5 Reasons to Evaluate Your Portfolio

Between balancing risk and return, maintaining diversification, adapting to changing market conditions and staying tax-conscious on an ongoing basis, it's not easy to maintain clarity when it comes to your investment portfolio.

As time goes on and your portfolio grows increasingly complex, it can become difficult to tell if what you're getting, and the results you're seeing, are in line with best practices for the size and type of portfolio you own. If you can complete a professional analysis of your portfolio every few years, you can gain technical, objective and methodical answers to those questions. This can help you stay on the most efficient path to your investment objectives.

Below are our top five reasons to evaluate your portfolio periodically.

1. Assessing Value for Fees

There is inevitably a certain cost to having wealth invested, but that's all the more reason to be discerning about how much you're paying to invest your money.

If you're incorporating various types of investment vehicles into your portfolio, you may be paying trailer fees or commissions that you aren't even aware of. If your portfolio is above a certain size, common practice is to lower the overall cost of investing to prevent fees from snowballing, but not all managers or brokers take this step.

There are many ways that costs add up, and as they do, they'll eat into your returns and stunt the growth of your assets. If they can be controlled or reduced, however, this can allow you to experience stronger returns without having to take on additional risk in your portfolio. A detailed review can help you determine what you're really paying, uncover hidden costs, and identify ways which can help to boost your end returns.

Questions to ask yourself:

- Are you confident that you're getting value for money?
- Is your portfolio subject to a fee structure worthy of your asset base and the complexity of your holdings?
- Is it possible to reduce the cost of investing and enhance your returns?

2. Understanding Portfolio Structure

In many cases, investors aren't aware of the risk in their portfolios until they start to see numbers dropping. What seems like a stable portfolio in a strong market climate, could still be exposing you to volatility in a way that does not reflect your actual objectives or tolerance for risk.

Correcting unnecessary risks could mean restructuring your portfolio, but it could also be something as simple as a duplicate holding. Investors with various funds and indexes can carry the same holding in multiple places in their portfolio, so should that security decline, the impact is greater than intended. This is common among portfolios that are excessively diversified, which can also lead to needless fees and a decrease in overall portfolio efficiency.

On the other hand, it's not only risks that should be evaluated on a regular basis, but also opportunities. If you haven't had a thorough review of your holdings in some time, you may discover that there are relevant strategies or products that could greatly benefit your portfolio.

Questions to ask yourself:

- Do you fully understand the risks you are taking?
- Are there gaps in your portfolio?
- Are there investment opportunities that should be in your account but are missing?
- Is there overlap within your holdings that's reducing your efficiency?

5 Reasons to Evaluate Your Portfolio *cont'd*

3. Uncovering Strengths and Weaknesses

It often happens that investors delve into the details of their performance reports only when returns are poor. Otherwise, you may not have the time or the inclination to look past the bottom line, to what's actually driving growth in your portfolio.

In actuality, there are often certain holdings that are performing well over long periods, and others that are dragging down overall returns because of perpetually weak performance. Knowing what's working and what isn't will allow you to reallocate your wealth to your best advantage.

Questions to ask yourself:

- Do you know what your top holdings are?
- Are you properly diversified?
- When was the last time your portfolio was rebalanced?
- Is your portfolio where it needs to be with respect to your risk-reward balance?

4. Maximizing Tax Efficiency

Taxes are expensive. They cut into your returns and, if managed poorly, could compromise your investment objectives significantly.

RSPs, TFSAs, investment accounts, term deposits, locked-in accounts, Canadian vs. US stocks, real estate, dividends, foreign holdings – each comes with a set of considerations and pitfalls with respect to tax. Moreover, recent changes in tax laws have increased the complexity of managing and keeping wealth. This, in turn, has also increased the opportunities for long-term, tax-efficient planning strategies.

When there are more restrictions around when and how you pay tax on capital gains and various types of income, you'll see more value out of taking a long-term view of your wealth and a tax-conscious approach to designing and managing your portfolio.

A tax-efficiency review can help you keep more of what you earn, because it's easy to overlook causes of unnecessary tax loss, and because legislation can change almost as quickly as your portfolio does.

Questions to ask yourself:

- Is your portfolio of holdings structured to minimize taxes?
- Are there opportunities to maintain your returns, to maintain your risk exposure and yet reduce your tax burden?
- Does your investment strategy reflect the latest in Canadian tax legislation?

5. Aligning with Current Goals

As life goes on, needs and goals change. This means your portfolio should change, too.

If you have children, buy a new home, change jobs, retire, or experience a major lifestyle shift, these are all reasons to re-evaluate and restructure your portfolio. That's because each of these scenarios affects the income you need, your tolerance for risk, and the goals that are (or should be) driving your portfolio.

Periodically assessing and discussing your investment strategies is vital in order to ensure that your invested assets are supporting your current needs and goals.

Questions to ask yourself:

- Is your investment strategy relevant to your life today?
- In what way is your portfolio supporting your short-term needs and your long-term wealth goals?
- Have you gone through any significant life changes in the past five years? What about the next five?

What is the Investment Strength Report™?

The Investment Strength Report™ is an independent, data-based comprehensive review of your portfolio. It uses modern analytics to provide insight on critical questions, so that you can maximize your potential for returns while ensuring the risk of your portfolio is appropriate.

What's Included in the Report?

Portfolio X-Ray

A bird's-eye view of your portfolio. We've outlined each key feature and category, including asset allocation, stock sectors and top holdings.

Portfolio Snapshot

Provides insight into how your portfolio has performed, and when and where you've seen the best results.

Stock Intersection

Itemizes all the investments that appear in multiple investment vehicles, which allow you to identify the degree of overlap in your holdings.

3-Year Risk-Reward Scatterplot

Provides a visual of your top holdings and where they fall with respect to risk and reward.

Correlation Matrix

Allows you to visualize the relationship of return patterns among your investments, which can be helpful in assessing your diversification strategy.

Total Return

A simple overview of returns over the past five years. The pages that follow provide deep dives into the results, costs, weightings and analysis of each of your top holdings.

Accompanying your Investment Strength Report™ is a personalized summary of important takeaways and recommendations for next steps. We also provide an optional, complimentary in-person review session to walk you through the findings and help you reach a level of clarity with respect to your investment portfolio.

Give us a call or send us an email to request your report.

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