

*The*

... **SEVEN** ...

**SECRETS**

<<<<< *of* >>>>>

... **HIGH** ...

**NET WORTH**

**INVESTORS**



FISHER INVESTMENTS CANADA™

Fisher Asset Management, LLC does business under this name in Ontario and Newfoundland & Labrador. In all other provinces, Fisher Asset Management, LLC does business as Fisher Investments Canada and as Fisher Investments.

Investing in financial markets involves the risk of loss and there is no guarantee that all or any capital invested will be repaid. Past performance is no guarantee of future returns. The value of investments and the income from them will fluctuate with world financial markets and international currency exchange rates.

This document constitutes the general views of Fisher Investments Canada and should not be regarded as personalised investment or tax advice or as a representation of its performance or that of its clients. No assurances are made that Fisher Investments Canada will continue to hold these views, which may change at any time based on new information, analysis or reconsideration. In addition, no assurances are made regarding the accuracy of any forecast made herein. Not all past forecasts have been, nor future forecasts will be, as accurate as any contained herein.

# The Seven Secrets of High Net Worth Investors

# Table of Contents

|                                                     |           |
|-----------------------------------------------------|-----------|
| <b>Secret #1:</b>                                   | <b>1</b>  |
| Take On “Risk” to Protect Your Wealth               |           |
| <b>Secret #2:</b>                                   | <b>3</b>  |
| Have a Cohesive Investment Strategy                 |           |
| <b>Secret #3:</b>                                   | <b>5</b>  |
| Plan for Inflation                                  |           |
| <b>Secret #4:</b>                                   | <b>6</b>  |
| Update Your Investment Accounts for Retirement      |           |
| <b>Secret #5:</b>                                   | <b>8</b>  |
| Be Smart About Withdrawals                          |           |
| <b>Secret #6:</b>                                   | <b>10</b> |
| Avoid Investments You Don’t Need                    |           |
| <b>Secret #7:</b>                                   | <b>13</b> |
| Create an Estate Plan Early and Update It Regularly |           |

## Secret #1: Take On “Risk” to Protect Your Wealth

Many investors have an incomplete understanding of risk. It's common to think of risk as short-term volatility—how sharply investments' prices move up and down. While it's true this is one type of risk, focusing too much on avoiding volatility can increase other risks, such as the risk of running out of money in retirement. Many investors make this mistake by having too much of their portfolio invested in fixed income and not enough in equities, causing their portfolio value to run low later in life. Savvy high net worth investors understand that equities may feel risky in the short term, but they are more likely to help you achieve long-term portfolio growth than fixed income and other lower-volatility investments.

Maintaining the lifestyle you desire can be a challenge if your investments don't grow enough to keep pace with inflation and the withdrawals you plan to take. This need for growth can feel at odds with a conservative investment strategy.

Fixed income is a common part of many conservative investment strategies, as they tend to be less volatile than equities in the short term and therefore perceived as “safe.” However, fixed income has returned less and actually been more volatile over longer periods.\*

Equities have outperformed fixed income 78% of the time over 20-year periods dating back to 1926.\*\* As seen in Exhibit 1, when equities outperform fixed income over 20-year periods, it tends to be by a wide margin. However, when fixed income outperforms, the outperformance tends to be much more modest.



*\*Source: Global Financial Data (GFD), as of 17/01/2024. 5- and 30-year rolling returns, 31/12/1925 – 31/12/2023. Equity returns based on GFD's World Return Index and are converted to Canadian dollars. The World Return Index is based upon GFD calculations of total returns before 1970. These are estimates by GFD to calculate the values of the World Index before 1970 and are not official values. GFD used specified weightings to calculate total returns for the World Index through 1969 and official daily data from 1970 on. Fixed Income returns based on GFD's Global Total Return Government Fixed Income Index and is converted to Canadian dollars.*

*\*\*Source: Global Financial Data (GFD), as of 10/04/2024. 20-year rolling returns, 31/12/1925 – 31/12/2023. Equity returns based on GFD's World Return Index and are converted to Canadian dollars. The World Return Index is based upon GFD calculations of total returns before 1970. These are estimates by GFD to calculate the values of the World Index before 1970 and are not official values. GFD used specified weightings to calculate total returns for the World Index through 1969 and official daily data from 1970 on. Fixed income returns based on GFD Indices Canada 10-year Total Return Index. Presented in Canadian dollars.*

Secret #1: Take On “Risk” to Protect Your Wealth (Continued)

Exhibit 1: Rolling 20-Year Equity vs. Fixed Income Returns

|                                              | When Equities Outperformed | When Fixed Income Outperformed |
|----------------------------------------------|----------------------------|--------------------------------|
| Global equities’ average 20-year return      | 646%                       | 217%                           |
| Global fixed incomes’ average 20-year return | 309%                       | 324%                           |
| Equities’ margin of outperformance           | 2.1x                       | -                              |
| Fixed incomes’ margin of outperformance      | -                          | 1.5x                           |

Perhaps one of the biggest risks you could expose yourself to is missing the growth you need for achieving your goals by avoiding short-term volatility. Of course, investing in equities isn’t necessarily easy. Increasing your equity exposure can feel risky because of greater short-term volatility, which can also increase your chances of making behavioural errors—one reason having a trusted financial adviser to help coach you through volatility can be invaluable.

Source: Global Financial Data (GFD), as of 10/04/2024. 20-year rolling returns, 31/12/1925 – 31/12/2023. Equity returns based on GFD’s World Return Index and are converted to Canadian dollars. The World Return Index is based upon GFD calculations of total returns before 1970. These are estimates by GFD to calculate the values of the World Index before 1970 and are not official values. GFD used specified weightings to calculate total returns for the World Index through 1969 and official daily data from 1970 on. Fixed income returns based on GFD Indices Canada 10-year Total Return Index. Presented in Canadian dollars.

## Secret #2: Have a Cohesive Investment Strategy

For many investors, it's natural to avoid putting all your eggs in one basket—after all, diversification is an important tenet of investing. Some investors also use this principle when hiring money managers—opting to hire several instead of one. While it may seem reasonable to have multiple managers to reduce risk, savvy high net worth investors understand this could lead to significant inefficiencies in your investment strategy.

Dividing your assets among multiple managers can result in conflicting strategies across your overall portfolio. Different managers often have different investment philosophies and make different decisions for the money they manage. These decisions can directly conflict with one another. For example, perhaps you own multiple mutual funds that have different managers, and one manager expects a strong year for equities while another believes equities will have a down year. One increases equity exposure and the other decreases it, leaving you with the same exposure you had initially. Not only does this decrease efficiency, but it can also lead to increased costs. As one manager purchases equities and the other sells them, you pay the transaction costs for effectively no change. Exhibit 2 illustrates how multiple managers can result in an inefficient strategy.

### Exhibit 2: Conflicting Strategies With Multiple Managers

| Fund 1                       |  | Fund 2                       | Net Change         |
|------------------------------|--|------------------------------|--------------------|
| Bullish Manager              |  | Bearish Manager              | Portfolio Holdings |
| ↑ Equity Exposure            |  | ↓ Equity Exposure            | ↕ Neutral          |
| ↑ Technology Sector Exposure |  | ↓ Technology Sector Exposure | ↕ Neutral          |

## Secret #2: Have a Cohesive Investment Strategy (Continued)

Similarly, one manager could buy Acme Corp.'s equity on the same day that the other manager sells it. While diversification is generally positive in investing, diversifying among managers could be counterproductive to achieving your investment goals. Whatever your level of wealth, as you approach retirement, you should develop a unified investing approach tailored to your personal situation and long-term financial goals.

Having a money manager who fully understands your entire financial picture may increase the likelihood of meeting your long-term investment goals. Your manager can take the time to personally get to know you and—if you wish—your family to better understand your financial needs. High net worth investors tend to understand the importance of having this kind of detailed and comprehensive financial plan. Your adviser may be better equipped to offer a personalized investment strategy if they understand more details about your full financial picture, such as your financial goals, estate plan and tax situation.



## Secret #3: Plan for Inflation

Health-care advancements over the decades have helped people live longer and healthier lives, amplifying the need for investments to last longer than many people expected. One consequence of this can be easy to overlook: Over time, a portfolio's purchasing power can diminish due to inflation. The longer investors live, the more time inflation has to work against them. Inflation's erosion of purchasing power means investors need to plan for it, and they may need more equity exposure than anticipated to grow their wealth and maintain their current lifestyle.

Since 1914, inflation has averaged about 3% annually.\* At that rate, a person who currently requires \$50,000 to cover annual living expenses would need approximately \$90,000 in 20 years and about \$120,000 in 30 years just to maintain the same purchasing power.

Though inflation has been relatively benign in recent years, prices for all types of goods don't change at the same rate. And if you spend more on expenses that tend to increase at a higher rate than other categories, inflation may have an even more pronounced erosive effect on your purchasing power over time.



*\*Source: Statistics Canada, as of 04/10/2024. Average annual consumer price index (CPI) growth rate of 3.13%, 1914–2023.*

## Secret #4: Update Your Investment Accounts for Retirement

Registered Retirement Savings Plans (RRSPs) are one of the most common retirement account types for investors. Many group RRSPs offered by employers have limited investment options, such as target-date funds or other mutual funds, which can make it difficult to create a truly personalized portfolio. While group RRSPs are great saving tools, they may only offer a limited menu of mutual funds. For many high net worth investors, it can be more cost effective and efficient to invest in individual equities and fixed income rather than mutual funds.

Many mutual funds follow strict mandates, such as investing in a set portfolio allocation or style that adheres to the prospectus—not necessarily your goals. Fund managers won't adjust their strategies if your situation changes. While they may consider more general objectives such as growth, factors such as investment time horizon, allocation preferences, life expectancy and income needs can vary widely from person to person.

Over time, a target-date fund's asset allocation tends to shift, usually increasing exposure to fixed income gradually. We believe these funds have two main shortcomings. First, allocation shifts typically happen in response to your projected retirement date, but your goals and the amount of time you need your money to last—the factors that should most drive your asset allocation—may have little to do with your retirement date.

For instance, consider two hypothetical investors, Sarah and Michael, who are both planning to retire at 65 years old. Sarah is in excellent health. Her husband Joe is younger and also in excellent health. Sarah's and her husband's parents are all still alive—Sarah's are in their 90s and his are in their 80s—so both Sarah and her husband have long life expectancies. Sarah's husband also owns a small business and does not plan to retire anytime soon.



## Secret #4: Update Your Investment Accounts for Retirement (Continued)

Michael, on the other hand, is a widower and in poor health. His parents died in their 70s of natural causes. He would like to spend down his retirement savings by the end of his life and requires near-term cash flows.

Sarah



- 60 years old
- Plans to retire in 5 years
- 50-year-old spouse
- Parents in their 80s and 90s
- Husband owns small business that will supplement income
- Has no current cash-flow needs

Michael



- 60 years old
- Plans to retire in 5 years
- Widower
- Parents passed away in their 70s
- In poor health
- Plans to spend down his account

Do these two investors, Sarah and Michael, sound like they should have identical portfolios just because they are the same age? Sarah and Michael have different goals, and it's likely Sarah has a longer investment time horizon. These investors may require a more personalized solution, one that target-date funds may not provide.

Second, target-date funds may increase exposure to fixed income (at the expense of equities) too quickly. As discussed in Secrets 1 and 3, for many investors who have long investment time horizons, having mostly fixed income as they enter retirement may shortchange the returns they need in order for their money to last.

While circumstances vary, investors looking to have more control over their investment options may consider transferring some or all of their group RRSP account into a self-directed RRSP or other alternative with more flexible investment options. A more flexible approach, and potentially a broader set of investment options, may allow you (or your trusted financial adviser) to optimize and personalize your investment strategy.

## Secret #5: Be Smart About Withdrawals

One of the most common concerns investors have is running out of money in retirement. Even so, some investors may not properly consider the impact of withdrawals on their portfolio's long-term growth, leading to a higher risk of running out of money in retirement. Even high net worth investors aren't immune to the dangers of withdrawing more than 5% of portfolio value annually, which can dramatically reduce the likelihood of financial success.

Since global equities have historically delivered an annualised return of around 9%, it may seem feasible to withdraw as much as 9% a year from your portfolio.\* However, this could lead to a high risk of depletion. For example, if the market drops 20% and you take a 9% withdrawal, you will need a 37% gain to get back to your initial value.

A couple of years of large withdrawals during down markets could put you in a very difficult position from which it might be impossible to recover. Taking too much out early in your retirement could also increase the risk of running out of money in your later years.

Conversely, some investors are overly conservative with withdrawals, potentially forgoing enjoyable experiences that their hard-earned money could enable. One reason for investors to take out too little: Some are afraid to touch their principal. It may be perfectly fine to reduce your principal, provided you have enough retirement nest egg to last you through your entire time horizon.

While rules of thumb don't take into account your unique situation, most people should plan on withdrawing less than 5% from their portfolio each year.\*\*



*\*Source: Global Financial Data, as of 24/01/2024. Based on 9.3% annualized MSCI World Total Return Index returns, 31/12/1969 – 31/12/2023. Presented in Canadian dollars.*

*\*\*The amount you can withdraw while ensuring portfolio survivability is calculated on a case by case basis.*

## Secret #5: Be Smart About Withdrawals (Continued)

### Difficult Decisions

Investing requires trade-offs, like more short-term volatility for higher returns. Another trade-off you may have to consider is between different discretionary purchases. Sometimes you may have multiple expenses that are important to you on a personal level, such as paying for a grandchild's college education or taking a dream trip with your spouse. However, in order to meet your investing goals you'll need to be clear about what's affordable. It's not advisable to risk depleting your portfolio for non-essential spending. This isn't to say helping with college or a vacation are off the table; rather, they just need to be realistically budgeted in the context of your overall goals, cash flow needs and return expectations. Maybe you can do both or only one, or possibly neither.

It's also helpful to be clear with yourself and other stakeholders how much you can spend beforehand. Once the spending becomes counted on, emotions come into play and you could end up with a bigger bill than you're comfortable with.

## Secret #6: Avoid Investments You Don't Need

Many high net worth investors are “accredited,” which means they may have access to investments the average individual investor does not. An accredited investor is a person or entity who may be eligible to invest in unregistered securities, including hedge funds, private placements, private equity and more.

Regulatory authorities believe that because accredited investors have higher income and net worth, they are better able to withstand the investment risks of an unregistered security. However, we have worked with many successful investors who understand many of these investments are not worth their risks, and that reaching their goals is possible with more widely used assets like equities and fixed income.

### Hedge Funds

A hedge fund is a private investment fund that markets itself almost exclusively to accredited investors. Hedge funds are known to employ higher-risk strategies such as shorting and leveraged investments in order to maximize returns. Hedge funds are typically set up as private investment limited partnerships that can require large minimum initial investments.

Due to the potentially high fees and lack of liquidity, we believe hedge funds expose investors to a level of risk not necessary for reaching their long-term goals. These funds are generally illiquid, as they often require their investors to keep money invested in the fund for at least one year. Hedge funds also have cash-flow limitations—withdrawals can be limited to once a quarter or even semi-annually. With the promise of higher returns, hedge funds may charge higher fees, with both an annual asset-management fee as well as a “performance fee” assessed as a percentage of a hedge fund’s profit over a certain level.



## Secret #6: Avoid Investments You Don't Need (Continued)

### Private Placements

A private placement is a capital-raising event in which shares of a private company are offered to a small group of accredited investors. Companies offer private placements to raise capital for their business, typically by offering some form of company ownership, like through equity, or a commitment to repay the capital, like a fixed income or promissory note.



Because the regulatory process is different for private placements, their securities offerings may face less scrutiny than investments that are offered publicly—which may pose potentially greater risks. Further, because they aren't sold publicly, private placements may be illiquid, meaning they may be difficult to convert to cash. In addition to over-concentration and liquidity risk, private placement investors are also susceptible to default risk or the risk that the company they invest in is unable to pay back its debt obligations.

### Private Equity

Private equity refers to investing directly in private companies whose shares may not be available on a public exchange. The most common way to invest in private equity is through a private equity fund, which pools investor assets and chooses companies to invest in. Investors often seek out private equity funds due to perceived outsized historical returns. Most private equity funds require a minimum holding time period that can keep investors' money locked up until the fund permits redemptions. Also similar to hedge funds, private equity funds may charge both management and performance fees.



## Secret #6: Avoid Investments You Don't Need (Continued)

### Mutual Funds

Mutual funds can be an effective diversification option for investors with smaller portfolios, but high net worth investors often have better tools at their disposal. Mutual funds combine money from many investors to purchase an array of equities or other securities that may be cost prohibitive for an individual investor with a smaller portfolio to invest in on their own. But as your portfolio grows in value, the constraints tied to buying small share amounts diminish. In some cases, the fees associated with mutual funds can be more expensive than the trading costs associated with purchasing the securities within the fund on their own, making them less cost efficient.

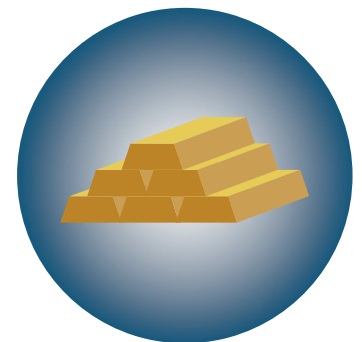


They also can put you at a disadvantage from a tax perspective. Mutual fund assets are commingled. So investors who hold funds in a taxable account are taxed on any capital gains incurred when they sell the fund as well as on any distributions of income (i.e., capital gains, dividends and interest) from the fund itself. This means you could end up owing taxes on gains within the fund in a year where you do not sell any shares yourself or even when the overall fund incurs a loss.\*

### Other Investments That May Not Be Ideal for Investors

In our view, there are certain investments most individual investors should think twice about—whether they are for high net worth investors or otherwise.

Investors looking to avoid the volatility associated with the equity market may look towards gold. Investors may use gold to help diversify or hedge against the performance of other assets, but we don't believe it's effective as either. Gold's returns are driven by supply and demand, and since supply tends to be relatively consistent and gold has few industrial and practical uses, its price is heavily influenced by sentiment, which often makes it subject to high volatility. Gold can go through long periods of boom and bust, and we believe in order to invest successfully in gold, an investor must be an incredible market timer—something difficult for even the best investors.



---

\*Source: Canada Revenue Agency, as of 08/05/2024. Tax Treatment of Mutual Funds for Individuals. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4169/tax-treatment-mutual-funds-individuals.html>.

## Secret #7: Create an Estate Plan Early and Update It Regularly

### Create a Plan

One of the most important parts of your retirement plan is making arrangements to help ensure your loved ones are taken care of if anything happens to you. Investors who have saved up a significant amount may deal with more complexities during this process. Plan in advance to help ensure a smooth transition.

While creating a will and planning how you would like your estate distributed may be uncomfortable, your loved ones and beneficiaries will appreciate your clear and well-constructed plan in place. Determining, in advance, which beneficiaries or charitable organizations will receive your assets can save a great deal of potential confusion later. If you pass away without a will, the probate process may take longer and your assets may not be distributed according to your wishes.

### Revisit Your Plan Regularly

Investors often have a “set it and forget it” mindset when it comes to estate plans, but you should review yours on a regular basis. It’s a good idea to ensure all of your documents are in place and up to date.

Also, consider whether you would like to make any changes to your estate plan, perhaps as a result of changes in your or your beneficiaries’ circumstances. These could include changes in your health, a move, or a birth or death in your family. Changes in income and net worth can also significantly affect your estate plan. If you developed an estate plan early in retirement or before, make sure to review it again, as a lot can change over time.



## How Can Fisher Investments Canada Help?

We hope this guide has offered helpful tips and insights for your investing success. As we reach the conclusion, we'll leave you with one more insight to consider: Many of the most successful high net worth investors work with a financial professional. Fisher Investments Canada has helped many investors create personalized investment plans tailored to their long-term financial goals. Our professionals can help provide actionable considerations, given your income needs, investment time horizon and long-term financial goals.

### We Believe Fisher Investments Canada Can Help You Build a More Secure Financial Future.

A second set of eyes on your financial future is always a good idea. If you want an experienced financial professional to review your combined retirement portfolio and financial goals, call us at **888-291-0675** for a complimentary evaluation.\*

We look forward to hearing from you.

---

*\*For qualified investors with C\$500,000 or more in investable assets.*

## From the moment you become a client, we put you first.

The global Fisher group of companies is dedicated to helping investors like you reach their long-term financial goals and live comfortably in retirement. We believe our values, structure and focus help put your interests first:

### **Fees Aligned With Your Interests**

Our fee structure is transparent and helps tie our incentives directly to your success. We charge a simple fee based on the assets we manage for you. We do not make money on trading commissions or by selling investment products for a commission—common conflicts of interest in the rest of the financial services industry.

### **A Tailored Approach**

We create a personalised portfolio tailored to your unique situation: your financial goals, wants, needs, health, family and lifestyle. And on an ongoing basis, we work with you to understand changes in your life or financial situation that may impact your investment plan.

### **Unparalleled Service**

Your dedicated service team is here to serve you, not sell to you. Your service team is well versed in your financial goals and helps you stay on track with your investment plan. They call you to make sure you understand what we're doing in your portfolio and why.

### **Investment Experience**

We have been working to make the financial services industry a better place for investors since 1979. Today, we apply that experience in helping more than 150,000 clients around the world reach their long-term goals.\* Led by our founder Ken Fisher, our Investment Policy Committee—the primary decision-makers for your portfolio—has 150+ combined years of industry experience.

---

*\*As of 31/03/2024. Includes Fisher Investments and subsidiaries.*

## FISHER INVESTMENTS CANADA™

---

 6500 International Pkwy, Ste 2050  
Plano, TX 75093, USA

 888-291-0675

 [fisherinvestments.ca](http://fisherinvestments.ca)