REUTER BENEFITS

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REUTER INSIGHT | JUNE 2020

It’s time for a review of your investment risk level!

Last month, we advised in our newsletter that members should keep a long-term approach to their portfolio, and hold their investments through the significant volatility we have seen in the past quarter. In the first week of June, the Toronto Stock Exchange was up over 30% from the market low on March 23, and many investors’ year-to-date returns are now positive or showing only mild losses, depending on the specific funds they’ve chosen. If we could ignore the crazy roller-coaster that happened in between, you might not think much of it! However, now that many investors have largely recovered losses from earlier this year, it is a good time to check in with your overall strategy.

Check your risk tolerance

Stock markets always rise and fall, and with them so do market-based funds. Everyone loves risk when their portfolio is growing, but now we’ve seen how quickly the market can change direction. Occasional big market declines should be an expected part of normal market cycles, but how did it affect you when it happened in your own portfolio? We should be asking ourselves some hard questions in the wake of the last few months:

- Did you find that you were too uncomfortable with your risk exposure?
- Did you sell any of your investments at a loss, against your better judgment?
- Did you hold your investments but lose sleep over it?
- Now that the market has come back up a lot from its lowest point, would you change your investing behaviour in hindsight?
- What have you learned about yourself as an investor?

Has your time horizon or goal changed?

It’s important to have a long term approach when investing in growth-oriented funds. If you set up your strategy many years ago, you may now have only a short timeline remaining until retirement. Or perhaps you set up an RRSP with the intention of leaving it invested until retirement, but now you’re planning to use it for a First Time Home Buyer’s withdrawal much sooner. These types of changes affect the level of risk that’s appropriate for investors.

If it turns out that you were too uncomfortable with the level of risk in your portfolio during the market drop, or if your goals or timeline have changed, then you should review your strategy. If you plan to reduce your risk level, it’s better to do it when markets have recovered some value. Contact us for a review of your specific holdings and whether the timing is right for you to make a change.

For investors nearing retirement

Investors who are fully invested in market-based funds, and are planning to retire within five years, may wish to direct future contributions to a Guaranteed Interest Account, Money Market fund, or low-risk bond fund. This will build a portion of their portfolio that is safe from big market fluctuations, and provide a safe option for retirement income throughout all parts of a market cycle.

To review your investment strategy and retirement goals, please contact the Reuter Benefits’ team of licensed advisors at 1-800-666-0142 or by email at retire@reuterbenefits.com.

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