## **TD Wealth**

### November 2017

# Market Update

# Important Topic: Life Insurance

Life insurance can play two important roles. It is important to consider both.

The first, which most people appreciate, is that life insurance can help to provide for loved ones if the insured passes away. This role can be described as meeting a "need". Once one has responsibilities, whether to a spouse, child, business partner or even the CRA (if one owns primarily illiquid assets and will owe a large amount of taxes upon death) life insurance helps to meet a need.

The second, mostly unknown, is that life insurance offers an attractive long-term tax-free investment. Current Canadian tax laws permits insurance companies to grow your savings tax free and then pass it on to beneficiaries tax free (even avoiding probate tax). While there are many things we can do at TD Wealth Private Investment Advice to improve tax efficiency, our only ability to help you grow funds tax free is in your TFSA, which is limited in size.

This role is better described as meeting a "want". Life insurance can offer investors an after tax return of over 5%, equivalent to buying a taxed 10% bond! In our opinion this is worthy of a portion of one's assets. In addition, just in case one's needs change over time, there are ways one can access a large portion of these funds thereby providing cash flows in retirement.

Therefore a permanent insurance policy can not only help to care for your family or leave a legacy, but can also fund one's retirement, all tax free.

For many, the experience of buying life insurance is confusing and complicated and the final decision unsatisfying as one is left wondering if they bought the right policy. Let us help. The benefits are well worth the consideration. We can work together with you and Estate Specialists at TD to show you how Life Insurance can be an important part of a long-term tax-efficient investment plan.



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## Market Update – November 2017:

November was another good month. The focus was on earnings (as it should be) but then turned to President Trump's tax reform package. It is unclear whether President Trump's tax package will actually pass into law but if it does the tax benefit to corporations would be yet another justification for the currently higher market valuations. To be clear, if a company's tax rate is cut from 35% to 20% then they keep 80 cents of every dollar earned instead of 65 cents. This is a 23% increase in earnings! ((80-65)/65).

Interestingly, while the US market was hitting new all-time highs in reaction to this possibility and continued positive economic news, the Canadian market was flat as its strong economic picture faded and continues to fade. One can also note other allocations (all of them?) that do very well for periods of time but then produce undesirable returns for a time. As one cannot know when the tide will turn, it is best to maintain exposure to all asset classes that have the potential to provide attractive long-term risk-adjusted returns. This is "diversification" and one of the bases of our approach.

Looking forward, the global economy is performing just fine by most measures (few signs of an economic downturn in the near future, and earnings improving nicely), political uncertainty remains high (though very public this matters less), market volatility remains at historic lows, and inflation remains benign. We hold our positions and continue to invest cautiously.

For the month the bond market was up 0.9%, the Canadian market was flat, the US market was up 3.2%, International markets were up 0.8%, the Emerging markets were flat, the REIT market was up 3.6% and the preferred market was up 0.4%. (Thompson Reuters November 30<sup>th</sup>, 2017)

Have a great month and let us know if there is anything we can do for you, Meir



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