Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

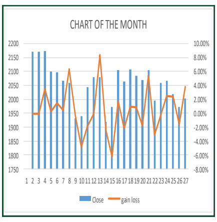
KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 9, ISSUE 2 FEB 2020

“INVESTORS SHOULDN’T STAY ON THE SIDELINES IN THE 2020 MARKET, ‘CASH IS TRASH’” *- Ray Dalio*

Sergio Simone
EDITORIAL COMMENT

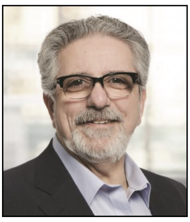
Kristina De Souza
REVIEWING YOUR NEED FOR LIFE INSURANCE



2020 WEALTH PLANNING FACTS & FIGURES

Ryan Simone, CLU, CHS
MY MOVE TO LIFE-STYLE FINANCIAL PLANNING

Editorial Comment



Sergio Simone

The investment industry is very predictable in its unpredictability. For example 2019 was a year that delivered higher than expected returns which created an euphoric and much needed bump in our portfolios. 2020 was beginning to look like a continuation of the previous year when suddenly, right out of the blue, a new virus has threatened to obstruct the markets’ growth.

Continue Reading

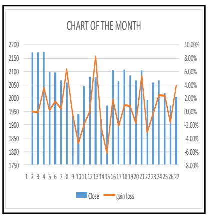
Reviewing Your Need For Life Insurance

Kristina De Souza

When you think of the need for life insurance, most peoples’ minds are drawn to the obvious, the requirement to cover final costs (i.e. funeral expenses). However, the reality is that this is not always the case; as one nears the age of retirement they generally should have accounted for these costs already.

Continue Reading

2020 Wealth Planning Facts & Figures



As we move into tax season here is a great two page chart that offers statistical information on a wide variety of topics. It includes: RSP and TFSA contribution limits and withdrawal withholding taxes, RRIF minimums, Clawback levels, Government Pensions & Allowances, 2020 Marginal tax rates, Probate Fees, just to name a few.

Continue Reading

My Move To Lifestyle Financial Planning

Ryan Simone, CLU, CHS

What do you want to do before you die?

It’s a blunt way to ask an important question. Maybe it’s that convertible you’ve always wanted; maybe it’s spending 3 weeks in Europe every year. Maybe, it’s about freeing up more personal time for family, friends, or your own interests.

Continue Reading

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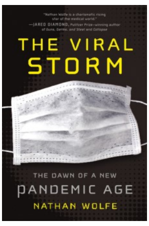

BOOK OF THE MONTH

FUND OF THE MONTH
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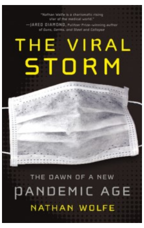
GLOBAL ALLOCATION

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH
Savvy New Canadians

BOOK OF THE MONTH

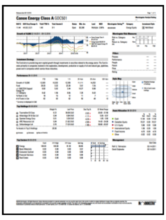


The Viral Storm—The Dawn Of A New Pandemic Age

—By Nathan Wolfe

A "mix of biology, history, medicine, and first-hand experience [that] is potent and irresistible,"* The Viral Storm: shares information Wolfe uncovered on his groundbreaking and dangerous research missions in the jungles of Africa and the rain forests of Borneo to provide an in-depth exploration of how lethal viruses evolved alongside human beings; how illnesses like HIV, swine flu, and bird flu almost wiped us out in the past; and why modern life has made our species vulnerable to the threat of a global pandemic.

FUND OF THE MONTH



IA Clarington Global Allocation Fund

Unconstrained, alpha-focused strategy invests across multiple asset classes, sectors, regions, countries and currencies. Concentrated, yet diversified equity portfolio and an alpha-driven fixed-income allocation that complements, rather than hedges, the equity component. Focuses on quality, enduring businesses that the portfolio managers view as superior long-term investments

SHADOW BANKING SYSTEM

The Shadow Banking System is a network of financial institutions comprised of non-depository banks—e.g. investment banks, structured investment vehicles (SIVs), conduits, hedge funds, non-bank financial institutions and money market funds. They generally serve as intermediaries between investors and borrowers, providing credit and capital for investors, institutional investors, and corporations, and profiting from fees and/or from the arbitrage in interest rates.

Continue Reading

BLOG OF THE MONTH

A COMPLETE GUIDE TO CANADA'S RETIREMENT INCOME SYSTEM

This is an extensive (yet simplified) guide on Canada's retirement income system. It summarizes the basics of the benefits and incomes available to seniors in their retirement and also gives a few pointers on how to get started on your retirement planning and on your journey towards financial freedom.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

THE NEW FACE OF WEALTH AND LEGACY: HOW WOMEN ARE REDEFINING WEALTH, GIVING AND LEGACY PLANNING

The rising economic clout of women is perhaps one of the most significant economic shifts of recent decades. Not only are women generating and managing an increasing amount of wealth, they are also directing the economy itself—heading up major corporations and pivotal economic players like the International Monetary Fund and (until recently) the U.S. Federal Reserve.

Continue Reading

PROBLEMS ULTRA-HIGH NET-WORTH-INDIVIDUALS FACE

In a climate of growing income inequality, where the rich are amassing wealth at unprecedented levels while record numbers of everyday citizens live paycheck to paycheck, it may not seem like ultra-high net-worth individuals (UHNWIs) have much to worry about. A UHNWI is defined as a person with investable assets in excess of $30 million. While it takes a special kind of financial irresponsibility for a person with that kind of wealth to develop the kinds of money troubles that plague the rest of society—think bankruptcy, foreclosure, or the inability to make rent—the ultra-wealthy deal with their own unique brand of financial problems.

Continue Reading

PITCAIRN OFFERS INSIGHTS ON 5 TRENDS POISED TO IMPACT ULTRA HIGH NET WORTH FAMILIES & THEIR ADVISORS IN 2020

Pitcairn, the leading family office, today announced five trends that will have a significant impact on high net worth families and their advisors in 2020. Pitcairn's insights on these trends offer actionable next steps for wealthy families as they navigate emerging family and financial issues around succession planning, evolving technology, and investment strategy.

Continue Reading

ARE THERE PSYCHOLOGICAL TRAITS COMMON TO ULTRA-WEALTHY ENTREPRENEURS?

There is a social group about which there has been little academic research. This group values its privacy, and therefore it's quite a challenge to even gain access, let alone be permitted to conduct psychological evaluations. I call this group the "wealth elite," but put another way, it's that group of ultra-high net worth individuals with a net worth in at least the tens to hundreds of millions. Little is known about the personal and behavioral characteristics that helped them achieve such economic success.

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FUND MANAGER COMMENTARY

JASON REED
QV INVESTORS INC

PHILIP PETURSSON
MANULIFE INVESTMENTS

PAUL HSIAO
PINEBRIDGE
INVESTMENTS

GORLEN ZHOU
C.I. INVESTMENTS

Jason Reed, Investment Counsellor & Research Associate, Fixed Inc.

QV Investors Inc.

Portfolio Insurance

People purchase insurance to protect against the financial loss of a contingent event. Every insurance policy has an identifiable risk and premium, or cost, associated with it.

Continue Reading

Philip Petursson, Chief Investment Strategist

Manulife Investments

Oil And The Bullish Case For Canada

My son is working on a history project where he has to answer the question, “Was the assassination of Archduke Franz Ferdinand of Austria a cause or catalyst to World War I?” I can barely remember my WWI history, so when asked my opinion, I offered an honest and only response I could: “I have no idea, but it sounds like an interesting question.”

Continue Reading

Paul Hsiao, Global Economist

PineBridge Investments—Coronavirus Outbreak: Strong Short-term Headwinds For China And The Rest Of Asia, But Long-Term Fundamentals Endure

News of the coronavirus outbreak stemming from Wuhan, Hubei province, China has swept the globe in the last few weeks, and the World Health Organization (WHO) has declared a global health emergency amid rising cases worldwide.

Continue Reading

Gorlen Zhou, Director of Research, Asia

Signature Global Asset Management

CORONAVIRUS UPDATE

The 2020 Chinese New Year holiday in Hong Kong is quieter than usual. Chinese restaurants are usually fully booked during the holiday season, but most of them are half empty nowadays. Even though there are only 15 identified cases of the coronavirus in Hong Kong, locals are being extra cautious –with memories of the SARS in 2003 still fresh. Everyone is wearing mask on the street; companies advise employees to work from home; expats send their families away; and the school holidays got extended by a month.The Hong Kong government effectively closed the Hong Kong/China border, not allowing Chinese tourists to come to Hong Kong.

Outside of Hong Kong, since the outbreak of the coronavirus in China, its neighbouring countries have intensified border restrictions.

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The Precariousness Of Low Interest Rates: Part 1

Low interest rates make life difficult for savers, retirees, pension plans and central banks.

"Self-feeding" Cycle Of Low Interest Rates Poses Challenges For Investors

But Robin Marshall of FTSE Russell says recession risk

Focus On Housing Supply, Not The Mortgage Stress Test, Says Scotiabank CEO

Everybody wants to talk about the

Insolvencies In Canada Now As High As During The Financial Crisis

Personal insolvencies become more common when interest

Saving For Retirement: RRSP Or TFSA?

What's the difference between an RRSP and TFSA—and where should you put your retirement

Understanding Zombie ETFs

The Canadian ETF market has hundreds of funds with lackluster assets under management.

Oaken Survey Suggests Canadian Workforce Facing Future Retirement Shortfall

A recent survey commissioned by Oaken Financial suggests

Everything China Is Doing To Support Its Virus-Hit Markets

China's deadly coronavirus outbreak has been met with a wide

Green, Social And Sustainability Bond Issuance To Jump 24% In 2020

Growth in issuance volumes and issuer diversification is

GLOBAL REPORT—2020

The 2020 Edelman Trust Barometer reveals that despite a strong global economy and near full employment, none of the four societal institutions that the study measures—government, business, NGOs and media—is trusted.

PREDICTING FINANCIAL CRISES: THE SEARCH FOR THE MOST TELLING RED FLAG IN THE ECONOMY

Canada is often cited as having worryingly high household debt-to-GDP and debt-to-disposable-income ratios, but the assets and net worth of Canadian households have grown more quickly than their debt. Using a new financial vulnerabilities barometer, we show that the inclusion of household debt servicing considerably improves the barometer's ability to track financial vulnerability, particularly in advance of recessions. In contrast to the Bank of Canada's financial vulnerability barometer, our index declines sharply after the Great Recession and indicates that financial risks are currently quite low.

VIDEO LINKS

Lights, Camera, Earnings Growth.

AGF's Mike Archibald offershis take on U.S. earnings season and expectations for

Tax Changes For 2020

There will be some changes to taxation in 2020 including an increase to the federal basic personal amount and

ESG Investing: Numbers Suggest Green Investing "Mega Trend"

2019 saw a total of 479

HOW TO RECOGNIZE—AND PREVENT—FINANCIAL ELDER ABUSE

As a wills and estate lawyer, Bianca Krueger has seen her fair share of family conflicts and money-related arguments, but there's nothing more heartbreaking than when a child takes advantage of an elderly parent. Several years ago she received a call from an 80-something client who said she wanted to change her will. She asked to meet away from her home – and Krueger soon understood why. The day of the scheduled meeting, a man called and spoke to her paralegal to cancel the appointment. Krueger thought that very strange, so she visited the client's apartment regardless – where the woman's son physically attempted to block Krueger from entering.

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EDITORIAL COMMENT-CONTINUED

A virus originating from China is the epicenter of a contagion that has caused stock prices to falter, industrial commodity prices to drop and money to head towards the perceived safety of bonds, causing their prices to surge. In a matter of days the virus has gone viral and once again introduced downside risk to the previously positive economic outlook. There undoubtably is concern for how quickly the coronavirus is spreading. At the time of writing this editorial, Beijing has quarantined three provinces, 60 cities and over 400 million people. This containment has almost been futile as the virus has spread to more than two dozen countries.

The question we should be asking ourselves "is the impact of the coronavirus *destructive* or *disruptive?* I expect any news concerning the coronavirus will likely be top of the mind for investors over the coming months and perhaps quarters, as new data highlights the virus's economic impact.

Many have compared the new Coronavirus to the SARS virus but the ripple effects are expected to be significantly larger than SARS. The world, today, is more integrated and China's role in the world economy is much greater today than it was a couple of decades ago. The effect of this is that economists are now lowering their global GDP outlooks for Q1 2020 from a previously forecast global 3% average to a global GDP forecast now mired below 1%. Even so, most economists see this economic shock as temporary, with growth poised to rebound sharply in Q2 or Q3 of 2020. Of course, this will largely depend on the evolution of the current outbreak and its secondary impacts as consumer and business confidence is squeezed.

The following chart highlights past epidemics. The analysis show how markets have quickly recovered after epidemics, going back to the 90s.

Epidemic	Country of origin	Share of global GDP	Month First Appeared	S&P 500 performance 1 month	S&P 500 performance 3 months	S&P 500 performance 6 months
2019-nCoV Coronavirus	China	19.1%	Dec. 2019	0.0%	?	?
Ebola Virus	West Africa	0.6%	Mar. 2014	0.0%	5.6%	6.5%
Avian Flu (H7N9)	China	12.7%	Mar. 2013	1.9%	2.9%	8.3%
MERS Coronavirus	Middle East	1.6%	Jun. 2012	3.3%	11.7%	9.2%
Swine Flu (H1N1)	Mexico	1.6%	Apr. 2009	3.8%	10.1%	30.1%
SARS Coronavirus	China	4.6%	Nov. 2002	0.2%	-7.8%	4.8%
Avian Flu (H5N1)	Hong Kong	0.6%	May 1997	7.4%	11.2%	11.0%

Using history as my guide, I can be fairly confident that the markets will be well ahead of the economists in assessing the investment landscape. The expectation is that this course will reverse once there is a stabilization of new coronavirus cases. This is exactly what transpired with the SARS virus and the Ebola outbreak in 2015-2016. The hardest hit areas of the market were among those segments most likely to outperform when the new cases moderated. Unfortunately, the daily case counts are still indicating an increase in the number of new cases. Good news for the markets, most recently, is that a vaccine seems imminent. The news has helped restore a calm to the markets.

A move by the People's Bank of China has added a calming affect to the markets as well. They have taken steps to cushion the economy from the health crisis by adding CNY900 billion of funds to the repo market (repurchase market explanation) and reduced the interest rates on short-term borrowing by 10 basis points. I would also expect the Chinese authorities to add additional stimulus to the system once they get a better handle on the situation. The bottom line is that the spread as well as remediation efforts have been at a faster speed compared to the previous epidemics.

Like any unexpected market influential news, investors have reacted emotionally more than logically, creating abnormal market volatility. My advice is **"DO NOT ACT HASTILY"**. If you hold a well-diversified portfolio that aligns with your long-term goals and risk tolerance, you will withstand the urge to try and guess what the market is going to do. By removing the guesswork, you will let the benefits of portfolio diversification and long-term investing do their job. The best thing to do right now is sit back while some of your portfolio assets fall and others rise. In the long run you will be pleased you stayed the course.

Instead of worrying about the coronavirus, now might be a good time to reflect on a number of positive developments which occurred in the last half of 2019 and have paved the way for a positive 2020. The Phase 1 trade agreement between China and the U.S. was signed; a majority government in the United Kingdom seems to have lowered the risk of a disruptive geopolitical event; The conflict with Iran seems to have passed quickly; The Global Monetary Stimulus Policies are working their way through the system; And positive news on a peace treaty between the U.S and the Taliban in Afghanistan are paving the way for a return of American troops in 2020.

EDITORIAL COMMENT-CONTINUED

The most difficult job for an investor is to accurately assess one's long-term financial goals and risk tolerance. The next important challenge is to construct a well-diversified portfolio that is able to satisfy those constraints. Once that is achieved, you will be able to largely ignore daily market machinations and let the portfolio do its job. I'm sure it will be no different this time around.

In the words of Benjamin Graham, the father of value investing: “In the old legend the wise men finally boiled down the history of mortal affairs into a single phrase”: **“This too will pass”.**

2020 WEALTH PLANNING FACTS & FIGURES—Continued

RRSP & TFSA Contribution Limits

RRSP Contribution Limit - 18% of previous year's earned income to a maximum of:	2020 - $27,230
	2021 - $27,830
	2022 - Indexed to average wage growth
TFSA Contribution Limit	2020 - $6,000
	2021 - $6,000*

*Subject to possible $500 increase due to indexing.

Withholding Tax Rates for RRSP and RRIF* Withdrawals

Amount	Quebec	All Other Provinces
Up to $5,000	20%	10%
$5,001 – $15,000	25%	20%
Over $15,000	30%	30%

*On amounts over the annual minimum payment.

RRIF Minimum Withdrawals

Fair market value of RRIF on December 31 of previous year multiplied by prescribed factors below

Age	%	Age	%	Age	%
60	3.33	72	5.40	84	8.08
61	3.45	73	5.53	85	8.51
62	3.57	74	5.67	86	8.99
63	3.70	75	5.82	87	9.55
64	3.85	76	5.98	88	10.21
65	4.00	77	6.17	89	10.99
66	4.17	78	6.36	90	11.92
67	4.35	79	6.58	91	13.06
68	4.55	80	6.82	92	14.49
69	4.76	81	7.08	93	16.34
70	5.00	82	7.38	94	18.79
71	5.28	83	7.71	95+	20.00

Government Pensions & Allowances

	CPP & QPP	OAS	GIS	Allowances
Eligibility	Employees & self-employed	Canadian citizens & residents	Low income OAS recipients	Spouse of OAS recipients (widows & widowers)
Maximum Pension (approx.)	$14,109.96/yr $1,175.83/mth	$7,362.36/yr $613.53/mth	Single: $10,996.56/yr Spouse: $6,619.56/yr	Spouse: $13,981.92/yr Survivor: $16,667.04/yr
Taxable	Yes	Yes	No	No
Indexed for Inflation	Yes, adjusted annually	Yes, adjusted quarterly	Yes, adjusted quarterly	Yes, adjusted quarterly
Full Benefit Age	65	65	65	Paid only if 60–64
Earliest Eligibility	60 with benefit reduced	65	65	Paid only if 60-64
Clawback	No	Yes	Yes	Yes
Payable Outside Canada	Yes	Under certain conditions	6 months maximum	6 months maximum

Source: Service Canada: CPP/QPP/OAS Quarterly Report – Rates and Related Figures for January 2020. Visit servicecanada.gc.ca for updated figures.

Clawback or Income Level Cut-off

Type of Benefits	Clawback/Cut-off
OAS	Clawback when net income is between $79,054 to $128,137
	OAS clawback is equal to 15% of the amount by which your net income (including OAS) exceeds $79,054
	Full repayment of OAS when net income is above $128,137
GIS	Single: cut-off at $18,600
	Spouse/common-law partner of someone who: - does not receive an OAS pension: cut-off at $44,592 (combined income) - receives the full OAS pension: cut-off at $24,576 (combined income) - is an Allowance recipient: cut-off at $44,592 (combined income)
Allowance	Cut-off at $34,416 (combined income)
Allowance for Survivor	Cut-off at $25,056 (individual income)

Source: Service Canada: CPP/QPP/OAS Quarterly Report – Rates and Related Figures for January 2020. Visit servicecanada.gc.ca for updated figures.

Canada Pension Plan & Quebec Pension Plan

Type of Benefit	CPP Monthly Maximum Amount as of January 2020	QPP Monthly Maximum Amount as of January 2020
Retirement (at age 65)	$1,175.83	$1,175.83
Post-retirement Benefit (CPP) (at age 65)	$29.40	n/a
Retirement Pension Supplement (QPP)	n/a	$22.46
Disability	$1,387.66	$1,387.63
Survivor – Younger Than 65	$638.28	(see Note 1)
Survivor – 65 and older	$705.50	$705.91
Children of Disabled Contributor	$255.03	$80.97
Children of Deceased Contributor	$255.03	$255.03
Death (maximum one-time payment)	$2,500.00	$2,500.00
Combined Benefits		
Survivor/Retirement (retirement at 65)	$1,175.83	$1,175.83
Survivor/Disability	$1,387.66	Not applicable
Note 1: QPP Survivor Benefit – Younger than 45		
Not Disabled, No Child		$129.54
Not Disabled, With Child		$469.61
Disabled		$505.76
QPP Survivors – Age 45 to 64		$505.76

Source: Service Canada: CPP/QPP/OAS Quarterly Report – Rates and Related Figures for January 2020. Visit servicecanada.gc.ca for updated figures.

RRSP Overcontribution Rules

- A monthly penalty tax of 1% is applied to RRSP contributions made in excess of the maximum contribution limits.
- If an individual is over the age of 18, they are entitled to a cumulative overcontribution limit of $2,000 to an RRSP before the penalty tax is applied.

Spousal RRSP Rules

- Any amounts that may be contributed to an individual's own plan under their personal RRSP deduction limit may be contributed to a Spousal RRSP instead.
- For a 2020 withdrawal, the contributor declares income if contributions were made to any Spousal RRSP in 2018, 2019 or 2020.
- Contributions to a Spousal RRSP may be made by a contributing spouse up to, and including, the year their spouse turns 71 (tax deductible to contributing spouse), provided the contributor has available RRSP room.

TFSA Contribution Limits

- TFSA annual contribution limits are indexed to inflation and will increase in $500 increments. Individuals must be the age of majority in their province of residence to open a TFSA. In BC, NS, NB, Newfoundland, Yukon, Northwest Territories and Nunavut, the age of majority is 19.
- If you've never contributed to a TFSA and were at least 18 years of age in 2009 and have been a Canadian resident since then, your 2020 contribution limit will be $69,500.

Important Dates

RESP Contribution Deadline
December 31, 2020
Expected RRSP Contribution Deadline for 2020 Tax Year
March 1, 2021
Family Loan Interest Deadline for 2020 Interest Payments
January 30, 2021
Last Trade Date to Settle Trades in Calendar Year 2020 for Canadian and U.S. Stocks
December 29, 2020

Self-employed Business Tax Filing Deadline
June 15, 2020
Individual Tax Filing Deadline
April 30, 2020

Quarterly Deadlines – Personal Tax Installments
March 15, 2020
June 15, 2020
September 15, 2020
December 15, 2020

Important RESP Limits

- Lifetime contribution limit per beneficiary $50,000
- Maximum total CESG limit per beneficiary $7,200
- Basic CESG rate on the first $2,500 of annual contributions 20%
- Additional CESG rate on the first $500 or less of RESP contributions made in respect of a beneficiary, based on the adjusted family net income of the beneficiary's primary caregiver. If net family income is:
  $48,535 or less 20%
  Between $48,535 and $97,069 .... 10%
- CESG annual limit per beneficiary* $500

* In the case of unused CESG room, catch-up payments eligible for grant subject to: (i) Lifetime limit of $7,200, and (ii) Annual limit of $1,000.

BMO Global Asset Management

2020 Top Marginal Personal Tax Rates[1]

(Combined Federal and Provincial Tax Rates)

	Interest & Ordinary Income	Capital Gains	Eligible Dividends	Non-eligible Dividends
Alberta	48.00%	24.00%	31.71%	42.31%
British Columbia	49.80%	24.90%	31.44%	44.63%
Manitoba	50.40%	25.20%	37.78%	46.67%
New Brunswick	53.30%	26.65%	33.51%	47.75%
Newfoundland & Labrador	51.30%	25.65%	42.61%	44.59%
NWT	47.05%	23.53%	28.33%	36.82%
Nova Scotia	54.00%	27.00%	41.58%	48.28%
Nunavut	44.50%	22.25%	33.08%	37.79%
Ontario	53.53%	26.76%	39.34%	47.40%
PEI	51.37%	25.69%	34.22%	45.22%
Quebec	53.31%	26.65%	40.11%	47.14%
Saskatchewan	47.50%	23.75%	29.64%	40.37%
Yukon	48.00%	24.00%	28.93%	42.17%

[1] This table outlines the 2020 top combined federal and provincial/territorial marginal personal tax rates. The rates apply to taxable incomes over $214,368 in all jurisdictions except that the thresholds are $220,000 in Ontario, $314,928 in Alberta and $500,000 in Yukon. Note: The rates do not reflect potential changes that the federal and provincial governments may introduce in the upcoming spring 2020 budgets.

Probate Fees (For Estates Over $50,000)

Fee Schedule (Estates over $50,000)*	
Alberta	$275 to $525
British Columbia	$350 + 1.4% of portion >$50,000
Manitoba	$70 + 0.7% of portion >$10,000
New Brunswick	$100 + 0.5% of portion >$20,000
Newfoundland & Labrador	$60 + 0.6% of portion >$1,000
NWT	$215 to $435
Nova Scotia	$1,003 + 1.695% of portion >$100,000
Nunavut	$200 to $400
Ontario	1.5% of portion >$50,000
Prince Edward Island	$400 + 0.4% of portion >$100,000
Quebec	Nominal fee**
Saskatchewan	0.7% of estate
Yukon	$140

* For some provinces and territories, different rates may apply to smaller estates (less than $50,000).
** Although Quebec does not levy probate fees, Wills (other than notarial Wills) must be authenticated by the Superior Court of Quebec. A nominal fee applies.

2020 Canadian Controlled Private Corporations (CCPC) Rates

(Combined Federal & Provincial/Territorial Tax Rates effective January 1, 2020)

	Active Business Income[1]		Investment Income
Jurisdiction	Active Business Income to $500K (%)[2]	Greater than 500K (%)	(%)
Federal	9.0	15.0	38.67
Alberta	11.0	25.0	48.67
British Columbia	11.0	27.0	50.67
Manitoba	9.0	27.0	50.67
New Brunswick[2]	11.5	29.0	52.67
Newfoundland & Labrador	12.0	30.0	53.67
NWT	13.0	26.5	50.17
Nova Scotia	12.0	31.0	54.67
Nunavut	12.0	27.0	50.67
Ontario[2]	12.2	26.5	50.17
Prince Edward Island	12.0	31.0	54.67
Quebec	14.0[3]	26.5	50.17
Saskatchewan	11.0[4]	27.0	50.67
Yukon	11.0	27.0	50.67

[1] Reflects general (non-manufacturing and processing) rates.
[2] The federal small business deduction (SBD) applies to the first $500,000 of income from an active business carried on in Canada by a Canadian-controlled private company ("CCPC"). It must be shared with associated CCPCs and may be clawed back for "large" corporations with taxable capital of associated corporate groups exceeding $10M and is completely eliminated when the associated group's taxable capital exceeds $15M (similar rules apply for Quebec tax purposes). For taxation years beginning after 2018, the SBD for a year of a CCPC that earns more than $50,000 of passive investment income in the previous year will be reduced by $5 for every $1 of that investment income over $50,000 (it is eliminated at $150,000 of investment income); a CCPC's SBD limit will be reduced by the greater of this new reduction and the existing business limit reduction that applies when associated taxable capital exceeds $10 million. However, note that both Ontario and New Brunswick are not paralleling this federal measure for provincial tax purposes.
[3] Quebec CCPCs are required to meet the "activities" test or "hours paid" test to be eligible for the province's regular CCPC rate of 5%.
[4] The provincial SBD threshold is $600,000 (the rate that applies to active business income from $500,000 to $600,000 is 17%).

U.S. Taxes

U.S. Estate Tax	2020*
Exclusion Amounts (applicable to U.S. citizens)	$11.58M
Unified Credit Amount Available to U.S. Citizens	$4,577,800
Highest U.S. Estate Tax Rate	40%

* Canadian resident (non U.S. citizen) will have a potential U.S. estate tax liability if U.S. assets > USD $60,000 and worldwide assets > USD $11.58M

U.S. Source Payments	U.S. Income Tax Withheld*
Interest	Generally exempt
Dividends Paid On U.S. Securities held Inside an RRSP/RRIF/LIRA/LIF/LRIF	Exempt
Dividends Paid On U.S. Securities Held Outside RRSP/RRIF (e.g. TFSA, RESP, Non-registered accounts)	Generally 15%

* per Canada-U.S. Tax Treaty

Attribution Rules

Type of Income	Gift	No or Low Interest Loan	Prescribed Rate Loan
Recipient: Spouse or Partner			
Interest & dividends	Attributed to giftor	Attributed to lender	No attribution
Capital gains	Attributed to giftor	Attributed to lender	No attribution
2nd generation income	No attribution	No attribution	No attribution
Recipient: Child under 18			
Interest & dividends	Attributed to giftor	Attributed to lender	No attribution
Capital gains	No attribution	No attribution	No attribution
2nd generation income	No attribution	No attribution	No attribution

2020 Key Non-Refundable Federal Tax Credits

Personal Tax Credits as Percentage of Base Amounts		
Tax Credit		Percentage Value
Charitable Donations	First $200	15%
	Amount over $200*	29% or 33%
Dividend Tax Credit (on grossed-up amount)	Eligible	15.02%
	Non-eligible	9.0301%

* As part of tax changes introduced in late 2015, the calculation of the federal charitable donation tax credit was amended to allow higher income donors to claim a 33% federal tax credit, but only on the portion of donations made from income that is subject to the 33% top marginal tax rate. However, top rate taxpayers should note that this 33% donation tax credit rate is only available for donations made after 2015 and will not be available for donations carried forward from a prior year to 2016 or thereafter.

Federal Amounts		
Tax Credit		Dollar Value
Basic/Spouse/Partner*		$13,229
Age 65		$7,637
Disability	Basic	$8,576
	Under 18 supplement	$5,003
Canada Caregiver Amount	For infirm dependants, such as: parents, grandparents, brothers, sisters, or close relatives	$7,276
Canada Caregiver Amount	For an infirm dependent spouse or common-law partner, an infirm dependant for whom the individual claims an eligible dependant credit, or an infirm child under age 18	$2,273
Pension Income Amount		$2,000

* The Basic Personal Amount, Spouse or Common-Law Partner and the Eligible Dependent Credit will be increased to $15,000 by 2023. The increases will be phased in over four years, starting in 2020. The increase in the credits will be gradually reduced for individuals with net incomes above $150,473 in 2020 (the bottom of the fourth tax bracket) and will be eliminated for individuals with net incomes over $214,368 in 2020 (the threshold for the top tax bracket). These higher income individuals would not benefit from this increase but would instead continue to receive the existing credits, which are indexed each year to inflation ($12,298 in 2020).

$883,384 Capital Gains Exemption on Qualifying Small Business Corporation Shares (General Rules)

- Small Business Corporation: substantially all (90% or more) of the Canadian-controlled private corporation's assets must be used in carrying on an active business in Canada.
- Only business share owner or "related" person can have owned shares for 24-month period prior to shares being sold.
- Throughout the 24-month period prior to sale of shares, more than 50% of corporation's assets must have been used principally in an active business carried on in Canada.

BMO Global Asset Management

01/20-0006 ID3319

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JASON REED—CONTINUED

For example, a working parent purchases a $1 million 10-year term life insurance policy in order to support her surviving spouse and children in the event of her death. The premium is $100 per month. This QV Update examines portfolio risks through the lens of insurance.

Conventional Way of Viewing Portfolio Risk

Many events have temporarily derailed equity markets over the past century, and indeed many potential threats, such as political uncertainty, macroeconomic shocks and trade wars, exist today. Even when the damage to markets has been significant, they have always recovered in time. Fear is a risk to wealth accumulation because investors often overreact to the never-ending stream of worrying news by selling into fear-induced volatility.

Insurance: A good defense against fear is to have a well-balanced portfolio that can absorb day-to-day and year-to-year volatility in asset prices. A balanced portfolio of stocks and bonds ensures that you never experience the worst-case scenario in markets.

Premium: The cost of this insurance is that you will also never get the best-case scenario, which could very well be a 100% allocation to stocks over the long term.

Alternative View of Portfolio Risk

We ordinarily think of insurance as something we need in order to mitigate the financial consequences of a bad outcome. Instead of focusing on the fear of volatility, we could turn the situation on its head and consider the risk of being unprepared to benefit from a positive outcome. Along with the general arc of human progress, stocks have steadily risen over long periods of time. So, although the bumps along the way make stocks appear risky, without them, a portfolio will not be positioned for success if the arc of progress continues.

In today's environment, "high interest" savings accounts or 100% bond portfolios are risky for long-term investors, despite their low volatility. Consider that for someone entering the workforce today, an appropriate savings target to meet long-term objectives might be 10-15% of pay if invested in a balanced portfolio. However, the same individual would have to increase their savings target to 25-30% of pay if invested conservatively in bonds.

Insurance: A good defense against the world steadily improving is to hold the things that will go up in value in line with human and economic progress. In this sense, stocks can be considered as a hedge against the financial risks of success. It's a different way of thinking, but it could provide investors with a more balanced view of risk.

Premium: Bearing the psychological toll of stock market volatility is the premium an investor must pay to ensure they have the wealth to fund a long and happy retirement.

The Risk of an Investor Outliving their Wealth

Individuals face considerable mortality/longevity risk due to the uncertainty of whether they will die young or live to be 100 years old. In Canada, retired workers receive lifetime income from the Canada Pension Plan (CPP) at age 65 in proportion to their contributions to the program (reduced pensions are available as early as age 60). Canadians also receive a pension from Old Age Security (OAS) at age 65 in proportion to their years lived in Canada.

Insurance: Under both programs, benefits can be deferred by up to five years, with CPP increased by 42% and OAS by 36% at age 70. For individuals entitled to the maximums from both plans, this can be the difference between receiving $21,500 at age 65 or $30,000 starting at age 70 (using 2020 benefit levels). Under this scenario, a person who lives to 100 would receive an additional $150,000 (or more) by deferring government pensions to age 70. Conventional advice encourages people to take government benefits as soon as possible. While that might be optimal for many Canadians, delaying benefits from CPP and OAS can be a great way to hedge the financial risks of a long life.

Premium: There is psychological discomfort associated with passing up government benefits at first eligibility. Furthermore, there is no guarantee that government programs won't be amended to your disadvantage during the deferral period.

Investors benefit from having many mental models at their disposal to navigate various scenarios. We hope the insurance mental model combined with unconventional thinking will help guide you to financial success.

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PAUL HSIAO—CONTINUED

Admittedly, relying on historical precedents, as many market participants are doing, may be problematic: early reports suggest the coronavirus outbreak is more contagious but not quite as deadly as SARS in 2003 and may be much less infectious than the H1N1 virus in 2009 – but China's economy looks a lot different than it did 10 years ago, never mind 15 years ago.

As intermediate-term fundamental investors, we use a three stage framework to analyze the potential market impact of non-macro risks that do not fit into the regular economic framework.

Stage 1: Non-macro risks that are mostly noise.This is the stage where most non-macro risks remain stuck like a surprise policy tweet. They flash up on our (radar) screens and may even cause a brief market reaction before eventually subsiding.

Stage 2: Non-macro risks that cause behavioral changes.This stage is reached when people/markets change behavior in response to the non-macro risk usually prompting a more serious market reaction. During the time of the behavioral impact, economic activity can suffer, which in turn justifies and prolongs the initial (stage-1) negative market reaction. Stage-2 non-macro risks offer trading opportunities and can result in tactical allocation changes. Yet, since fundamentals aren't changing, market and economic prospects will go back to the previous baseline once the behavioral changes reverse.

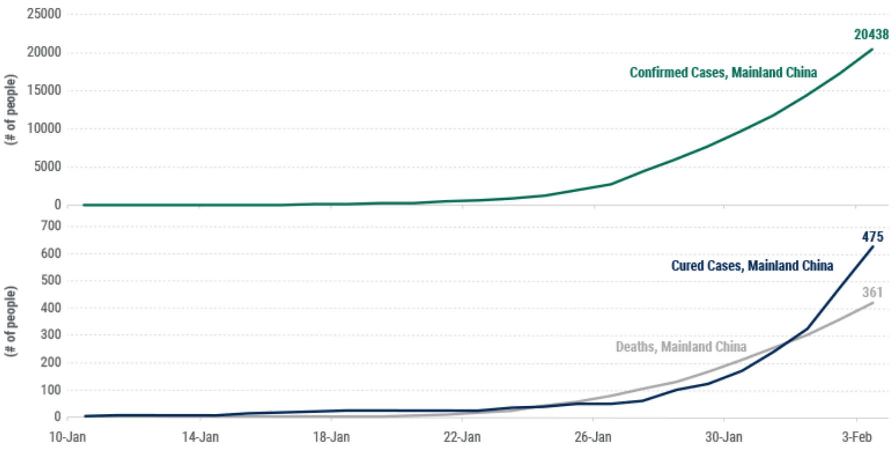
Stage 3: Non-macro risks that change fundamentals.This is the stage where non-macro risks change fundamentals and impact intermediate-term horizon investors like the Eurozone Debt Crisis, Brexit, or the election of Shinzo Abe in 2012. When behavioral changes become permanent or prompt changes in the trajectory of fundamentals, asset allocators can take account of the new realities and adapt previously held fundamental views.

Right now we would argue the coronavirus as a stage 2 type of risk: causing some behavioral changes, but not affect macroeconomic fundamentals – in line with the other pandemic scares in recent years (SARS, MERS, Ebola). While a tragic toll of human life, we would argue that the entire impact on markets and near-term macro prospects is entirely due the panic caused by the novelty of the virus and the speed with which it spreads. For context, Germany suffered a severe flu season in 2017-2018 which killed 25,000 people – far more severe than the coronavirus. We would need to see a much more severe escalation of the virus before we believe it to be a severe global health threat that would change the fundamentals to our intermediate investment horizon.

China's response

By many metrics, the Chinese policy response has been relatively swift, especially when compared to the 2003 SARS epidemic. Already, the government has instituted a number of measures aimed at controlling the spread of the virus, including extending the Chinese New Year holiday period to mainland residents, closing schools, imposing a province-wide quarantine for Hubei affecting more than 50 million people, and cancelling several major national events on an accelerated timeline. In addition, several countries, including the US, have imposed new travel restrictions aimed at containing the spread of the coronavirus globally. These measures and the uncertainty caused by the virus' rapid transmission may delay, but likely will not displace, China's cyclical rebound from the trade war that roiled its economy in 2019.

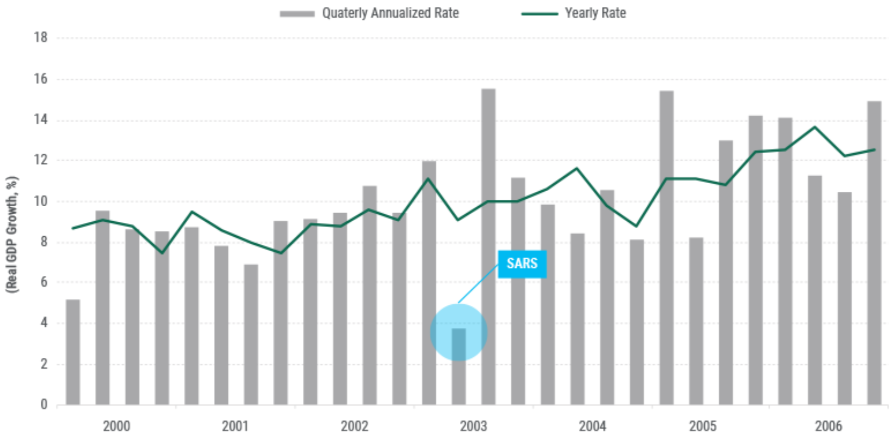
Confirmed Coronavirus Cases and Deaths in China Continue to Rise



Source: World Health Organization (WHO) as of 3 February 2020

PAUL HSIAO—CONTINUED

As With SARS, We Believe the Coronavirus' Continued Spread Will Weigh on Chinese Economic Activity



Source: Macrobond as of 31 December 2006, retrieved 3 February 2020.

Economic and market impact

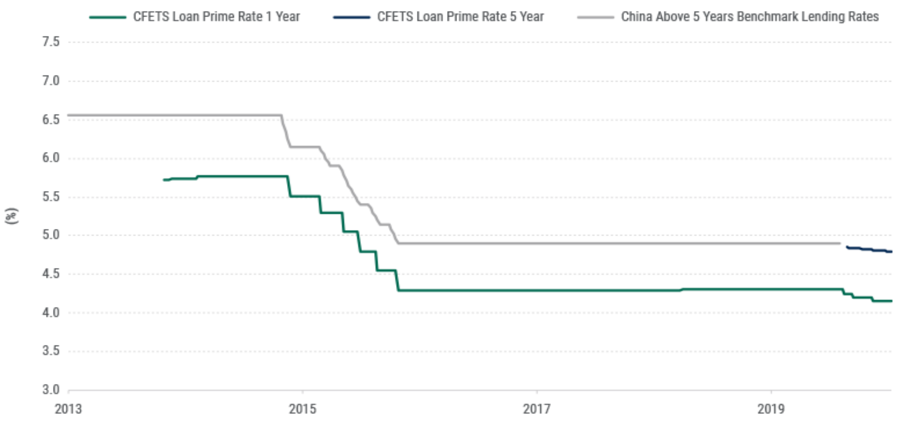
From an economic perspective, the spread of the coronavirus poses a near-term headwind for China for the first quarter of 2020 and quite possibly the second quarter, depending on the virus' trajectory. In the intermediate horizon, we expect longer-term trends to prevail. For context, in 2003, while the SARS epidemic pushed Chinese growth down to below 5% on a quarterly annualized basis, growth rebounded the following quarter and the yearly growth trend (green line) stayed above 10%.

This year, China's annual GDP growth was already set to slow from the 6% pace maintained in 2019, and there is now more downside risk to our 5.8% annual forecast for 2020. In our base case, we do not expect the virus to cause a recession nor push the annual growth rate below 5%. However, we expect the services sector, particularly retail and tourism, to bear the brunt of virus-related weakness. The spread of the coronavirus will also likely weigh on the manufacturing sector since Wuhan is a major industrial hub and the announced government measures may prolong factory closures and limit employee capacity at manufacturing firms. In Asia, the economic transmission mechanism of the virus will primarily be centered on tourism, as China has led global outbound spending expenditure totaling nearly US$300 billion on an annual basis.[1] Hong Kong, already in recession, remains particularly vulnerable to a Chinese slowdown, alongside Singapore and Thailand. The coronavirus also comes at a particularly challenging time for Japan, since 30% of its tourists originate from mainland China and it is still recovering from a consumption tax hike implemented in the fourth quarter of 2019.

From a market perspective, equities have sold off, and volatility has risen in the last few weeks. US equities have declined around 3% from all-time highs during a decent earnings season, while Chinese equities have fallen more than 10%, to the lowest levels since August 2019, on the first day of trading after the Chinese New Year.[2] In bond markets, yields on 10-year US Treasuries fell to 1.5%, a 40 basis point (bp) decline after starting 2020 at 1.9%.[3] The broader risk-off sentiment was also reflected in currency markets, as the Chinese yuan fell to 7 against the US dollar and perceived safe-haven currencies like the Japanese yen gained.[4]

Policy Support

We Expect Chinese Policy Rates to Lower Throughout 2020

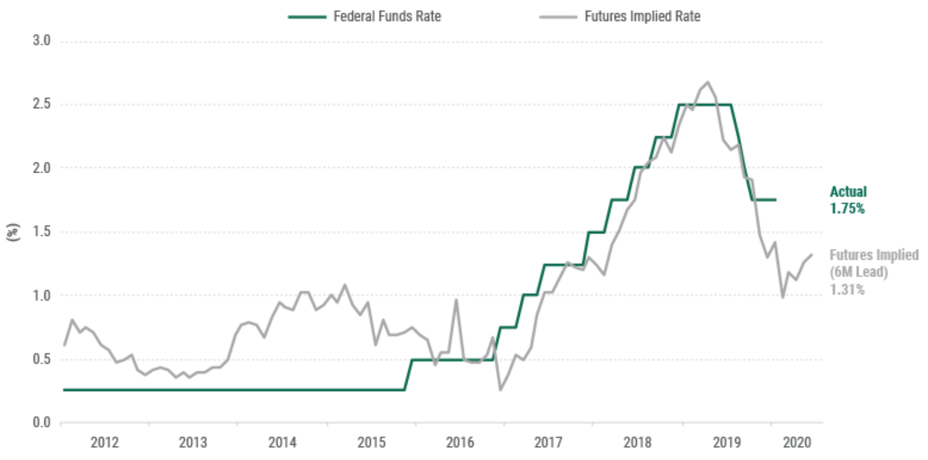


Source: Bloomberg, Macrobond as of 3 February 2020.

The effect of the coronavirus may also result in even more accommodative monetary policy around the world. Already, the People's Bank of China (PBOC) injected more than 100 billion US dollars' worth of liquidity over the weekend (1-2 February) and guided rates lower, especially for banks in Hubei province. Looking ahead, also expect the PBOC to keep liquidity ample throughout the year with more cuts to the benchmark loan prime rate and reserve requirement ratio especially if GDP numbers come in weaker than expected.

Outside of China, other major central banks may respond in kind too offsetting negative impact of the coronavirus on China and the global economy. Investors are already pricing in more dovish tilt is also expected from the US Federal Reserve, with the futures market expecting in two rate cuts in 2020.

Future Markets Are Pricing In Two More Federal Reserve Rate Cuts In 2020



Source: Bloomberg, Macrobond as of 3 February 2020.

Longer-Term Fundamentals Should Hold

Despite the significant human toll and economic disruption resulting from the coronavirus, we still expect the longer-term fundamentals to persist over the intermediate horizon. After what could be weak start to the year, economic activity in China should rebound in the second half of 2020, supported by monetary and fiscal policy measures. At the same time, we anticipate the current account to remain in positive territory, as outbound tourism activity slows and less money flows out of the country, and for interest rates to go lower. On a longer-term basis, we remain optimistic on China's economic trajectory and expect growth-positive trends like continued structural reform to the economy and the ongoing opening up of China's capital markets to endure.

Footnotes

1UN World Tourism Organization as of 28 August 2019.
2Bloomberg as of 3 February 2020.
3Bloomberg as of 3 February 2020.
4Bloomberg as of 3 February 2020.

Reviewing Your Need For Life Insurance —Continued

It is important to look beneath the surface, taking a more thorough examination of your individual circumstances in order to plan ahead and set in place the most appropriate life insurance strategy. This is to say that life insurance planning should in fact be a strategy and not just a one-off, single-faceted decision.

In order to shed light on what I am referring to, let me provide some concrete examples of some of the many scenarios that warrant the need for life insurance, and emphasize the fact that many of these tend to coexist.

One of the scenarios to consider is the repayment of liabilities upon death. You may want to evaluate debts such as mortgages or lines of credit, specifically what sort of term is remaining. Although there exists such thing as loan insurance, eligibility typically times out after the age of 69. Therefore, if a debt obligation is going to extend past this point, it would be wise to have an individual life insurance policy in place to meet this obligation.

Then there is the aspect of creating wealth, which is ultimately just allocating excess funds beyond retirement savings accounts which can be utilized for life insurance premiums in order to enhance your wealth and leave a legacy for loved ones.

Another scenario, and one that warrants increasing attention in my opinion, is that of planned giving. As an alternative to donating annually to an organization or charity, there is the option to purchase a life insurance policy instead. The funds that would normally be donated in cash, are instead used to pay the premiums of the life insurance policy, earning a tax slip from the designated organization. Upon death, the death benefit from the policy is paid out to the organization. Therefore, the annual donations to the organization are actually replaced by the much larger death benefit once it is paid out.

It wouldn't be prudent conversation surrounding death if I didn't bring to light the topic of taxes. Often an afterthought but vitally important is the issue of tax implications upon death. Because it is often not a concrete or tangible amount, it easily becomes an afterthought. It can be very helpful to seek the help of a professional when it comes to establishing what degree of taxes will be payable upon death.

Your estate will remain intact if you put life insurance in place to offset these costs; upon death, your heirs will utilize the proceeds of the policy to pay these costs.

On a similar note, a miscalculated and often overlooked form of life insurance is that offered by ones employer. Prior to retirement, it's important to confirm the details of such policies, especially post-retirement continuity. Keep in mind that many plans do not offer employee coverage beyond the age of 65, which is highly relevant given that people seem to be pushing retirement beyond the standard age nowadays. Thus, it may be important to have other coverage in place and not overestimate the power of group life insurance either.

Nowadays, life insurance should be considered as one of the many useful financial tools, with a variety of strategies that can address a multitude of needs. These strategies, for example ones that incorporate tax sheltered investing, go beyond the initial straightforward and obvious uses for life insurance. Every individual has unique needs, based on things like familial health history and individual finances. Speaking to your advisor or planner is the first step in establishing the most beneficial ways that insurance planning can be used for your unique situation.

My Move To Lifestyle Financial Planning —Continued

Maybe you want to do these things, but you don't have "enough" to do them. But what is enough? What is holding us back from doing the things we want to do while we still can?

I know, it's a lot of questions, but that's how I start my conversations with clients these days. I want to know your story: where have you been and where are you going?

About three years ago, after much thought and consideration I made the decision to change my role as the typical financial advisor. The typical financial advisor sells someone a product to meet a need.

Worried about your family if you weren't around? Get life insurance. Paying too much in taxes? Get an RRSP or TFSA. Worried about protecting your capital? Find low risk investments.

The typical advisor knows the rules, knows what will work best and makes it all happen. Still important, but it shouldn't make the entire picture. These are just tools in a tool-box. Tools get the job done but we need to know what the job is first! That means we need to get to the truth about money.

That truth is that we all fit into one of three tragic categories: Those of us who don't have enough, those of us who have too much, and those of us who have just enough.

For those who don't have enough, the tragedy is about a restricted lifestyle.

For those with too much, there can be issues with taxes and estate planning, but these are problems for the beneficiaries. The more personal tragedy is that these people will reach the end of their lives and say to themselves, "damn, I have all this money, why didn't I … while I still could?!"

Finally, there are those of us who have just enough to get us through life. These people have the chance to live the way they want to live but don't realize it. Tragically, these are the people who say, "we're not there yet" even though they are. They just don't know it because nobody has shown them with confidence that they are.

Wouldn't the perfect financial plan have you spend your last cent right before you die. It's a great thought but impossible to achieve. The next best thing is to decide what you want to do and figure out how you can do it, while you can do it. Life is not a rehearsal and we get one shot to do the things we want to do. So, it's a little bit about money, a little bit about the financial tools, and much about a vision of your life.

And here I am today, after years of planning and preparation (getting the professional designations, learning the software needed, practicing on a few brave volunteers) announcing that I've officially taken off my financial advisor hat and am putting on my Life Planner hat. Don't worry, I'm still a financial advisor when I need the tools to help achieve the vision. But I see it as a three-stage process that begins with Life planning and ends with financial advice.

So, what is Lifestyle Financial Planning?

The Lifestyle Financial Planning process is three-stage and will look something like this: In our first meeting, we must figure out your story. What do you value and what's your attitude towards certain lifestyles? This is also where we gather necessary financial information such as expenses, income, net worth and so on. In our second meeting we'll go through your financial plan and address any lifestyle concerns as they relate to the plan. This is where we will see what type of person you are (the too much, the not enough, or the just right). This is also where we identify what tools, if any, will be needed to meet your vision. In our third meeting, I'll put my financial advisor hat back on and we'll apply the tools identified in the plan. That's it. All done until it's time to review. You can go live your life, I'll watch over things while you're gone.

Enjoy!

You see, I also have a vision. My vision is that **KPW Life Plan** clients will leave the process with a better understanding of who they are and the confidence to go and do the things they want to do. If I can get you to that stage, I'll know I've done a good job.

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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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