The Dri Financial Group and the COVID-19 Pandemic

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By listening to Dri's podcasts, you will learn the strategies that successful investors use to become financially independent.

For more information about Dri Financial Group, be sure to visit their website.

Introduction:

In today's special episode, Richard discusses the COVID-19 Pandemic, Dri Financial Group's preparation for both good and bad markets, the overall success of its portfolios over its 35 years, and how they are currently managing portfolios. He also addresses 10 important issues that all investors need to remember as we move forward together through this difficult time.

Highlights:

- We sincerely hope that all our listeners are healthy and continue to stay healthy.

- While it is easy to respond during difficult times with emotions and panic, Dri Financial Group's decisions have always been based upon evidence, not fear or misinformation.

- The Bank of Nova Scotia is secure and Dri Financial Group is open for business.

- Asset allocations are appropriate, the tactical model is in cash, current cash flows are in GICs, and we invest only in dividend paying stocks.

- The virus can be contained as shown in China, Taiwan, and South Korea.

- The federal government has announced major stimulus measures.

- We have experienced difficult markets in the past and a solution has always been found to make life better; there will be a 'comeback.'

Quotes:

"When we built our dividend models, we back tested our strategies to analyze how they would perform in good markets and in very bad markets."

"Over the longer time frame the strategies have performed well."

"The Bank of Nova Scotia has ample liquidity and the Bank of Canada has promised even more liquidity should we need it."

"Portfolios can be reviewed electronically."

"We have spent most of 2019 balancing and rebalancing and rebalancing client portfolios so they accurately reflect your age and your risk profile."

"At this particular moment, we have more cash in all our portfolios than normal."

"In 2008, we realized that RIF clients should have between 2 to 5 years of cash flow requirements in laddered GICs."

"Historically, dividend paying stocks have been excellent long-term investments."

"We need to practice social distancing and we may need a complete shutdown of the entire country for a period of time."

"Large banks have offered to defer mortgage payments for up to six months."

"I have lived through several difficult markets…somehow, the human spirit found the solution and life eventually got better."

The Dri Financial Group’s Preparation and Strategies for Difficult Times (00:28)

Richard: Hello. It's Richard Dri and welcome to the Richard Dri Wealth Navigator Podcast. Today I'm hosting a special podcast specifically on the COVID-19 virus and how we at the Dri Financial Group are managing the portfolios during this difficult time.

I hope all listeners are healthy and stay healthy throughout this period of instability. My team and I are well and, God willing, we will also stay this way. Over the last two weeks, we have spoken to many clients and we understand your fear and anxiety. Believe me when I say we also feel anxious and worried. It is so easy during these difficult times to abandon all reason and to operate with our emotions and to panic, but our recommendations have always been based on evidence, not fear or misinformation.

Ten important issues to remember (1:21)

Now, let's look at today's environment. I'll try to stick to what I know and not offer any medical advice or make big, bold predictions. I made a list of 10 important issues that I hope you remember.

Number one:
The Bank of Nova Scotia is secure. All banks, and in particular BNS, learned valuable lessons in 2008, and today have a higher capital level than they did in '08. This ensures that we are well positioned for the downturn. The Bank of Nova Scotia has ample liquidity and the Bank of Canada has promised even more liquidity should we need it.

The Bank of Nova Scotia is in regular contact with government and the regulators to ensure that we are coordinating actions with them. In fact, this week we heard that the Canadian banks, including the Bank of Nova Scotia, offered to defer mortgage interest for up to six months for clients affected by the virus.

Two:
Dri Financial Group is open for business. Ashley and I are working from home and Grace and Laura are working from the office and we may rotate after a two week span. Trading is occurring and all administrative work is being completed on a timely fashion. Portfolios can be reviewed electronically. We receive all our emails and phone calls and we reply. However, in-office appointments are canceled until further notice.

Three:

Asset allocations are appropriate. We have spent most of 2019 balancing and rebalancing and rebalancing client portfolios so they accurately reflect your age and your risk profile.

Four:
Tactical model is in cash. On February 26, we received a signal from the Canadian tactical model to move to cash and we did so. When appropriate, the model will indicate a buy signal and at that point we will re-enter the market with that earmarked cash. At this particular moment, we have more cash in all our portfolios than normal.

Five:
Current cash flows are in GICs. After 2008, we realized that RIF clients needed cash flow and they couldn't sell their equities because of the declines. In 2008, we realized that RIF clients should have between 2 to 5 years of cash flow requirements in laddered GICs. This provided the cash flow necessary, while giving stocks time to recover.

Six:
We invest only in dividend paying stocks. Historically, dividend paying stocks have been excellent long-term investments. As well, we are reinvesting cash dividends back into the issuing company and thereby lowering their adjusted cost base and improving our ability to recover from the losses.

Seven:
The virus can be contained as shown in China, Taiwan, and South Korea. We need to practice social distancing and we may need a complete shutdown of the entire country for a period of time. This will reduce the stress on our hospital systems and save lives.

Eight:
Government stimulus. The federal government announced major measures this week to ensure that Canadians have money even if they are laid off or are taking care of someone who is affected by the virus. For example, they have offered $27 billion in direct payments and $55 billion in indirect payments. Let me give you a few examples of the direct payments. They have created the Emergency Care Benefit, which is $450 per week per person. They have provided another measure called the Emergency Support Benefit, which equals $400 per week or $600 per week for a couple. They have increased the Child Care Benefits by $300 per child. They have deferred interest on student loans for six months. They've also deferred any taxes that were due at the end of April, they are now due in September. And as I mentioned earlier, large banks have offered to defer mortgage payments for up to six months. Seniors can also reduce their RIF withdrawals by up to 20%. The government has also offered small business owners help with a subsidy, for example, of up to 10% of employee wages to a maximum of $25,000 for the next three months.

Nine:

Experience. I have lived through several difficult markets such as 1999, 2001, and 2008 and all of the declines have felt awful and are very difficult to live through. But somehow, the human spirit found the solution and life eventually got better. I believe this will be another example of this.

Ten:
The comeback. At some point, the market will stop going down and we will be looking to reinvest the cash from our tactical models back into the markets and recapture some or all of our losses.

Richard’s advice and commitment to investors (6:46)

In conclusion, I know that it would make some feel better to move out of stocks and hide in cash until things settle down. Let's play out this scenario. If we sell today, firstly, we trigger the losses and we may never be able to recoup them. Secondly, we must decide when to get back into the market. And in the past few weeks we have seen increases in decreases of 10% on a daily basis.

So, if we're late in getting back into the market, even by one or two days, we could miss a jump of 10%, 15%, maybe even 20%, so selling today requires us to make a second decision of when to re-enter the market. If we make a mistake on the entry point, we may miss the best part of the upside.
In short, because of our work last year, I am comfortable with clients’ asset allocation and very comfortable with the companies we own. And we will deploy our cash back into the market when the tactical model signals a buy opportunity.
In closing, I remind you that we are here for you. If you have any additional questions, please call our office and speak to me, Laura, Ashley, or Grace. We will do our best to provide you with an answer. So, we wish you and your family's health and please try to be positive.