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Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 7

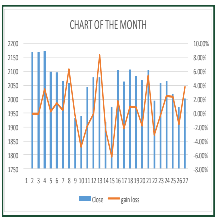
JUL 2021

"Inflation is taxation without legislation"

-Milton Friedman

Sergio Simone
EDITORIAL COMMENT

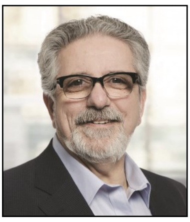
Kristina De Souza
RISKY BUSINESS



TYPICAL SIGNS OF A U.S. RECESSION ARE NOT PRESENT

Ryan Simone, CLU, CHS
ESTATE PLANNING 101

Editorial Comment



Sergio Simone

Are we having fun yet?

When it comes to the quality of your financial advisors, these last 15 months or so have truly separated the wheat from the chaff. In hindsight, the global equity markets have proffered generous returns for those investors that displayed fortitude and wisdom. The exaggerated volatility levels were enough to frighten even the most seasoned investors, but well diversified portfolios successfully traversed the abyss.

Continue Reading

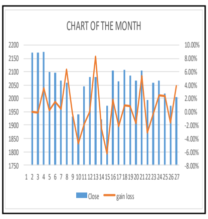
Risky Business

Kristina De Souza

For over a year now, we have navigated uncharted market territory, mitigating the impacts that this pandemic has had on our clients' portfolios. Recently, I have had several clients reach out to discuss rumors regarding COVID-19 and its impact on insurance. The inquiries range from impacts on travel insurance to questions about qualifying for life insurance.

Continue Reading

Typical Signs Of A U.S. Recession Are Not Present



There are usually leading indicators to a recession, the most prevalent is an inverted yield curve.

Currently, we only have two of the typical signs of recession and as such, we continue to believe recessionary risks through 2021 remain low. Most bear markets coincide with recessions and therefore we do not anticipate any near-term market volatility to result in a bear market.

Estate Planning 101

Ryan Simone, CLU, CHS

Canada does not have an inheritance tax. Any money inherited from a deceased individual is received tax free. However, this doesn't mean taxes won't be paid. This is because the deceased individual will ultimately pay tax when the estate files a final tax return. Income earned up to the date of death and the deemed disposition of all assets at death means that taxes may be owing and will be paid out of the estate using estate assets.

Continue Reading

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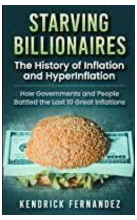


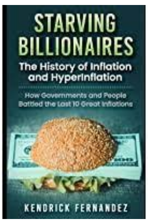
BOOK OF THE MONTH

FUND OF THE MONTH MACKENZIE GREENCHIP GL. BAL.

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH INTERNATIONAL MONETARY FUND

BOOK OF THE MONTH



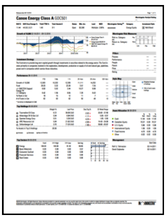
STARVING BILLIONAIRES

- by Kendrik Fernandez

The reality of hyperinflations is exponential price increases, worthless currency, and food shortages. They are normally preceded by war, revolution, famine, or pandemics. In some cases, they are the results of decades of fiscal malpractice. Inflation has become a prominent subject of discussion in the United States and across the world.

FUND OF THE MONTH

MACKENZIE GREENCHIP GLOBAL BALANCED



Investments aimed at tackling climate change are growing significantly. In 2019, around US$940 billion was invested in this space, and in order to meet the Paris Agreement targets, at least US$60 trillion will need to be invested into renewable energy and carbon-reducing technologies by 2050.

HYPERINFLATION

Hyperinflation is a term to describe rapid, excessive, and out-of-control general price increases in an economy. While inflation is a measure of the pace of rising prices for goods and services, hyperinflation is rapidly rising inflation, typically measuring more than 50% per month.

Although hyperinflation is a rare event for developed economies, it has occurred many times throughout history in countries such as China, Germany, Russia, Hungary, and Argentina.

BLOG OF THE MONTH

Urgent Action Needed To Address A Worsening 'Two Track' Recovery

When G-20 finance ministers and central bank governors gather in Venice this week, they can take inspiration from the city's unbreakable spirit.

As the world's first international financial center, Venice has faced the vagaries of economic fortunes over centuries, while being directly affected by climate change. This extraordinary resilience is needed more than ever as policymakers continue to face extraordinary challenges.

The good news is that the global recovery is progressing broadly in line with the IMF's April projections of 6 percent growth this year. After a crisis like no other, we are seeing in some countries a recovery like no other, propelled by a combination of strong fiscal and monetary policy support and rapid vaccinations..

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

CEOWORLD Magazine

ACTIVITIES THAT RICH PEOPLE LOVE TO DO

Depending on someone's budget, the things they will choose to do may vary. When you have the luxury to choose without money being a criterion the funniest and interesting choices may come up. Here we have 6 common things among rich people's communities that you may often meet.

Exotic pets

Exotic pets are another extravagant trend for the rich.

WealthBriefing

WEALTHY ENTREPRENEURS FRET OVER INFLATION, SMILE ON EQUITIES, PRIVATE MARKETS—STUDY

The report highlighted how HNW and UHNW entrepreneurs and families often hold more cash than they're comfortable with; many are positive on equities, but are concerned about inflation pressures and tax.

Inflation, market volatility and a changing tax environment are top worries for high net worth and ultra-HNW entrepreneurs around the world. Equities have topped US and European entrepreneurs' portfolio allocations for the third year in a row, with Asia investors increasing exposures, a new report said.

Bankrate

LIFE INSURANCE FOR HIGH NET WORTH APPLICANTS

If you own at least $1 Million in cash or assets apart from the property value of your home, which can easily be converted into cash, you are considered a high-net-worth individual. Most high-net-worth individuals have a good amount of savings in their account and investments. This does not eliminate the need for life insurance, however. Savings and investments are one part of the equation, but high-net-worth individuals may also need to account for liquid assets such as businesses, real estate, property and collectibles when considering financial protections for family members you may leave behind.

INVESTOPEDIA

ESTATE PLANNING FOR CANADIANS

In estate planning, Canadians don't have to contend with an estate tax the way U.S. citizens do. However, what many people don't realize is that a "deemed disposition tax" applies when you die.1 In this article, we'll provide tips on minimizing your estate's exposure to this tax and structuring your estate plan to ensure your beneficiaries get the assets you intend for them.

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FUND MANAGER COMMENTARY

DAVID TULK
FIDELITY INVESTMENTS

DAVID ARPIN
MACKENZIE FINANCIAL

TOM NAKAMURA
AGF INVESTMENTS INC

GAREY J. AITKEN
FRANKLIN BISSETT INVESTMENT MANAGEMENT

David Tulk, Global Asset Allocation Portfolio Manager

Fidelity Investments

Portfolio Manager David Tulk explores global asset allocation and the importance of portfolio diversification as we look ahead to the second half of 2021

Listen to the Podcast

David Arpin, SVP, Portfolio Manager

Mackenzie Bluewater Team

Over the last decade, growth outperformed value. With the recent resurgence of value investing, should investors be looking to follow the market rotation or is there an alternative to this binary choice?

Q. What's your perspective on the "growth vs. value" debate?

Continue Reading

Tom Nakamura, V.P. and Portfolio Manager

AGF Investments Inc.

Has the U.S. Dollar Lost Its Edge?

Is the U.S. dollar's advantage over? It is time for investors to at least ask the question. Only three months ago, the greenback reasserted its traditional position as the world's safe haven currency as the reality of the COVID-19 pandemic swept through financial markets.

Continue Reading

Garey J. Aitken, Chief Investment Officer

Franklin Bissett Investment Management

Canadian Stocks Well-Positioned For Post Pandemic Recovery

This time last year, as we reflected on one of the largest market corrections in history, an end to the pandemic seemed a long way off. We are now halfway through 2021, and thankfully, a world without COVID-19 dominating our lives looks much closer due to the success of the vaccine roll-out so far.

Of course, with new variants continuing to emerge, we are far from out of the woods yet, but optimism for a post-pandemic future is growing. That's reflected in the International Monetary Fund IMF forecast for global growth (6% in 2021; 4.4% in 2022), as well as the health of equity markets.

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CORPORATE CULTURE

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.

IMPACT OF COVID-19 PANDEMIC ON HIGH NET WORTH INVESTORS GLOBALLY

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. FactSet, in association with Aon, conducted a global online poll of investors with an average net worth of $1.6 million across five markets (the US, Canada, the UK, Switzerland, and Singapore).

PREPARING FOR RE-OPENING: A CHECKLIST FOR BUSINESS OWNERS

As Canada emerges from what we hope is the last phase of shutdowns, business will continue to look different. Here's how you can follow health and safety policies while delivering an experience that meets customers' needs and preferences.

Re-opening is happening at a measured rate across the country, and the pace is different from province to province. Whether your business is already open, re-opening soon or you're looking ahead to a future date, there will be some things to consider as you welcome customers again – because opening in this new environment may not be as simple as flipping the same switch again. Planning carefully, understanding the policies and implementing new processes will have to figure prominently into your re-open efforts.

5 WAYS TO USE YOUR CORPORATION TO INVEST AND SAVE TAXES

We all want to save money wherever we can, right? The good news is there are lots of strategies business owners may not know about to save taxes and improve their financial outlook, today and in the future.

Too many business owners and incorporated professionals don't properly utilize their corporations when it comes to current, future, and end-of-life investment and tax-saving opportunities.

Do you own a corporation and want to maximize your investments and save taxes today, during retirement, and at the end of your life? Then here are five ways you can use your corporation to invest and save taxes:

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LINKS

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ESG Investing And Human Rights: "Ignorance Is No Longer An Excuse"

It's a welcome development that so many pension fund managers

New Trust Reporting Rules Proposed For This Year

Trustees may have additional tax reporting obligations with

Could Renewed Social Unrest Hinder The Recovery?

Protests driven by the pandemic's economic fallout are on the rise

Growth Is Far From Over

The 'experts' keep calling an end to the good time for growth stocks. But that is an absolute lie.

Foreigners Are Buying Up Canadian Debt At A Record Pace

Foreign investors mopped up the flood of new issuance by

As Govt Readies Cryptocurrency Bill, Here's What You Need To Know

After narrowly missing out on being tabled in the Budget

Estate Experts Seek Resolution On Beneficiary Designation Issue

Stakeholders want it to be clear that beneficiary designations indicate the deceased's wishes

Canada's Housing Market Slowed Down In June But Still Strong

As expected, last month marked a further moderation in home

Should You Worry About Inflation? Experts Weigh In

Most agree the recent spike in prices is linked to the economic

RBC Global Asset Management

WILL A RETURN TO PRE-PANDEMIC RETIREMENT AND JOB QUITTING LEVELS WORSEN EMERGING LABOUR SHORTAGES IN CANADA?

The pandemic saw both the number of retirements and those quitting jobs due to dissatisfaction drop significantly.

INVESTOPEDIA

CRITICAL ILLNESS INSURANCE: WHAT IS IT AND WHO NEEDS IT?

If you're lucky, you've probably never had to use critical illness insurance (sometimes called catastrophic illness insurance). You've maybe never even heard of it. But in the event of a big health emergency, such as cancer, heart attack or stroke, critical illness insurance could be the only thing protecting you from financial ruin. Many people assume they're fully protected with a standard health insurance plan, but the exorbitant costs of treating life-threatening illnesses are usually more than any plan will cover. Read on to learn more about critical illness insurance and whether it's something you and your family should consider.

VIDEO AND PODCAST LINKS

The RRSP vs. TFSA Conundrum

When it comes to investing your hard-earned money young professionals are left with a conundrum—is an RRSP or TFSA better when it comes to

Bank Of Canada Willing To Let Inflation Run Hot On Road To 'Complete' Recovery

Mid-Cycle Investing: Growth-Oriented And Selective

Look to growth-oriented assets, like equities and credit as we

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR

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

CRITICAL ILLNESS INSURANCE CALCULATOR

Find out how a serious illness could affect your finances

CANADA MORTGAGE CALCULATOR WITH 40 YEAR AMORTIZATIONS!

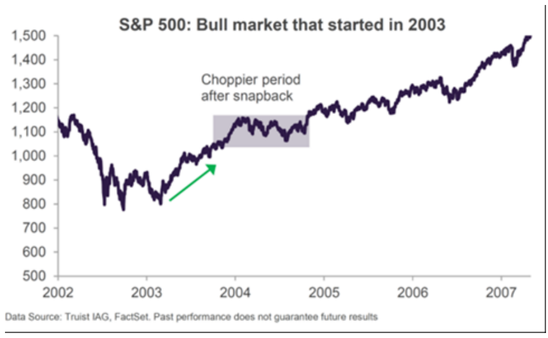
This mortgage calculator is proudly Canadian made!

EDITORIAL COMMENT - CONTINUED

While I still expect an ongoing recovery over the balance of this year, I anticipate it will not occur without some market turmoil. In my opinion, volatility will continue to be more the norm than the exception. Rising Inflation is the elephant in the room. There are those that believe it is a temporary issue that will come under control as the economy opens. Others like myself are not entirely convinced this is the case. I believe that interest rate hikes from central banks around the world are a major concern and should be monitored regularly.

The Federal Reserve recently backtracked on previous comments when they shocked the financial markets by mentioning that policy tightening might occur earlier than previously thought. They were now considering a 50-basis point rate increase in 2023. This announcement sent ripples through the bond, currency, and equity markets. Not so surprisingly, this concern was short-lived. It seems investors are not easily frightened about an event that **might** begin two years out. Investors rightly focused on current fundamentals. They could not ignore the ongoing strength in economic growth, generous fiscal and monetary policy settings and the well received boom in corporate earnings. Investors were not going to be swayed into selling their portfolios during a pro-risk investment environment.

Although past actions are no guarantee of future results, the past does act as a barometer and gives us a sense of what has a higher probability of reoccurring. For example, in both 2003 and 2009, the S&P 500 experienced significant gains after going through a recession. After the large snapback rallies, as we experienced shortly after the introduction of the pandemic, the S&P 500 suffered through extremely choppy markets in 2004 and 2010 as seen in the following graphs.



What is worth noting is that in both cases the market gains over the next four years were large.

So, the $64 million question is: “How should investors position their portfolios given the current economic backdrop?”

Our primary focus is, investing with high quality portfolio managers who have displayed an exceptional history of returns throughout all types of economic climates. While I do expect last years excessive returns to revert closer to the mean, I believe that we are in a secular bull market and that our clients’ portfolios are well positioned to take advantage of a growing economy.

We remain overweight in equities as opposed to bonds, primarily because earnings growth has been explosive and is expected to remain like this, at least into the first half of next year. Other reasons considered for taking this position include the upswing in share buybacks and the expected acceleration in dividend growth. These have enormous appeal for equities in a yield-starved world. Needless to say, this has led us to severely underweight fixed income and we will continue to recommend this for the foreseeable future. In my opinion it will be very difficult for bonds to keep pace with equities unless yields can significantly decline from what already appears to be depressed levels. And, if we’re keeping an eye on inflation, we must acknowledge that it could present an interest rate increase scenario which would be detrimental to bonds.

We have been researching alternative return streams and will be introducing some ideas in the near future. Without question, alternative assets, especially liquid alternatives, can offer much needed stabilization to a portfolio’s performance and risk profiles in volatile markets.

I have been keeping an eye on how various global economies are dealing with their stimulus packages now that such a large number of people have been vaccinated. The U.S. appears to be on track to pass a $580 billion bi-partisan infrastructure deal which could launch around the same time as Japan’s $275 billion stimulus package is launched in September.

Although some policy tightening is beginning to occur, for the most part it is concentrated in the emerging economies like Turkey and Russia. It does not seem to be enough to have any impact on the positive trajectory for the global economy.

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EDITORIAL COMMENT - CONTINUED

As far as I can tell, we are still a long way from any policies that might be considered restrictive on a global economic basis. I do not see any roadblocks to discourage ongoing economic expansion.

The bad news is that the rapid recovery in economic activity is taking its toll. The June year-over-year consumer price index rose by a whopping 5.4% in June. Much of the increase was caused by rising prices for new and used cars, out-of-town lodging, and airfares – all of which will likely revert to a norm as the reopening sorts itself out. More concerning is the rise in wages and primary housing costs, which many acknowledge are stickier forms of inflation.

“The bad news is that we are still not out of the woods, as [inflation measures] are likely to remain elevated through year end and into early 2022,” wrote Bank of America Securities economists earlier this week. “The good news is that we are likely near the peak, at least for the next few months, as base effects are less favorable and shortage pressures rotate away from goods towards services.”

It is difficult to ignore the constant reports of shortages including semiconductors, automobiles, and a variety of industrial materials. Unsurprisingly, economists have been gradually adjusting their inflation forecasts to the upside. After many years of controlled inflation around the 2% level, the excessive demand for goods during the pandemic recovery is causing concern. For now, it is difficult to ascertain how investors will react to these inflation fears. They may sell into rising rates, or they may ignore the inflation concerns and focus on a positive earnings trajectory which many believe will last well into next year.

Time will tell how inflation will play out over the next year or two. For now, we will monitor the Federal Reserve’s unveiling of its timeline for bond-purchasing tapering, which will hopefully begin sooner rather than later. A commitment to easing is becoming more difficult for the Fed to justify so I believe the tapering will begin sooner.

CHART OF THE MONTH - CONTINUED

Signs of Recession	Present Today
Inverted Yield Curve	NO
ISM Manufacturing PMI Below 45	NO
Positive Inflationary Trends	YES
Tighter Financial Conditions	NO
Housing Starts Declining	NO
Labour Market Weakening	NO
Leading Economic Indicators Negative	*YES (but trending positive)

Source: Manulife Investment Management, As of March 31, 2021

MARKET RISKS

RISK	FROM CURRENT LEVEL	OUTLOOK
Economy	Risk to the upside	The U.S. economy and others around the world continue to recover at an accelerating pace supported by an economic “rapid open” and distribution of the COVID vaccine. Excess savings and pent-up demand is likely to result in stronger activity in 2021 and 2022. The bifurcation of the recovery ends as the services sector recovery catches up to the manufacturing (equity-centric) recovery.
Valuation	Risk to the downside	Earnings recoveries tend to see PE contraction. Trailing S&P 500 Index 12M PE ratio falls 3-5 points through to the end of 2021 on rising earnings and rising inflation. The order (earnings vs inflation) is important as an earnings recovery supports an orderly valuation contraction while higher inflation results in
Earnings	Risk to the upside	Earnings growth troughed in Q3 2020. S&P 500 Index earnings recover and exceed 2019 levels through 2021 with expectations of $180 with risk to the upside
Yield Curve	Steepen	The Federal Reserve and Bank of Canada maintain their accommodative policy through the first half of 2022. Short end of the yield curve remains anchored to zero. Longer end of the curve steepens as the recovery takes hold and inflation is sustained
Credit	Neutral	Credit spreads continue to tighten as the recovery advances. Returns are predominantly yield driven as bonds come under pressure from a rising yield environment. High yield is favoured over investment grade as high yield is positively correlated with a
Oil Prices	Risk to the upside	Oil prices trend with an upward bias as inventores fall, production remains low, demand improves, and the U.S. dollar weakens. West Texas Intermediate trends between US$55—$65/bbl over the next 12 months
Currency (CAD/USD)	Risk to the upside	The Canadian dollar remains tied to oil prices. US dollar wekens on monetary inflation. CAD/USD trends higher with a target range of US$o.79—0.83 over the next 12 months with risk to the upside.

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Risky Business —Continued

I had hoped to settle these queries with some basic fact finding, however, finding stable and definitive answers to anything pertaining to this pandemic has been anything but simple.

Despite the fact that many have had a lot to say about this virus, the insurance realm doesn't have a lot of reliable facts readily available for consumers to grasp on their own.

This is part and parcel to the fact that many of the insurance companies have their own unique approaches to handling these issues along with many decisions being handled on a case-by-case basis. Above all else, much like the news surrounding the virus itself, information pertaining specifically to insurance and COVID-19 is constantly changing. Although I suspect that many of you are tired of talking about COVID-19 at this point, I do feel I am able to offer some useful information from within the industry that will hopefully settle some of the myths and uncertainties.

The local news has been relatively positive lately, with the numbers at a manageable level here in Ontario as the vaccination race is well underway. For some time now there has been misinformation circulating regarding the vaccine; specifically, that receiving a vaccine could void life or health insurance policy or that a claim wouldn't be paid.

The Canada Life and Health Insurance Association (CLHIA) recently addressed this issue, stating that "Contrary to misinformation being shared on-line, receiving a COVID-19 vaccine will have no effect on the ability to obtain coverage or benefits from life insurance or supplementary health insurance".

They are aware of misinformation that is being spread through social media claiming that individuals who get the vaccine will not be able to get life insurance or may be denied their life insurance benefits and have confirmed that these claims are incorrect and have no basis in fact whatsoever. In fact, Canada's life and health insurers stress that vaccination is one of the most effective ways to protect yourself and others from serious illness and death from COVID-19 and maintain that receiving the vaccine will not affect individual or workplace life or health insurance policies, or the ability to apply for future coverage.

They argue that as with any medication approved for use in Canada, the COVID-19 vaccines have been found safe and effective through Health Canada's independent scientific and medical assessment process.

Concern also stems from the question of whether life and health insurance are available to anyone who has had COVID-19. As this topic can be rather case specific, generally speaking one of the largest carriers, Manulife, has issued standard rate policies to several applicants who have had the virus and fully recovered.

Their argument is that most applicants who have experienced COVID-19 recover with few long-term issues; although recovery times vary by individual, and even if hospitalized an applicant still is or will be insurable in the near future.

In my fact-finding venture I came across something to consider as the COVID-19 story unfolds. The development of Post-acute COVID-19 syndrome (PACS), also known as long COVID, is being monitored by many insurers. This health issue presents itself in different ways and the medical community is working to better define the illness while developing treatments.

At this point, there is still uncertainty on how many people will suffer the long-term effects of COVID-19, but underwriting research teams along with the medical community actively monitor this to create guidelines. At this time, it is fully expected that most people with PACS will qualify for insurance on some basis.

With all of this said, individuals who have questions about their own specific coverage are encouraged to consult their policy and contact their advisor or insurer directly. As we continue to navigate this pandemic, our team is actively conducting research and working with our industry peers to stay informed and provide the latest information to our clients. If you have any further questions or concerns, please reach out to one of our team members and we would be happy to help.

To Page 1 Disclaimer

Estate Planning 101—Continued

The remaining assets are then transferred to the various beneficiaries.

Here's an example of how it works:

Let's say Mr. Mister passes away on June 30, 2020. Assuming that Mister's 2019 taxes were filed and fully paid, he would still have to account for income earned from January 1, 2020 to June 30, 2020. In this situation, Mister's executor will have to file a final tax return prior to the 2020 deadline, which in this case, would be April 2021. If there is a balance owing, Mister's executor will have to arrange for a payment out of the estate funds; however, if Mister was due for a refund, the CRA would issue a cheque payable to Mister's estate.

Here's a tip for any executors out there: Once you've filed the final tax return and paid the taxes, make sure you receive a clearance certificate from the CRA. This will confirm that there are no further taxes owing, making it safe to distribute the estate assets to the beneficiaries. You'll want to make sure any business with the CRA is concluded before distributing assets, otherwise the CRA could inform you down the road that there is money owing and as executor you would be personally responsible.

I mentioned earlier about a deemed disposition at death. A deemed disposition means that any assets included in the estate are considered to have been sold at fair market value at death. This includes any real estate, businesses, land, investments, even RRSPs. Many families have real estate like cottages with low adjusted cost bases (ACBs) and high fair market values. The spread between these is often taxable. Imagine a cottage with an ACB of $150,000 that is now worth over a million! – that's a big taxable gain right there.

Since different assets generate different incomes, not everything is taxed the same way. Here are a few examples:

Stocks: Mr. Mister died with $250,000 of individual stock held in a non-registered account. The stock has an ACB of $150,000, leaving Mister's estate with a capital gain of $100,000 and a taxable capital gain of $50,000. Mister's executor will need to report $50,000 as income on Mister's final tax return (50% of the capital gain).

RRSPs: Mr. Mister has $100,000 in RRSPs. As soon as he dies, the full balance of the RRSP is considered to have been sold. This generates an income of $100,000 for Mr. Mister, which will be included on the final tax return. If Mister leaves the RRSP to a surviving spouse, dependant minor, or dependant with a disability there are rollover options available that will remove the estate's tax burden.

Cottage: 15 years ago Mr. Mister inherited the family cottage from his parents. When he died, the cottage was worth $500,000 but he inherited the cottage from his parents when it was worth $250,000. Although Mister did not pay taxes on the cottage when he inherited it, he does when he dies. And since he inherited the cottage at $250,000, his ACB is $250,000. That means his estate will report a capital gain of $250,000 of which 50% is included as taxable income ($125,000). This is also why you should never sell a cottage to your kids for $1. Doing so equates to double taxation since the kids will inherit the cottage with an ACB much lower than fair market value and you will also be taxed on the gain from the sale.

Rental Property: Mr. Mister owned a townhouse that he has rented out for the past 3 years. He originally paid $300,000 for the home and it's now worth $400,000. Mr. Mister died June 2020 so his estate will have to report the capital gain on the sale of the townhouse as well as the rental income the townhouse received from January 2020 to June 2020.

The above should highlight the fact that an individual's final tax return could, in all likelihood, be their largest filing ever. Having a surviving spouse can help reduce the burden of taxes at death through certain rollover provisions; however, on the death of the surviving spouse, taxes will ultimately be paid.

What about probate? Probate is a legal process in which the will is validated and authenticated. It also involves the overall administration of the will. Each province charges a probate fee that must be paid before estate assets are transferred to the beneficiaries. These fees are also one of the more complicated pieces of administering an estate. Not only do the fees vary from province to province, but if planned for properly, certain assets can bypass probate. Assets that bypass the estate will reduce the cost of probate. These assets include those things in which we are permitted a beneficiary designation such as an RRSP, TFSA, life insurance and so on. However, joint assets can also be included as an asset with the ability to bypass probate. This is why it's important to name a beneficiary on your registered assets. If those assets are left to the estate, they will be administered under the will and are therefore subject to probate.

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.

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