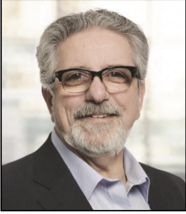
Kleinburg
PRIVATE WEALTH

Carte
WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

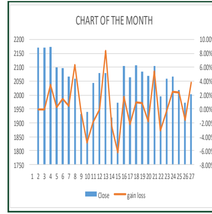
VOL. 10, ISSUE 12 DECEMBER 2021

"Inflation is when you pay fifteen dollars for the ten-dollar haricut you used to get for five dollars when you had hair." - **Sam Eqing**



Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
SHARING ASSETS



9 CHARTS SHOWING WHY YOU SHOULD INVEST TODAY

Ryan Simone, CFP, CLU
YES YOU CAN TRANSFER A 410(K) PLAN

Editorial Comment

Sergio Simone

As December winds down and the Omicron variant of the Coronavirus ramps up, I can't help but recall Michael Corleone's iconic line in The Godfather: "Just when I thought I was out, they pull me back in!"

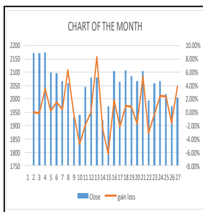
Just as people were becoming desensitized to the Delta variant, a new, nightmarish scenario has emerged. It was only a short time ago that I first read about this new variant and the few people that had been infected in South Africa.

Sharing Assets

Kristina De Souza, CFP

It's not uncommon for real or personal property to be held by more than one person, especially when it comes to spouses (married or common-law). It is however becoming increasingly more prevalent that parents utilize the merits of co-ownership of property with their adult children. Joint tenancy with respect to estate planning typically facilitates the simple and tax-efficient transition of property from one individual to another, such as parents to children.

9 CHARTS SHOWING WHY YOU SHOULD INVEST TODAY



The stock market can be a powerful ally but also a destructive foe. When it feels as fickle with its affections as it has this year, many investors wonder why invest at all?

The answer, quite simply, is that without investment growth to sustain your nest egg, retirement may be relegated to a dream rather than a reality.

The following charts show why investing today is the key to retiring on your own terms.

YES, YOU CAN TRANSFER A 401(k) PLAN and an IRA to a CANADIAN RRSP

Ryan Simone, CFP, CLU, CHS

If you've been living and working in the United States, you may have accumulated retirement savings in a 401(k) plan or an IRA. The 401(k) plan is an employer-sponsored pension plan usually funded by both the employer and the employee. Funds grow in these plans tax-free until they are withdrawn.

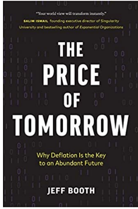
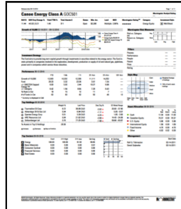
Kleinburg Private Wealth
91 Anglewood Ct.,
Kleinburg, ON, L0J 1C0

www.kpwfinancial.com

905.893.2540
info@kleinburgprivatewealth.com

Kleinburg PRIVATE WEALTH
Carte WEALTH MANAGEMENT INC.
KPW LIFE PLAN—IMAGINE YOUR FUTURE
VOL. 10, ISSUE 12
DECEMBER 2021

To Page 1
To Links Page

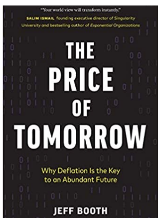
BOOK OF THE MONTH

FUND OF THE MONTH MANULIFE FUNDAMENTAL BAL. CLASS

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH FINANCIAL PANTHER

BOOK OF THE MONTH

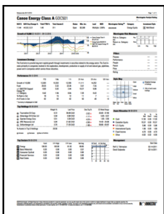


THE PRICE OF TOMORROW

- by Jeff Booth

We live in an extraordinary time. Technological advances are happening at a rate faster than our ability to understand them, and in a world that moves faster than we can imagine, we cannot afford to stand still. These advances bring efficiency and abundance—and they are profoundly deflationary. Our economic systems were built for a pre-technology era when labour and capital were inextricably linked, an era that counted on growth and inflation

FUND OF THE MONTH



AGF GLOBAL SELECT SERIES A

The fund offers concentrated exposure to global equities focusing on innovation to identify companies that exhibit exceptional product development and corporate leadership. It is suitable for investors looking to complement an existing global equity core portfolio and participate in the growth potential of global equities. The investment approach is a bottom-up earnings growth momentum investment style, looking at a company's revenue, earnings, profitability, earnings quality and growth potential.

UNDERSTANDING MUTUAL FUND TRUST DISTRIBUTIONS

When you invest in a mutual fund trust, the fund managers invest your money, along with the money of all the other unitholders (investors in the fund), in a portfolio of investment assets that might include equity securities (stocks), debt securities (bonds), Treasury bills and more. The exact mix depends on the objectives of the fund, but the point is that all of these investment assets aim to generate income for the fund, generally in the form of interest or dividends. All of the income received by the fund (net of fund expenses) is paid out to unitholders on a monthly, quarterly or annual basis, as it's earned.

BLOG OF THE MONTH

THE LONG GAME ALWAYS WINS

There's an interesting truth that I think applies to everyone. If you give yourself enough time, you can achieve almost anything.

As simple as that sounds though, the reality isn't so simple. For many of us, time is a luxury we don't have. Sometimes, it's on us. We lack patience and we want things to happen fast. And when they don't happen fast, we give up. We live in a world built on instant gratification. There's no shortage of people out there willing to sell you on the belief that big things can happen for you quickly.

Other times, it's about the fact that we can't afford to give ourselves the time to achieve something. Practical realities might get in our way. We have family obligations. We have bills. We have a life to live and only limited time and resources that we can dedicate to other things.

Kleinburg
PRIVATE WEALTH

Carte
WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 12

DECEMBER 2021

PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

BEACON
LAW CENTRE

JOINT TENANCY AS AN ESTATE PLANNING TOOL—PROS AND CONS

Estate planning means different things to different people, but most people agree that some of the goals of estate planning include:

- Simplifying the administration of an estate
- Minimizing probate fees
- Ensuring that property passes to the intended person

One of the most common strategies used to achieve these goals is to own property with another person in a joint tenancy.

INVESTMENT OPTIONS PEOPLE WITH HIGH NET WORTH SHOULD CONSIDER

You must have often heard of the phrase “High net worth individuals” and would have immediately framed an idea of what it could possibly mean. Let me elaborate a little more to help you understand better. A High Net Worth Individual, or simply HNWI, is someone whose liquid assets are at least $1 million in worth. These assets do not include property, and financial professionals are hired by these individuals to manage these assets. HNWIs are either big-time professionals or entrepreneurs who explore varied options to augment and manage their financial resources.

5 INVESTMENT STRATEGIES FOR HIGH-NET-WORTH-INDIVIDUALS

High net worth individuals (HNWIs) are people with liquid assets in the range of $1 million and $5 million. What sets individuals with a high net worth apart from others is not just how much wealth they have, but also how they approach wealth creation and protection.

With sizable wealth comes the more complex financial planning, and the risk of quicker wealth erosion through expenses and taxes. Small mistakes in managing finances may have a significant impact on the wealth of HNWIs, which makes it imperative for them to strategize well and not be passive about maintaining it.

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?

Kleinburg
PRIVATE WEALTH

Carte
WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 12

DECEMBER 2021

CORPORATE CULTURE

CLOSING THE BOOKS ON 2021: YEAR-END CHECKLIST FOR BUSINESS OWNERS

As an unprecedented year draws to an end, there are some to-dos business owners should take care of – not only to close the books on 2021 but to also set up your business for a successful 2022.

Whether you're a new entrepreneur or a seasoned business owner, taking some fundamental steps at the end of the year can help you evaluate how your business performed and identify gaps and opportunities for the future. Here are five steps to take before flipping the calendar to 2022.

4 TIPS FOR PLANNING BENEFITS FOR 2022

As the new year kicks off, Federal open enrollment is winding down, and most companies are deep into planning their larger employee benefits packages for 2022. If you're involved in planning your company's benefits for this year, it's important to stay focused right to the end of the process.

It's easy to get overwhelmed with an avalanche of policy options, quotes from different providers, and statistics of all shapes and sizes. Run through the tips below to make sure you've assembled the ideal benefits package for your staff as 2022 kicks off.

THE IMPORTANCE OF CORPORATE GOVERNANCE

Corporate governance is the framework that defines the business relationships that exist between company shareholders, management teams, the Board of directors, and all other key stakeholders. The importance of corporate governance cannot be understated, and the development of associated policies that are enforceable and applied consistently is also critical.

Corporate governance covers both the social and institutional aspects of a business. Simply put, it is the system by which organizations are directed and managed.

COVID-19: IMPLICATIONS FOR BUSINESS

Our latest perspectives on the coronavirus outbreak, the twin threats to lives and livelihoods, and how organizations can prepare for the next normal.

Tis the season for McKinsey to look back, survey, and publish a variety of "state of" reports. This week, we took a measure of labor, economic opportunity, and education in the United States; examined logistics in India and grocery in China; and analyzed 12 key ways in which the world changed this year. In all regions and sectors, the COVID-19 pandemic shaped the story in 2021, and the recovery helps set priorities for 2022.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 12

DECEMBER 2021

FUND MANAGER COMMENTARY

KEVIN McCREADIE
AGF MANAGEMENT LTD

MARCELLO MONTANARI
RBC NORTH AMERICAN EQUITY TEAM

SEBASTIEN PAGE
T. ROWE PRICE

LESLEY MARKS
MACKENZIE INVESTMENTS

Kevin McCreadie, CEO and Chief Investment Officer

AGF Management Ltd.

The Rise Of Everything

The COVID-19 pandemic remained a dominant force shaping financial markets in 2021, and Omicron, the latest "variant of concern," has surely rattled investors in recent days.

Continue Reading

Marcello Montanari, V.P. & Senior Portfolio Manager

RBC North American Equity Team

Exploring The Potential Of The Metaverse

The "metaverse" has emerged as a highly discussed theme with exciting potential. The metaverse is a network of digitally-accessed virtual worlds. Ultimately, the potential for the metaverse is to become an extension of the internet that interweaves our digital and physical lives

Continue Reading

Sebastien Page, Head of Global Multi-Asset

T. Rowe Price

Focus On Fundamentals

42022 GLOBAL MARKET OUTLOOKGlobal equity markets demonstrated resilience in 2021, although the rise of the omicron variant put a damper on optimism as the year drew to a close.

Continue Reading

Lesley Marks, Chief Investment Officer, Equities

Mackenzie Investments

Inflation Reset, Not Revolution

After a decade of inflation below 2%, we believe inflation will shift to a higher level but won't spiral out of control. It's a reset, not a revolution.

Inflation has the power to impact the outlook for all asset classes. That impact depends on the source of inflation (cost-push or demand-pull), the nature of the inflation (transitory or structural), and the growth environment.

In the current environment, both demand and supply forces are at play, and the data continues to be heavily distorted by the pandemic.

Continue Reading

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 12

DECEMBER 2021

To Page 1

LINKS

To Page 2

A Quarter Of Canadians Overspent On Black Friday And Cyber Monday: Poll	Half Of This Year's Big IPOs Are Trading Below Listing Price	Global Banking Regulations To Tighten In 2022
Timing Is Everything When It Comes To Government Benefits	Economic Outlook Q1 2022: Rising Inflation Fears Overshadow A Robust Rebound	The Bigger Bank RRSP Strategy
74% Of Institutional Investors Likely To Divest From Companies With Poor ESG Records: Survey	Corporate Bond Outlook For 2022	Inflation Proving Stickier Than Originally Thought

CIBC

2021 YEAR END TAX TIPS

Tax planning should be a year-round affair. But as year-end approaches, now is a particularly good time to review your personal finances and take advantage of any tax planning opportunities that may be available to you before December 31st

TO BET ON INFLATION IS TO BET AGAINST HUMAN INGENUITY

David Rosenberg, founder of Rosenberg Research, doesn't expect a sustained surge in inflation. In an in-depth interview, he explains how investors can position themselves for a disinflationary market environment and which indicators he's paying particular attention to.

It's the all-important question for 2022: Will inflation come down again in the course of the coming months, or has a new regime of persistently high inflation begun in the wake of the pandemic? For David Rosenberg, the case is clear: The economist and investment strategist expects the economy to cool down next year. At the same time, supply bottlenecks will ease as more capacity is built up

VIDEO AND PODCAST LINKS

Market I Underestimating 5G And The Potential Going Forward: Portfolio Manager	Omicron Shakes The Markets	Federal Reserve Can't Be Sure Inflation Will Ease In 2022, Prices 'Higher' Than Expected

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR	FIDELITY myPLAN SNAPSHOT	CANADA MORTGAGE CALCULATOR WITH 40 YEAR AMORTIZATIONS!
Find out how much your savings will grow over time by making regular investments	The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.	This mortgage calculator is proudly Canadian made!

EDITORIAL COMMENT - CONTINUED

The chilling feature of this Omicron is how extremely contagious it is and how rapidly it is spreading around the world. Even those with three vaccine shots are targets of this virus.

Fortunately, it does not seem to have the same deadly effects of the Delta variant, but it remains to be seen the kind of effect this will have on the unvaccinated, and there are many in the U.S. Only 61% of Americans have had two shots; and stunningly, only 28% have had their boosters.

The effects of the Omicron variant has already impacted our lives from the National Football League to Broadway shows to Saturday Night Live that filmed their last show without an audience and a skeleton cast and crew. I only expect the impact of Omicron to become much worse in the coming days. This will present an enormous and unwelcome challenge for the already struggling and reeling Biden Administration.

Although there are still Billions of unused dollars remaining from last spring's mammoth $1.9 trillion Covid aid bill, potentially necessary aid for businesses and cities could quickly consume these funds over the next few weeks.

How quickly things are changing in the second decade of the twenty-first century. Only weeks ago, I was following the concerns pundits where having over hyper-inflation, rising interest rates, the end of asset purchases etc. and now these same pundits are wondering if the Federal government will use fiscal and monetary policy to increase aid.

As we approach 2022, investors are faced with a complex and highly fluid environment. Many investors use the beginning of a new year to rebalance their portfolios and align them to their perceived outlooks. This will be a difficult task in 2022 as we deal with many problematic themes from, persistent inflation, central bank policy, a longer-term Chinese slowdown, the effects of the B.C. floods on the Canadian economy, supply chain disruptions and the new Omicron variant

Following is my outlook going into 2022 which I hope will bring a little clarity to the path forward. One thing I can stress is that success in 2022 is contingent on active management and seizing opportunities while managing risk.

A quick recap of the last 12 months can easily be summarized by the overwhelming liquidity that came from monetary and fiscal policies. All this money helped fuel broad -based returns across most asset classes. The big question going into the new year is: What will happen to our portfolios as liquidity declines and economies continue their return to normal?

Although I expect economic growth and earnings growth to decline in the coming year, it will likely remain higher than the average pre-pandemic growth rates. Conversely, inflation is likely to decline from 2021 levels, but remain higher than the previous 10-year average. As for interest rates, I expect they will trend higher from current levels, but at a moderate pace.

In my opinion the biggest economic divergence and controversy revolves around the two takes on inflation. Economists seem to be divided between two schools of thought. On one hand there are those that believe inflation is TRANSITORY and on the other hand there is a contingency that warns that we are facing STAGFLATION like we experienced in the 1970s. So far, the Transitory advocates, I included, have argued that this blip is temporary – although longer than we originally anticipated.

Some economists like Olivier Blanchard, the former chief economist of the International Monetary Fund, warned that the American Rescue Plan ($1.9 Trillion) Bill enacted early in the Biden administration would fuel an increase in spending by far more than the amount of slack that remained in the economy and that this unsustainable boom in demand would cause inflation to rise much higher.

The Inflation Transitionists argued that much of the money handed out by the government would be saved rather than spent. Unfortunately, this has not been the case. Inflation did in fact shoot up but when you look at the numbers, overall spending isn't extraordinarily high. It is up a lot but only enough to bring us back to the pre-pandemic trend. So, the question remains, "why are prices soaring"?

Part of the answer can be explained away by supply chains. The conveyor belt that normally brings goods from manufacturers to consumers has suffered from shortages of port capacity, truck drivers, warehouse space and more. Meanwhile a shortage of silicon chips is crimping production of many goods, especially automobiles. Recently, a report by the Bank for International Settlements has attributed these bottlenecks alone have caused inflation to rise by 2.8%.

The lack of buyers has not been the problem. Global supply chains have delivered more goods than ever before, but they have struggled to keep up with the extraordinarily high demand.

EDITORIAL COMMENT - CONTINUED

The issue is that the demand has focused more on goods than on services. A great characterization is that people have been unwilling to go to the gym and instead are purchasing exercise machines and working out at home.

No wonder the ports are clogged.

Of bigger concern to me is the “Great Resignation” in the U.S., as Americans are apparently unwilling to return to work. There are still four million fewer Americans working than there were just prior to the pandemic. The U.S. is also faced with a record number of people quitting their jobs as they believe better paying jobs are easier to find these days.

I do expect inflation caused by supply-chain disruptions to recede in the coming months, but it is not at all clear whether Americans who have dropped out of the labour force will return. So, even if inflation does ease up, it may stay uncomfortably high for a while.

Although I still believe that inflation is Transitory, I would reconsider my position if I saw evidence that expectations of future inflation are beginning to drive prices. We are diligently keeping an eye on manufacturers to see if they will raise prices even though costs and demands for their products aren’t exceptionally high. So far, I do not see signs that this is happening but the concern is there.

Keep an eye out for KPW’s January Newsletter where I will give my forecasts for 2022.

Happy Holidays and stay safe.

Kevin McCreadie - CONTINUED

Yet, barring another full-scale outbreak that shuts down huge swaths of the global economy again, it's safe to say the virus' toll on our physical, mental, financial and social well-being has receded significantly since the height of the crisis almost two years ago. And at least in the minds of investors, the pandemic should continue giving way to the economic side effects that have been spawned in its wake.

In no way is this shifting focus more evident than in our current fixation with inflation, which has climbed to heights not seen in decades and may now represent the biggest threat to investors' portfolios. While the economy is arguably stronger heading into 2022 than it has been in years, there is mounting concern about the trajectory of future growth, especially if inflationary pressures persist well into the new year.

n part, this is because higher prices for everyday essentials like groceries, gasoline and home heating could eventually cut into demand for discretionary goods and services, which helps drive higher earnings growth in most economies. But perhaps the bigger worry is the eventuality of higher interest rates should inflation continue to rise. In this case, it's less about distribution of demand than about a reduction of demand, because most everyone's cost base – from consumers and small businesses to the largest corporations – becomes more expensive and cuts into their purchasing or earnings power.

It's to that end that so much attention is being paid to the U.S. Federal Reserve and other central banks these days. While several Emerging Market countries have already raised rates to combat higher inflation, most of their developed market counterparts have yet to pull the trigger. The Fed, for its part, now says U.S. inflation will linger longer than previously anticipated but still believes it will fall back closer to a rate of 2% over time. As such, it remains reticent about raising its overnight lending rate anytime soon, if at all, in 2022, despite market expectations that are predicting two rate hikes next year, likely starting in the late spring.

In contrast, the Bank of Canada (BoC) should meet expectations by raising its key rate sometime in the first quarter. However, while the potential timing of its first hike since 2018 jibes with markets, the BoC isn't signaling nearly as many rate hikes as some prognosticators suggest it should make in 2022.

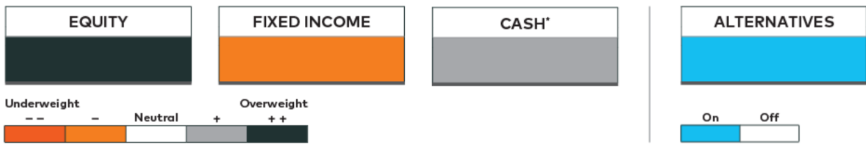
Of course, who ends up being right will be the one of the big market-moving questions of the next few months. And to some extent, the answer lies in the ability of global supply chains to right themselves after months of disruptions tied to labour shortages, and pandemic-related manufacturing outages. But whether inflation subsides – and central banks aren't necessarily forced to raise rates – may have just as much to do with rising wages as it does with supply shortages. While the latter seems like an inevitable fix over the next few months, higher labour costs are not so easily remedied and can lead to inflation that is much more persistent.

Granted, inflation isn't always negative for markets. In fact, it may end up being a relatively positive economic condition if it moderates even slightly and leads to slow and measured rate increases that don't hinder growth over time. Yet investors can't rule out the potential dangers associated with stubbornly high prices, nor should they ignore the prospect of stagflation setting in – at least not entirely. While there's little reason to believe economic growth will collapse over the next 12 months, it's conceivable that it will likely slow from the torrid pace of expansion this past year. This may be true even if interest rates don't rise as expected, or if Omicron only ends up leading to minor restrictions on economic activity around the world.

Beyond these two potential headwinds, global growth will likely continue to grow from here without the aid of more fiscal stimulus from governments. At the same time, many of the spending programs put in place over the past two years may result in higher taxes to pay for them. China, meanwhile, stands out as another potential drain on global growth, not only because the world's second largest economy continues to grapple with production concerns related to energy and material shortages, but also because of its zero-tolerance COVID-19 policy and the ongoing regulatory crackdown on key sectors of the country's economy.

In other words, caution is advised as investors head into 2022 – but not at the expense of optimism. While more subdued economic growth and higher market volatility may be defining characteristics of the year ahead, so too will the pockets of opportunities that arise in this type of an environment. Stock markets, for example, seem more likely than not to climb higher over the next 12 months, albeit hardly to the extent they did in 2021.

Kevin McCreadie - CONTINUED



Source: AGF Asset Allocation Committee Fourth Quarter Update (as of October 1, 2021). Based on a 60/40 portfolio mix of equity and fixed income. For Illustrative purposes only.

As such, we believe a bias of equities over fixed income within a 60/40 portfolio remains the most prudent allocation for now. In particular, we see some strong opportunities originating from countries like Japan and Europe, and view quality companies more generally as being better positioned to navigate the potential for higher interest rates and slower growth down the road.

That doesn't mean fixed income is an afterthought. To the contrary, while government bonds may struggle if rates rise, they can still provide important ballast during periods of volatility. Moreover, alternative sources of yield, including private credit, can help pick up the slack and may mitigate losses.

All in, then, investors have a lot to consider heading into the new year, including the possibility of higher inflation, higher interest rates, higher taxes and higher market volatility. Yet, as long as everything doesn't go too far up over the next 12 months, there's reason to believe investment returns may rise, too.

Marcello Montanari - CONTINUE

There is much debate about how the metaverse will change the way we entertain and connect with each other, as well as its commercial applications and uses in everyday life. We caught up with a number of experts from the RBC North American Equity Team to discuss how the metaverse might impact investments in the Technology sector

The Opportunity For The Metaverse

- An important question is who will build the metaverse that ultimately captures the lion's share of the user base? Historically, a new ecosystem like this requires a leader. This will likely be a firm with the resources to invest heavily in this space and can vertically integrate with other existing platforms.
- Another question is whether adoption will be spurred through the consumer market or enterprise market. In the early days of the personal computer, enterprise was the segment that led adoption. Extending that to the metaverse, virtual meetings that take place in virtual reality could be an initial use case.
- At the beginning, the target market for the metaverse appears to be young folks on the consumer side. Particularly because the technology is primarily created by this younger cohort, and there is greater comfort for a generation that grew up with modern technology. However, the consumer market faces barriers like a high price tag for mixed reality hardware and gaming performance that lags traditional platforms

Opportunity For Meta (Formerly Facebook)

- Mark Zuckerberg is trying to lead the next frontier of social connection with a commitment of $10 billion to investing in the metaverse. This focus extends back several years, to their acquisition of virtual reality entertainment company Oculus in 2014.
- Mark Zuckerberg has described the metaverse as simply the next frontier of social connection. On the consumer side, Meta has some advantages. They have half the world on one of their platforms, Facebook and/or Instagram. From a hardware perspective, Oculus should continue to be an attractive driver for consumers.
- However, on the enterprise side they will need to find ways to extend their reach. Their existing platforms are generally blocked on workplace networks. They'll likely need to create growth organically through differentiation rather than with acquisitions. Google attempted this strategy, but it's quite costly and took some time before succeeding.
- Further complicating Meta's opportunity is that their current users on the Facebook platform are an older demographic, so they may find some difficulties in getting their current base to adapt.

Opportunity for Microsoft

- Unlike Meta, whose opportunity appears largely on the consumer side, Microsoft's strong enterprise distribution network will be an enormous strength for them. Their years of relationship building in sales channels and strong market share gives them a considerable edge if organizations adopt the metaverse in the workplace.
- Microsoft can compete on the consumer segment as well. Microsoft's Xbox is a direct gateway to loyal consumers in the gaming space. They also have a significant advantage in the form of their Windows operating system.
- Microsoft has a proven successful track record at integrating hardware and software, which gives them the flexibility to vertically integrate and compete on multiple fronts.

Opportunity for Apple

- Apple stands to benefit on the hardware side having invested heavily into their ARM-based M1 computer chip, which brought significant efficiency and speed improvements over the chips they were using from Intel. However, ARM-based chips aren't necessarily proprietary to Apple and they're likely to face competition.
- Cannibalization is also a possibility as the development of products integrating the metaverse (e.g. wearable technology like glasses) may impact sales of successful existing products like the Apple Watch, iPhone, Air Pods, etc.
- Apple does carry the advantage of its consumers being willing to pay a premium for new cutting edge technology. This is something they have capitalized on for many years. However, it's important to consider there could be multiple metaverses and competition could be high.

Marcello Montanari - CONTINUE

- Another consideration for Apple is software development. They will likely need to lean on the developer community in some capacity, and that relationship needs some repair after the significant scrutiny over its App Store business model. Once this can be repaired, it would seem more reasonable for developers to want to be part of Apple's journey to create their own metaverse.

Other beneficiaries

- Roblox, an online platform that allows users to play games together, has an interesting stake already in the world of VR. They have players on their platform who interact and attend virtual events. Players can even customize their avatars and soon purchase Nike gear from a virtual store. Roblox is played by over half of all children under 16 in the United States, meaning they've captured a demographic that is comfortable with gaming and modern technology. There might be an opportunity to capitalize further if they decide to pursue the acquisition of a VR headset company.

- Semiconductor companies may also be beneficiaries, such as NVIDIA. NVIDIA's graphics processing units and CUDA software will help with the infrastructure needed to create a metaverse. Furthermore, their Omniverse platform could be a dominant working tool for those in creative spaces.

- In order for a metaverse to be feasible, it will require low latency, high bandwidth and increased networks to support peer-to-peer networking. Companies that create this equipment and can support this innovation could have an edge moving forward, like Cisco Systems, Ciena, F5 and Equinix.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

Lesley Marks - CONTINUED

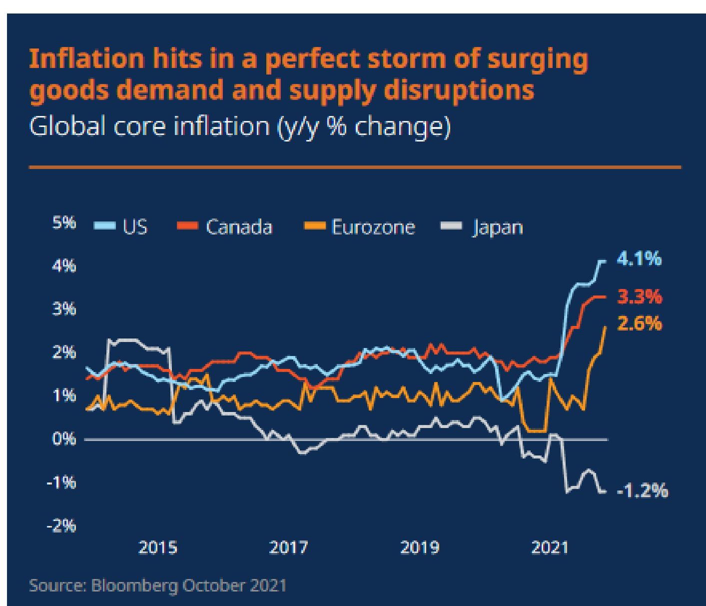
Demand-pull inflation is due to a surge in demand. This type of inflation is a sign of the good times and includes wage growth that fuels further consumption. The key for equity investors lies in companies continuing to pass along price increases that keep all-important corporate earnings protected.

Cost-push inflation arises when there's tight supply of inputs and labour. Supply chain disruptions, often transitory, don't worry us as much as the pre-pandemic trends lingering in the labour market – an ageing workforce, declining labour market participation and skills mismatch. Impaired immigration flows have also impacted labour force growth. One counter to the impact of the tight labour market is the continuous rise in automation

Supply and demand are out of sync. While consumption has skyrocketed, labour and supply chain disruptions caused by rolling lockdowns have not yet eased. This pandemic-induced disequilibrium marks a significant misalignment of supply and demand. How long this will last is on the mind of every central banker who has bet on the current inflation trend being transient.

Stagflation is a non-starter. If costs stay elevated due to long-lasting shortages (such as the 1970s oil embargo), inflation could send bond yields and prices so high that economic growth gets choked off, and stagflation is a risk. But to be in stagflation, the economy needs to be stagnating. With robust demand, rising employment, rising wages and well above potential GDP growth, we believe the economy remains firmly in boom mode.

Our view on inflation: We are experiencing a reset to a new base level, but not a revolution. Inflation will reset at a level higher than the sub-2% range of the last decade. Global deflationary forces, productivity gains, and fading medium-term transitory factors are expected to keep inflation from spiralling out of control. Of course, there are still central banks to consider. They may take a lighter hand on the wheel, but they're not asleep.



Sebastien Page - CONTINUE

Looking ahead to 2022, the question is whether earnings growth will continue to support U.S. equity valuations that appear stretched in absolute terms.

Although signs of speculative excess abounded in 2021 in areas like cryptocurrencies and nonfungible tokens, the U.S. stock market did not appear to be in bubble territory, Page asserts. But equity valuations were a bit of a puzzle, he says.

- As of mid-November 2021, the price/earnings (P/E) ratio on the Russell 3000 Index was almost at the top of its historical range since 1989.
- Relative to real (after-inflation) bond yields, however, the index's earnings yield was in the least expensive percentile for that same period.

"So I can say that U.S. stocks looked almost as expensive as they've ever been, but also almost as cheap as they've ever been, and both statements are technically correct if you look through the right lens," Page observes.

Much will depend on the strength of earnings growth in an environment where the spread of coronavirus variants and the potential for rising interest rates both pose significant—if contrary—risks to the global economic recovery.

Throughout most of 2021, U.S. equity gains were supported by a steady stream of upward earnings revisions, Thomson notes. Despite a nearly 23% rise in the S&P 500 Index in the first 10 months of the year, the index P/E actually fell over that same period as earnings rose faster than stock prices.[1]

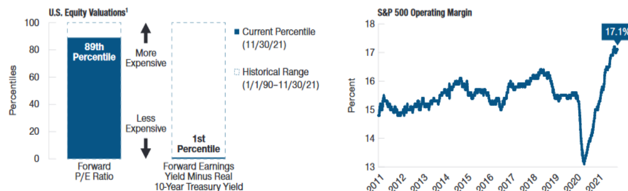
If the recovery remains on track, earnings growth should continue in 2022, Thomson predicts. But with S&P 500 operating margins at a record level, U.S. earnings momentum is likely to slow. "The starting point for profitability is very high," Thomson says. "It's going to be a hard hurdle to beat."

Beyond 2022, the hurdles look even tougher to clear, Thomson warns. "The next two to three years could be very difficult from an earnings growth perspective. At a minimum, we could well see below□normal growth. But the stock market simply has not factored that in.

[1]Past performance is not a reliable indicator of future performance

Although Stocks Do Not Appear Expensive Relative to Bonds, Earnings Momentum Could Slow

(Fig. 3) Distribution of U.S. equity valuations and operating margin for companies in the S&P 500 Index



As of November 30, 2021.
[1] Valuation measures are based on the Russell 3000 Index. Stock versus bond yield percentile has been reversed. The earnings yield is earnings per share divided by stock price.
Sources: Bloomberg Finance L.P., Strategas Research Partners, and Standard & Poor's (see Additional Disclosures); data analysis by T. Rowe Price.

Slowing earnings momentum also is likely to produce more uneven results across companies, Thomson says, requiring investors to be more selective but potentially creating opportunities for active portfolio managers to add value for their clients.

Likewise, rising costs could put a premium on stock selection skill. "Companies that can pass through inflation should continue to see earnings growth," Thomson says. "But for companies that don't have pricing power, it could be an issue.

"The earnings picture for ex□U.S. equities is more mixed, Thomson says. While earnings growth has been surprisingly strong in Europe, momentum in Japan has been slowed by a sluggish domestic economy.

Looking to 2022, however, Thomson suggests that Japan could offer potential relative valuation opportunities if the global recovery remains on track, as could equities, credit, and currencies in select emerging markets (EM). A contrarian case can be made for Chinese equities, he adds, as Beijing moves to restimulate an economy that appears close to stall speed.

Valuation fundamentals and cyclical factors could favor the "recovery trade" in 2022, Page says. Financial stocks, which carry a heavy weight in the value universe, historically have tended to outperform in a rising interest rate environment, he observes. And small-cap stocks typically have done well during economic recoveries.

In a period of rising rates and higher inflation, the growth style could underperform, Thomson concedes. This could have implications for key growth sectors—technology in particular—that have led equity markets for much of the past decade.

"Companies that can grow earnings persistently over a long period of time are extremely rare," Thomson says. "So I think the odds that technology will continue to be a dominant sector are rather low."

To Page 1 Disclaimer

Sharing Assets —Continued

Because the options are ample, I'd like to provide an overview of the types of co-ownership of property as well their tax and legal implications. Ultimately, gaining a better understanding on this matter can ultimately help to avoid family conflict and other potentially adverse consequences.

The premise of co-ownership relies on the fact that each individual owner has an indivisible possession, meaning it is rarely possible to physically divide the asset. It is however possible to legally establish whether each owner's interest is identical or not. Tenancy in common, is a form of co-ownership that permits unidentical interests in the ownership of the property. For example, there may be more than two owners with varying ownership amounts (i.e., 50/25/25). This form of ownership does not allow for right of survivorship, thus, when one owner dies, their will (or rules of intestacy) handle their interest in the property. This leads to a deemed disposition (disposal without an actual sale) of their share of the property, with potential for income taxes. Their share will also be subject to probate, meaning estate administration taxes and the potential for a lengthy probate process.

On the other hand, with joint tenancy, each owner has indivisible possession, but the interest each owner has is identical. This means that each owner essentially owns 100% of the jointly held property. Upon the death of one joint tenant, the property passes to the surviving joint tenant(s) by rights of survivorship. The will of the deceased joint tenant will not impact how their ownership interest is handled. The tax treatment also differs from tenancy in common, as the tax liability resulting from the deemed disposition depends on the form of joint tenancy.

There are four required unities for ownership to be considered joint tenancy. The first is unity of title, whereby each owner should have an equal claim to the property under the same authorizing documents. The next is unity of possession whereby each owner should have an undivided legal possession of the property. Each owner has a 100% interest in the entire property and has no right to exclude the others from ownership of any part of the property. Next, there is unity of interest, meaning each owner has an identical interest in the property by nature, extent, and duration. Finally, there is unity of time, where each owner's interest in the property must be obtained at the same time. It's important to note that if any of the joint tenancy unities are severed, the ownership structure defaults to tenancy in common, resulting in part of the property forming part of a deceased owner's estate.

In the past, joint tenancy was straightforward, but in recent years the Supreme Court of Canada has provided distinctions in how we define and utilize joint tenancy. One of these is true joint tenancy, which occurs when each of the joint tenants has a legal and beneficial ownership in the property; meaning one is holding the property for the benefit of the other.

Beneficial title means one is the real owner of the property and can directly benefit from the use of the property. The CRA treats each joint owner as owning an equal dividend interest since both owners are presumed to have equal right, access, and use of the property. If one of the joint owners dies, the surviving joint owner assumes ownership of the account, meaning the property passes outside of their estate, and any gains or losses on their share is reported in their terminal tax return (unless a spousal rollover occurs). Generally, this is the most appropriate form of joint tenancy for spouses and common law partners as all true joint tenants maintain complete control of the assets.

Next, there is resulting trust joint tenancy, which occurs when there is a 'free' transfer (no money or other consideration exchanges hands). An example would be when an adult child does not pay for their portion of property, and the onus is on the adult child (or transferee) to demonstrate that the gift or the transfer by the parent was intended. Should the transferee be unable to prove otherwise, the asset regresses back to the parent's estate and has the potential to become part of probate and estate taxes. However, if the transferee is successful in disproving the presumption of resulting trust, they maintain the asset as the new owner.

Finally, there is joint tenancy with gift of right of survivorship which occurs when a parent adds their child as a legal owner, and on the parent's death the child assumes both legal and beneficial ownership of the property. During the parent's lifetime they maintain complete control of the property, and the CRA treats the parent as the sole taxpayer on the asset until their death, at which point the asset is transferred to the child who becomes responsible for taxes going forward. It is essential to document this agreement to prevent a presumed resulting trust or a true joint tenancy. When the parent dies, there is a deemed disposition on the asset which is taxed on their terminal tax return, which prevents the assets from going through probate and avoids associated estate taxes.

In certain situations, parents may be inclined to add their adult child as a joint tenant on their principal residence, in order to facilitate the transfer down the road. It is important to be cautious in doing so, and it is recommended that parents rather add their child using the strategy of joint tenancy with a gift of right of survivorship.

Sharing Assets —Continued

By using this strategy instead, it ensures that on the parent's death or disposition of the principal residence, the capital gains on the property can be fully sheltered using the principal residence exemption. This arrangement also ensures there is no deemed disposition when the child is added, no tax liability to the child when property is sold or at the parent's death, an ultimately offers protection from the potential drawbacks of true joint tenancy.

The negatives I am referring to with true joint tenancy are that the CRA treats the property as if it is owned equally by each parent and child, meaning the parent may only be able to claim 50% of the principal residence exemption if the child owns another property they wish to utilize their exemption for.

There are three ways in which joint tenancy can be severed. The first is by unilaterally acting on one's own share such as selling it. If the unity of interest, possession or title are invalidated, the co-ownership is severed.

The second way to sever joint tenancy is through agreement by the parties involved, which can either be express or implied, but regardless the agreement should be documented to prevent any future disputes.

Finally, any actions that suggest the owners are treating the property as if it were tenancy in common is sufficient to sever the co-ownership. Ultimately, all three forms of joint tenancy look alike, requiring clear documentation of the intention of owners, and without this, the courts will decide what they believe to be true based on facts and legal presumptions. Such documentation may include a deed of gift, a statutory declaration, an enduring power of attorney, or a bare trust agreement. Because undue influence is increasingly prevalent, the transferor must also ensure that gratuitous (free) transfers are not the result of manipulation or coercion by the transferee.

Given these variables, I cannot stress enough the importance of seeking independent legal advice with a competent advisor to compile and explain the necessary documentation describing the type of joint tenancy someone wishes to enter.

Yes, You Can Transfer A 401(k)—Continued

An IRA is like an RRSP in that it allows you to claim a tax-deduction on your contributions, while also enjoying tax-deferred growth on your money.

If you've since returned to Canada, under certain conditions, you can transfer your 401(k)plan to an RRSP. Canadian tax law will permit a resident living in Canada to transfer a foreign pension plan such as a 401(k) plan to an RRSP on a tax-deferred basis. The conditions are:

· The payment from the plan must be a lump-sum amount.

· The payment must relate to services rendered by you, your spouse, or your former spouse during the period in which you were a non-resident of Canada.

· The payment must be fully taxable in Canada and included in your income in the year of transfer.

· The amount transferred must be designated as a transfer on Schedule 7 of your Canadian income tax return in the year of transfer to obtain an offsetting deduction from the income inclusion.

Moreover, the transfer will not affect your RRSP room as it is considered an addition to your regular RRSP room. Unfortunately, you cannot transfer the amount to a spousal RRSP and because the transfer includes a tax deduction, everything has to be completed within the first 60 days of the year (i.e. RRSP season).

There are U.S. tax consequences to be aware of in this type of transfer. For example, only a portion of the transfer amount will be available for a tax deduction due to U.S. withholding tax that will be charged on the lump sum. Fortunately, you will be able to claim a foreign tax credit or similar deduction to make up for it.

At the time of the withdrawal, there will be special consequences for individuals under the age of 59 ½. This is because there's an additional U.S. withholding tax for this age group and it will require proper planning to ensure that you are maximizing your ability to use the additional foreign tax credits on the Canadian side.

Under Canadian tax law, an IRA is considered a foreign retirement arrangement. The rules and consequences for transferring an IRA to an RRSP are the same as transferring a 401(k) plan to and RRSP with one important distinction: contributions made into the IRA by the employer are not considered part of the "eligible amount". Only the eligible amount, which are contributions made by the employee, the employee's spouse, or employee's former spouse, are eligible for transfer into an RRSP.

Lastly, a little trick of the trade: Sometimes, a 401(k) plan isn't eligible for a rollover to the RRSP because benefits weren't attributable to services rendered by the individual, or the individual's spouse or former spouse while a non-resident in Canada. If this is the case, the 401(k) plan can be rolled into an IRA. Once this happens, the new IRA can be transferred to an RRSP on a tax-deferred basis provided the conditions required are satisfied.

Kleinburg
PRIVATE WEALTH

Carte
WEALTH MANAGEMENT INC.

DISCLAIMER

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

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

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

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

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

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

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

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

RETURN TO PAGE 1