

# Inspired Investor<sup>®</sup>

BY RBC DIRECT INVESTING<sup>®</sup>

**10+  
SMART HACKS  
FOR INVESTORS**

**Ideas Like...**

**VOLATILITY  
PLAYBOOK**

**DIG FOR  
DEALS**

**BUDGET FOR  
THE NEW NORMAL**

**HOW TO MAKE  
THE RIGHT  
DECISION**



**WHAT (AND  
WHAT NOT)  
TO SAY  
THESE DAYS**







I know I’m not alone when I say this year has felt like three – and it isn’t over yet. As we look ahead, it can feel like we’ve lost control, which is especially hard for a self-directed investor. That’s why we created this handbook full of ideas to take control back. Up your knowledge, get inspired, make decisions – you’ve got this.” – LEIGH FELESKY, EDITOR-IN-CHIEF

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10 Smart Money Hacks During Uncertainty

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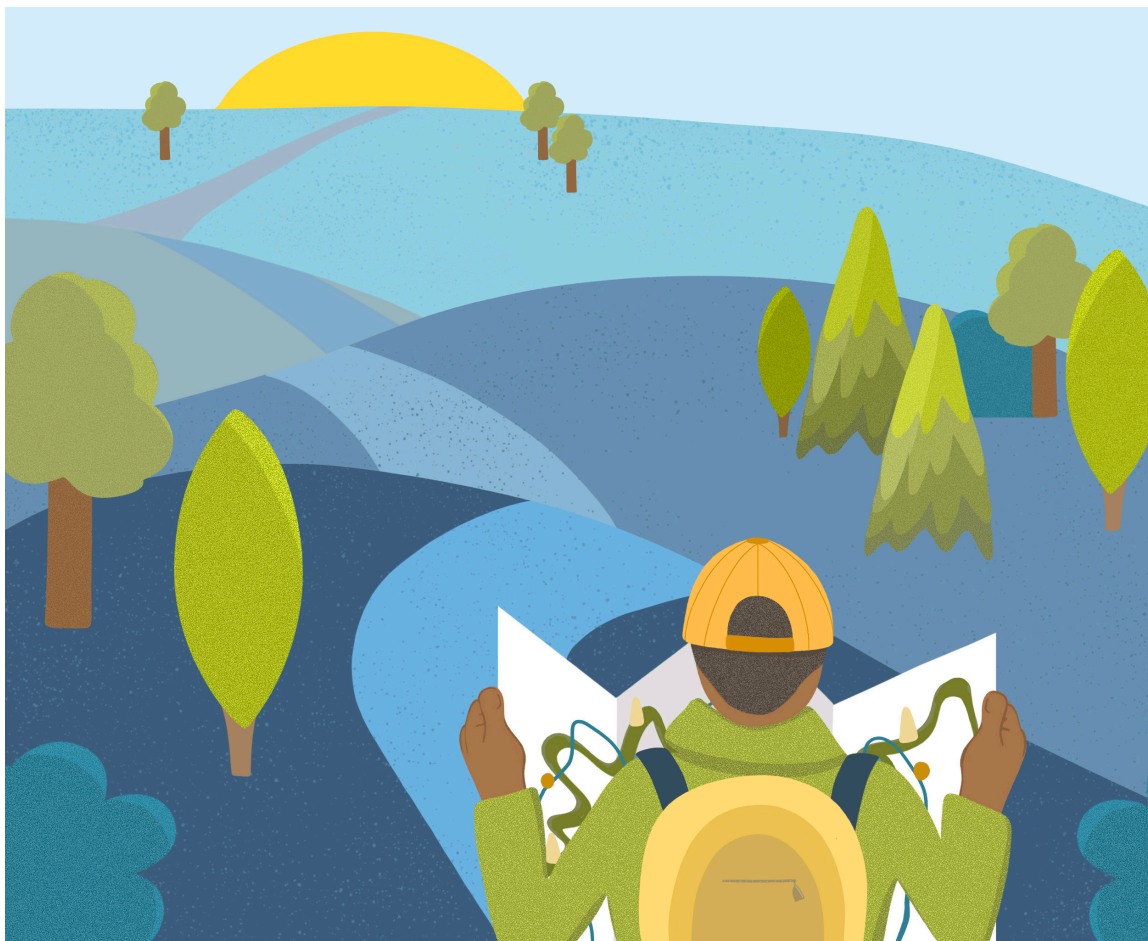
How to Make Decisions in Stressful Times

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What (and What Not) to Say These Days



Find out more about the *Inspired Investor* team



## 10 Smart Money Hacks During Uncertainty

Back by popular demand: Our colleagues dish their top personal money management tips borne of the pandemic.

■ WRITTEN BY MARY LEVITSKI ■ ILLUSTRATIONS BY MICHELE PERRY

**E**ver wonder how the bankers bank? Last year, we delivered [money management ideas](#) that our RBC colleagues — analysts, number crunchers, data geniuses — apply to their own finances. From conscious spending to auditing bills to setting sub-goals, they offered easy-to-replicate fiscal responsibility gold. Now they're back with their money lessons from the pandemic.



## 1 CONSIDER THE VALUE OF CASH

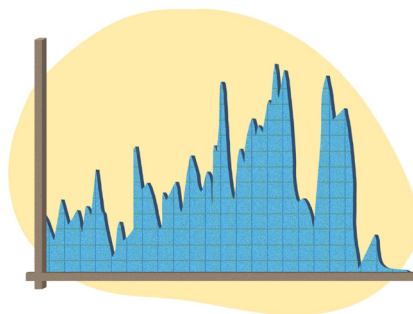
When the pandemic rattled the markets early this year, our resident math whiz saw it as an opportunity to buy low as well as rebalance his portfolio. However, most of his holdings were locked up in securities, so he didn't have much cash on hand. "I've learned my lesson," he says, explaining that he's since committed a portion of his holdings to cash. "[Cash](#) offers flexibility that I had previously overlooked." Investors may be reluctant to keep a lot of cash in their investing accounts, says a chartered investment manager on our client relationship team, because it negates the potential rates of return of placing funds in the markets. "But a bit of 'dry powder' on hand can help you take advantage of opportunities."

### FAST FACT

*Dry powder is investing slang for cash or highly liquid securities.*

## 2 DEVELOP YOUR VOLATILITY PLAYBOOK

"I froze," says our digital content producer about her investing earlier this year. None of the strategies she had developed during the sustained 11-year bull market applied. "In retrospect, I missed some opportunities I wish I'd jumped on," she says. Since then, she's devised a volatility playbook of sorts: "I tune in to news and market watchers to try to stay abreast of potential volatility," she says. "I plan what I'll do *before* it hits in case I freeze again."



The chartered investment manager echoes her sentiments: "It's good to have [a roadmap](#) of where you think things are going so that you can position your portfolio to protect against volatility or to take advantage of it." How? As an investor, you might identify sectors that you expect to be vulnerable, he says. "Then you can be prepared to either buy, sell or short to make some money off that."

### FAST FACT

People tend to respond to a crisis in one of three ways — fight, flight or freeze. Getting to know your natural knee-jerk reaction might help you build your volatility roadmap.

### 3 NEW NORMAL, NEW BUDGET

The data is clear: [Canadian spending](#) has changed dramatically as a result of the pandemic. Early on, after weeks of saving on things like commuting and dining out, yet splurging on groceries and home improvements, our strategic initiatives manager took a step back and assessed. “It was nice that I was saving in some areas without really trying, but what about the spending?” He sat down and adjusted the family budget, something he says he’s done a few times since to make sure his plan still matches his present normal. “Things keep changing, but I’m working to keep up,” he says.



### 4 DOUBLE (OR TRIPLE) DOWN ON DEALS

A penny saved is a penny earned as far as our director of product strategy is concerned. How does she save those cents? That’s the fun part, she says. Take [homemade meals](#), for instance, which circumstances have dictated more of. “I use an app to meal plan each week,” she says, “which saves me money on groceries, plus I end up eating healthier.” She then cross-references with a digital coupon aggregator. “I look for the best flyer offers on costlier grocery items and use price matching for stores that allow it.” Of course, she pays with a credit card that offers rewards, and she also takes advantage of cash-back apps.

#### FAST FACT

Many membership programs offer exclusive coupon codes.

### 5 DON'T CHEAP OUT ON CHEER

Notably, our strategic initiatives manager is happy to splurge if it will up his [happiness quotient](#), and that of the people around him. As we head into winter during this difficult period, he says, “I’m actively looking at ways I can spend to make the world seem brighter as days get darker and gloomier” — like a coat of wall paint or a new picture on the wall. “I’m also planning to buy more holiday decorations and put them up earlier than



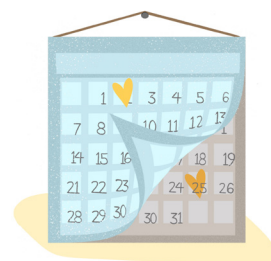


I normally would try to brighten people's days," he says. Of course, taking care of yourself and others need not cost a dime. "I cuddle my dog more and tend to her every need these days," says one of our communications experts. "I know I'm looking after myself by extension."



## 6 SPREAD THE DONATION LOVE

"Seeing how the pandemic impacted my community, I have felt moved to make donations to various organizations," says our production editor, adding that she wishes she could do more. "I had donated a lump sum late last year like I always do around tax time, so I didn't have dedicated funds available." Taking a lesson from a popular investing strategy, [dollar-cost averaging](#), she's decided to shift her charitable giving approach toward smaller, more frequent donations throughout the year to help meet needs as she sees them.



### FAST FACT

You can change the names of your accounts. Creating a savings account called Community Fund or Donation Dollars, for example, can help you keep your eye on a charitable goal.



## 7 RETHINK PLANS

Our digital content producer has saved a lot of money over the years by carefully reviewing her bills and statements. "You really never know when a hidden fee will crop up, or when you're double-charged in error," she says. This year, she's looked critically at the fees she *did* sign up for. "Why am I paying extra insurance on the car that hasn't left the driveway in over a month?" she asked herself, for example. A member of our operations team was on the same wavelength: "Why pay for cell phone data if I spend nearly all my time at home now?" Both called their service providers to adjust their plans. It's a bit of a manual process, they admit, but the savings have added up.

## 8 SELF-AWARE SELF-CARE

Retail therapy is real, says our senior digital product manager and self-professed resident shopaholic. “E-commerce has evolved,” she says. “It’s now [easier than ever](#) to purchase items with a few taps on your phone, and be sucked into those personalized ads that know exactly how to hook you with an unbeatable sale.” Here are some tactics she’s found helpful: separating needs from wants, assigning a monthly spend max and setting a frequency to purchasing. The key? Strictly sticking to your own rules.



## 9 EMERGENCIES WILL SURPRISE YOU

Like so many of you, our colleagues didn’t see the pandemic coming, and yet several were prepared with some emergency savings. “It can be hard to put money aside for an emergency because, in a sense, you’re preparing for the unknown,” says our vice-president of strategy. But asking yourself what’s the worst that can happen isn’t productive (nor will it help you sleep at night). “This year has really shown me that it’s as important to be prepared for a sudden need as it is to have a clear vision of what you’re preparing for.”

## 10 DON’T GIVE IN TO THE PRESSURE OF PRESENT BIAS

As the saying goes, this too shall pass. While our colleagues advocate for adjusting your approach to the current moment, they caution against losing sight of the bigger picture. Keep your long- and even medium-term goals in mind. ■





## How to Make Decisions in Stressful Times

Seven tips for making better decisions while you're under pressure.

■ WRITTEN BY TAMAR SATOV ■ PHOTOGRAPHY BY RONALD TSANG


**R**emember when grocery shopping was a mindless task? Remember when seeing your niece on her birthday was a no-brainer? Remember absent-mindedly bumping into strangers on the street?



Enter COVID-19, which put all aspects of our lives in flux, infusing our days with uncertainty, anxiety and seemingly never-ending decision-making moments.

Even if you're typically quite decisive, you might be doubting your decisions these days. What may have once seemed like a simple choice can now feel difficult. And more complex decisions, like what to do with your investment portfolio, may leave you plagued with even more uncertainty.

This current struggle to make smart choices is not just happening because there are so many unknowns about the virus and its impact on the future. The challenge also comes from the way our brains process these types of decisions, says Cendri Hutcherson, director of the Decision Neuroscience Lab and an Assistant Professor of Psychology at the University of Toronto, with a cross-appointment in the Department of Marketing at the Rotman School of Management.



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There are two modes people use to make decisions, she explains, and each uses different circuits in the brain. The first mode, used for familiar scenarios, is more automatic and habitual, and it relies on what you've learned from experience to be useful. The second mode, used for new circumstances, is more flexible and draws on what's worked for you before, even if it's not relevant to the current situation.

“With that second, more flexible mode, the neurons operate differently and seem to be particularly vulnerable to stress,” says Hutcherson, who is also the Canada Research Chair in Decision Neuroscience.

In other words, any stress you might be experiencing from being in the midst of an unprecedented pandemic may be undermining your brain's ability to make good decisions.

Of course, that doesn't mean you should throw your hands up in the air or resort to coin-flipping. Hutcherson suggests the following tips to help you improve the quality of your decision-making while under pressure.



## 1 TAKE YOUR TIME

Your parents were right when they told you to sleep on it. People generally make better choices when they consider all the factors that apply, which is difficult to do if you're in a rush.

Unfortunately, we're evolutionarily hardwired to make quick assessments during times of stress, says Hutcherson. "Out in the savanna, stress came from encountering a predator like a lion or snake, and you'd be eaten if you took the time to evaluate all your options," she says. Obviously, that response is less adaptive in a modern setting, so try to slow down and weigh all the alternatives.

A good strategy in some situations can be to stop what you're doing, pull out your calendar, and schedule an "appointment" the following day to finalize your decision. Then, before your deadline, engage in some mindless activities — say, taking a walk or doing chores — to give yourself lots of contemplation time. Investing can sometimes require quick thinking, but [even a pause](#) may help you avoid rash decisions that aren't aligned with your overall plan.

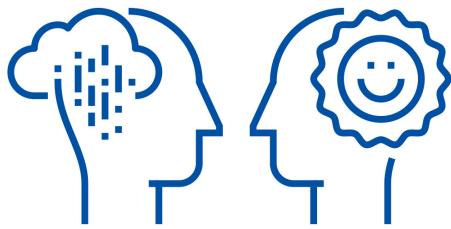
## 2 MAXIMIZE YOUR MORNINGS

Effective decision-making requires considerable effort. As a day wears on and you make a series of choices, be they mundane (e.g., what to wear) or challenging (e.g., whom to include in your social "bubble"), your brain can lose its decision-making mojo.



“The brain just wants a break and doesn’t want to put in all that effort anymore,” says Hutcherson. “That can lead us to make decisions without considering all the factors.”

By prioritizing your toughest decisions — investing or otherwise — early in the day, you’ll bring your freshest brain to the task and you may be more likely to think of important aspects that you might otherwise overlook.



### 3 CONSIDER YOUR MOOD

What you’re feeling can affect your decisions in ways that may seem irrelevant to the matter at hand. If, for example, you just got news of a friend’s illness and you’re upset about it, you

might end up making choices that are more risk-averse than usual — even if those decisions have nothing to do with health.

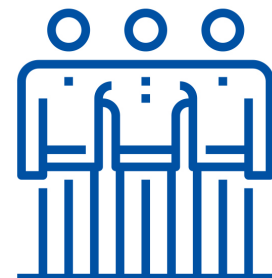
Furthermore, decisions that have emotionally difficult or pleasurable outcomes bring certain neurological systems online that make our brains more concerned with the present than the future, says Hutcherson. That’s one of the reasons why we might forgo a diet to enjoy dessert in the moment, or opt to spend a tax refund frivolously instead of investing it for the future.

“It’s useful to be aware of these effects, as it might change the way you’d want to behave,” she says.

Emotions can affect our investing decisions in ways we may not even be aware of due to a number of cognitive biases. Check out [Can You Trick Yourself Into Better Investing Decisions?](#) to find out more.

### 4 BEWARE OF SOCIAL NORMS

When our brains are engaged in the flexible mode of decision-making, they take more than just our own experiences into account. Much of what we learn comes from observing other people, so their behaviour can influence our choices.





For example, you may have found yourself in an uncomfortable pandemic-related situation in the last few months. Perhaps you went to visit a friend you'd agreed to "bubble" with, and you arrived to find a roomful of people. Or maybe someone approached you on the street sans-mask and began speaking to you at close range. "You may think this is a terribly risky thing to do," says Hutcherson, but if someone else is downplaying the risk, you may find yourself allowing them to govern your behaviour. Later on, you might say, "In retrospect, I should have spoken up more."

Sound familiar? This kind of caving in to social pressure can happen with investing, too, especially when there's hype around certain hot stocks or sectors.

So, what's the fix? Insert some checks and balances in your decision-making to be sure you really understand why other people behave as they do, rather than engaging in blind imitation, Hutcherson says.



### **5 SEEK ADVICE JUDICIOUSLY**

If you want input from others to help you make a decision, be careful whom you consult. "If you ask someone who is a risk taker — and you're not — it can be really tricky to take their advice because they are literally concerned about different things than you are," says Hutcherson.

### **6 ASK YOURSELF: WHAT AM I NOT PAYING ATTENTION TO?**

Research suggests that what you focus on has major consequences on choice, especially when it comes to financial decisions. "People who are constantly on the lookout for losses will make much more risk-averse choices, whereas those who see the benefits will make more risk-seeking decisions," says Hutcherson. "Taking the time to ask yourself what you're not paying attention to, and answering that question carefully, can lead to choices that you're happier with in the end." (Charlie Munger, vice-chairman of Berkshire Hathaway, has [an interesting take](#) on this concept.)



## 7 PRACTICE EMPATHY

Thinking about how your actions might affect others can lead to more effective decisions. We've seen that recently in terms of mask-wearing: compliance rates went up when people understood that wearing a mask helps protect others. But we should also have self-empathy, for both the current and future versions of ourselves, says Hutcherson.



"Part of the reason we don't make good choices for our [future selves](#) is that we think of them as a different person. If we take a moment to connect to our future selves as if they were us today, we would care more about what they would want or need. That can lead to more patient choices that you'll regret less," she says.

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“ Every decision right now feels so weighty.  
Don't beat yourself up over what almost  
anybody could get wrong.”

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At the same time, we should also give ourselves a break if we make poor choices during times of stress. "Every decision right now feels so weighty. And sometimes you're choosing between two evils because there are no good options. Acknowledge that and be a little less judgmental," says Hutcherson. "Don't beat yourself up over what almost anybody could get wrong." ■



## What (and What Not) to Say These Days

A psychologist and an etiquette expert offer their conversational dos and don'ts.

■ WRITTEN BY SYLVIA STEWART ■ PHOTOGRAPHY BY RONALD TSANG

**T**hanks to COVID-19, we're all a little socially awkward these days. It can be hard to know what — or what *not* — to say anymore. Our collective experience of the pandemic has been described as a type of grief, so the stakes of saying the right thing feel higher than before.

To help keep feet out of mouths, we asked the experts what to do. Here, a psychologist explains why your usual banter likely needs work, and an etiquette expert offers more appropriate alternatives.





### **DON'T: IGNORE COVID ALTOGETHER**

In pandemic times, many of our [go-to greetings](#) — like “Hope you had a great weekend!” or “Hope this email finds you well” — can sound less friendly, even like an affront. It’s human nature to catastrophize, or assume the worst, during a crisis, says Dr. Theo De Gagne, a psychologist in Vancouver. “People can look at that in a negative way and say, ‘I *did not* have a good weekend. It was *terrible*.’” The best approach? Can the canned messaging.



### **DO: ACKNOWLEDGE THE MOMENT**

For cold emails or anyone you don’t know personally, Toronto-based etiquette expert Lisa Orr has the easiest fix: “My intro has changed from ‘Hope this email finds you well’ to ‘Hope this email finds you well *during these challenging times*,” she says. Even if you say nothing else about COVID, those four little words can do the job.



### **DON'T: MAKE ASSUMPTIONS**

A seemingly innocuous “Stay safe and healthy!” sign-off, for example, is full of assumptions. “Some people don’t feel safe or healthy,” says Orr. Maybe the recipient of your message is caring for an ill parent or has a loved one who’s a front-line worker. Maybe their kids are back in school or maybe they’ve opted for remote learning; maybe they’ve even done a start-stop-start due to a COVID case in the classroom. If you don’t know a person well enough to ask for details, skip any and all assumptions.



### **DO: LISTEN INSTEAD**

This was true pre-COVID and it’s especially true now: “You don’t know anyone’s emotional state,” explains Dr. De Gagne. The person could be sick, sad or grieving, and the last thing you want to do is accidentally make them feel worse by minimizing (or completely missing) their pain. The easiest way to avoid this? Ask questions instead of making assertions. You can’t go wrong with “How are you holding up?” and then listening.

“It’s okay to ask your brother about his investment portfolio (even though the markets have been volatile).”



**DON'T: AVOID TRADITIONALLY WEIGHTY TOPICS**

“Money and finances have always been taboo — even before this crisis — and a lot of people aren’t doing well right now,” says Orr. Now more than ever, we need to ask each other the potentially uncomfortable questions, provided we’re willing to listen and be supportive. It’s okay to ask your friend about her job (even if she’s likely been let go); it’s okay to ask your brother about his investment portfolio (even though the markets have been volatile). If you want to ask someone about their work, says Dr. De Gagne, do it, and be authentic and compassionate in your response.



**DO: OPEN A DIALOGUE**

The tactful way to deepen your COVID conversations is to share your own experiences to open the door to dialogue. Be prepared for tough topics. “Sometimes people just need to vent and your job is to listen,” says Orr. You should also reply, of course — even if it’s just “I’m sorry to hear that,” make sure you acknowledge their feelings and respond sensitively.



**DON'T: FORGET TO REACH OUT OFTEN**

Technology enables us to stay in touch in spite of social distancing limitations — but some of us are reluctant to connect. “If you have the bandwidth to reach out and listen, you should,” says Dr. De Gagne. A simple “just thinking of you” check-in, which doesn’t necessitate a response, can work wonders in maintaining relationships with colleagues and friends. Meanwhile, if *you* need a sympathetic ear, it’s perfectly okay to reach out and ask someone to lend one.



**DO: RESPECT THE USUAL BOUNDARIES (AND SOME NEW ONES)**

Yes, many people are perpetually at home and on their laptops, but no, that doesn’t mean their availability has changed to full time or all-hours. All the rules of [respecting time and space](#) — plus some new ones (like never surprise-Zoom) — still apply, though Orr suggests offering people more wiggle room in their reply times than before. Try not to judge anyone who needs more flexibility than you do, she adds. “We’re all doing our best right now,” says Orr.

“This is not an all-or-nothing situation. You have to think in shades of grey.”



**DON'T: “SHOULD” ON SOMEONE ELSE’S HOLIDAYS**

“There’s nothing inappropriate about extending well wishes to your friends and colleagues,” says Orr, and in fact, “we all need them right now.” Keep in mind, the holiday season is different and probably harder for many of us compared to pre-pandemic times, and how (or whether) someone’s celebrating isn’t your business. “Consider staying away from discussions of holiday plans and family gatherings,” she suggests. No good will come of comparing someone’s cancelled plans with someone else’s too-large gathering, for example.



**DO: DO YOUR BEST NOT TO JUDGE**

That said, you will inevitably cross paths and converse with people who act and think differently from you. Make your best effort to avoid judging. Remember, nobody is completely right or entirely wrong. “This is not an all-or-nothing situation,” says Dr. De Gagne. “You have to think in shades of grey.” If someone says a wrong or awkward thing, try to treat them with the same compassion and forgiveness you’d want, especially during a time that’s tough enough as it is. ■



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