



CREATE YOUR PAYCHECK

Build
Diagnose
Design & Deploy

CREATE YOUR PAYCHECK WORKSHOP

- \$ For growth & income investors
- \$ Build a robust portfolio
- \$ Diagnose your income gap
- \$ Design your paycheck
- \$ Deploy next year's paycheck
 - \$ The Mechanics of withdrawals
 - \$ One-page plan
 - \$ Tax optimization along the way
- \$ Bonus: Get a Plan for your spouse
- \$ Questions at the end of each section
- \$ No stock questions today
- \$ No Buy/Sell recommendations, no financial advice



BUILD A ROBUST PORTFOLIO

- \$** Goal: peace of mind
- \$** One clear strategy, all accounts combined
- \$** “Portfolio” = all your retirement accounts



EXPLAIN IT TO A 12-YEAR-OLD

- \$ Clear vision = sleep well at night
- \$ Example #1: 100% dividend growers
 - \$ Growing revenue, profit, dividend
- \$ Example #2: 75% broad ETFs + 25% dividend growers
- \$ Simple to understand = simple to execute

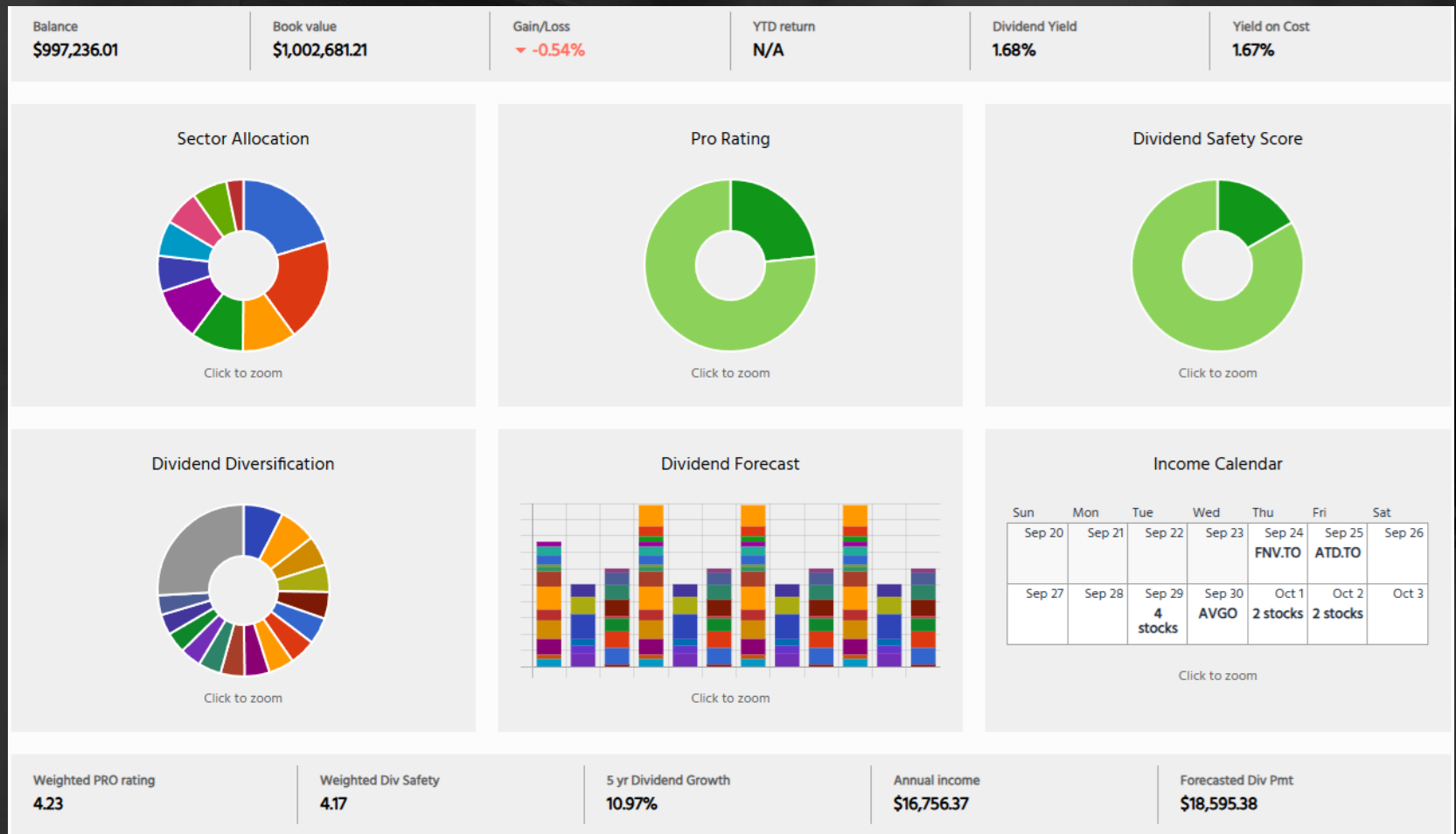


WHY?

- \$ Hesitation comes from confusion
- \$ Confusion disappears with clarity
- \$ Investment philosophy = portfolio allocation
- \$ Portfolio allocation explains your returns
- \$ In 2008:
 - \$ Conservative (75% bonds – 25% equity) -10%
 - \$ Balanced (50-50) -15% to -18%
 - \$ Growth (75% equity) -25%



DSR PRO EXAMPLE



ROBUST PORTFOLIO EXAMPLE

- \$ Very low yield on purpose
- \$ Quality over yield
- \$ Could be 3%-3.5%
- \$ Diversification: stock, sector, dividend
- \$ When the dividend is paid is irrelevant



KNOW WHAT YOU OWN AND WHY YOU OWN IT

- \$ Mistake: one factor justifies the holding
 - \$ Past performance
 - \$ Yield
- \$ My portfolio lags the indices. I know why
- \$ Knowing why removes emotion



ALLOCATION EXPLAINS PERFORMANCE

- \$ Assets: fixed income = less volatility, lower return
- \$ Sectors: max 20% (30% across industries)
- \$ Stocks: 30 to 40 holdings
- \$ Dividends: no single payer at 20% of income
- \$ Know your numbers



YOUR STRATEGY ON PAPER

- \$ Investment goals & philosophy
 - \$ Income or total return or a mix?
 - \$ Desired allocations (assets, sectors, stocks)
 - \$ DSR PRO notes
- \$ Description
 - \$ Global view (all portfolios for the same goal)
 - \$ Asset allocation, CAD vs USD
 - \$ Sector allocation
 - \$ Stock allocation



QUALITY OVER QUANTITY

\$ Market drops 20%. What do you do?

Own quality assets

\$ Is the business model at risk?

\$ Are the metrics holding?

\$ No? Then the stock price does not matter

\$ ETFs: high conviction required



HOW MUCH INCOME SHOULD MY PORTFOLIO GENERATE?

💰 Income is not yield

**Retirement income = Yield +/- Capital
fluctuations**

💰 Sustainable for 25 years, growing 3% a year

💰 Total return pays your retirement

💰 Yield agnostic = an income gap to manage



BUILD A ROBUST PORTFOLIO RECAP

- \$** Several strategies work
- \$** Make yours clear and easy to follow
- \$** Quality over yield
- \$** Yield agnostic
- \$** Write down your strategy
- \$** Questions?



DIAGNOSE THE INCOME GAP

💰 \$1M portfolio, \$50K per year, 2% yield

\$50,000 - \$20,000 = \$30,000 gap

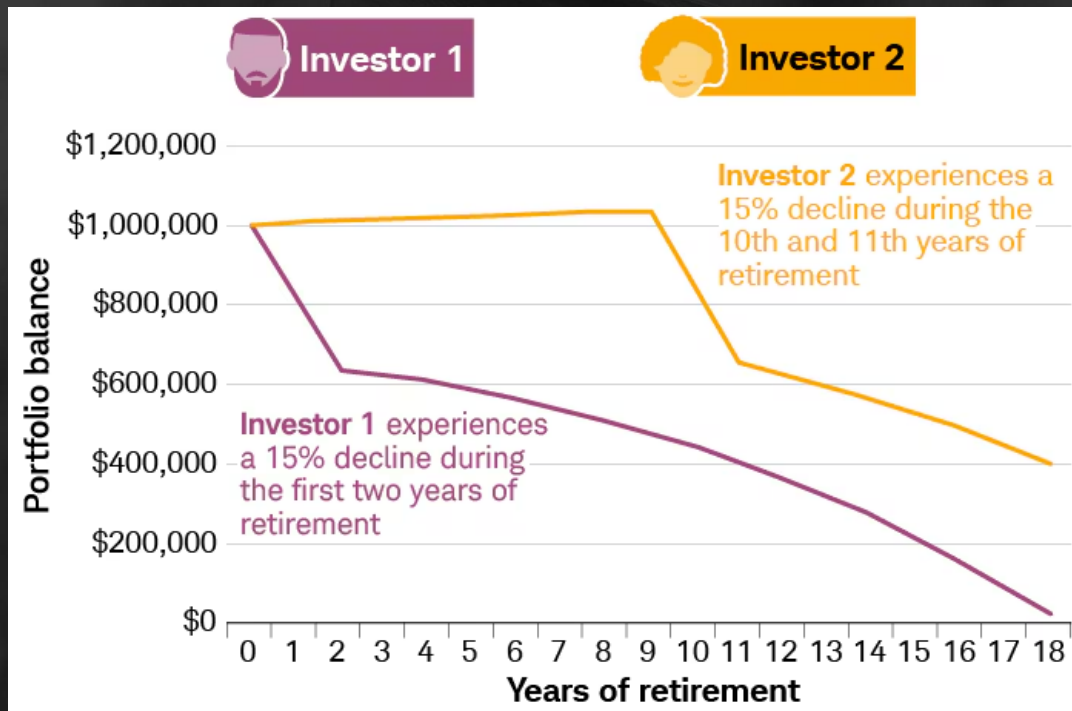
💰 Collect \$20K in dividends, sell \$30K in shares

💰 Good year (3%+): sell \$30K, keep value above \$1,000,000

💰 **What happens when the portfolio is below \$1M?**



SEQUENCE OF WITHDRAWALS



“How do I protect my portfolio against a correction?”

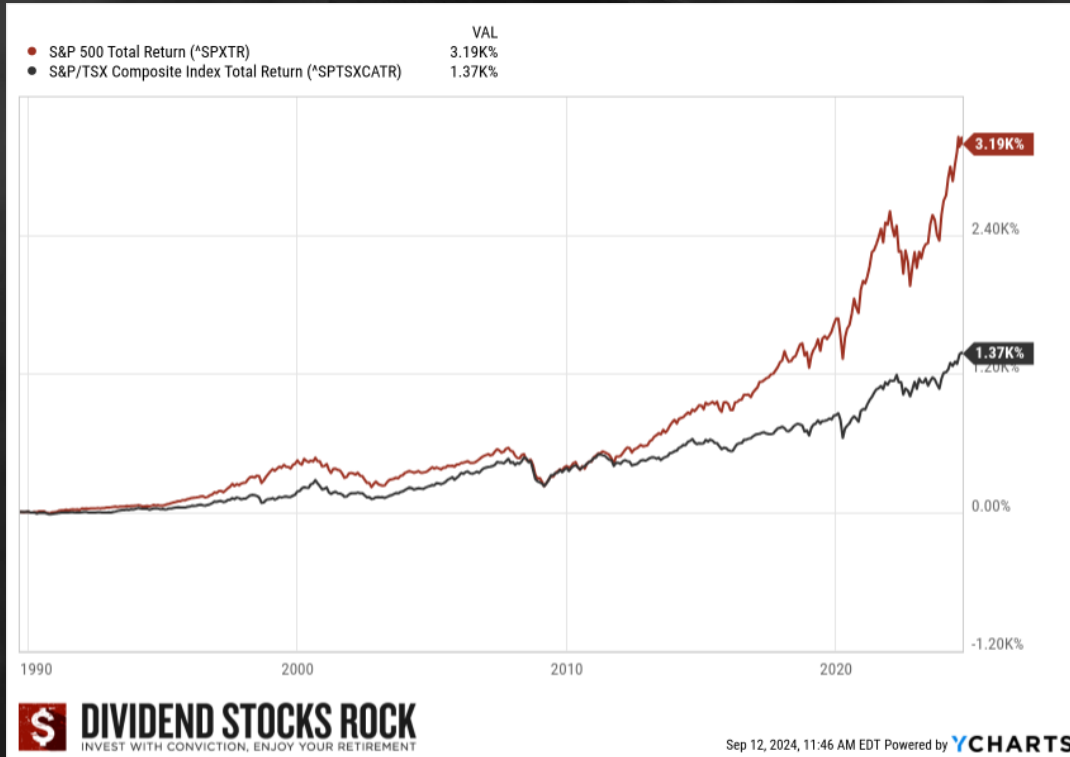
- \$ Same 15% drop, two different retirements
- \$ It does not have to be this way



DIVIDEND STOCKS ROCK

INVEST WITH CONVICTION. ENJOY YOUR RETIREMENT

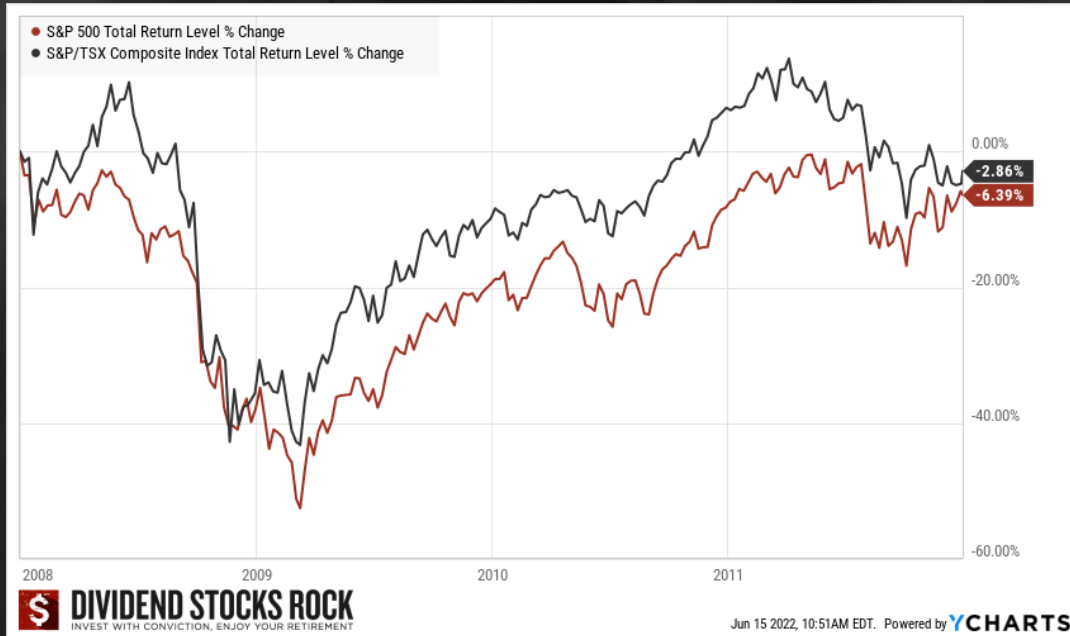
DOES A DOWN MARKET AFFECT YOUR RETIREMENT?



- \$** Obvious answer: yes. Maybe the wrong one
- \$** Retired in 2008? You invested 30 years before

Lesson #1: bull markets built your nest egg

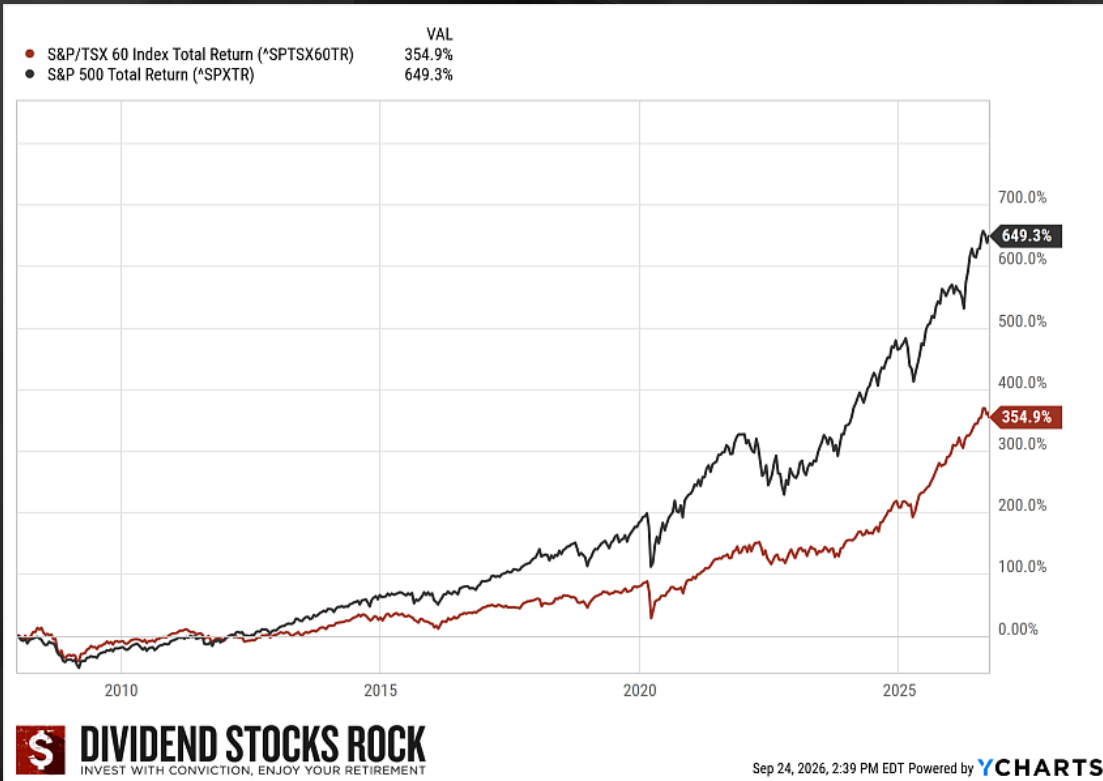
2008: FOUR YEARS IN THE RED



- \$ Withdraw 2% a year: still red in 2012
- \$ It should be in your plan
- \$ Double-digit returns are not the norm



YOUR REALITY TODAY



\$ 30 more years of investing

\$ Since 2008: bull market most of the time

Lesson #2: stay true to your strategy

\$ Diversification, thesis, dividend growers



DIAGNOSE YOUR INCOME GAP RECAP

- \$ Yield-agnostic: maximize your investments
- \$ Retirement income = Total return
Interest+Dividends+Selling shares
- \$ Income gap = Withdrawals –
Interest+Dividends
- \$ Must protect the income gap
 - \$ Sequence of withdrawal
- \$ Questions?



DESIGN YOUR RETIREMENT PAYCHECK

- \$ Option A: pay a firm
 - \$ 1%+ fees, closed doors, high yield, no control
- \$ Option B: equities + cash reserve
 - \$ Decide on retirement income
 - \$ Stay in control
- \$ Protect yourself from bear markets



THE CASH RESERVE (CASH WEDGE)

- \$ Out of the market. Liquid. Secure
- \$ Never sell shares in a bear market

Size = 3 x the income gap

- \$ \$30K gap = ~\$90K reserve
- \$ Bear markets recover in 18 to 24 months
- \$ More cash = less total return



CASH WEDGE: TIMING

- \$ Cash wedge
 - \$ 3 years of the gap (income vs withdrawals)
 - \$ No gap, no cash wedge
- \$ Timing the cash wedge
 - \$ When to build
 - \$ When to withdraw
 - \$ Separate accounts (each account has a cash wedge)



CASH WEDGE: WHERE TO PARK CASH?

- \$ 100% secure and liquid (when needed)
- \$ High-Interest Savings Account (HISA)
- \$ HISA ETFs
- \$ GICs / CDs (1-3 years)
- \$ Short-term bonds (1-3 years)



TWO PARTS, ONE PAYCHECK

💰 \$900K equities + \$100K cash reserve

💰 Dividends: \$15,165

💰 Interest: \$3,845

Gap: \$31K

💰 Good year = capital gain above 3.44%

💰 Sell \$31K, keep \$900K+



WHICH STOCKS TO SELL?

- \$ #1 Misfits: weak triangle, broken thesis
- \$ #2 Overweight: any stock above 10%
- \$ #3 Sector balance
- \$ #4 Trim equally (if everything is perfect)



WHAT ABOUT A BAD YEAR?

- \$ Capital gain below 3.4%? Do not sell
- \$ Cash the maturing GIC
- \$ Generous years refill the reserve
- \$ Warning: 5% withdrawals are aggressive
- \$ Run projections. Retire each year



DESIGN YOUR PAYCHECK RECAP

- \$ Little preparation and you are in control
- \$ Could keep a high % in stocks with a cash wedge (verify your volatility tolerance)
- \$ Each account has its strategy (and cash wedge)
- \$ Income is a combination of:
 - Interest
 - Dividends
 - Selling assets (capital gains)
- \$ Questions?



DEPLOY: TAX OPTIMIZATION IN A NUTSHELL

- \$ No magic. Iterate your projections
- \$ Withdrawal order: smooth withdrawals
- \$ The Three D's
 - \$ Deduct
 - \$ Defer
 - \$ Divide



THE SMOOTH WITHDRAWAL STRATEGY

- \$ Steady taxable income, one target bracket
- \$ Fill low brackets with RRSP withdrawals (55 to 72)
- \$ No bracket jumps, no clawbacks
- \$ The Retirement Loop optimizer does it
- \$ www.dividendstocksrock.com/loop



THIS MEANS...MANY ACCOUNTS

- \$ Tax optimization comes with withdrawing from many accounts
- \$ Prepare each account the same way:
 - \$ Diagnose the income gap
 - \$ Build a cash reserve
 - \$ Withdraw what you need



DEPLOY

- \$ Tweak and monitor
 - \$ Income received vs. plan
 - \$ Cash reserve level
- \$ Review your plan
 - \$ Yearly projections and budget
 - \$ Allocations and sell order



DEPLOY RECAP

- \$ Strategy first – tax optimization second
- \$ Financial projections are key
- \$ Strategy for each account
- \$ Questions?



ONE PAGE ACTION PLAN

- \$ Build: strategy, allocations, quality
- \$ Diagnose: need, income, gap
- \$ Design: cash reserve, sell order
- \$ Deploy: withdrawal order, taxes, yearly review



BONUS: A PLAN FOR YOUR SPOUSE

- \$** This plan needs you at the wheel
- \$** What if you pass away?
- \$** Worst moves in the first 90 days
 - \$** Panic selling, all to cash, 1.5% advisor

A portfolio that manages itself



THE TWO-PHASE APPROACH

- \$ Phase 1: Hold the fort (months 1 to 6)
 - \$ Do nothing major
 - \$ Check beneficiary designations today
- \$ Phase 2: Simplify (months 6 to 24)
 - \$ One all-in-one ETF
 - \$ Registered first, non-registered last



FROM DIVIDEND STOCKS TO ONE ETF

- \$ One-sentence test: why do we own this?
- \$ Sell: registered, low conviction, US, core
- \$ No interest in stocks? Rip the band-aid off
- \$ Reinvest as you go
- \$ Two lines per account: ETF + cash wedge



PICKING THE RIGHT ALL-IN-ONE ETF

- \$ Canada: XEQT/VEQT, XGRO/VGRO, XBAL/VBAL, XINC/VRIF
 - \$ US: AOA, AOM, VASGX, VSMGX, target-date
- Down 30%. Would your spouse panic?**
- \$ Yes: conservative. No: growth
 - \$ Examples, not recommendations



FINAL THOUGHT

- \$ Fear is your brain playing tricks
- \$ Follow your robust plan
- \$ Expect 2 down cycles in retirement

Retire each year. Create your income

- \$ Know what you own. Invest with conviction
- \$ Click here to join the waitlist:
- \$ www.dividendstocksrock.com/loop



RESOURCES

- \$ DSR Academy
 - \$ Buy & sell roadmaps
 - \$ Quarterly earnings
- \$ DSR Fundamentals
 - \$ Dividend income for life
 - \$ Sectors review
 - \$ Retirement & withdrawals
 - \$ What if you die tomorrow
- \$ DSR PRO
 - \$ Portfolio management
 - \$ Earnings report
 - \$ Comparison tool

