

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to ensure you are well informed. We sift through the noise and only bring you important topics of discussion and planning points useful to you.

We believe Knowledge Pays and we want our knowledge to pay for you.

TIME FOR YOUR CHILDREN TO GET A FINANCIAL ADVISOR? – LIFE EVENTS RULE

There is a good chance that if you are reading this, you are already a Steele Wealth Management client or are seriously considering becoming one. A recent article, [I Have a Financial Advisor. Is It Time for My Adult Children to Get One, Too?](#), struck a chord with us, since we hear this question frequently. Note that this is a US article, but the general concepts ring true everywhere. Below we discuss the article and suggest additional life events that expert financial advice can help solve in a productive way.

The article highlights **four tipping points that are tough for adult children to navigate**:

- [How They Are Paid Becomes Complex](#) – receiving stock options/rights or deferred compensation is becoming more common and can make taxation unclear.
- [They Begin Earning Large Salaries](#) – higher income means more is available for savings but how best to save changes when income levels change.
- [When a Couple Starts or Grows Their Family](#) – the cost of children and the urge to save for their education necessitates a robust financial plan to keep all on track.
- [Helping Prepare for an Inheritance](#) – an inheritance can disrupt an adult child's worldview but proactive coaching can help them maintain a long-term outlook.

All are important tipping points, but receiving an inheritance hits a soft spot, as the parent will no longer be there to coach the child around how to be prudent with the inheritance to ensure the child's and grandchildren's lives will be comfortable.

Expert financial advice can also be beneficial to adult children during these life events:

- [Buying a House](#) – buying a house is becoming an ever-greater task for young adults and accumulating a down payment and organizing other financial help, whether from family or government, can make attaining this milestone a bit easier.
- [Getting Married](#) – fighting over money is consistently the most cited reason for divorce, so setting expectations early and working together from day one can help lay the foundation for a long and successful marriage.
- [Getting Divorced](#) – similar to getting married above, an advisor can provide an objective voice and help build a new roadmap for the future after this life change.
- [Death or Critical Illness of a Spouse](#) – the intricacies of a spouse's death or illness can be complicated and an advisor's viewpoint during this stressful time is useful.
- [Starting a Business](#) – an advisor can help make funding a new business, managing cash flow and investing the profits to support retirement much easier and allow the business owner to focus on operating the business.

Excellent financial guidance is something all parents want for their kids, now and in future. If the above items resonate with you, we are happy to explore this with you and/or your child.

Current Rates & Data

Govt of Canada

90 day	0.10%
1 year	0.35%
2 year	0.68%
5 year	1.25%
10 year	1.63%
30 year	2.04%

U.S. Treasury

90 day	0.05%
1 year	0.08%
2 year	0.36%
5 year	1.10%
10 year	1.58%
30 year	2.07%

Canada Prime Rate

2.45%

U.S. Prime Rate

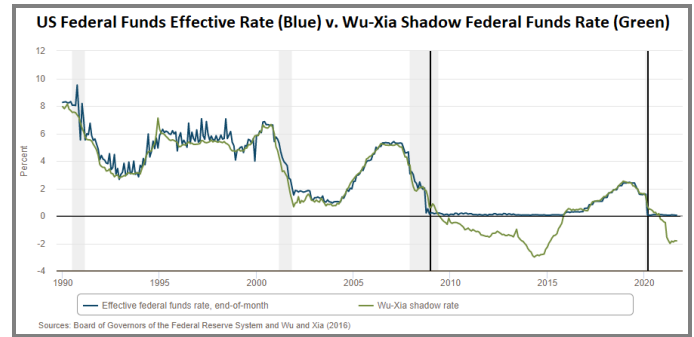
3.25%

Exchange Rates

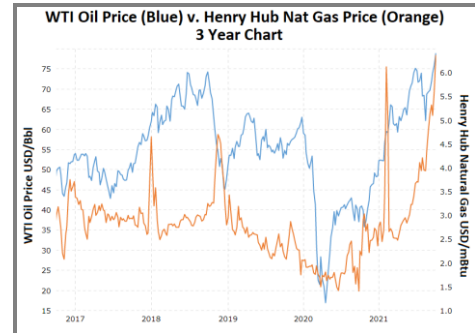
CAD/USD	0.804
USD/EUR	1.157
JPY/USD	113.4

ECONOMIC TIDBITS ALL EYES ON CENTRAL BANKS AND INTEREST RATES & OIL AND NAT GAS PRICES RIP HIGHER

• Last month, developed nation central banks began to reverse post-pandemic accommodative stances, with New Zealand and Norway raising interest rates, and most other central banks hinting at “monetary tightening” in the next month or so. It remains an open question whether this is a normal tightening phase or if central banks are moving too quickly in response to pandemic related supply chain disorder.



• Oil and nat gas prices spiked higher in September. Oil demand has outstripped supply for several quarters, as producers are hesitant to boost production given associated costs and enduring COVID uncertainty. Excess oil production capacity is ~4x the current supply-demand imbalance so high oil prices may not last for long. Nat gas is a regional commodity so its price depends on regional factors.



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

Covered Call Strategies Most Effective After Long, Strong Market Rallies Face Waning Momentum

- **What is a covered call?** A covered call is when you sell someone the right (i.e. an option) to purchase a stock that you already own, at a specified price (say 5% above the current price), and by a certain date (say three months from now). If the stock falls, stays flat or rises only slightly between now and that certain date, you collect the premium associated with the option sale and keep the stock position. If the stock rises significantly, the buyer of the stock option exercises their right and you sell them your stock at the specified price. Theoretically, to re-establish the stock position, you would need to pay a higher price.
 - **Covered call strategies do not reflect a bearish stance toward equity markets but instead a neutral-to-bullish stance.** The investor remains invested in equities and continues to receive dividends and option premiums so long as the covered equities do not rise substantially in price. This strategy is particularly appropriate now after an incredibly strong 18-month equity market rally and slowing market momentum. In practice, the best covered equities to own are those that do not tend rise in price very rapidly.
 - **BMO Covered Call Utilities ETF (ZWU)** and **Harvest Healthcare Leaders Income ETF (HHL)** are two ideas related to this theme their holdings trade close to historical average valuations, a rarity in today’s market.
- Key risk points:** Covered call strategies should experience drawdowns that are less severe than outright equity ownership but meaningful downside is possible during deeper equity market downturns.

JEANNINE’S TIP O’ THE MONTH 2021 Westmount Oktoberfest Charity Pro-Am Auction Link

High vaccination rates and relatively low COVID case counts allowed the golf portion of the pro-am to proceed this year, albeit with fewer golfers. This year’s festivities are in support of Lutherwood and the Waterloo Region Suicide Prevention Council. We invite you to participate in the pro-am’s charity auction ([click here](#)). All proceeds generated go to these important organizations in our community. Please share with anyone who may be interested in participating. The auction is live until **October 22** so get your bids in!

This newsletter has been brought to you by Steele Wealth Management

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