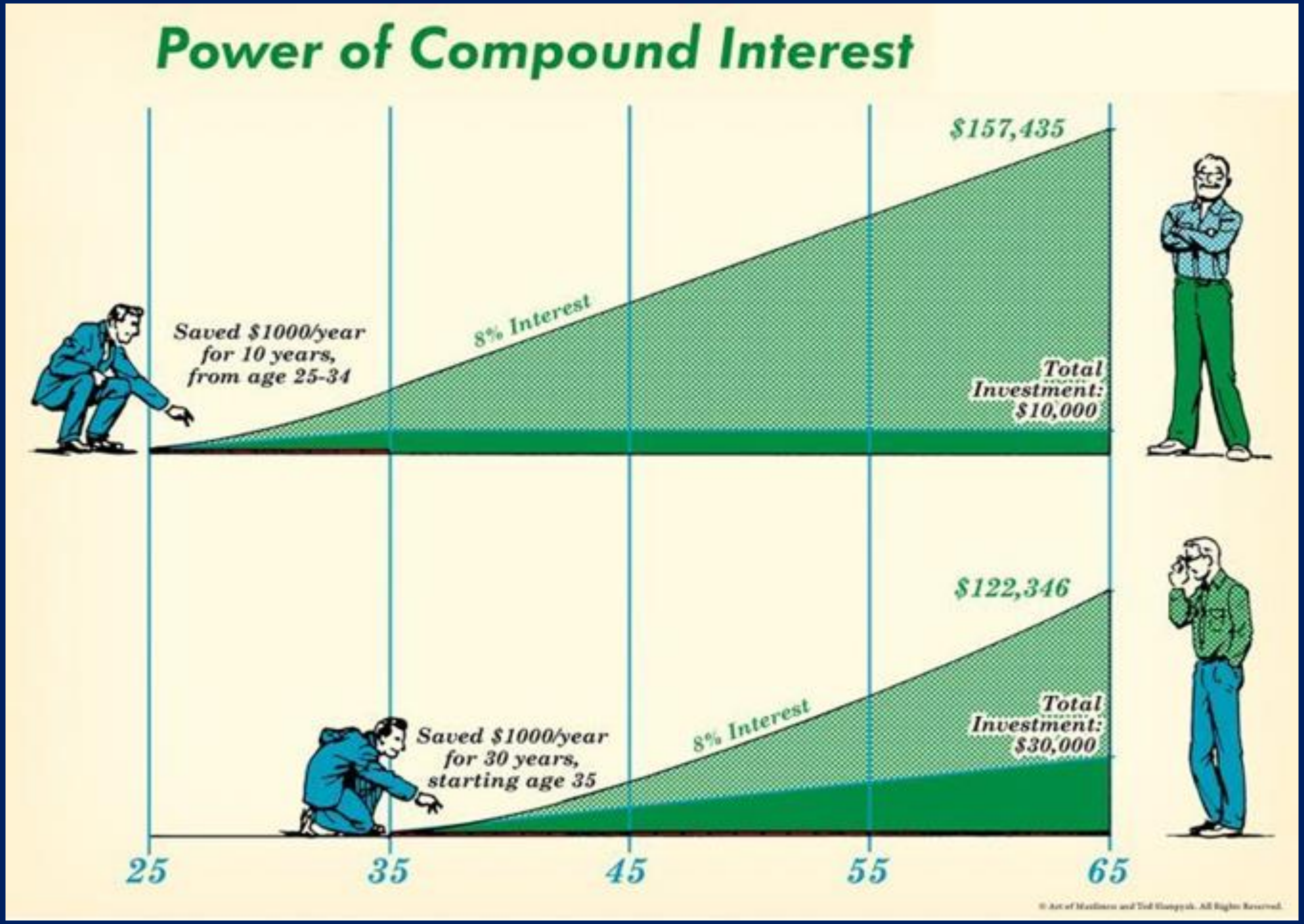
- Compounding is a powerful tool as it helps exponentially increase your wealth over the long run and can help those seeking financial freedom.

- Compounding is not a get rich scheme and takes patience.

- There are 3 things that determine your compound rate of return:
  - Time
  - Interest Rate/Return/Dividend
  - Tax Rate

- Let's focus on the first 2. We want to maximize your RRSPs and TFSAs to take advantage of tax laws. For non-registered/cash accounts we would consult with your accountant to see if there is anything we need to be aware of.

TIME AND COMPOUNDING



RATE OF RETURN

- Obviously, the higher your rate of return, the greater the benefits of compounding.

Example: a 5% return vs a 6% and 7% return for 15 years.

Starting Value	$100,000	$100,000	$100,000
Contributions	0	0	0
Years	15	15	15
Rate of Return	5%	6%	7%
Ending Value	$207,893	$239,656	$275,903

Rate of Return

What would happen if you merely added topping up a TFSA with the current limit of $6000?

Interest	Value
5%	$343,838
6%	$387,691
7%	$437,231

The difference between a 6% and 7% return might not seem like much, but another way of looking at it is the difference between doubling your money in 12 years vs 10.3 years

Rate of Return

What happens if add 5 more years to the above example of starting with $100,000, adding $6,000/year for 20 years?

Interest	Value
5%	$473 645
6%	$554 670
7%	$650 160

A huge difference with a small difference in assumptions.

SO, WHO IS THIS STRATEGY RIGHT FOR?

- Long term Investors who:
  - -are looking to lower their volatility
  - -create an income stream to fund your retirement
  - -boost their wealth
  - -have a long-term time frame
- This is not for investors who:
  - -want to day trade
  - -buy the latest trend stock in the market that are unproven (Bitcoin/Pot)
  - -want to buy penny stocks
  - - wanting a get rich quick
  - - people who overreact and make knee jerk reactions to the first market downturn


The BEST time to plant a tree
was 20 years ago.
The next best time is NOW.
-Chinese proverb

CONCLUSION

- We take a look at your current assets and financial goals/requirements then determine what rate of return you need by using the same financial formula that we used in the examples above.
- Once we know this number, we can build a portfolio targeting that return. Why take more risk than is needed?
- If it's determined you require a 5% rate of return, we might construct a portfolio containing corporate bonds and dividend paying stocks.
- If you needed a larger rate of return like 8%, we would have to include growth stocks that may not pay dividends.
- Thanks to 24 hour news and constant bombardment of social media, every piece of small data seems like a stock market crash is never far away. The market will correct as it always does, that is a fact and something we can guarantee.

CONCLUSION CONT'D

So to end, let's build wealth together. I am confident that our guide for building a dividend portfolio will boost your investment returns and help you achieve your financial goals.

We measure our success through the success of our clients meeting or exceeding their financial goals. We construct portfolios by purchasing a specific group of securities with a specific purpose in mind. Ideally, each company purchased could be held indefinitely, owing to successful results and dependable total return generation.

Dividends+Compounding=Retirefirst