DECEMBER 2023 EDITION

KPW NEWSLETTER

WHAT
ARE YOU
GOING TO DO
WITH ALL THIS
FUTURE

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 12

"Predictions Are Difficult...Especially When They Are About The Future"

- Niels Bohr

Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
JOINING FORCES—FHSA EDITION

Ryan Simone, CFP, CLU, CHS
LIFE PLANS AND THE LIFESTYLE FINANCIAL PLANNER

EDITORIAL COMMENT

Sergio Simone

Any time I write about the topic of "Staying Invested", I imagine that many of my readers are shaking their heads and thinking "there he goes again". That being said, "here I go again". It is difficult to ignore this wisdom, especially coming off a November as we have just experienced.

November closed with one of the best global equity market returns in the past three years. It was one of the top 15 months for the S&P 500 Index in 50 years. Hopefully you were not one of those investors who missed this opportunity. If you did, I can say with more than a modicum of certainty that it will have some impact on your overall long-term portfolio values.

JOINING FORCES—FHSA EDITION

Kristina De Souza, CFP

As the year comes to a close, it's only natural to reflect on what 2023 has brought about. I am a big proponent of gratitude and I do my best to apply this to all aspects both personally and professionally. When it comes to financial planning and the tools we use to help our clients achieve their desired lifestyle, one of the most notable strategies that came about this past year is the new First Home Savings Account (FHSA). When this valuable plan came into play in the middle of the year, I wasted no time advocating for this new and exciting opportunity.

LIFE PLANS AND THE LIFESTYLE FINANCIAL PLANNER

Ryan Simone,
CFP, CLU, CHS

When I googled the term 'life planning', I didn't really come across anything related to finances or financial planning. There are a lot of templates for recording life goals and tons of suggestions about how to achieve them. There was a link to Tony Robbins' website and several links related to wellness. But not much about financial planning. One page I did find by the Berkley Well-Being Institute did define what a life plan is and how to make one; however, it stopped short of explaining how a financial plan could be integrated into a life plan. Financial planners (particularly in the U.S. and UK) have been integrating financial plans into life plans since the early 2000s, but in Canada this is still considered "alternative financial advice". I suspect my google search is a reflection on that since it is a form of financial planning that remains on the fringe of Canadian financial advice, at least for now.

Kleinburg Private Wealth
91 Anglewood Ct.,
Kleinburg, ON, L0J 1C0

www.kpwfinancial.com

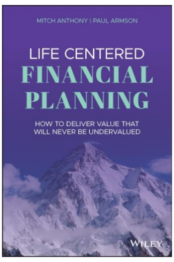
905.893.2540
info@kleinburgprivatewealth.com

VOL. 12, ISSUE 12

BOOK OF THE MONTH

LIFE CENTERED FINANCIAL PLANNING

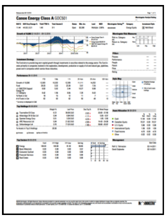
-by Mitch Anthony, Paul Armson



Life-Centered Financial Planning provides readers with practical advice and concrete strategies to revolutionize their organization and client service by focusing on what matters most to clients, rather than maximizing assets under management or pushing products. Understanding that a strong financial plan means more than simply accumulating as much money as possible. The book speaks on building a business model that is good for everyone involved: the financial advisor, clients, and the organization. It explores how an advisor should move from being a commodity to being the client's "trusted" advisor. The book is perfect for any financial planner or advisor who wishes to adapt to the radical redefinition of financial services taking place today.

FUND OF THE MONTH

[BMO STRATEGIC EQUITY YIELD FUND]

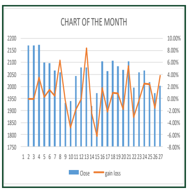


Broadly speaking, structured notes fall on a spectrum between income and growth.

The BMO Strategic Equity Yield Fund aims to replicate exposure to notes focused on income generation, while also maintaining contingent downside protection. The dedicated team of structured product professionals seeks to achieve above market returns and exposure to North American and/or global equity markets through the use of derivatives and/or structured products.

CHART OF THE MONTH

[CROSS-ASSET PERFORMANCE REVIEW]



This year's performance for most financial assets has been quite the reversal relative to 2022's "bear market in (almost) everything". From a macro perspective, price disinflation and resilient economic activity were among 2023's key supports across the asset class spectrum.

Equities are found at the top of the 2023 leaderboard. Mega-cap U.S. technology stocks have stolen the show with the "Magnificent 7" rallying by almost +75% while the Nasdaq 100 Index is closing in on a +50% year-to-year price gain.

BLOG OF THE MONTH

[U.S. ECONOMIC OUTLOOK: EXPANSION CONTINUES INTO 2024]

Solid consumer spending driven by real personal income gains and sustained private investment will underscore a steady pace of growth at or near the 1.8% long-run rate in the United States in 2024.

We expect that policy tailwinds from both the fiscal and monetary authorities will set the stage for strong productivity and growth in the years ahead as inflation eases back to a much more tolerable 2.5% to 3% range.

Most important, we are forecasting four 25 basis-point cuts in the federal funds policy rate starting in June, which would bring it into a range between 4.25% to 4.5% by the end of the year with risk of a lower rate.

VOL. 12, ISSUE 12

PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

CANADIAN RESIDENTS WITH U.S. ROTH IRA

A Roth IRA is a fantastic financial instrument set up by the US government, named in honor of its key advocate, Senator William Roth. It's a particular type of individual retirement account that has a magic formula: you get tax-free growth and tax-free withdrawals when you retire, unlike its counterpart, the traditional IRA.

Can Canadians jump in on this deal, though? It's a bit tricky. Generally, to contribute to a Roth IRA, your income needs to originate in the US.

HOW LIFE INSURANCE CAN HELP HNW CLIENTS SAYING GOODBYE TO CANADA

For many high-net-worth Canadians, life insurance is used as a tool for estate planning – as a way to equalize assets between heirs, for example, or a tax-efficient way to increase the impact of their charitable donations upon death. But life insurance can also be used to mitigate another type of deemed disposition.

"The decision to become a non-resident of Canada can trigger another type of deemed disposition. You can think of it as if you're 'dying' to the Canadian tax system," says David Lesperance of Lesperance & Associates. "HNW Canadians who decide to emigrate in this way can use insurance the same way they'd use insurance upon death."

ESTATE FREEZE

If you are the sole owner of a corporation that has appreciated in value over time and is expected to continue growing, there are ways to structure the ownership of your corporation to improve tax efficiency and simplify the planning for your estate. An estate freeze is a tool that can be used to restructure the ownership of your corporation by capping the value of your assets and transferring future growth to the next generation of owners. This article focuses on planning considerations for freezes involving incorporated family businesses and individuals with a portfolio of investments held in an investment holding company.

CAPITALIZING ON CAPITAL LOSSES

Stock market volatility may cause investors to worry about their investments. Many want to take action and reorganize their portfolios, even if they're in a loss position. Once the decision is made to crystallize losses, our capitalizing on capital losses strategy can be used to gain maximum tax benefit on portfolio losses. This strategy is based on carrying back any losses that exceed current year capital gains to a previous year with net capital gains.

VOL. 12, ISSUE 12

CORPORATE CULTURE

TACKLE YEAR END LIKE A BOSS: 8 STEPS TO CLOSE YOUR BOOKS AND PLAN FOR 2024

No matter how many years you've been in business, taking certain steps at year-end can help you tie up any loose ends and set yourself up for a great year ahead. Here are 8 essential steps to take as we close out 2023.

1. Sum up your business financials

The end of the year is a great time to do a financial roundup, which ultimately starts with gathering your financial statements. Look at your income statement, cash flow statement and balance sheet to understand your current financial standing clearly and to forecast the year ahead.

HOW TO PLAN FOR RETIREMENT AS A SMALL BUSINESS OWNER

If you're a business owner, you're probably focused on day-to-day business tasks. You may not be thinking about retirement – even if it's only a few years away. But don't worry, you're not alone. According to the Canadian Federation of Independent Business, 76% of small business owners are planning to leave their business, but only 9% have a formal business succession plan in place. Some working Canadians have company pensions or an employer-matching program to help with retirement. Generally, these are benefits a small business owner doesn't have. It's up to you to plan your future and decide how to pay for your retirement.

SUCCESSION PLANNING: 3 EXIT STRATEGIES FOR ENTREPRENEURS

Chances are you're focused on building your business, not the day you will leave it behind. But failing to plan for your transition out of your business can result in a messy succession process and lost value.

Turning the page is never easy or simple, but it's a reality facing more and more Canadian entrepreneurs. Almost 60% of Canada's small and mid-sized business owners are aged 50 or older, nearly double the proportion of the overall workforce, indicated a 2017 BDC study on The Coming Wave of Business Transitions in Canada.

HOW TO GET A SMALL BUSINESS GRANT IN CANADA

As an entrepreneur, navigating the financial challenges of growing a small business is a common and unending task.

Pursuing additional funds to reinvest in your company can be crucial in expanding your business and ensuring its financial health. Small business grants offer a valuable avenue for securing the economic boost your company needs.

VOL. 12, ISSUE 12

FUND MANAGER COMMENTARY

Kevin McCreadie, CEO and Chief Investment Officer

AGF Management Ltd.

HOW HIGH FOR HOW LONG?

The anticipated end to the rate-hiking cycle of the past two years could be an important tailwind for financial markets in 2024. But how much of a boost it gives may largely depend on the economic backdrop that unfolds – and how low central banks are willing to go if they do start cutting rates.

Investors should be feeling better about financial markets heading into 2024 than they did this time last year, when stocks and bonds were still mired in the mud of a punishing bear market. But while stocks have rallied and bonds are now rebounding, the past 12 months hasn't exactly been a cakewalk. Markets have remained volatile, and positive returns, if any, have lacked breadth within and across asset classes.

Kristina Hooper, Chief Global Market Strategist

Invesco Ltd

Investment Outlook 2024: A Balancing Act For Growth and Inflation

After nearly two years of fighting inflation across North America and Europe, we believe monetary policymakers have reached the end of their tightening cycles — but the ripple effects of past rate hikes continue to be felt. And so our 2024 outlook centers on the balance between the durability of growth versus the stickiness of inflation.

Dean Orrico, President & CEO

Middlefield International Limited

DECEMBER 2023 MARKET COMMENTARY

Equity markets snapped back in November, erasing losses from the previous three months. The S&P 500 Index returned 8.9%, its best monthly return since July 2022. The rise in equities was fueled by a combination of falling bond yields, subsiding inflation and lower oil prices. The Index closed just 5% below all-time highs which are now within striking distance if the Santa Claus rally continues.

Andrew Pease, Chief Investment Officer

Russell Investments

2024 Global Market Outlook: The Twilight Zone

A recent survey by Bank of America found that 74% of fund managers expect a soft landing—where economic growth slows but a recession is avoided—for the global economy in 2024. This optimism is evident in bottom-up consensus expectations for 11% earnings growth by S&P 500® companies in 2024, and in spreads on high-yield corporate bonds that are below their long-term average.

We're not as confident that the all-clear can be sounded on recession risks, however, as households will soon exhaust their excess savings from the pandemic. Up to now, these savings have acted as a strong defense against U.S. Federal Reserve (Fed) tightening.

VOL. 12, ISSUE 12

LINKS

FIVE TIPS TO BOOST YOUR FINANCIAL WELLNESS THIS WINTER	WALL STREET ANALYSITS ARE OPTIMISTIC FOR 2024	MOODY'S CUTS CHINA CREDIT OUTLOOK TO NEGATIVE
OECD HEADLINE INFLATION FALLS TO 5.6%	BANK OF CANADA HOLDS KEY INTEREST RATE STEADY IN FINAL DECISION OF 2023	53% OF WORLD'S LARGEST PENSION FUNDS SAY RECESSION IS TOP CONCERN
DON'T KEEP YOUR SAVINGS IN YOUR TFSA	FED SEEN CUTTING RATES BY MID-2024	HOW MIGHT THE GREAT WEALTH TRANSFER CHANGE SOCIETY?

NORTHERN TRUST

THE WEIGHT OF HIGH INTEREST RATES

I learned an important life lesson during a canoe trip through Canada as a teenager. Periodically, our group of voyageurs would have to execute a portage: taking our vessels and gear overland from one body of water to another. Those days weren't a lot of fun:

Russell Investments

A PRIMER ON TAX-MANAGED FUNDS

Our desire to keep more of our money in our own hands is one reason why tax-managed mutual funds have become so popular in the United States and are likely to become more popular in Canada. Amid volatile markets, rising inflation, higher taxes and other issues that are nipping at our portfolios and pocketbooks, we all look for ways to keep more of our money working for us. Tax-managed mutual funds can help us do that. These unique mutual funds are designed to minimize the embedded year-end capital gain distributions that trigger capital gains taxes.

VIDEO AND PODCAST LINKS

THE SANTA CLAUS RALLY HAS COME AND IS HERE TO STAY, SAYS ELIZABETH EVANS	GOLDMAN SACHS' RICHARD RAMSDEN ON THE 2024 OUTLOOK FOR BANKS	DIVERSITY IS KEY TO HEDGING INFLATION

FINANCIAL CALCULATORS

RETIREMENT CALCULATOR	FIDELITY TAX CALCULATOR	RRSP SAVINGS CALCULATOR
Are you on track to reach your retirement goal? Here's a simple, fast way to see if you are on track.	Estimates your year-end tax balance based on your total income and total deductions.	Estimate how much your registered retirement savings plan will be worth at retirement

EDITORIAL COMMENT - CONTINUED

Recently, I was reviewing some research information from British investment firm Schroders, an international investment firm managing almost $1 trillion in assets. I thought it was quite appropriate that the piece I was reading addressed the issue of market timing using the Financial Times Stock Exchange (FTSE) 250 to make their point.

The difficulties of trying to time the market

Bank of America looked at the impact of missing the market's best and worst days each decade

Decade	Price return	Excluding worst 10 days per decade	Excluding best 10 days per decade	Excluding best/worst 10 days per decade
1930	-42%	39%	-79%	-50%
1940	35%	136%	-14%	51%
1950	257%	425%	167%	293%
1960	54%	107%	14%	54%
1970	17%	59%	-20%	8%
1980	227%	572%	108%	328%
1990	316%	526%	186%	330%
2000	-24%	57%	-62%	-21%
2010	190%	351%	95%	203%
2020	18%	125%	-33%	27%
Since 1930	**17,715%**	**3,793,787%**	**28%**	**27,213%**

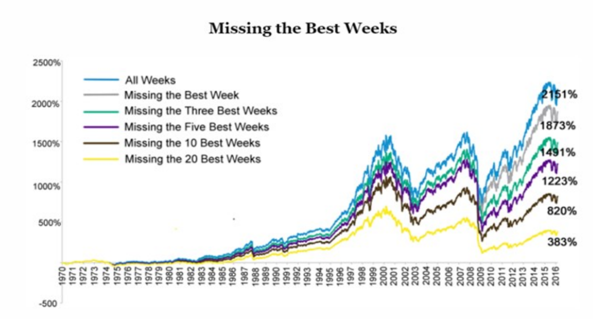
Source: Bank of America, S&P 500 returns

Nick Kirrage, a fund manager at Schroders stated that if you had invested 1,000 pounds in the FTSE 250 at the beginning of 1989, and left it there for 30 years, it would have grown to 26,831 pounds. That growth would have far outpaced the cost of living and helped to build quite a nest egg. This translated into a 11.6% compound rate of return. Missing the best 30 days would result in a 7% return. Missing those 30 days would have cost your portfolio a whopping 40%! Let that sink in for a moment.

Timing the market is difficult at the best of times for even the most experienced traders. The following chart produced by Bank of America, quantifies just how large the missed opportunity can be for investors who continue trying to time the market.

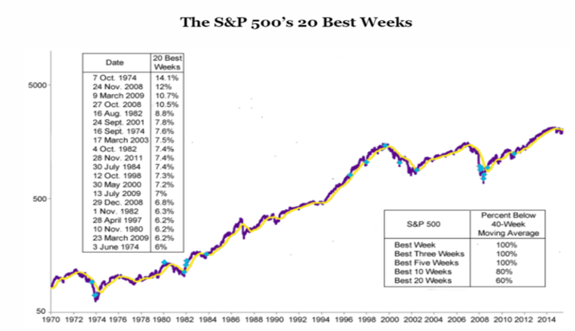
The impact of missing the best 10 days going back to 1930 creates an enormous impact on a portfolio. By missing those best 10 days each decade, the portfolio would still have returned a positive 28% but by staying invested, the total return would have been 17,715%! What an astounding difference that could have been earned by doing absolutely nothing.

Remaining invested during bear markets is crucial. When stocks plunge there is a natural impulse to hit the sell button but remaining invested during turbulent times can help you recover the losses incurred during the bear market. Savita Subramanian, head of U.S. equity and quantitative strategy at Bank of America stated that it takes an average of 1,100 trading days to recover losses after a bear market. In 2020 the recovery was much faster.



This market timing theory also works when using weeks instead of days. Missing the best weekly return in the S&P 500 since 1970 would have cost you 13% of the total return. Missing the best five weeks took the total return from 2151% down to 1223% - a decline of 43%!

I know that it is virtually impossible to miss all the best weeks, but it is entirely possible to miss some of them and all I am trying to do is illustrate that sitting out strong weeks can severely damage your portfolio's long-term returns.



Another argument to remain invested during bad times is that the best weekly returns tend to occur in poor markets which is typically when the undisciplined investor has already bailed. The following graph illustrates the 20 best weeks on the S&P 500 since 1970 (represented by the blue diamonds).

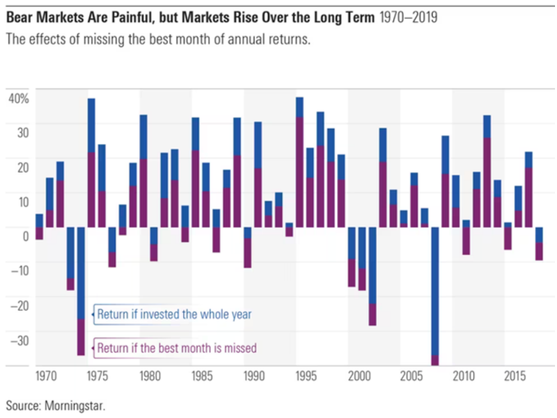
The majority of the best weeks occurred when the index was below the 40-week moving average. If you take the best week during that period of time, it would have occurred in October 1974 which was during one of the worst bear markets ever experienced.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

EDITORIAL COMMENT - CONTINUED

So, back to November 2023. Missing the single best month during any year will drastically reduce returns. During years when returns were already negative, the effect of missing the best month in that year only exaggerated the losses for that year.



The chart illustrates that missing the seven best months over the previous 49 years (1970, 1978, 1984, 1987, 1994, 2011 and 2015), would have dragged portfolio performance down into negative territory.

No doubt you are likely to feel a sense of relief when you sell your investments during periods of market crisis. However, all the market data shows that staying invested through volatile times has always been the smart move to make.

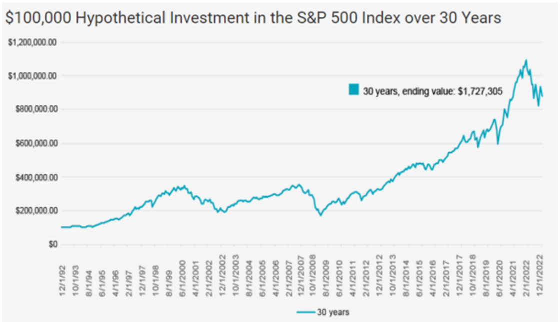
I do understand that recessive markets can be very unsettling, especially for those who may not have experienced the sharp declines of the Financial Crisis of 2008-2009, but if your intent is to invest for the long-term there are several key reasons you should avoid making emotion-based investment decisions.

Markets Are Resilient

Cashing Out Is Missing Out

Time Is On Your Side

Many people who are in retirement or facing retirement have been invested since 1990. During their investment lifetime these people have experienced the likes of: Desert Storm, Oklahoma Bombing, U.S. Government Shutdown, Mad Cow Disease, Asian Flu, Clinton Impeachment, Y2K, Tech Bubble, 911 Terrorist Attacks, Afghan War, Recession, Iraq War, SARS Outbreak, Hurricane Katrina, Subprime Mortgage Crisis, Lehman Brother Bank Failures, Real Estate Collapse, Global Financial Crisis, Greek Bailout, Oil Crisis, Ebola Outbreak, Ukraine Crisis, Brexit, Coronavirus, Fed Rate Hikes, and yet the market has climbed. The S&P 500 TR is an astounding 9.83% despite all the crisis and catastrophes we have experienced. Markets Are Resilient.



Investors who let emotion overtake logic and cashed out of their portfolio during the last downturn are likely experiencing sellers' remorse. I have outlined in this article the effect to portfolio returns by missing the best days, weeks or months. It is evident that Cashing Out Is Missing Out.

Never lose sight of the objective of the long-term investor. "Timing the Market" should be removed from the equation.

The chart shows a hypothetical $100,000 investment made in the S&P 500 Index over a 30 year period ending December 31, 2022. Despite all the negative return periods, the $100,000 investment would have grown to $1,727,305.

The message is clear, Time Is On Your Side!

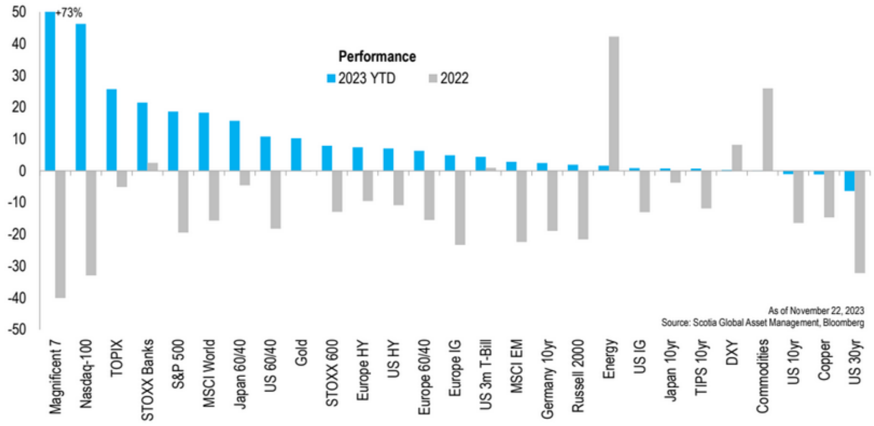
Wishing everyone a happy, healthy holiday season and a portfolio popping 2024!

CHART OF THE MONTH - CONTINUED

Japanese stocks and European banks receive honorable mention, with both higher and by more than 20% in local currency terms.

At the time of writing, the global bond benchmark is holding on to a very slight gain for the year helped by a +3.5% return from the corporate sector. Meanwhile, government bonds are performing much better than they did in the prior year but are down by about 1% and threatening to deliver a negative return for the third consecutive calendar year; an unprecedented outcome over at least 50 years of prior performance history.

The 60% equity and 40% bond asset mix, also known as the traditional balanced portfolio, bounced back in 2023 largely in response to the equity market rally. Yet, the portfolio is still down from its high watermark set in 2021 by more than 20% in inflation-adjusted terms following one of its largest drawdowns during the past 100 years.



This leaves a base case scenario for the coming year as one defined by a somewhat slower but, perhaps, still resilient pace of economic activity. Inflation had exceeded income growth in many economies over the past one to two years, but this is now changing. The extension of the current disinflationary trends should begin to provide a more helpful lift to real disposable income and thereby support households' purchasing power. Even so, it is difficult to imagine a lot out of the global economy at this juncture given that labor utilization rates are already so high (or, said differently, unemployment rates are so low).

In Europe, for example, employment growth has been running well ahead of the pace for GDP growth, thereby weighing on productivity and corporate profit margins. The lingering squeeze on profitability is likely to be met by corporate efforts to reduce labor costs. Employment growth has been more closely aligned with GDP growth in the U.S., meaning that shifts in aggregate demand will dictate America's labor market path.

JOINING FORCES—FHSA EDITION —Continued

As more institutions begin adding the FHSA to their lineup, I am increasingly made aware of even more ways the FHSA can serve as an immense benefit to clients. As planners, we no longer have to choose between the TFSA and the RRSP for our clients looking to save for an eventual home purchase, in a market that many are struggling to even come close to entering as it is. At the same time, although my focus over the last year has shifted to helping families who are separating or divorcing, I want to switch gears for purposes of this article to discuss how the benefits of the FHSA are amplified when each eligible member of a couple joins forces to open an account. With this said, I feel it is crucial that both married and common-law partners familiarize themselves with the specific FHSA rules geared towards spousal relationships to ensure they are eligible and achieve maximum benefits.

One of the first topics to consider if you are in a relationship and looking to utilize the FHSA is how a spousal relationship affects first-time home buyer status. As a reminder, a first-time home buyer is defined as someone who did not live in a principal residence that either the individual or their spouse or common-law partner owned solely or jointly, in the current and previous four calendar years. An example of someone who is not considered a first-time home buyer which may come as a surprise, is an individual who does not own a home themselves, however lives in a home owned by their common-law partner. Be mindful of the fact that first-time homebuyer status applies not only at the time an FHSA is opened but also when an FHSA holder is looking to make a tax-free withdrawal to purchase a first home. However, the definition of a first-time homebuyer for withdrawal purposes is slightly different from the one that applies at account opening. Specifically, there is no reference to a spouse or common-law partner in the definition of first-time homebuyer for purposes of a tax-free withdrawal. What this means is that once an FHSA is opened, the holder can make a qualifying, tax-free withdrawal to purchase a first home even if they currently reside in a home that is owned by their spouse or common-law partner.

When it comes to contributions and resulting tax deductions, the FHSA behaves differently to an RRSP. Only the FHSA holder can contribute to their own account, and only the holder can claim the related tax deductions for contributions to the account. With that said, there are no rules preventing a spouse from gifting assets to a partner who can then contribute to their own FHSA. Where such a strategy is employed, the normal attribution rules that apply to gifts between spouses (i.e., taxation of resulting income to the gifting spouse) would not apply to FHSA income.

For example, if a spouse maximizes the contributions to their own FHSA, they can gift assets to their spouse for them to contribute if they have the room. No amount of income in the future from this gift would be subject to attribution rules. As it stands now, the FSHA rules allow for transfers from an RRSP to an FHSA provided the holder has not exceeded FHSA contribution limits. When the annuitant of a spousal RRSP makes a withdrawal from the spousal plan, an amount equal to contributions made by the spouse or common-law partner to any of the annuitant's spousal RRSPs in the year of withdrawal or prior two-year period is taxed to the contributing spouse and not the annuitant. This is known as the spousal RRSP attribution period.

This can be explained as follows. An annuitant of a spousal RRSP is allowed to transfer property from their spousal RRSP to an FHSA of which they are the holder, provided the annuitant's spouse or common-law partner did not contribute to the spousal RRSP in the year of transfer or the previous two calendar years. This is known as the 'attribution period'. However, if no contributions were made to the spousal RRSP in the attribution period, the normal RRSP to FHSA transfer rules apply.

According to the Canada Revenue Agency, like TFSAs, FHSA holders can name their spouse or common-law partner as "successor holder" on the FHSA, in which case the FHSA would maintain its tax-exempt status. Thus, the named successor holder, the surviving spouse, would become the new holder of the FHSA upon the death of the original holder provided the surviving spouse meets the eligibility criteria to open an FHSA (i.e., a first-time homebuyer Canadian Resident aged 18 or more). An added benefit is the fact that inheriting an FHSA in this way would not impact the surviving spouse's FHSA contribution limits. Alternatively, if the surviving spouse is not eligible to open an FHSA at the time of their spouse's death, amounts in the FHSA could instead be transferred to an RRSP, RRIF or a pre-existing FHSA if the surviving spouse has one, or withdrawn on a taxable basis. Bear in mind that direct transfers to RRSPs, RRIFs and FHSAs occur on a tax-deferred basis.

To avoid additional implications, the withdrawal or transfer should occur within the year following the year of the FHSA holder's death. Alternatively, the FHSA holder can name any person (including a spouse or common-law partner) or organization (e.g., registered charity) as "beneficiary" of the FHSA. If the beneficiary is the holder's spouse or common-law partner, the beneficiary can transfer the proceeds to their own FHSA, RRSP or RRIF without tax implications within the year following the year of the holder's death. The alternative is that they can request a taxable withdrawal instead.

JOINING FORCES—FHSA EDITION —Continued

If the beneficiary of the FHSA is not a spouse or common-law partner of the deceased, the funds would be paid to the beneficiary (or the estate), and these amounts would be included in the income of the beneficiary (or estate) for tax purposes.

As you can see, in just the short time the FHSA has been in action, more benefits have come to fruition. Like many other strategies we employ, there is a multitude of variables to consider when it comes to utilizing them in our planning. We look forward to the years ahead where we continue to learn about and implement the evolving benefits the FHSA.

Wishing you and your loved ones a wonderful and peaceful holiday season.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

LIFE PLANS AND THE LIFESTYLE FINANCIAL PLANNER—Continued

Life plans are about examining your purpose in life, what you hope to accomplish in the time that you have on this planet, and how you aim to work towards those goals. Since life is full of changes and surprises, life plans must be flexible and adaptable, and they are always a work in progress. A lifestyle financial planner understands the importance of a life plan and uses his or her knowledge of money to integrate financial planning tactics into a person's life plan. In doing so, that person can accomplish what they want to accomplish in the time they have on this planet. Heavy stuff, right?

Who is a lifestyle financial planner? A lifestyle financial planner is doing the job of three individuals. The first individual is the life planner. This is the person who helps you examine your life and what you want to do with your time. They help you organize and stick to your goals so that you can make that vision a reality. Life planners are not concerned with pensions, RRSPs, taxes, stock markets or any of that stuff. A life planner's primary concern is understanding and recording the "wants" of the person they are working with.

The second individual is a financial planner. They use their knowledge of cash flow management, tax planning, investment planning, risk management, and estate planning to help organize your financial resources. Your resources such as your money and other assets can be used to make your vision of life a reality. How you organize and use your resources (i.e. your financial plan) should be determined by your life plan and your vision of life, not the other way around.

The third individual is the financial advisor. This individual's job is to advise you on what products and financial structures are available to you should you need them. Your product needs are identified by any gaps in your financial plan, and they should be chosen by their ability to achieve and protect your vision of life. In the lifestyle financial planning profession, we refer to these three distinct jobs as the three hats we wear.

In terms of financial planning and financial advice, the UK is probably about 10 or 15 years ahead of what we're doing here in Canada. This means lifestyle based financial planning is a more common practice amongst British financial planners. This also means I get most of my reading and seminar material from UK-based lifestyle financial planners. Mainstream financial advice in Canada is still very much focused on product sales. It is a popular mentality within the "advice" industry that the best way to help clients is to find them the best and cheapest products to fit their situation. It's not necessarily a bad thing to help clients this way, and it certainly gets done when the lifestyle financial planner puts on his "financial advisor hat". The problem is that it needs to be used in tandem with a life plan and a financial plan; otherwise, there is a risk that the advisor-client relationship is focused on the advisor and not on the client, who let's face it, should be the focus point.

If the client is the primary focus than financial advice should act in a way that reflects the person and their wants. The average person probably spends about 1% of their time thinking about investments, insurance, stock markets, and so on. The other 99% of the time we're thinking about our home, our career, our lifestyle, and our family. These are the things that dominate our thoughts. These are the things we are constantly trying to organize in our lives. These are the things that can create chaos in our lives, or they supply us with tremendous peace of mind. Unfortunately, I think more people fall in the former than the latter. The good news is that a life plan created by a lifestyle financial planner can eliminate chaos and create piece of mind.

At Kleinburg Private Wealth, we talk about "your number". We ask the question "what is your number? How much do you need to live the rest of your life the way you want no matter what happens?" The number is piece of mind but only if it aligns with your vision of life. Since everyone has their own wants, and their own vision of life, everyone's number is different.

A good exercise you could do on your own or with your spouse is to write down your wants in life. Be realistic but don't limit yourself too much; try to aim higher than what you think you can achieve. Write down all your wants for each of the four categories: home, career, lifestyle, and family. Wealth constraints may limit your ability to achieve all your wants, but a lifestyle financial planner will certainly help you to identify the most important ones – the ones that can help you live your best life while you still can. Once those wants are recorded, the financial planning hat goes on and a plan tailored to your vision of life is created. That plan will show you your number and in doing so, give you the knowledge to make the right decisions about what financial products you may need to achieve your vision of life.

DISCLAIMER

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

Labour Sponsored Investment Funds (“LSIF”) have tax credits that are subject to certain conditions and are generally subject to recapture, if shares are redeemed within eight years. Please note that Mutual Fund Representatives in Alberta are not permitted to sell LSIF.

An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

Investors should educate themselves regarding securities, taxation or exchange control legislation, which may affect them personally. This newsletter is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. Please consult an appropriate professional regarding your particular circumstances.

All non-mutual fund related business conducted by **Kleinburg Private Wealth Management** is not in the capacity of an employee or agent of Carte Wealth Management Inc. Non-mutual fund related business includes, without limitation, advising in or selling any type of insurance product, advising in or selling any type of mortgage service, estate and tax planning or tax return preparation. Accordingly, Carte Wealth Management Inc. is not liable and/or responsible for any non-mutual fund related business conducted by **Kleinburg Private Wealth Management**. Such non-mutual fund related business conducted by Kleinburg Private Wealth Management alone.

Mutual funds and Exempt Market products provided through Carte Wealth Management Inc.

Life insurance products and services provided by Carte Risk Management Inc.

RETURN TO PAGE 1