Kleinburg PRIVATE WEALTH
Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 11, ISSUE 8 AUG 2022

"Building wealth isn't rocket science, it is simple, but it is not easy." - **Sam Sivarajan**

Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
PARENTAL PREPARATIONS—FINANCIAL PLANNING EDITION

Roberta Di Petta
WHY CORPORATE OWNED LIFE INSURANCE MAKES SENSE

Ryan Simone, CFP, CLU
SIGNS POINT TO EASING INFLATION

EDITORIAL COMMENT

Sergio Simone

Since the beginning of July as much of the world moves beyond the pandemic, Global Equity Markets have been staging a very welcoming rebound despite concerns about the mounting evidence that the post-pandemic recovery is losing momentum, and amidst fears that a dreaded recession appears to be imminent. The fears are come by naturally when you look around the world and see signs of downward pressure on economic growth due to rising inflation; higher energy prices (which remain elevated in large part due to the conflict in Ukraine); a continuation of the erosion of real incomes;

PARENTAL PREPARATIONS - FINANCIAL PLANNING EDITION

Kristina De Souza, CFP

It's not typically advisable to mix business with pleasure, but discussions on financial planning as it relates to having children is near and dear to my heart. Entering parenthood is one of the most significant, rewarding life changes one can face. I have noticed lately an increasing amount of clients entering this next chapter. Fortunately, I have some skin in the game, as a mother of three (amazing little girls), I can vouch for the fact that there is no shortage of emotional, social and physical aspects of parenting that occupy our time.

WHY CORPORATE OWNED LIFE INSURANCE MAKES SENSE

Roberta Di Petta

Before I begin the article I would like to reaffirm that Life Insurance is a very unique product in Canada. Aside from the obvious benefit of paying a lump sum of money in the event of a death, it also receives beneficial tax treatment that makes it an effective estate and tax planning tool, especially for people who own their own business.

SIGNS POINT TO EASING INFLATION

Ryan Simone,
CFP, CLU, CHS

After a particularly difficult year in the stock markets, things have taken a dramatic turn towards the positive with July ending on a good note. August is also shaping up to be a good month for markets, with inflation numbers in the U.S. remaining unchanged from June to July (that's a good thing!) That's right, inflation was lower than expected and that brought hope that the fed's wouldn't have to raise rates as aggressively as expected. Afterall, rising inflation and aggressive rate hikes are contributing to the volatility of stock markets in 2022.

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"Over the last few years, the landscape of financial advice has proven increasingly challenging to navigate. But for Wealth Professional's 5-Star Advisory Teams for 2022, those challenges have been opportunities to evolve and grow.

In selecting this year's crop of 5-Star Advisory Teams, Wealth Professional sought nominations of teams from across Canada. The process looked for teams that meaningfully contributed to their clients through differentiated service offerings and enhanced value propositions.

Among the hallmarks that set this year's teams apart is a focus on personalization. Rather than trying to be everything to everyone, they offer dedicated services and shape their business models to address the needs of their own specific book of clients.

We are honored to receive this award and look forward to providing continued excellence in service and value for our clients."

Meet Your Award Winning KPW Team

Sergio Simone

Kristina de Souza

Ryan Simone

Rosy Ragno

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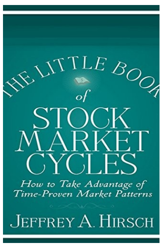
BOOK OF THE MONTH



THE LITTLE BOOK OF STOCK MARKET CYCLES

- by Jeffrey A. Hirsch

While predicting the direction of the stock market at any given point is difficult, it's a fact that the market exhibits well-defined and sometimes predictable patterns. While cycles do not repeat exactly all of the time, statistical evidence suggests that cyclical tendencies are very strong and should not be ignored by investors.

This book explains why these cycles occur, provides the historical evidence behind them, and shows you how to capture consistent profits from them moving forward. Hirsch also discusses both longer term boom-bust economic cycles and shorter term tendencies involving the best times to trade the market.

FUND OF THE MONTH

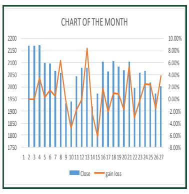
AGF AMERICAN GROWTH CLASS

The Fund looks for leading U.S. growth companies exhibiting exceptional innovation and corporate leadership. These product and service innovators have the greatest odds of potential success, regardless of economic and/or political factors

The portfolio manager, Tony Genua, starts each day by taking an objective look at all the stocks in the portfolio to assess the team's conviction level in each stock. The result is a concentrated portfolio of approximately 40 stocks focused on timely opportunities.

CHART OF THE MONTH

Putnam INVESTMENTS



A REVIEW OF PAST RECESSIONS

A major crisis that causes the stock market to drop in value can be unsettling, but does not spell the end for markets or investment strategies. History has shown that markets bounce back, and that staying invested through volatile episodes lets you benefit from a rebound. All too often, a crisis can lead to fear as public perceptions become overly pessimistic. Financial markets that are usually rational can behave irrationally. But the U.S. stock market has proven remarkably resilient.

RSM

BLOG OF THE MONTH

THE WORST OF THE GREAT RESIGNATION MIGHT BE OVER, BUT NOT FOR SMALL BUSINESSES

The record-high turnover in the job market, known as the Great Resignation, is showing signs of easing, but that may not be the case for small businesses. If anything, the struggle has only been amplified for firms with fewer than 50 employees. While the overall rate of workers quitting their jobs fell to 2.8% in June from a peak of 3.0% in December, according to government data released on Tuesday, the total number of job quits for small firms spiked by 7.7% in the same period.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

A QUICK GUIDE TO HIGH-NET-WORTH ESTATE PLANNING

Estate planning can be tough and very challenging, especially if you're a high-net-worth individual (HNWI). Not only are the nuances of estate planning fairly complicated, but things in the industry are also constantly changing, which often makes it difficult to keep up. From tax laws to tax liabilities to other issues that affect the family, there are so many things you have to consider. Some of the goals of HNWIs include protecting inheritances for heirs, minimizing estate taxes, avoiding the probate process, and appointing the right trustee. But how do you navigate this complex process? This article serves as a quick guide to planning your estate.

WHAT TO DO IF YOU WIN THE LOTTERY

So you think all of your problems would be solved by winning the big jackpot? Think again as new ones abound… New money = New problems.

There's no question that a windfall like winning the lottery would give you a chance to pay off debt with plenty to spare for a new lifestyle. But winner beware: The moment you cash in your ticket, your life will suddenly becomes a roller coaster ride you could never possibly have imagined.

ESTATE PLANNING WITH LIFE INSURANCE: HOW THE RIGHT POLICY CAN HELP

Estate planning is an emotional task with major financial consequences – it can feel overwhelming at times. On the bright side, you have many helpful tools at your disposal. For example, have you considered estate planning with life insurance?

Getting your taxes and paperwork in order is crucial, but it pays to think outside the box when creating your financial plan. Life insurance can preserve the value of your estate by helping you manage certain costs (like taxes and probate fees) that can chip away at the inheritance you want to leave your heirs. Here's how to make the most of your life insurance for estate preservation.

ESTATE PLANNING TIPS FOR REAL ESTATE INVESTORS

For many Canadians, the majority of their wealth is held in personally owned real estate. For most this will be limited to their principal residence, however, investment in recreational and real estate investment property also forms a substantial part of some estates. Due to the nature of real estate, it is important to utilize estate planning to realize optimum gain and minimize tax implications.

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CORPORATE CULTURE

PROFESSIONAL CORPORATIONS OFFER TAX BREAKS

Many professionals in Canada are able to incorporate their practice, which allows them the opportunity to earn income through a corporation. Who's included in the definition of a professional? This depends on the provincial and territorial legislation but generally includes regulated professionals, such as architects, chiropractors, pharmacists, engineers, physicians, dentists, lawyers, accountants, and veterinarians.

So, you might be wondering who's a good candidate for incorporation and what are the benefits? We'll discuss the pros and cons of professionals incorporating and offer some guidance for using these corporations (also known as professional corporations) to their greatest advantage.

WITH CORPORATE INSURANCE, WHAT MAKES LARGE CASE WORK SO COMPLICATED

Businesses and their owners need fundamental protection. Advisors know that corporate-owned life, critical illness and disability insurance can all provide it. Often, these cases can be complex, with requirements that call for specialized service. That's why at Manulife, we go beyond with what we describe as The Summit Experience.

TERMS AND CONDITIONS

Terms and conditions are the vital details that businesses put in place to ensure that they protect their rights. However, you should also ensure that they are legal, enforceable, and serve their intended purpose. Otherwise, you leave your company exposed to legal liabilities or unwanted consequences.

Rather than leave your contracts to best guesses, check out the information below to learn more about terms and conditions.

WHAT IS FINANCIAL MODELING? HERE'S A CLOSER LOOK

When you are first starting a business, how and when you use your finances can be crucial to the lifeblood of your business. According to the United States Bureau of Labor Statistics, about 20% of small businesses fail in their first year. That is why it is immensely important to get financial support from the start. At GenCap, Alexander Dillon focuses on supporting growing businesses with capital and leadership. One crucial aspect to look at is your financial model. Read on for an explanation of financial modeling and a closer look at how a sound financial model can benefit your business.

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FUND MANAGER COMMENTARY

MACAN NIA
MANULIFE INVESTMENT MANAGEMENT

KATHLEEN WYLIE
QV INVESTORS INC.

ROBERT TAYLOR
CANOE FINANCIAL

TONY GENUA
AGF INVESTMENTS INC

Macan Nia, Co-Chief Investment Strategist

Manulife Investment Management

Why Dividend Growers Don't Deserve Their 'Boring' Tag

Co-Chief Investment Strategist on inflation, the merits of dividend stocks, and preparing for the next bull market.

Continue Reading

Kathleen Wylie—Manager, Bus. Development and Client Relations

QV Investors Inc.

Making A Case For Global Small Cap

I've never been a fan of "fake it till you make it" so if there's something I'm not knowledgeable about, I need to learn more before I attempt to talk about it. Prior to joinng QV Investors in June 2021, my main area of expertise was Canadian equity manager research.

Continue Reading

Robert Taylor—Senior V.P. & Chief Investment Officer

Canoe Financial

Market Review

Equity markets plummeted globally in the second quarter. The S&P/TSX and S&P 500 were down 13.2% and 16.1% (base currency terms) over the quarter, capping off one of the worst starts to a calendar year since the 1970s.

Continue Reading

Tony Genua—Sr. V.P. and Portfolio Manager

AGF Investments Inc.

A MILD RECESSION, OR NO RECESSION, ARE LIKELIEST SCENARIOS

Even as markets seem to be edging up again, Tony Genua, lead manager of the 5-star gold-rated $2.7 billion AGF Global Select Series F argues that this would be a good entry point to add to one's equity investments.

"In the first half of this year I did not expect a recession. I thought that the excess savings that consumers had of about $2.5 trillion would allow the economy to continue to grow. We had also seen employment growth with monthly statistics coming in better than expected.

Continue Reading

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LINKS

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CANADA'S HOUSING MARKET FACES 'HISTORIC CORRECTION' THAT COULD SEE SALES DROP 42%, RBC SAYS

A STRONG DOLLAR IS STIRRING TROUBLE IN MARKETS: WHAT INVESTORS NEED TO KNOW

Q2 US GDP: ECONOMY CONTRACTS FOR SECOND CONSECUTIVE QUARTER

GOVT. OF CANADA ANNOUNCES IMPROVED FINANCIAL SUPPORTS FOR STUDENTS WITH DISABILITIES

INFLATION IN THE OECD RISES TO 10.3% IN JUNE 2022 AS FOOD AND ENERGY CONTINUE TO PICK UP

BUFFETT'S BERKSHIRE POUNCES ON MARKET SLUMP TO BUY EQUITIES

CANADA LOST 31,000 JOBS LAST MONTH, THE SECOND STRAIGHT MONTHLY DECLINE

WINNERS AND LOSERS IN DEMOCRATS' SIGNATURE TAX AND ENERGY BILL

AFTER JULY REBOUND, MARKET OUTLOOK IS STILL UNCERTAIN

EXECUTOR'S TASK LIST

Executors are responsible for a variety of tasks ranging from funeral arrangements to filing income tax returns with the Canada Revenue Agency (CRA), to the final distribution of estate assets.

EVERYTHING YOU NEED TO KNOW ABOUT MARKET VOLATILITY

What is market volatility?

Stock market volatility measures how much the stock market's overall value moves up and down. This also applies to individual stocks or bonds, whose underlying prices can also fluctuate. The most common way to calculate volatility is by measuring how much an asset's price varies from its average price over a period of time. Standard deviation is the statistical measure most often used to represent volatility.

VIDEO AND PODCAST LINKS

WHY THE U.S. DOLLAR IS KING FOR NOW

TIPS FOR DRAWING DOWN FUNDS IN RETIREMENT

YIELD CURVE SIGNALS INVESTORS TO BRACE FOR RECESSION IN 2023

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR

Find out how much your savings will grow over time by making regular investments

FIDELITY myPLAN SNAPSHOT

The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.

RRSP SAVINGS CALCULATOR

Estimate how much your registered retirement savings plan will be worth at retirement disrupted supply chain issues while companies face the challenge of increasing costs; and an increase in the dwindling of demand. Consumers are spending less.

Recently, the International Monetary Fund reduced their estimate for global GDP growth from 3.2% to 2.9% for 2023. Not a large enough reduction to worry about any significant recession, but the narrative is that the outlook is being tilted overwhelmingly to the downside. With all the headwinds we are facing the probability of a severe downturn just keeps climbing. Our best hope scenario is for the U.S. Federal Reserve to achieve a very difficult **"Soft Landing".** If it is unable to do so this year, we may be in for a bumpy ride.

The Fed is intervening to help stabilize prices and keep inflation under control. If it is able to do this without a recession, it is known as a 'soft landing'.

The Fed's mission is to keep the U.S. economy in a tight range between "running too hot and operating too cold". An economy that gets too hot runs the risk of excessive inflation which can easily cause asset bubbles to occur. The Fed combats a too-hot economy by raising interest rates. We refer to this as a tightening in the economy or contractionary monetary policy.

Raising interest rates comes with its own unique set of potential problems. It can cause a slowdown in the housing market, fewer consumers making large purchases, a reduction in corporate expansions, an increase in the unemployment rate as demand for workers decreases.

The difficulty in achieving a soft-landing is that these Fed policies take time to work their way through the economy. It may take many months before we know if the "plan" worked. It is a delicate challenge as we can easily find ourselves faced with a "hard landing" if the Fed rate increases are too much or too soon. Then it will take many more months to try and correct the problem.

Year-to-date the Fed has raised rates four times to July 27th, bringing the rate up by 2.25%.

The big question is whether the economy can achieve a soft landing when faced with high inflation, rising interest rates, geopolitical challenges etc.

The sad news is that the Fed has never been able to achieve a soft landing when its policies have significantly pushed up unemployment. According to the Washington Post, over the last 75 years every instance of the unemployment rate climbing by 0.5% or more during Fed tightening, has resulted in a recession. There have been three instances of successful soft landings, 1964, 1984, and 1993 but in each of these cases, the unemployment rate stayed low despite the Fed rate increases.

The sweet spot would be to see a gradually slowing economy without the downward trajectory in consumer demand and business investment. I believe the economy is well positioned to achieve the near impossible feat of a soft landing.

Although it appears that the economy fell into a "technical recession" after posting two consecutive negative quarters, the reality may be somewhat different.

My issue is that many other measures of the economy suggest that consumers and businesses are actually doing quite will, at least for now, despite rising interest rates and rising prices.

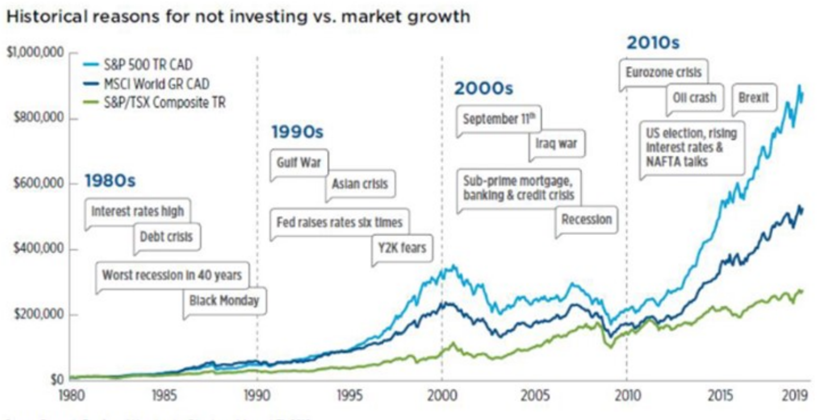
The National Bureau of Economic Research is the official organization that determines recession dates. They look at a variety of economic factors aside from GDP (Gross National Product). Though the definition of recession focuses on GDP growth, the NBER noted that a recent jobs report showed the economy added 390,000 new jobs in May. This gain was well above the national average of 148,000 per month over the last ten years. How can we call it a recession when the unemployment rate is at 3.6%, one of the lowest levels in history.

This is not a one of anomaly as job openings continue to outpace available workers by 5.5 million, a historic level. The problem corporations are having is trying to find qualified workers.

I understand that this could evaporate very quickly if inflation causes sales and profits to fall, but right now the signs all point to businesses successfully passing costs onto customers and sharing gains with workers.

On the other hand, as recent as 2007, the Fed monetary tightening policy, which was trying to cool down a residential real estate market, was a catalyst that contributed to the Great Recession in 2008.

EDITORIAL COMMENT - CONTINUED



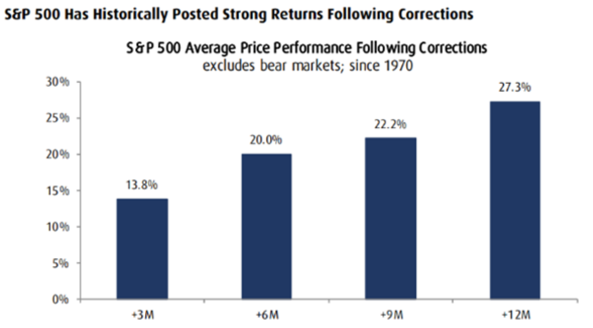
Source: Dynamic Funds and Morningstar Direct as of August 31, 2019.

Historically, investors have had many reasons to worry about market volatility, which can wreak havoc on their emotional well-being. It is very easy to fall into the “worry trap” which often leads to over-reactionary responses and mistakes. The one true solution to this is to focus on maintaining a long-term perspective. This will work to any investors’ advantage. Over time, markets have always recovered and grown.

Source: Darst, David M. (Morgan Stanley and Companies, Inc.). The Art of Asset Allocation, 2003.

Whoever said “patience is a virtue” must have been an investor who understood that markets do quite well despite drawdowns.

Many pundits have called a bottom to the most recent pullback. I’m not sure if they are right or not, but I am sure that even during a market rebound we will likely see more pullbacks. Now is the time to be patient. On average, the S&P 500 index has been up by nearly 14% in the subsequent three-month period following a non-bear market price correction, and up more than 27% twelve months later.



Source: BMO Capital Markets

Many economists have stated that the Russian/ Ukraine was has been a contributing factor to the current selloff. It is not unusual for geopolitical events to cause sharp selloffs, but they are generally short lived as equity markets eventually recover and revert back to their long-term average returns over a 12-month period.

The following chart illustrates the aftermath of major negative events over the past 60 years, where on average, U.S. stocks posted a total return of 5% six months after an event and 9% one-year following a negative event.

Renowned investor Peter Lynch once stated: “Far more money has been lost by investors trying to anticipate corrections than lost in corrections themselves.” This is a profound statement. Since short-term market movement is unpredictable, investors should absolutely avoid the impulse to time the market. Afterall it “time in the market, not timing the market” that has produced the greatest positive returns. The market’s best days typically follow the largest drops meaning panic selling can lead to missed opportunities on the upside as demonstrated in the following chart.

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EDITORIAL COMMENT - CONTINUED

Soft landings may be a simple concept in principle, but it is a very difficult concept to achieve in reality. One thing I am certain of is that investors fear uncertainty and there is plenty of that to go around these days. Another thing I am certain of is that uncertainty creates volatility.

Major stock indices like the S&P/TSX Composite Index typically have a fairly low daily movement. A normal day would see the movement of the index at under 1%, however, during the COVID pandemic in 2020 the index routinely rose and fell by more than 3% on any given day. Similar types of market movement occurred recently amid Russia's invasion of Ukraine. As I said, investors fear uncertainty and when they don't know what is going to happen, they often react out-of-character leading to frantic buying and selling.

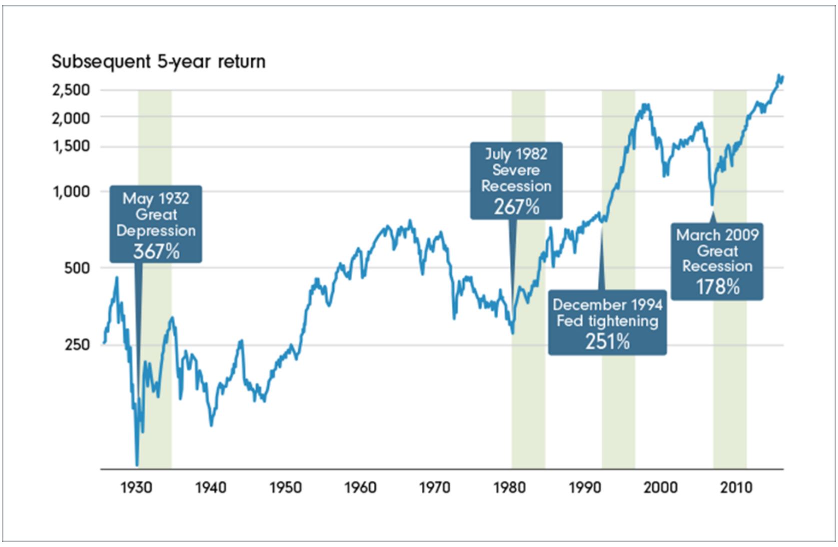
The big uncertainty most recently is inflation. Many factors can affect prices like, the scarcity of products, the costs to produce those products, competition among businesses, even government policies used to stimulate economic growth can lead to inflation. The uncertainty isn't so much whether these issues can be overcome. I believe with a high level of certainty that they will. The question remains, "when" will these issues be resolved and until they are the markets are likely to react with a high level of volatility.

While the Fed focuses on achieving a soft-landing, something we have no control over, we must focus on handling our emotions during the volatility that will surely be prevalent. Market swings can rattle the nerves of even the staunchest long-term investors, but volatility is part of investing. It always has been and always will be.

I am sure that dramatic moves in the market have caused many investors to question their strategies and worry about their investments. A natural reaction to this fear may be to reduce or even eliminate exposure to equites, believing that by doing so they will stem further losses. The problem is that this will likely not make sense in the long run. As unpleasant as market downturns may be, historically equities tend to recover from their declines and have provided investors with positive long-term returns. Past Editorials have addressed and documented the many times in history that markets have overcome uncertainty. There is every reason to believe that the same results will happen this time.

The following chart examines subsequent five-year returns of the worst U.S. stock market downturns. As you can see every one of these downturns has been followed by periods of strong returns every single time.

Pay attention to the returns following the downturns. Sometimes the best action you can take about your investment portfolio is to leave the so-called "dirty work, or heavy lifting" to your financial advisors. Let them monitor the markets and think about how best to balance your portfolio and manage it going forward. Like great fund managers, great financial advisors with outstanding long-term results are likely to continue producing those outstanding long-term results if given the opportunity.



If you are struggling with understanding the current investment climate, please reach out to your financial advisor. We are here to help you think about your investments in a manner that will take the emotion out of it.

To Page 1 Disclaimer

Robert Taylor - CONTINUED

The rapid rise in interest rates and stubbornly high inflation contributed to the market selloff.

Not surprisingly, the shift from a highly accommodative U.S. Federal Reserve, as was the case over most of the past decade, to an extremely hawkish one moving rapidly to remove accommodation via higher interest rates, triggered a bear market for stocks and bonds.

In our opinion, there are two parts to the current bear market. The first act was the normalization of market valuations that were artificially high following an extended period of artificially low interest rates. We entered 2022 at record high valuations for the S&P 500, especially for long duration, cash flowing stocks (i.e. businesses with distant cash flows) that were clear beneficiaries of low interest/discount rates. The rapid contraction in valuations has hit the growth cohort the most which is not surprising since they were most extended from a valuation perspective. Market valuations are now in line with long-term historical averages.

The second act, earnings expectations, has yet to play out. Since the rise in interest rates was so highly telegraphed by central banks, it has been reflected in the stock market, to some extent, however not in corporate earnings. With financial conditions tightening, and expected to tighten further, economic growth will slow and this will be reflected in companies' guidance as they start to see the effects of the deteriorating economy on their businesses. This process could take several quarters as there is a lag between rate increases and their impact on the economy. With earnings expected to deteriorate in the coming quarters, most long-only investors are waiting on the sidelines, creating a buyers' strike which is contributing to increased market volatility .

The market is concerned about a recession, and for good reason. Recessions tend to result in deeper and longer bear markets than growth slowdowns – on average 35% down over 12 months. We would not be surprised to see a mild, but not deep recession, as consumer and corporate balance sheets are in fairly good shape. Our focus is on managing through the bear market and positioning to take advantage on the other side. Every bear market creates opportunity. So we're doing our homework on a number of opportunities that we believe could lead in the next market cycle.

Market Outlook
Longer term, we still believe we are at the beginning of a major transition in market leadership that most investors are not positioned for. The past decade was driven by below-trend growth, significant central bank accommodation, and strong stock returns due to high valuations, especially for long duration cash flowing businesses. That worked well in a disinflationary environment where interest rates trended lower. In fact, interest rates have been trending lower since peaking almost 40 years ago. In 30 of the past 38 years, growth stocks have outperformed value stocks. We believe we could be entering a period that resembles a reverse image of the past 40 years. A period where inflation and interest rates trend higher, and valuations/stock entry points become more important to forward returns, where the real economy and hard assets outperform paper assets, and where short duration free cash flows and dividends become more important to total returns.

Former leaders continue to struggle and are breaking down technically, giving way to new market leadership. Increasingly there are divergences forming in the market and a widening gap between winners and losers. Now more than ever, stock picking is key. Last decade's playbook is unlikely to work this decade, and we are in the early innings of new leadership.

Why Corporate Owned Life Insurance Makes Sense - CONTINUED

As a business owner, committing to a permanent life insurance policy can provide your business with many benefits beyond the lump sum death benefit payment.

A corporation is allowed to own a policy on the life of the owner of the corporation. Usually this results in the corporation paying the premiums and also being named as the Primary Beneficiary of the policy. This prevents the policy premiums from becoming a taxable benefit to the insured.

Some of the advantages of a corporate owned policy include the following:

Reduced after tax premiums

Corporate tax rates are usually lower than personal tax rates, so, by paying premiums from the corporation, the net cost is reduced. Therefore, for the same amount of net premium dollars, the corporation can own a much larger policy on the shareholder. This savings can become quite substantial over time.

Easier management and control of policies

If several policies are required to insure multiple shareholders/key persons, corporate ownership puts control of premium payments; beneficiary changes; death benefit amounts; in control of the corporation instead of the individual insured persons. It could be catastrophic to a corporation should one of the principle shareholders die while their policy has lapsed due to unpaid premiums.

Creditor protection

Insurance polices owned by corporation on an individual shareholder or key person are usually shielded from creditors of the individual who is insured. Their personal debts are not associated with the corporation. Certain structures can also be created where the death benefit proceeds received may also be shielded from the creditors of the business.

Tax preferred cash value accumulation

Many permanent insurance policies come with the benefit of an investment or cash value account attached to the policy. Any accumulated cash surrender values in a corporate owned policy is treated as an asset of the corporation. Any unrealized gain in the cash values would be exempt from taxes unless the policy is cashed in or the cash values are withdrawn prior to a death occurring. This benefit allows the corporation to diversify its asset mix while avoiding the payment of taxes that would otherwise be payable on regular investment income. Growth inside the policy is shielded from tax.

If an insured dies, the proceeds are paid to the capital dividend account which allows for a tax-free payment to the shareholders.

Business continuation

Many business owners are concerned about the continuation of their business should they pass away. Life insurance death benefits give the survivors much needed flexibility and time. There are many ways that these benefits can be used towards the continuation of the business.

Unfortunately, there are circumstances where corporate ownership is not beneficial and can have unintended negative consequences.

If a shareholder passes away without a spouse to rollover their shares, they are deemed to have disposed of their shares at FMV the day before they died. The cash surrender value of the life insurance policy on the shareholder’s life is included when computing FMV of the shares. This raises the value of the corporation and increases the tax liability.

Careful planning can help mitigate this issue. For example, to avoid this type of tax liability, the corporation can issue a special kind of share called an insurance-tracking share. These shares are issued to the heirs of the estate. These shares track the cash value of the corporate owned insurance policy but does not give the recipient of the shares any entitlement to dividends, proceeds on the sale of the business or voting rights.

If you would like to discuss the ways corporate owned life insurance can benefit you, please contact our office.

Personal Medical Insurance - CONTINUED

As we all know and have experienced in one way or another, life can throw us curve balls. Fortunately, medical care is always evolving and improving. New treatments and medications are contributing to helping people get healthier and live longer. A critical illness plan provides you financial support while you are recuperating from a serious illness. Critical illness is commonly included in a well-structured financial plan and may provide you financial support while you are focusing on your recovery.

An accident leaving you disabled impacts your life and affects your income. Not being able to work for an extended time while recovering could leave you without financial resources for essentials. Disability insurance provides income protection when a long-term disability prevents you from working. This insurance is especially important if you are self employed.

Lastly, but no less important, is long-term care insurance. Unfortunately, people don't look at long term care closely enough. The proper coverage is important when chronic physical or cognitive skills deteriorate and much needed assistance with daily living is required. A variation of services may be required that will help meet the medical and non-medical needs of people who cannot care for themselves.

Here at Kleinburg Private Wealth we have the privilege to work with many insurance providers so that we can offer you a customized plan to suit your personal needs. Together we tailor the coverage you require and work with your preferred budget in mind. Having your insurance in place is just as important as taking care of your portfolio. I have briefly touched on the different insurance needs that will protect you and your loved ones. Be sure to take the time to reach out to your advisor to review what you and your family would require to sustaining your lifestyle in the event of a health issue. Not having to depend on family or friends in these cases speaks volumes. Life is a journey, lets live it well no matter what comes our way.

Parental Preparations—Financial Planning Edition —Continued

There is so much to plan for that the financial aspect may indirectly end up on the back burner, so guidance on how to be prepared and what to expect may prove very useful. The following are all topics I have touched on in the past, but my goal is to summarize and bundle them up in one point of reference.

Perhaps the simplest place to start is to review your finances and budget. It goes without saying that having a child has significant financial implications. Typically, income and expenses are simultaneously affected. Therefore, in a budget review, you want to ensure that new, more immediate, expenses are accounted for, ranging from diapers to childcare. If you are employed, you also want to investigate your companies' parental leave top-up policies, if any. And then, as part of a greater discussion, you want to incorporate additional financial obligations in your budget such as education savings or life insurance.

On that note, one of the greatest ways parents can protect their family is through life insurance. As we know, implementing life insurance is an ideal way to provide for your family in the event that you are gone, through a lump sum payment to your designated beneficiaries, ideally a spouse or child(ren).

Life insurance can mainly serve as income replacement, alleviating financial stress and allowing everyone to adjust in a time of significant loss. Although getting married or purchasing a property are typical triggers for purchasing life insurance, having a child is the perfect time to implement it if you haven't already or to top it up if you have.

It's important to do a solid review of any existing insurance, especially employer plans that are typically insufficient to cover a family's complete needs. You want to ensure you have the appropriate amount of insurance in place, depending on your household income, ongoing expenses, and liabilities (mortgages and other debts). You also want to be cognizant of beneficiary designations, ensuring they're up to date, contingents are named, and that you appoint specific beneficiaries as opposed to naming your estate, as doing so ensures the intended parties receive the funds in a timely manner.

In ensuring that beneficiaries are up to date, especially on employer policies, you may want to consider adding the child as a contingent in case both parents pass away together. Updating beneficiaries on life insurance is a great place to start, but you also want to ensure you do the same for your RRSPs, TFSAs, and even pension plans. Most are not aware that any accounts with named beneficiaries on them will not flow through your will; rather they will pay out directly to that beneficiary. Similarly, when it comes to workplace benefit plans (health), you want to ensure you've added the child as a dependent.

I know I've spoken about the **Registered Education Savings Plans** (on repeat), but for good reason; they are one of the greatest ways we can save for our children's future. We are very fortunate to have these plans at our disposal, as our government provides funds towards post-secondary education savings. The basics of these plans are such: parents or loved ones contribute funds to their child's RESP (up to $50,000 total), and up to $2,500 per year per child will be matched by the government (up to $7,200 total). There are also additional grants and bonds for lower income families, and the opportunity to share benefits within a family by utilizing a family plan. The key benefit is that within the account, all growth accumulates free of tax. The takeaway is that planning to open and contribute to and RESP for your little one(s) should be at the top of your priority list once your little one arrives.

When we think of new life, it seems counterintuitive to think about death. Unfortunately, without the proper planning, unfortunate events can take a much greater toll on us. Wills are an extremely important, but equally undervalued concept for parents, as an alarming number of parents do not have one.

The reasons for parents needing a will are countless, including guardian appointments of minor children and managing details around inheritances. Upon death, a will takes effect, but as parents we also need to account for emergencies. This is where a power of attorney comes into play; electing someone to make financial and medical decisions for you in the event that you're incapacitated due to illness or injury. This is equally as important as having a will, and are a critical part of emergency planning, especially for parents. POAs allow someone to step in and reduce the disruption in your child's life in the case of unforeseen and unfortunate events.

Once the baby is born, there are several key items that need to be addressed. This will be a particularly busy time, so knowing ahead of time can certainly help to facilitate the process.

One of the first things you need to do is register your child's birth, by applying for a birth certificate. At that time, you also want to apply for a Social Insurance Number (SIN) for the child. Some may not see an immediate need for this, but the reality is that you cannot open a RESP until the child has a SIN number, so it's important to do this right away.

Parental Preparations—Financial Planning Edition —Continued

Another very important task is to apply for the Canada Child Benefit. This is a non-taxable monthly payment from the Canadian government that helps with the ongoing costs of raising a child. The amount you receive depends on where you live, your income, and a variety of other factors. The good news is that typically, you can cross all these items off your list at the same time as these are all done through Service Ontario, online.

Last, but certainly not least, you want to continue to work on building your emergency fund. It is always advisable to have one of these in place, but as your family grows so does this need to have a cushion for unexpected expenses.

This list is certainly not exhaustive but should serve as a great starting point for getting prepared and on track for your growing family. It's recommended that you take your time researching your options and being prepared to take action once your baby arrives. Again, this is a high-level overview of topics for simplicity purposes, and it's definitely worth taking a deeper dive on each topic depending on your needs which I would be more than happy to do.

The fact of the matter is that there is nothing that can fully prepare you to become a parent, but there are certainly things that can help. Organizing your affairs can help make the transition smoother and more manageable, but above all, ensure that you stay on track to reaching your financial goals as your family grows.

Signs Point To Easing Inflation—Continued

Although it's too early to tell how the inflation saga will play out, there are signs pointing to a cooling trend for inflation, particularly in the supply chain. For most of 2022, there has been tremendous pressure on global supply chains; however, in a recent report, Fitch Ratings said an "easing of disruptions to parts of global supply chains – shipping port congestion opening up, order backlogs declining and delivery times shortening – is raising the prospect of lower goods inflation". For example, congestion in U.S. ports has dropped by 80% since November 2021 and cargo transportation times have decreased from 120 days in April to just 90 days. Moreover, manufacturing numbers show a decrease in backlogs as they are being cleared more quickly and delivery times are also falling.

It appears the supply chain is easing up because consumer demand is slowing down. The last two years, as people stayed home during the COVID pandemic and households had higher than average savings accumulation, goods and services were in high demand. This high consumer demand also occurred during a time when many businesses were having to operate with fewer employees and harder access to goods and materials. But with this years' rapid rise in inflation and rising interest rates, household purchasing power is lower than in previous years. (The Fitch Consumer Survey reports that, future spending by the consumer looks to be on the decline as well). Thus, with easing consumer demand, the supply chain is less stressed.

You may remember that microchips were in short supply last year. It was most noticeable when looking at the empty lots of car dealerships around the city. Well, this is also starting to ease, as semi-conductor (i.e. microchips) inventories are growing at their fastest since 2016 while at the same time it appears the lengthy delivery times have hit a peak. This all points to declining inflationary pressures.

This all sounds very promising but we are still in uncertain times and risks to the supply chain still exist. For one, China is still operating on a zero Covid-19 policy, so any major outbreak will probably impact the supply line. Also, recent geopolitical tensions between China and Taiwan/U.S. could trickle into the supply chain. Europe may also be facing larger risks than the rest of the world as shipping and energy challenges persist.

The bottom line is that signs point to easing inflation, but risks persist. The reason behind easing inflation is a reduction in household purchasing power and slowing demand for goods and services. As household spending falls, we need to consider the culmination of an economic slowdown at some point in the future (probably 2023). It could lead to a shallow economic recession (not to be confused with a falling or declining stock market – which has already happened). This shouldn't be taken as doom and gloom though; instead, I view this as a text-book example of a functioning economy. In other words, the challenges we are facing are both identifiable and explainable as part of the typical business cycle.

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