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Carte WEALTH MANAGEMENT INC.

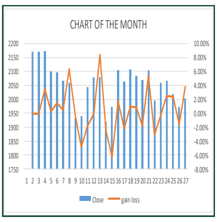
KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 6 JUNE 2021

"[Gold] gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head." *- Warren Buffet*

Sergio Simone
EDITORIAL COMMENT

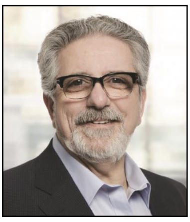
Kristina De Souza
LIFE INSURANCE TOP TRENDS 2021



THE BIGGEST HURDLE TO MAKING MONEY IN THE MARKETS

Ryan Simone, CLU, CHS
CANADIANS SERIOUSLY STRESSED ABOUT FINANCES

Editorial Comment



Sergio Simone

I suppose it was inevitable. Inflation concerns have now displaced COVID-19 as the biggest risk and biggest concern for the financial markets. The biggest worry for investors has to do with the supply shortages that have been reported across several industries. I have recently had some contracting work done on my home and almost every contractor has mentioned the difficulties they were having in getting certain supplies. The shortages are so obvious that we have had to change some of our plans to reflect the supplies that were available.

Continue Reading

Maintaining Control With A Health Spending Account

Kristina De Souza

Some may not be aware that KPW offers a multitude of healthcare and insurance solutions as part of our offerings. We enjoy staying on top of Canadian benefits trends including cost sustainability, employee choice, mobility and digitization, to name a few. In this pursuit, I recently came across a unique and affordable way for Canadian small business owners to minimize their medical expense costs.

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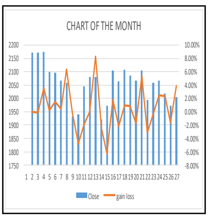
The Big Picture



2021 Andex Chart: The Interactive Version

The Andex Chart tracks the performance of $1000 invested over a 70-year period in different types of investments amid the context of significant historical, political, economic and social developments. Each coloured line in the Andex Chart represents the performance of a different investment type or asset class.

Canadians Are Seriously Stressed About Finances

Ryan Simone, CLU, CHS

This month, FP Canada released its 2021 Financial Stress Index, a year-over-year comparison of Canadians' financial stress. The 2021 Index shows that despite the COVID-19 pandemic, Canadians cited money as their number one source of stress. You'd think people would be more stressed about health than wealth but here we are.

Continue Reading

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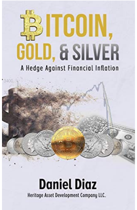


BOOK OF THE MONTH

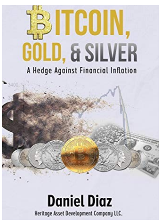
FUND OF THE MONTH LAZARD GLOBAL COMPOUNDERS A

INVESTMENT TERMINOLOGY

FOMC

BLOG OF THE MONTH PIMCO BLOG

BOOK OF THE MONTH



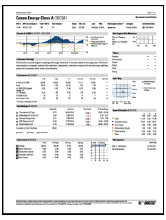
BITCOIN, GOLD, & SILVER

- by Daniel Diaz

With today's COVID19 epidemic and the markets completely out of control. You must protect your wealth against inflation. High prices, lack of food, and the tsunami of foreclosures and eviction that are coming... It is detrimental that you understand what massive chaos is coming. "It's not always easy to do what is not popular, but that is where you make your money." John Neff.

FUND OF THE MONTH

LAZARD GLOBAL COMPOUNDERS FUND



The fund seeks to generate strong relative returns over a full market cycle by investing solely in what Lazard calls “Compounders”. Lazard defines compounders as the world’s leading companies that can generate, and sustain, the highest levels of financial productivity (i.e. return on equity, return on capital, and cashflow return on investment).

BULLWHIP EFFECT

Imagine a person having a long whip in his hand, and if he gives a little nudge to the whip at the handle, it creates little movements in the parts closest to the handle, but parts further away would move more in an increasing fashion.

Similarly, in the supply chain world, the end customers have the whip handle and they create a little movement in the demand which travels up the supply chain in an increasing fashion. As we move away from the customer, we can see bigger movements.

FOMC

BLOG OF THE MONTH

June FOMC Meeting: Flexible Expectations Targeting

Amid faster-than-expected growth and progress against COVID-19, U.S. Federal Reserve officials indicated that the next hike in interest rates could come around the middle of 2023 and began talking about the prospect of tapering asset purchases.

Released on 16 June, the Federal Open Market Committee’s (FOMC’s) Summary of Economic Projections (SEP) implies that the Fed could hike interest rates twice in 2023 instead of 2024 or later, as it had projected in March. In addition, Fed Chair Jerome Powell told reporters that the committee started to discuss the FOMC’s options for ending the bond purchase program. Working backward from the new 2023 projected timing of the first rate hike, we think the FOMC could announce the first reduction in its bond purchase program as early as September.

Continue Reading

Disclaimer

VOL. 10, ISSUE 5 MAY 2021

PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

CEOWORLD Magazine

WAYS TO BUILD UP YOUR DEFENSES AGAINST A DATA BREACH

Cyberattacks are on the rise in 2021, and so are private- and public-sector efforts to contain them. Major meat producer JBS USA's IT systems were hit, a ransomware attack shut down the Colonial Pipeline and stalled about half of the East Coast's fuel supplies, and President Joe Biden signed an executive order to tighten the cybersecurity standards of any software sold to the federal government as a response to 2020's SolarWinds hack that compromised a half-dozen government agencies and thousands of private companies. And that's just some of what happened in May alone.

WealthBriefing

IMPACT OF COVID-19 PANDEMIC ON HIGH NET WORTH INVESTORS

High net worth investors' attitudes to risk, their willingness to use technology, and views on responsible investing all changed drastically because of the COVID-19 pandemic.

FactSet, a global provider of integrated financial information, analytical applications, and industry-leading service undertook its fourth consecutive survey into the behaviors and preferences of wealthy investors to gain a better understanding of the impact of the COVID-19 global pandemic on the wealth management industry.

Canaccord Genuity

FOUR INSURANCE STRATEGIES FOR HIGH-NET-WORTH INVESTORS

High-net-worth (HNW) investors can have more complex needs than the average investor. For many, the focus is not just on growing funds, but also on preserving and protecting wealth to pass on to future generations. Often, HNW investors have maximized contributions to their tax-preferred accounts like the Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) and have sufficient savings to finance their retirement income needs. As such, opportunities to minimize the tax burden associated with non-registered accounts becomes important.

Nasdaq

WHAT'S STOPPING HIGH NET WORTH INVESTORS FROM BUYING BITCOIN?

Plenty of retail investors profess their love for bitcoin (BTC) and other cryptocurrencies, and a recent study by Piplsay found that nearly half of millennials own cryptocurrency. But are high-net-worth investors entering bitcoin?

The deVere Group, a global independent financial consultancy group, recently surveyed over 700 of the group's clients across the globe to see if wealthy individuals are investing in cryptocurrency. And the results showed that 73% of respondents "either already own or are looking to invest in cryptocurrencies before the end of 2022."

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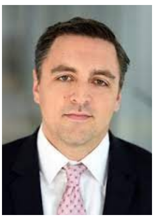
JUNE 2021

FUND MANAGER COMMENTARY



JEFF AGNE
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RBC GLOBAL ASSET MANAGEMENT

TOM NAKAMURA
AGF INVESTMENTS INC

NOAH BLACKSTEIN
DYNAMIC FUNDS

Jeff Agne, Managing Director, Portfolio Manager

Rothschild & Co.

Equities' Climb Could Continue

Economic momentum would support market upside.

Regarding how much upside we see left in stocks, we'll point out that the market has rallied more than 20% since the vaccine news.

Continue Reading

Eric Lascelles, Chief Economist

RBC Global Asset Management

Fundamentally, we think 2021 is set to remain a good news economic story, driven by vaccination efforts that are progressing quite nicely; driven by economies that are reopening as restrictions go away. And we are seeing that as we work our way through the latest wave and recognizing the risk of future waves and not forgetting about that we are seeing evidence of economic growth.

Continue Reading

Tom Nakamura, V.P. and Portfolio Manager

AGF Investments Inc.

The Canadian Dollar: As Good As It Gets?

The Canadian dollar has been the strongest of all G10 currencies over the past year, according to Bloomberg data, but investors should expect its relative strength versus the U.S. dollar to wane in the coming weeks if headwinds that have negatively impacted the greenback slowly turn to tailwinds.

Continue Reading

Noah Blackstein, V.P. & Senior Portfolio Manager

Dynamic Funds

Insights On Recent Market Events

My interest in the markets was ignited at a very young age. Given my age now, I obviously couldn't log on to TikTok or Reddit for the latest hot take on Gamestop. In the 1980s, Canadian business papers were mostly filled with news about mining and other Canadian businesses which bored me back then and frankly, still do. Luckily, living in Toronto, we had access to PBS out of Buffalo which would re-broadcast Nightly Business Report with Paul Kangas. Every Friday, we could watch Wall Street Week with Louis Rukeyser which was later renamed to Louis Rukeyser's Wall Street.

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CORPORATE CULTURE

CEOWORLD Magazine

3 WAYS TO BUILD UP YOUR DEFENSES AGAINST A DATA BREACH

Cyberattacks are on the rise in 2021, and so are private- and public-sector efforts to contain them. Major meat producer JBS USA's IT systems were hit, a ransomware attack shut down the Colonial Pipeline and stalled about half of the East Coast's fuel supplies, and President Joe Biden signed an executive order to tighten the cybersecurity standards of any software sold to the federal government as a response to 2020's SolarWinds hack that compromised a half-dozen government agencies and thousands of private companies. And that's just some of what happened in May alone.

Sun Life

KEY PERSON PROTECTION

A Business Continuation Strategy Using Life And Critical Illness Insurance

Meet Bill. Bill owns ProductCo, a manufacturing corporation that owes much of its success to the efforts of general manager, Jim. As a key person in Bill's company, Jim (age 45) has established relationships with clients, suppliers and the bank. He is largely responsible for the company's rapid growth. If ProductCo were to lose Jim, the company could suffer lost revenue plus the costs associated with finding a replacement and getting back on track.

THE CHALLENGE: BILL'S BUSINESS COULD BE SERIOUSLY IMPACTED IF JIM PASSED AWAY OR SUFFERED A CRITICAL ILLNESS REQUIRING A LENGTHY RECOVERY.

RBC Wealth Management

TAXATION OF INVESTMENT INCOME IN A CORPORATION

As the owner-manager of your operating company, you may have surplus profits accumulating in your corporation. This surplus cash could be in your operating company or it could be in your holding company. In either case it is still a corporate structure and the tax implications are the same.

Your first reaction may be to figure out how to withdraw the funds from the corporation and pay as little income tax as possible. While this might seem like the best solution, other options might be more appropriate depending on your situation and your personal and business needs.

There are many issues to consider when deciding what to do with your corporation's surplus funds. What do you need the money for most? What options are available? And what are the tax implications of those options?

U.S. SECURITIES AND EXCHANGE COMMISSION MCMXXXIV

WHAT YOU NEED TO KNOW ABOUT SPACs—UPDATED INVESTOR BULLETIN

The SEC's Office of Investor Education and Advocacy (OIEA) wants to educate investors about investing in SPACs.

You may have heard the term SPAC recently referred to in the financial or other news.

This bulletin provides a brief overview for investors of important concepts when considering investing in a SPAC, both (1) when the SPAC is in its shell company stage and (2) at the time of and following the initial business combination (i.e., when the SPAC acquires or merges with an operating company). It is important to understand how to evaluate an investment in a SPAC as it moves through these stages, including the financial interests and motivations of the SPAC sponsors and related persons.

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LINKS

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Canada's Economy Posts 5.6% Annualized Growth In Q1

Canada's first quarter annualized growth rose 5.6%, reflecting

US Inflation Rise Likely To Remain Temporary, Says Moody's

A sharp increase in inflation in the US is likely to remain

JPMorgan Says Big Investors Are Not Buying The Bitcoin Dip, Prices Could Fall Further

It's been almost two weeks since

Diversification Is A Free Lunch

Diversification is often called the only free lunch in investing. A portfolio made up of building

Easy Money For 2 More Years

Money has been flowing strongly for years and it's unlikely to slow down much over the next 2-3

Global Banking Regulator Urges Toughest Capital Rules For Crypto

Basel committee report comes as authorities step up plans to

Prices Rise At Fastest Pace In Years, Fueling More Inflation Fears

U.S. inflation in May rose 5 percent from a year ago, recording the biggest annual spike

Consumers Have Gotten Mortgage Debt-Heavy During Pandemic

Data from Equifax indicates higher adoption of home equity

2021 Returns To Lag 2020

Global equity markets are in a buoyant mood, thanks to vaccination drives and massive fiscal and

RBC Global Asset Management

FEDERAL BUDGET 2021—FOUR KEY TAKEAWAYS EVERY BUSINESS SHOULD KNOW

This year's Budget has outlined key areas of funding support, COVID-19 relief measures, and programs to help small businesses navigate out of the pandemic.

Rosenberg Research

NO NEW ERAS

As you can see by the title, I'm positioned against the consensus view, especially when it comes to inflation, and I do indeed find myself in the Jay Powell camp that as the pandemic caused a temporary deflationary condition because the initial shock hit demand greater than supply, we now have the combination of the fiscal juice and re-openings creating the exact opposite condition where demand is outstripping supply. But I think it's a tad disingenuous to believe that supply won't catch up, and when it catches up, demand growth will be subsiding since so much of it is artificial in nature and the conditions for disinflation will come back into vogue; I actually expect to see this happen before the end of the year.

VIDEO AND PODCAST LINKS

Reopening And Recovery, Consumer Activity, Inflation And More

While the spread of variants may risk a new viral wave, Canada and other countries

World Bank Warns Of Widening Inequality Amid Fastest Global Economic Rebound In 80 Years

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EDITORIAL COMMENT - CONTINUED

Some of the industries suffering supply shortages include semiconductors, automobiles, and lumber. Unable to frequent restaurants or go on trips, people have been out buying cars, appliances, furniture and power tools. This has left many industries flat-footed as they were unprepared for this onslaught of consumerism.

I believe that business owners, for the most part, treated the pandemic slowdown as they had previous recessions. They cut costs, used up inventory and hoarded cash to maintain liquidity for when the economy picked up. The problem with this was that the pandemic recovery has not been the same as a typical recession recovery.

Supply chains are usually the ones that hurt the most during a normal recession. As sales fall, companies survive off inventories to conserve cash. At the end of the day, warehouses get cleaned out. Eventually the economy begins to recover, and manufacturers are tasked with producing enough goods to restock the empty warehouses. Economists refer to this situation as the “bullwhip effect”. This phenomenon occurs after companies drastically cut or add inventories.

Unfortunately, the bullwhip effect is even more exaggerated today than after a normal recession because demand for consumer goods is extraordinarily high. At the same time, companies are placing oversized orders to compensate for the time it is taking to receive supplies from the manufacturers and freight operators.

Another situation traversing the airwaves is the concern about the troubling labor situation. Wage hikes are creating quite a concern. Many companies are using COVID relief payments to boost salaries for those willing to work and some companies have resorted to offering signing bonuses to attract workers. I cannot recall the last time, if ever, that I have seen signing bonuses offered to non-skilled labor. My expectation is that people will return to active job search as the government unemployment insurance programs become less generous. I also expect wage offers will revert to the mean as those looking for work begins to grow more than the jobs being offered.

There is no doubt than inflationary pressures have increased. Core inflation, the central banks’ preferred inflation gauge, has risen but the slope of its future trajectory will probably be tempered over the rest of 2021.

I still maintain that little concern should be given to inflation and rising interest rates. The world’s major central banks have held their rates near 0% while exhibiting little interest in moving off this zero lower boundary. If I had to predict any rate hikes, I would say that even the most hawkish central banks like Canada, are still at least six months away for any rate hikes. In fact, futures markets are indicating low probability of rate hikes over the next 12 months. The problem is the longer the banks hold these emergency level rates, the greater the probability of greater rate increases later.

Many of the central banks have taken Modern Monetary Theory to heart and are ignoring the massive deficits they are creating to stimulate their economies. The budget deficit as a share of GDP for the G-20 is now expected to surpass 9%. To put this in perspective, traditional numbers would normally float around 3%-4%. Although the central banks seem to disregard any concern over this, the total disrespect for the deficit may cause enormous economic problems in the future, especially if interest rates begin to rise. For now, fiscal policy makers are keeping their foot on the gas pedal.

Another issue we are keeping an eye on is the high valuations in the equity markets. For now, this is not a critical concern, but if something goes wrong in the economy or the financial markets, our concerns would escalate, since expensive stocks would be expected to fall further than cheaper valued stocks. In today’s economic environment where an abundance of earnings reports has been supporting global share prices, we are experiencing the most impressive earnings recoveries over the past 30 years. I expect earnings for the most cyclical markets, like Canada’s, will probably outpace the global average. Our belief in this has moved our Canadian equity weightings from virtually zero to between 15% to 20%.

We continue to underweight bonds in our portfolios. The global bond market is down by approximately 3% year-to-date. The higher, quality bonds with longer maturities have struggled the most over the last few months. Strong economic growth and rising inflation risks continue to pose a forceful headwind for bonds with maturities of 10 years or greater.

Based on the ongoing and impressive economic recovery, I am encouraged to maintain a pro-risk bias in our portfolios. We will continue to significantly overweight equities with our bond allocations remaining near zero.

EDITORIAL COMMENT - CONTINUED

In our view, the economy will continue to grow at a rapid clip on the back of strong demand and significant policy support. I expect central banks will remain accommodative in this environment so long as inflation pressures subside as I expect they will. As a result I do not expect to see any rate hikes in 2021.

I expect bond yields will remain range bound for the balance of the year, providing low single-digit returns for government bonds. Our current economic environment supports our thesis that stocks will continue to offer superior upside potential for the next 18 months, and at the very least, to outperform bonds.

Based on the ongoing and impressive economic recovery, I am encouraged to maintain a pro-risk bias in our portfolios. We will continue to significantly overweight equities with our bond allocations remaining near zero.

To compensate for the reduction in bond exposure, I concur with many “smart money” investors, like pension funds and managed money managers that alternative investments may play a large and beneficial role in current investment portfolios. Twenty years ago, these funds were allocating approximately 7% of their assets to alternatives, today, that has increased to 30% of their assets.

Despite the impact of the pandemic on world markets, a lasses-faire attitude towards investment portfolios likely resulted in great returns during 2020. This will likely not be the case in 2021/22. Going forward I expect, to be successful, that investment advisors will have to focus on the minutia. The minor details are important in this economy. We need to pay attention and be able to react quickly, if necessary.

Noah Blackstein - CONTINUED

Recently, Maryland Public Television made all of Louis Rukeyser's shows available for free online – all the way back from its beginnings in the early 1970s, up until the early 2000s. There are timeless interviews with some of the greatest investors of all time that only aired once.

Today, markets get caught up with factor rotations, short squeezes, gamma hedging, risk on/risk off, and watching Louis Rukeyser's programs highlights the utter useless-ness of it all. The basics of successful investing over time are: find a company at the right price that can grow its earnings substantially over time, and own it until the growth is over. While most of the investing titans Louis Rukeyser had on his show have long since passed, I was incredibly lucky to be able to listen and learn from them; standing on the shoulders of those giants obviously let me see a lot further. The quality of those interviews considering the investing conversations that occur today may seem more philosophical, but they have never been more important, or more refreshing.

A long time has passed since the 1980s and I have managed money professionally for a long time. I have seen many rotations over the course of my career and similar to 2014 and 2016, we are currently witnessing another rotation away from secular growths stocks. A recent piece from Deutsche Bank's Binky Chadha notes that while growth stocks outperformed during the first half of last year, they essentially kept pace with the broader market for the remainder of 2020.

Still, we hear a lot in the press about the current moves in the equity market being based on thematic investors betting on higher inflation. While we have had significantly higher than expected consumer inflation, for now it looks transitory. We also know that a whole host of macro funds are investing in factors instead of asset classes. The only evidence of these inflationary themes is in the equity market – bond market yields and spreads while up from their low, are still well below 2018. Bonds are not confirming that inflation is more than transitory. Bonds are rarely wrong.

Despite most observers' commentary, this has not been about rates. Chadha points out that the recent underperformance of growth stocks being attributed to rates is an anomaly. "Since the beginning of 2020, the correlation (of growth stocks to interest rates) has been running strongly negative (-68%). However, a closer look at the empirical evidence as well as fundamental considerations, strongly suggests that rates have had little if any role to play, and the relationship might run in the opposite direction. In fact, pre-pandemic relative performance was positively correlated (+55%) with rates."

If growth stocks are historically positively correlated to rates, what has been driving the recent underperformance? According to Chadha "It's been about relative growth. Relative performance around trend has closely tracked (82%) movements in relative earnings. The pandemic benefitted relative earnings prospects for growth stocks; and the cyclical recovery is now benefitting relative earnings for the rest of the S&P 500."

The problem is of course duration. We believe that the companies we own can sustain their growth over time, whereas most of these distressed companies can not. Ultimately, this is why this "value" rally will fade. There are many companies putting up 30%, 40%, even 200% growth rates in comparison to 2020. Yet for many of these companies, growth versus 2019 is flat or even down. The willingness to believe that easy year over year comparisons are the same thing as sustainable growth rates is laughable. For example, one U.S. department store posted revenues that were up 44% and earnings that were up 68% in the most recent quarter. The stock got rushed though, because its forward- looking guidance was weak and while those growth rates looked good over the pandemic months of 2020, they were still well below the levels of 2019. Investors had taken the stock to a 40x P/E on 2022 EPS estimates. I won't try to convince you that terrible companies in secular decline with easy comparisons are a new, innovative, and disruptive idea. I think that those who have stormed into many of the distressed companies are not adequately assessing the risks. This "value" rally has tremendous overdependency on extreme fiscal, monetary, and medical policy that has likely peaked. To bet on "value" or "growth" today, you must now make a call on the sustainability of growth relative to its current price. We are very comfortable with the secular growth and the long-term opportunity for the names in our portfolios.

Understanding how to value future growth is critically important to our process. I remember an interaction with an individual who now works at a large "value" shop. He decided to scream at me with righteous indexation – "How could I own Google?

It was .com bubble 2.0! It was so expensive, and what about click fraud?" That was 2005. In fact, by looking at growth and future earnings, Google was likely trading at a 4x P/E multiple on 2010 earnings. Recently I saw it was a top holding of his new firm's "value" fund in 2021. I guess all it needed was a near 5000% price return to make it cheap.

Noah Blackstein - CONTINUED

Throughout earnings season the fundamental performance of our holdings was extremely impressive. Many secular growth names grew 20%+ through the pandemic, and many are now accelerating as economic growth returns. My focus is always on the same investment process that has been at the core of our long-term success during the past 23+ years. This investment process is what contributed not only to the Fund's very strong 2020 returns, but also over the previous decades. We are hopefully at the end of this catastrophic pandemic; but we fundamentally believe that the economy that lies ahead will be very different in many ways, and the acceleration of secular trends will not mean revert.

Maintaining Control With A Health Spending Account —Continued

Here in Canada, we enjoy public healthcare that provides coverage for most of our medical expenses, but for some expenses such as vision and dental, many people turn to private health coverage.

Unfortunately, health insurance is often unaffordable or unattainable for small business owners. To help minimize this gap in coverage, the Canada Revenue Agency (CRA) first introduced the Health Spending Account (HSA) back in 1986; but they were limited to executives of large corporations due to the complexity and set up costs. Thus, an HSA is a CRA approved method to provide medical, dental, and vision benefits in a tax efficient manner. Ultimately, a corporation can write off 100% of the costs related to its HSA and 100% of expenses are received tax-free by the employees.

As I've mentioned, HSAs are a cost-effective alternative to traditional health insurance. What the plan essentially does is turn after-tax personal medical expenses into a pre-tax business expense, leading business owners to save on medical costs. Generally speaking, there are two ways to utilize an HSA at this point; when a small business owner provides employees with benefits, or when an incorporated individual pays for their own personal medical expenses.

HSAs operate based on tax principals, and can vary based on the structure of a company. They may be suitable for those who own a business, pay medical bills, and pay income tax and receive T4 income. They allow the business owner to withdraw funds from the company to pay for personal medical expenses, eliminating the income tax liability on those funds.

Through a streamlined claims process, the business owner may save thousands of dollars compared to paying out of pocket or through private health insurance. The 100% coverage applies to a comprehensive list of expenses including vision care, prescription drugs, dental services, paramedical services, medical travel, and even health insurance premiums. These eligible expenses are administered in accordance with the Income Tax Act and are determined by the CRA.

A valuable incentive to the employees lies in the fact that they maintain complete control over how, when, and where their tax-free funds are spent. As the employer has the flexibility to choose how much and to whom the funds are designated to, it enhances their ability to budget for the year. HSAs are also a great supplement to existing health plans, to cover expenses that are not covered including amounts that are not reimbursed. A great example is that some HSA providers provide coverage for expenses that aren't covered under traditional plans such as laser eye surgery or fertility treatments. They may also be used as a complementary plan, in that private health insurance premiums qualify as eligible expenses.

A Health Spending Account makes for a great employee benefits package, and employees tend to prefer them thanks to their tax-free benefits, comprehensive coverage, and flexible benefits. They are generally simple to understand and use and although there can be slight variation among providers, they typically work as follows.

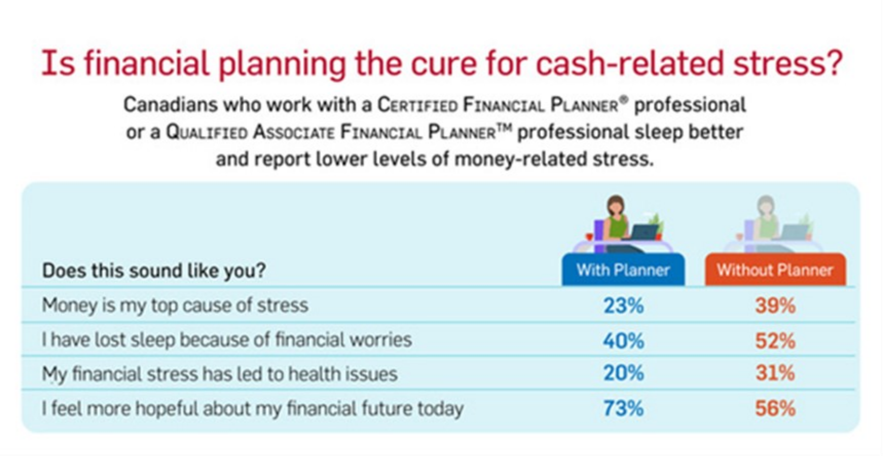
An employer creates customized categories of employees (if they wish), and assigns a spending limit for each category (i.e. higher dollar amount based on seniority). Based on this amount, the employer then funds the plan. As they arise, employees pay for their medical expenses personally, and subsequently submit an associated claim to receive their tax-free reimbursement from the employer funding account. The employer is charged the cost as well as an administration fee (variation by provider), and the entire claim amount is a tax deduction for the employer.

The employee receives their 100% reimbursement tax free up to their yearly maximum benefit limit. The employees manage their benefit limit and have the freedom to choose which medical treatments are important to them, without being restricted by category or type of expense. If there are funds remaining in the account at the end of the year they are returned to the employer. Remember, there is no expense for the employer until a claim is made by the employee for an eligible medical expense. In practice, an HSA is a vehicle that transfers the value from the employer directly to the employee, as the value of an HSA is never lost to a premium or deductible. The plan works similarly for an incorporated individual, where it turns after tax personal medical expenses into a pre-tax business deduction. Essentially, it allows for the individual to draw funds from their corporation tax free to pay personal medical expenses.

As we have discovered, a growing number of Canadian small companies and incorporated individuals are utilizing Health Spending Accounts to control their medical costs and receive more flexible coverage than traditional health insurance plans. This comes as no surprise as they prove to be a unique and efficient way to employ tax principles for cost savings for entrepreneurs. Please feel free to reach out if this is something you would like to discuss further.

Canadians Are Seriously Stressed About Finances—Continued

According to the index, two-in-five Canadians say money is their number one source of stress. This stress manifests in such ways as loss of sleep and poor health. More than half of Canadians (51%) are kept awake at night worrying about money and 31% of Canadians say that worrying about money has caused a health issue. Interestingly, those Canadians who work with a financial planner were significantly less likely to cite money as their top concern (23% with a financial planner vs 39% without). Moreover, individuals with access to a financial planner were less likely to say that financial stress has led to health problems (20% versus 31%).



Is financial planning the cure for cash-related stress?

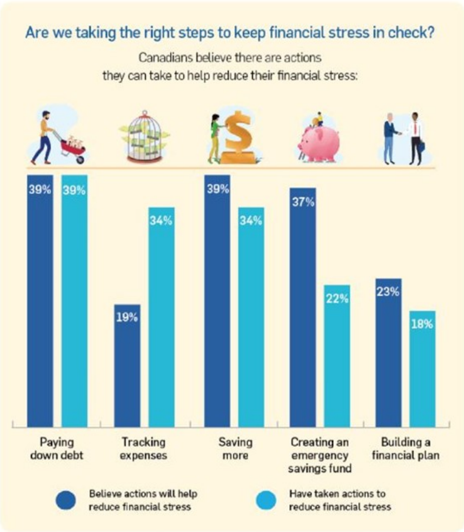
Canadians who work with a CERTIFIED FINANCIAL PLANNER® professional or a QUALIFIED ASSOCIATE FINANCIAL PLANNER™ professional sleep better and report lower levels of money-related stress.

Does this sound like you?	With Planner	Without Planner
Money is my top cause of stress	23%	39%
I have lost sleep because of financial worries	40%	52%
My financial stress has led to health issues	20%	31%
I feel more hopeful about my financial future today	73%	56%

Figure 1: Source: FP Canada 2021 Financial Stress Index

I would gather that much of this stress can be linked to statistics such as the following: just over half of Canadians (53%) have enough emergency money saved to get through an illness or some other catastrophic event. And according to a 2018 CPA Canada study, only 41% of Canadians who are in a pre-retirement stage feel they are on track to have sufficient funds for retirement. It seems then, that for whatever reason, most Canadians have found themselves to be in a less-than-ideal financial position. To add insult to injury, the numbers are in fact worsening year-over-year. This could explain the surge in phone calls I've received since COVID started – not from my clients but from people who have heard about my services and are looking for help.

Another interesting take-away from the FP Canada study is what Canadians are doing to try and relieve their financial stress. Canadians believe that paying down debt and saving more are the best actions one can take to reduce stress. The actions Canadians are taking are in line with this belief; wherein 39% are paying down debt and 34% are trying to save more. Unfortunately, only 18% of financially stressed Canadians are building a financial plan and only 23% believe this will reduce financial stress. This truth is, a financial plan can absolutely reduce financial stress and it should be what Canadians look to do. The diagram below shows this is still not the case:



It will be up to Canada's financial planners to help Canadians realize this truth. I think a CFP colleague in New Brunswick said it best when she wrote, "This survey should be a wakeup call to the industry that although we are still in a global health crisis, Canadians are mostly stressed about money" (Stacy Whytewood, FP Canada News Bulletin).

If you're curious about your own financial wellness, CPA Canada (aka Chartered Professional Accountants Canada) has an interactive questionnaire that is great for helping you think about your own financial situation. It will take you through a series of questions about your current financial situation as well as your goals and needs, while also providing useful tidbits of financial wisdom. I would check it out, even as an excuse to start thinking about your own financial plan. The link to the questionnaire is here:

https://www.cpacanada.ca/en/the-cpa-profession/financial-literacy/financial-literacy-resources/financial-wellness-guide

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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.

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