Aligning Your Investment Portfolio With the Current and Upcoming Stages of Your Investment Lifecycle

Investing DURING Retirement
is Different Than
Investing FOR retirement

"Cash in your pocket is better than hopes in the closet"

Life is comprised of several stages. Each stage has its different goals and priorities. We need to understand the stages and how to operate in each stage. With investing there is something I call the "investment life cycle". We need to adjust the way we invest in each part of the cycle if we want the best overall lifetime success.

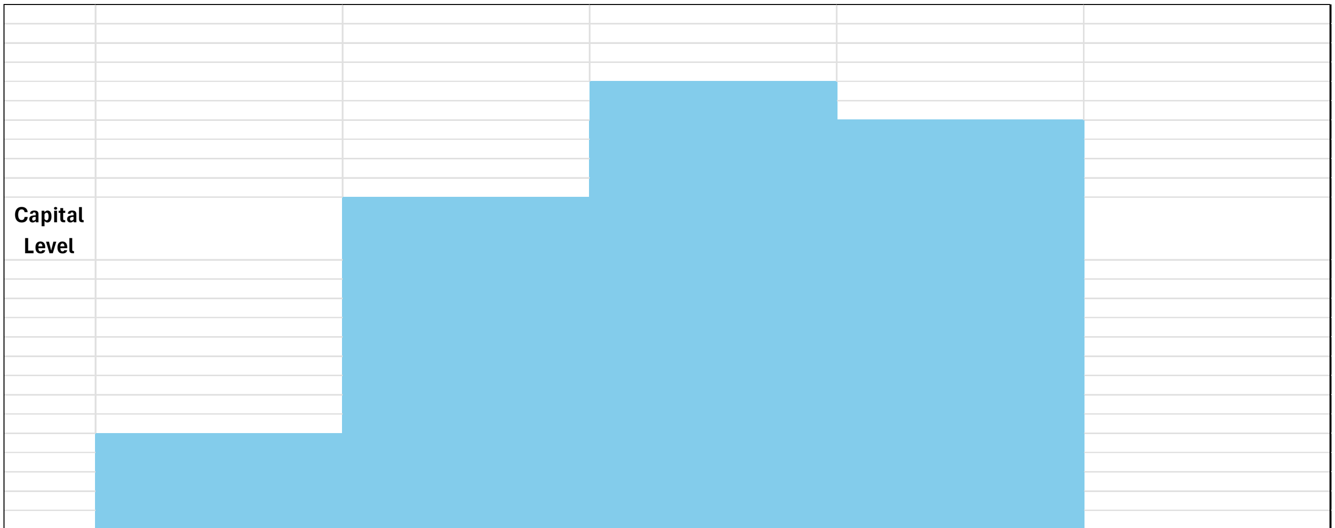
Given that I have been at this for 35 years, you can probably guess that I am not the young investment industry golden boy. Instead, I am a seasoned wealth advisor and portfolio manager. I have been through numerous market cycles. I have experienced all types of geopolitical, economic, and market events both exciting and daunting. Now I am approaching the final stages of the investment life cycle. And so are most of the clients of Mirador. We have grown older and wiser together.

I have always invested my capital the same way I invest my client's capital. Now we are all in the pre-retirement and retired stages of our investment lifecycle and we have all built a nice nest egg. As we plan to use this nest egg to fund our retirement, we need to keep the nest egg safe to support our golden years.

I am finding that many people who are not clients of Mirador have not thought about the best way to utilize their nest egg to support their retirement. They just know that during retirement they will be taking money from their portfolio to fund their retirement lifestyle, but they have not thought about whether they must sell securities to raise the cash needed (spending capital) or if it will be funded by the cashflow generated by their portfolio.

From all my years in the industry, living through both high and low market cycles, I know that relying on the investment cashflow produced by our portfolios to support our lifestyle in our golden years is much more sensible and less risky than having to sell securities when one needs cash. That's why it is very important to shift your portfolio to one that produces high income without compromising the stability of your portfolio value when you are retired or retiring soon. This why Mirador is focused on just one thing: producing High Income and Comfortable Stability for pre-retirement and retired investors. My family and all my clients have transitioned into this portfolio structure made for this new stage of the investment cycle. **To do this we have developed a unique and ingenious investment program called the Mirador Income and Stability Fund.**

The Typical Investment Lifecycle



Age Group	Youth	Adult	Middle Age	Retirement	Final Resting Place
Action	Saving	Investing	Prepare for Retirement	Distribution	Estate Settlement
Goal	Accumulate Capital	Continue to Accumulate and Grow Capital	Start Establishing Cashflow and Improve Safety	Get Paid With Cashflow	Distribute Capital
Risk Level	Very Safe	Higher Risk, More Volatility, Significant Draw-down Possible	Reducing Risk and Volatility Lowering Draw-down Potential	Lower Risk, Volatility, and Even Lower Draw-down Potential	Least Risk

To be clear, when I refer to income, I don't mean selling stocks to trigger capital gains (a type of income). I am talking about holding securities in the portfolio that produce secure, consistent, and reliable cashflow on a monthly basis. Income is cashflow in our world. This income can be utilized to fund retirement needs without having to sell any securities in the portfolio – which is withdrawing capital, not income. In essence, this is the difference between capital and income. Capital is what produces cashflow. Cashflow is your income.

This is of supreme importance for a couple of major reasons:

1. The most important is the concept of drawdown. Drawdown is the percent a portfolio declines from its all-time high (the high-water mark). You do not want to be in a position of having to sell a security and withdraw capital when the market is in a state of drawdown. Doing this can severely limit your ability to recover from a decline and then reach a new high-water mark.
2. Holding a security in hopes of future gains down the road means you are relying on something that may never happen in the required time frame to fund your retirement lifestyle. It is best to let your portfolio manager decide when it makes the most sense to buy and sell securities based on market conditions, risk management, and portfolio structure - not being forced to sell securities positions at an unsuitable time to meet a cashflow needs.

Drawdown, The Most Important Risk Metric

	Percent	Dollars		
Starting Capital Value (High Water Mark)	100	500,000		
% Drawdown	% Value of Former High Water Mark	$ Capital Value	% Return Needed to Reach High Water Mark	$ Return Needed to Reach High Water Mark
10	90	450,000	11	50,000
20	80	400,000	25	100,000
30	70	350,000	43	150,000
40	60	300,000	67	200,000
50	50	250,000	100	250,000
60	40	200,000	150	300,000

The above helps drive home the devastating effect of drawdown mentioned in point 1 above. The returns needed to recover are daunting. And in the table above, no capital was removed at any time for the investor's income. If this was done and included in the above the recovery return numbers would be much worse and take a very long time to be achieved.

Trues Stories of Drawdown and Transitions to High Income and Stability

Before I tell you more about the **Mirador Income and Stability Fund,** I would like to tell you some true stories. The names have been changed to protect the people involved.

It's the late 1990s and James has done very well investing in technology. A major part of his portfolio was in Blackberry and Northern Telecom (Nortel). James planned to retire from Nortel in the early 2000s, and he had banked on his retirement being terrific given the incredible growth of his nest egg. As a Nortel employee he was certain everything was bright and cheery and there was no concern about his retirement plans.

Despite all my attempts to convince James that he should be aligning his portfolio more with his investment lifecycle stage by diversifying his portfolio and shifting it to more income producing securities, there was nothing I could say that would make him consider the huge risk he was taking.

Well, the technology bubble burst in 2000. James had moved to the U.S. for a senior position with Nortel. Nortel went bankrupt. Blackberry failed miserably due to the domination of the iPhone, and Blackberry morphed what was left into some sort of patent and security company with the Blackberry share price falling from $150 to around $5. The last I talked with James his nest egg was decimated and there was no pension or hope of retiring anytime soon. If James had adopted the Mirador's pre-retirement investment lifecycle strategy to reduce volatility and start building cashflow, James would have retired close to his desired time goal and he would likely still have retirement capital paying his way.

Markets are not easily predictable. The above story could be repeated for many investors hanging on to today's artificial intelligence and micro-chip companies. The same holds true for excess exposure to high risk and volatile commodity stocks such as gold, metals, mining, and oil & gas. **As you approach retirement you need to start changing your portfolio towards better stability and you need to start establishing a high-income stream.** This also helps to reduce the likelihood that you will have to sell securities at lows in the market to meet your cashflow needs.

Here's another real-life story. It was the mid 2000s and John and Mary had been retired several years and were doing well. John had an oil and gas background and was stubborn about leaving that growth-oriented investment world behind. In addition to the portfolio that I was managing for them, they also had a growth-based portfolio at another firm. In 2007 they decided they "needed" to get new vehicles and move to a fancier home. By the time all the arrangements were made and it came time to pay the bills, the crisis of 2008 had hit, and the markets declined 40 – 60%. John and Mary's oil company and growth-oriented portfolios declined over 50% while the income investments I managed for them fell around 12%. Not only did they have to sell securities in their growth portfolios near the bottom of the market to pay for their vehicles and new home, they continued spending after the market crash, withdrawing thousands of dollars of capital from their portfolios, even though their wealth had been cut in half by the market crash. Because of this huge decline and the large withdrawals, they could never regain their prior capital levels and ended up cancelling travel plans and moving again – to a shabby little rental apartment. If they had taken my advice to transition into their new investment lifecycle phase of retirement with high income and comfortable stability of capital value, they would have been fine.

One last story – Kyle and Betty had invested in GICs for decades, and prior to the new century, rates had been good, and they had done well, with little stress. During the nineties I helped them transition from GICs to bonds – the main theme of those Investing for Income seminars I presented years ago. Then interest rates declined, and their income declined dramatically. Fortunately, for Kyle and Betty, before the significant decline in interest rates they trusted me and agreed to transition some of their portfolio to dividend paying stocks and other income securities similar to our current **Mirador Income and Stability program.** They continued to have a happy retirement as their portfolio was generating the income they needed to fund their lifestyle.

Current and Likely Future Income Investing

And similar to that last story, here we are today - GIC and bond yields remain historically low and are likely to remain that way for the foreseeable future because inflation rates are declining around the world. So, you may have a great nest egg of capital ready for retirement, but is it ready to provide you the best retirement cashflow without excess volatility and the risk of relying on selling securities to withdraw capital for spending needs?

You might think you are happy - but could you be happier? Wealth is the ability to fully enjoy life; to be the happiest. Better cashflow and comfortable stability might be a solution to being the happiest, the most comfortable, and the most confident you can be with your retirement future.

The Government of Canada 10 Year Bond Yield Chart

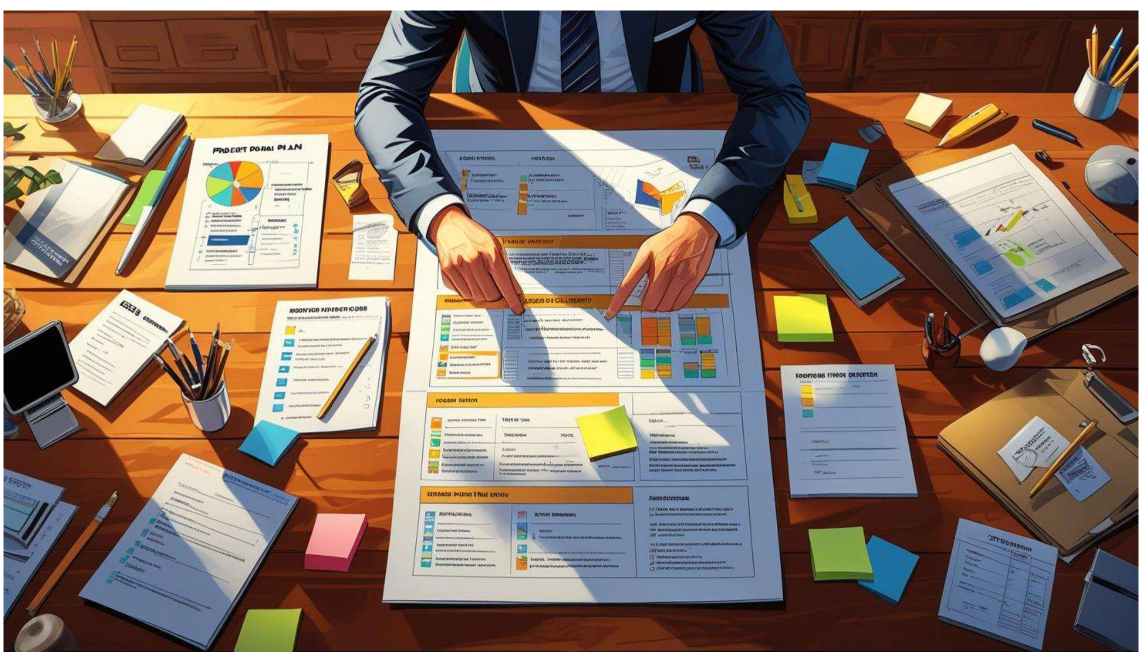
Wealth Planning Considerations

In addition to our extensive portfolio management expertise and experience, at Mirador we also provide the full suite of wealth planning advice. In fact, I used to teach a module of the Chartered Financial Planning course for Mount Royal University, and with Joyce's accounting background she has helped many clients save thousands in taxes.

Here are a few wealth planning aspects to consider that may make relying on cashflow instead of capital withdrawals for your retirement income needs even more important:

- **Inflation - the Silent Robber** By relying on portfolio cashflow for your retirement income you leave more capital intact which will help your income levels keep up with inflation
- **Estate Goals** If you have wishes to leave behind a living legacy, you will best achieve this by minimizing the capital withdrawals and depending on portfolio cashflow instead. Save the capital for the estate!
- **Extraordinary and Emergency Capital Needs** The hail storm leads to a new roof. The appliances get old and need replacing. A new car or two might be needed. A family emergency where your financial contribution might save lives. These are all great reasons not to depend on selling securities and withdrawing capital for your retirement income. Instead, living off cashflow and maintaining capital levels can be a lifesaver and provide significant comfort and confidence in the future
- **Pre-retirement Consideration** Compounding the high cashflow into growth by reinvesting it into additional units can lead to an even better nest egg as you prepare for your retirement

"Failing to Plan is a Plan for Failure"



How To Invest During Pre-retirement and Retirement

So, back to the **Mirador Income and Stability Fund** that we have invented and mentioned above. The following summarizes the main concepts behind the fund that make it the perfect investment portfolio for pre-retirement and retired people to transition into - transitioning away from risky and volatile growth investing and / or low-yielding fixed income investing.

1. **Get Paid Now** – establish cashflow now instead of hopes for gains later. Reinvest the cashflow if not needed yet. Getting cashflow saves your capital for emergencies and for income growth for inflation protection
2. **Make sure your investment income is tax-efficient** The yield on the **Mirador Income and Stability Fund** at June 30, 2025 was 7.26%. The equivalent GIC rate you would have to earn to generate the same after-tax income in a non-registered portfolio is 9.51%
3. **Diversify,,,,, Diversify,,,,,, Diversify** – I see plenty of articles online suggesting the one best income strategy. Why do that when you can diversify, improve your safety, and have it all:
    a. By Investment Style
        i. Dividend Growth Stock
        ii. High Yield Stocks
        iii. Real Estate Investment Trusts (REITs)
        iv. Income Units
        v. Fixed Income preferred shares
        vi. Covered Call Writing
        vii. Market Index Units for Stability
    b. By Sector and Industry including resources and technology
    c. By a variety of Companies in each industry and sector. The **Mirador Income and Stability Fund** typically has between 70 and 100 securities!
4. **Use data-focused scientific systematic approaches** - not opinions, stories, theories, or innuendo. Focus on the facts – the prices and financial data related to the economy, markets and companies.
    a. Factor Modelling to Know What to buy
    b. Technical Analysis to Know when to buy, when to trim, or when to sell
5. **Always focus first on risk** – what's the cost of being wrong? Where are the quality issues? Where is the portfolio volatility coming from? Have a way to hedge the risks without losing significant cashflow
6. **Don't be a Closet Indexer** Be Active and Engaged - buy and hold is not a mathematically sound approach – ask anyone who bought into the Nasdaq in the late 1990s – it took them 15 years to break even! Being active doesn't cost nearly what it used to so it's no longer a valid reason for buy and hope investing. Don't be a closet indexer or buy an investment that claims to be a process but turns out to provided index results. The current yield on the TSX 60 Index is only 2.67% – that won't fund much a retirement. Likewise, even the yield on the TSX High Dividend Index is only 5.37%. Much lower than the **Mirador Income and Stability Fund**
7. **Diversify, but don't Diworsify** – multiple position management strategies and techniques are needed to be certain the capital is being deployed the best way for income and stability
8. **Add to winners and trim or sell losers** – regularly switch capital from the securities that have gained and hence their yield has declined into higher yielding securities with good model ranks and price trend characteristics
9. **Leave Your Ego at the Door –** the best analysis can result in a good decision with a bad result. That's just the way it is. You are not wrong until you decide to stay wrong. Just let it go, sell and move on. It takes many battles to win a war.
10. **Understand applied behavioral finance and investing emotions** Use them to your advantage. At the end of the day the markets are driven by fear, greed, hope, and denial - and humans are not wired to be good investors. Always know whether to have the offence or defence on the field.

Gone are the days when income investing was a simple collection of bonds laddered by maturity year. Modern Investing for High Income and Comfortable stability is a highly specialized investment management field that requires a singular focus on high cashflow with disciplined risk management to maintain the stability. Its extraordinarily different than trying to grow your nest egg. I can't do both well, and I doubt anyone else can do both well. And it's a management style and process that, for an individual to embark on, is expensive, time consuming and more challenging than many can imagine. But Mirador can take care of all of that for you, with a modest and fair fee.

We would be pleased to work for you to make the transition to high income and comfortable stability. Please feel free to contact us via email or phone if you have any questions or you would like to consider the next steps to ensure the best retirement possible.

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