



# Wealth Insights

TD Wealth Private Investment Advice

Winter 2024



## Brighter Days Ahead

As we look ahead to a new year, the sense of uncertainty many of us feel today may not be entirely new. While Canadian consumer sentiment recently turned negative, and the number of times “uncertainty” appears in the Canadian press reached its highest level since the pandemic,<sup>1</sup> consider that we’ve been here before.

Those studying human behaviour suggest that if we look at the archives from almost any year, we will find the perception that in that moment it was an unusually uncertain time. Of course, this isn’t meant to downplay the current challenges. Many are struggling with a higher cost of living, economic conditions at home are softening and we’re likely to see lagging effects of the rate hikes, all contributing to today’s feeling of uncertainty. However, we may be susceptible to an “uncertainty illusion.” In the present and looking to the future, we rightly sense that we are living amid profound uncertainty. In hindsight, when the past is known, things often do not appear so bad.<sup>2</sup>

Economically speaking, one perspective comes from reflecting on generational shifts. For many years, the Millennials faced a bleak future, projected to be the first generation worse off financially than their parents. Recent statistics, however, paint a different picture. Millennial household income is now higher than previous generations at the same age: \$9,000 more than the median GenX (1965 to 1979) household income and \$10,000 more than the Baby Boomers (1946 to 1964), in 2019 dollars. As they enter their peak earning years, the Millennial future looks bright, indeed.<sup>3</sup>

Similar patterns occurred with GenX and Boomers. Just 30 years ago, there were dire predictions about the economic prospects of GenX, who entered the workforce in a recession compared to the Great Depression. Unemployment rates hit 11 percent in the early 1990s after interest rates were aggressively raised to fight inflation.<sup>4</sup> Likewise, many Boomers entered the job market in the 1970s, a period plagued by stagflation — significant inflation and unemployment — and low economic growth, as well as a stagnating stock market. Let’s not forget that in 1979, the front page of *BusinessWeek* magazine declared the “Death of Equities.”<sup>5</sup> And yet, the Boomers have lived through one of the most fortuitous financial lifecycles in history.

A significant lesson from economic history? “*The past wasn’t as good as you remember, the present isn’t as bad as you think and the future will be better than you anticipate.*”<sup>6</sup> This, too, has lessons for wealth building. Investing \$100,000 in the S&P/TSX Composite Index amidst the uncertainty of the 1990s would have yielded

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### To Our Clients:

Welcome to our quarterly newsletter. This is part of our ongoing effort to stay connected with you. While this does not replace our regular communications, our goal is to provide you with additional strategies, tactics and other ideas to help enhance your wealth management. We hope that you’ll find something of interest each quarter! Please let us know if you have ideas for topics you wish to discuss.

Spring is a time when many of us are completing income tax returns. Cast a critical eye as you prepare yours — are there opportunities to save tax dollars relating to your investments? We’d be happy to share ideas. Here’s to sunny days ahead.

— John and Lily

\$628,274 today, or \$1,318,766 with dividends reinvested.<sup>7</sup> Since the “Death of Equities,” the S&P 500 Index Total Return has grown by over 8,000 percent;<sup>8</sup> the publishers would later admit, “*Not bad for a corpse!*”<sup>9</sup> This, despite many uncertainties along the way including adverse macroeconomic events such as recessions, financial crises, inflation, stagflation — and even wars. Yet, participating in this growth meant having confidence in brighter days ahead.

As we begin a new year and navigate the uncertainties of today, continue to look forward. Let the lessons from the past be a reminder of the prospect of brighter days ahead.

1. October 2023: <https://www.bnnbloomberg.ca/consumer-sentiment-turns-negative-in-canada-as-high-rates-bite-1.989225>; <https://fred.stlouisfed.org/series/CAFEPIJLNDXM12>; <https://www.wdangarcher.ca/article/the-uncertainty-illusion>; 3. <https://www.theatlantic.com/magazine/archive/2023/05/millennial-generation-financial-issues-income-homeowners/673485/>; 4. <https://www.mprnag.com/ca/mortgage-industry/business-growth/reviving-the-90s-recession/287925>; 5. <https://www.bloomberg.com/news/articles/2019-08-13/it-s-been-40-years-since-our-cover-story-declared-the-death-of-equities>; 6. Attributed to Morgan Housel; 7. S&P/TSX Composite & Total Return Indices, 01/29/93 to 1/31/23; 8. S&P 500 Index Total Return, 8/79 - 10/74; 9. 7/23 - 9/45/28.

## ■ Happy New Year

# For 2024: A Little More Happiness?

For many, 2023 may be remembered as a challenging year. As we enter a new year, perhaps we may all benefit from a bit more happiness.

Studies continue to show that cultivating an optimistic view leads to better outcomes — and this can extend into our financial lives. In fact, the “*economics of happiness*” has become a recognized field of study, supported by doctoral dissertations and professorships. For years, prominent educational institutions like Harvard, Stanford and Yale have offered business courses devoted to happiness. And, social psychologists continue to actively study the human quest for happiness, so much so that it has become big business.

### The Economics of Happiness

There is, indeed, a link between happiness and economic outcomes. Research shows that it can make us more productive, wealthier and even nicer.<sup>1</sup> The share price of *Fortune's 100 Best Companies to Work For*, which ranks companies based on employee happiness, posted annual increases of 14 percent, compared to just six percent for the overall market between 1998 and 2005. One study primed people to feel happy and found they were 12 percent more productive than their peers.<sup>2</sup> Another looked at hundreds of studies on the causal effect of success on happiness and found the reverse: the stronger effect was how happiness engenders success.<sup>3</sup> A study done overseas may provide some insight: when web broadcasters who rely on voluntary viewer tips for income showed more positive emotions, their tips increased.<sup>4</sup>

Yet, when it comes to the happiness of society as a whole, we may not be doing a very good job. *The World Happiness Report* suggests that worry and sadness have been rising over the past 10 years. It may be particularly telling that Canada has fallen in its global happiness rank: from 5<sup>th</sup> in 2012 to 13<sup>th</sup> in 2023. Over this time, our wealth has increased substantially and yet, we haven't increased our happiness. This may not come as a surprise — many studies show that while wealth leads to improved happiness, once it reaches a certain level the effects plateau: Money can buy happiness, but only to a certain extent. As such, many economists now argue that we need a greater focus on increasing societal happiness.<sup>5</sup> Back in the 1970s, Bhutan began to track happiness

through its *Gross National Happiness Index*. Other countries, like New Zealand and the U.K., have begun to follow suit by building well-being metrics into their policymaking.<sup>6</sup>

Is happiness the key? Reflecting on the many challenges of today, happiness guru Arthur Brooks believes so. His goal is to build “*a grassroots movement of happiness hobbyists...That's actually how you change (a) country.*”<sup>7</sup>

1. <https://www.theguardian.com/lifeandstyle/2014/nov/03/why-does-happiness-matter>; 2. [https://warwick.ac.uk/newsandevents/pressreleases/new\\_study\\_shows](https://warwick.ac.uk/newsandevents/pressreleases/new_study_shows); 3. <https://escholarship.org/content/qt1k08m32k/qt1k08m32k.pdf>; 4. <https://www.theatlantic.com/family/archive/2022/10/prioritizing-happiness-before-success/671714/>; 5. <https://www.weforum.org/agenda/2019/02/what-will-succeed-gdp/>; 6. <https://lordslibrary.parliament.uk/research-briefings/lhn-2020-0072/>; <https://www.treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2022-secure-future/>; 7. <https://www.gq.com/story/arthur-brooks-secrets-happiness/>



### The Secret to Finding Happiness?

Researchers suggest that 50 percent of our happiness is genetic, 40 percent is under our control and 10 percent depends on circumstances. Here are some ideas for finding happiness based on an over-80-year Harvard study:

- Buy more time. Spending money on time-saving purchases can promote greater life satisfaction.
- Stay connected to family and friends.
- Volunteer to gain a sense of purpose.
- Practice gratitude. Perform regular acts of kindness.
- Find your 'inner child.' Revisit activities that provided joy when you were younger.
- Invest in experiences rather than material objects.
- Surround yourself with happiness: it can be contagious.
- Reduce decision-making opportunities for regret or worry.
- Continue to look forward: don't second-guess decisions!

Source: Health & Happiness Go Hand in Hand, M. Solan, Harvard Men's Health, 11/1/21.

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