

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.

LIFE STAGES OF INSURANCE – INSURANCE ADVICE ADAPTS TO YOUR NEEDS OVER TIME

Insurance is defense and defense is boring. Owning insurance is like watching the New Jersey Devils in the '90s. As a New Jersey Devil at that time, it was presumably exciting to win using an insurance-policy-like defense. Not exciting for anyone else, but hey, insurance is all about you and your loved ones. Be like a Devil and win with insurance!

Building a Stanley Cup Winning Insurance Policy is about Suitability

Not all insurance is suitable for everyone. Insurance should be tailored to you, but most of us are ultimately typecast by our life stage. Below we explore the three *typical* phases of the insurance life cycle.

The Early Working Years (Ages 25-40)

The Situation. Finish school and enter the workforce. Many consider getting married and/or starting a family. The urge to buy a house and build financial wealth grows.

The Need. The need for insurance is high as numerous financial responsibilities are on the horizon. These responsibilities are expensive so cost-effectiveness is important.

The Solution. Cost-effective term life insurance with a critical illness rider. A complete analysis of workplace disability and life insurance coverage is very important!

The Wealth Accumulation Years (Ages 40-55)

The Situation. Income peaks and the opportunity to save grows. Kids transition to post-secondary and leave home. Debts are paid down over time and net worth grows.

The Need. The need to protect income remains as a high savings rate helps achieve retirement goals. Life insurance is still important but the need shrinks with debts.

The Solution. Group benefits often do not protect high incomes well so disability insurance becomes more relevant. Renewal of all or some existing term life insurance may be prudent. Time to explore permanent life insurance as part of an estate plan.

Entering Retirement (Ages 55+)

The Situation. Income has peaked and is declining. Some opt for part-time work. Finalize retirement and estate plans. Start to use investments as income sources.

The Need. The need to protect employment income subsides, as does the need to cover debt obligations. The possible need of long-term care becomes more relevant.

The Solution. Disability, critical illness and term life insurance policies are set to expire when the needs end. Consider converting term life policies into a permanent life policy. Permanent insurance may help reduce Canada Revenue Agency interest in your estate. Evaluate if long-term care insurance is useful in your individual situation.

Current Rates & Data

Govt of Canada

| | |
|---------|-------|
| 90 day | 0.09% |
| 1 year | 0.16% |
| 2 year | 0.23% |
| 5 year | 0.67% |
| 10 year | 1.24% |
| 30 year | 1.84% |

U.S. Treasury

| | |
|---------|-------|
| 90 day | 0.02% |
| 1 year | 0.05% |
| 2 year | 0.11% |
| 5 year | 0.59% |
| 10 year | 1.36% |
| 30 year | 2.19% |

Canada

Prime Rate

2.45%

U.S.

Prime Rate

3.25%

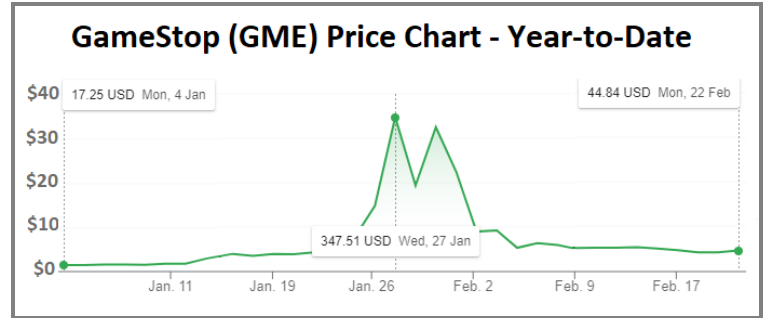
Exchange Rates

| | |
|---------|-------|
| CAD/USD | 0.793 |
| USD/EUR | 1.215 |
| JPY/USD | 105.3 |

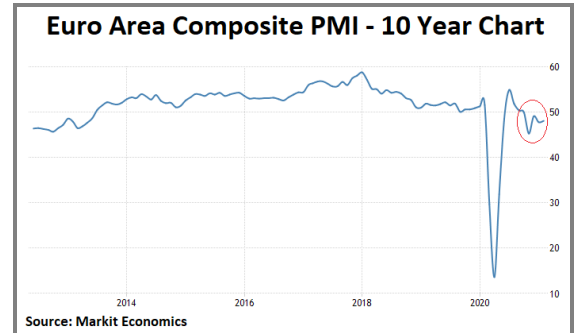
If you have questions about your specific insurance needs, please reach out. We are happy to assist!

ECONOMIC TIDBITS REDDITORS RALLY TO REAP REVENGE ON HEDGE FUNDS & EU ECONOMY ON THE ROPES

- In January, a savvy group of individual investors collaborated on Reddit to incite a “short squeeze” in shares of GameStop (GME). Many other short squeezes shortly followed. Hedge funds who were short these stocks were forced to buy back shares at higher prices as well as sell other positions causing short-lived concern about overall market stability. Hedge funds may be less inclined to short in future.



- The Euro Area Composite PMI has indicated economic contraction for the past four months stressing the risk of a double-dip recession in Europe and elsewhere. North American PMIs remain deep in economic expansion territory. North American government budget deficits will be almost double that of euro area countries in 2020, highlighting just how reliant economies are on government stimulus.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Dominant Brands Trading at a Major Discount to Equally as Dominant Peers in Other Industries

- **Sonova Holding AG (SONVY)** and **Electronic Arts (EA)** are two ideas related to this theme.
- **Sonova** holds ~24% of the global hearing aid market based on sales. Sonova’s business was impacted by COVID as people were less inclined to see their doctor or audiologist to diagnose a hearing impairment or identify issues with current hearing aids. Unlike many other products and services, there is true pent-up demand for hearing aids. Sonova looks reasonably priced at 21x trailing EV/EBITDA considering it holds a dominant market position in a market with a generation or two of growth ahead. The hearing aid market should grow consistently as the world population ages and as hearing aid demand for younger people grows due to changes in behaviour including more consistent in-ear headphone use and social gaming.
- **Electronic Arts** trades at ~32x trailing earnings, a discount to gaming peers and technology stocks in general. EA is pushing hard into subscription services wherein EA provides access to older titles for a monthly fee, allowing EA to make money off games that have little value outside of a subscription model as well as build user bases for future launches. The competition within sports games is decreasing over time as the cost to buy licensing rights to teams and players rises, and while this lowers EA’s margins, it ensures EA’s near-monopoly in sports franchises as competitors are deterred by the high initial price tag.

Key risk points: Both stocks are particularly sensitive to global consumer spending behaviour.

JEANNINE’S TIP O’ THE MONTH Steele Wealth Management Has Gone Fully Social!

Steele Wealth Management is feeling social and wants to get social with you!

Check us out on Twitter ([@SteeleWM](https://twitter.com/SteeleWM)) and Facebook ([Steele Wealth Management of Raymond James Ltd.](https://www.facebook.com/SteeleWealthManagementofRaymondJamesLtd))

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This newsletter has been brought to you by Steele Wealth Management

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