

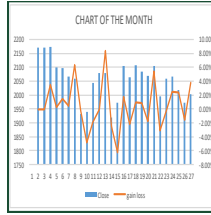
“You make most of your money in a bear market, you just don’t realize it at the time.” - Shelby Cullom Davis



Sergio Simone
EDITORIAL
COMMENT



Kristina De Souza
PRACTICING
PATIENCE



A DIFFERENT SET OF CHARTS



Ryan Simone, CLU, CHS
LIFE CENTERED FI-
NANCIAL PLANNING:
LIFE, DEATH TAXES

Editorial Comment



Sergio Simone

Something has become painfully obvious to me over the last few months: COVID-19 has challenged our lives, investment philosophies and priorities. This presumably temporary phenomenon has caused our habits and the ways we live, save and invest to undergo fundamental, and perhaps, long-lasting changes. If nothing else, COVID-19 has taught us to expect the unexpected.

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Stronger Than Ever, The Value of Advice

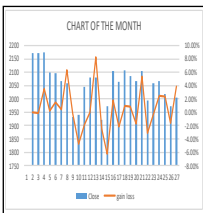


Kristina De Souza

To say that we are in the midst of the absolute unknown would be an understatement. It seems before we even have a chance to finish reading a headline, the next, even more groundbreaking than the first, rears its head. With all of the uncertainty that paints our landscape at the moment, I want to shed some hopefully reassuring light on some important facts to consider with respect to your investments.

[Continue Reading](#)

A Different Set Of Charts



Over the years, we’ve built a massive inventory of charts, models, and indicators to help us develop our capital markets strategy — our macro-economic indicators, valuation, inflation, and currency models to name a few. And we’re always on the look-out for new ones that we can learn from.

[Continue Reading](#)

Life Centered Financial Planning: Life, Death & Taxes



Ryan Simone, CLU, CHS

The following scenario is entirely fictional and will be used over the next few months as an example when discussing different financial planning tactics.

THE SCENARIO: Peter and Mary Jane are a happily married couple in their early sixties. Peter is the owner of a family business, Mary Jane is one of the employees.

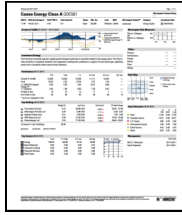
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BOOK OF THE MONTH



FUND OF THE MONTH
BMO CONCENTRATED GLOBAL EQUITY



INVESTMENT TERMINOLOGY



BLOG OF THE MONTH
GET RICH SLOWLY

BOOK OF THE MONTH

SUSTAINABLE INNOVATION

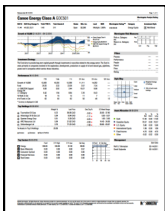
- by Cary Krosinsky and Todd Cort



The book provides a roadmap of the many critical pathways of positive change emerging to achieve modern day societal success, including rapidly evolving corporate and investment innovation and impact strategy considerations. Exploring innovation around the future of energy, electricity and related technologies, as well as transportation and buildings efficiency. Krosinsky and Cort consider ideas framed around the circular economy, operational and supply chain strategies and the global economy.

FUND OF THE MONTH

BMO CONCENTRATED GLOBAL EQUITY



The fund's objective is to achieve long-term capital appreciation through investment in a portfolio of high quality equity or equity-related securities of issuers throughout the world. As part of the fund's investment objective, it invests primarily in equities of companies that trade on recognized exchanges in countries around the world.

MEGATREND



Megatrend' is a word coined to describe and group a set of changes in our world that are enormous in their impact, unprecedented in their magnitude, and apparently unstoppable in their march. They are global, sustained and macro economic forces of development that impact business, economy, society, cultures and personal lives, defining our future world and its increasing pace of change.

A few examples include: Artificial Intelligence, Global Warming, Urbanisation and robotics, shifts in geopolitical power and human longevity.



BLOG OF THE MONTH

WHAT IS A ROBO-ADVISOR? AN INTRODUCTION TO AUTOMATED INVESTMENT TOOLS

One of the joys of writing a money blog like Get Rich Slowly is the continuing self-education. I'm always reading and learning about personal finance. A lot of the times — as in the past month — this education is about esoteric topics. I'm currently diving deep into the history of personal finance, a subject that's interesting to me but admittedly not of much practical use in the modern world. (Today in the mail, I got a book about advertising and the use of credit during the 1920s. How's that for esoteric?)

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

LUXURY
INSTITUTE L.L.C.
the expertise of emotionally intelligent luxury

[WEALTHY FAMILIES AND INDIVIDUALS IN A TIME OF TURBULENCE AND TRANSITION](#)

COVID-19 has generated many fears, concerns and risks for the wealthy as well as some opportunities. Milton Pedraza, Luxury Institute CEO, hosted a live webinar with three top-tier advisors and wealth management experts about the sentiments and behaviors of the wealthy during and post pandemic: -Melina Spadone, Senior Counsel at Pillsbury Winthrop Shaw Pittman, LLP -Steve Prostanio, Partner, Head of Family Advisory Services at PKF O'Connor Davies, LLP, Founder of The UHNW Institute -Alexandre Monnier, Senior VP and Managing Director of Wealth Sustainability, President of the Hawthorn Institute for Family Success

PILLAR
WEALTH MANAGEMENT, L.L.C.

[10 STRATEGIES TO PROTECT ULTRA-HIGH NET WORTH FAMILY WEALTH](#)

You often come across stories of inspirational individuals who have amassed significant wealth.

The journey of such individuals is often comprised of ambition, courage, hard work and relentless consistency. It's extremely difficult to achieve "Ultra-High Net Worth" status in today's ultra competitive world, but achieving "Ultra-High Net Worth" status is an even more difficult – and rarer – feat.

After all, only those families whose investable assets are valued over \$30 million are considered to be "Ultra-High Net Worth".



[WARREN BUFFETT AND THE 2020 BERKSHIRE HATHAWAY SHAREHOLDER'S MEETING \(Part 2\) \(PODCAST\)](#)

Warren Buffett is idolized by many as the world's greatest investor of all time. This is well-deserved based on the amazing amount of wealth that he has created for himself and others over decades. Unfortunately, if you were expecting that Buffett's wisdom at Berkshire Hathaway's 2020 annual meeting was going to yield easy answers about the current investment landscape, you are likely to be disappointed.

Coutts 

[EARLY STAGE COMPANIES—MOVE FAST OR MOVE ASIDE](#)

THE EARLY WEEKS—A MATTER OF SURVIVAL

The specific challenges faced by early-stage companies reflect their typical 'cash burn' nature. Even in relatively buoyant economic times, a typical early stage company will be spending and investing capital with an eye on longer-term growth. It won't be able to fall back on multiple years of positive cash flow and relatively easy access to debt and equity capital that larger companies can rely on.

Survival has been the first priority.

FUND MANAGER COMMENTARY



DANIEL E. CHORNOUS
RBC GLOBAL ASSET
MANAGEMENT



MARK SCHMEHL
FIDELITY INVESTMENTS



STEVEN KIM
QV INVESTORS



ALEXANDRA GOREWICZ
SIGNATURE GLOBAL
ASSET MANAGEMENT

Daniel E. Chornous CFA, Chief Investment Officer



RBC Global Asset Management

Evolving Our Strategic Asset Mix

Whether a pension plan sponsor or an individual saving for their own goals, establishing a strategic asset mix is perhaps the most important decision an investor makes. It's a journey.

[Continue Reading](#)

Mark Schmehl, Portfolio Manager



Fidelity Investments

Conference Call Highlights—June 10, 2020

Key Takeaways

- A lot of stocks that I owned before COVID stood to benefit from working from home—A trend I saw growing that was accelerated by the pandemic.

[Continue Reading](#)

Steven Kim, Associate Portfolio Manager



QV Investments

Shifting Risks: Dislocations to Distortions

Unprecedented fiscal & monetary policy actions across a number of geographies have been swift and significant, necessitated by the human and economic challenges of the COVID-19 situation.

[Continue Reading](#)

Alexandra Gorewicz, V.P., Portfolio Management and Head of Rates



Signature Global Asset Management

In these still early and unprecedented days, forecasting the near-term social and economic impact of the pandemic feels like a tall order; attempting to look out one year or beyond feels like a Magic 8-Ball consultation:

Will we have more answers than questions in 2021? “Cannot predict now.” Will economic growth rebound in 2021? “Ask again later.” Will the price of goods and services be higher or lower in 2021? “Yes – definitely.” This last question, which focuses on inflation, is a recurring theme as central banks pump trillions of dollars into our financial systems, governments borrow trillions of dollars to put a floor under their economies, and consumers confront flour, egg, and toilet paper shortages at grocery stores everywhere. If that doesn't sound inflationary, I don't know what does. Of course, economic answers are full of assumptions and conveniently ignore unknowns, so inflation is not a foregone conclusion. As I will argue here, the more likely outcome of the pandemic is deflationary (or, at least, disinflationary) – not inflationary.

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KPW LIFE PLAN—IMAGINE YOUR FUTURE

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JUN 2020

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[Cautious Fed And Second Wave Fears Drag On Sentiment](#)

Wall Street closed mixed, Asian shares fell overnight and Europe

[Clients Look To Take Advantage Of Low Interest Rates](#)

From prescribed rate loans to leveraged investing

[Stock Market Rout: Here's What Caused The Worst Sell-Off Since March](#)

The stock market tanked on Thursday amid fears of a

[Fed Will Begin Buying Broad Portfolio Of Corporate Bonds](#)

The Federal Reserve said that it will begin buying individual

[IMF Sees 'Profound Uncertainty' About Global Recovery](#)

The International Monetary Fund will likely forecast a worse

[Banks Abandon Green Bonds Amid Covid-19](#)

Issuance drop seen as temporary, but now unlikely to regain 2019 levels.

[Coronavirus And The Banking Industry: Impact And Solutions](#)

Banks certainly have their hands full in light of the novel coronavirus outbreak

[US Coronavirus Outbreaks Spur Debate Over Personal Freedoms](#)

When the coronavirus flared in China this week, the country

[Canada's Wealthiest One Per Cent Hold 25.6 Per Cent Of Riches](#)

The concentration of wealth among Canada's richest one per



TD Asset Management

[PERSPECTIVE: IT'S ALWAYS DARKEST BEFORE THE STORM](#)

The ebbing of government policies that clamped down on business activity is ushering in the early stages of an economic recovery. However, this represents mere slivers of sunlight piercing through the long shadows of



[ENHANCING ACCESS TO OPPORTUNITIES](#)

The COVID-19 pandemic has disproportionately hurt disadvantaged groups.

While many people have been adversely impacted by the health emergency and necessary mitigation measures, those with a lack of savings and insurance are particularly hard hit when faced with a sudden decline in income. People in the informal sector with weaker job attachment, workers in lower-skilled service sector occupations that are less likely to be able to work remotely, and people in areas with insufficient access to health care or where social distancing is difficult have been highly exposed to the economic damage wrought by the pandemic.

VIDEO LINKS

[Coronavirus: Trudeau Announces CERB To Be Extended For 8 Weeks](#)

Prime Minister Justin Trudeau says the government's signature

[Fed Chair Jerome Powell: I Agree With Calls For More Fiscal Support](#)

Federal Reserve Chairman Jerome Powell answers questions

[The World Economy On A Tightrope](#)

The Covid-19 pandemic is a global health crisis without precedent in living memory.



[FURTHER ECONOMIC FORECAST CUTS BUT GLOBAL RECESSION BOTTOMING OUT](#)

Fitch Ratings-London-26 May 2020: Fitch Ratings has made further cuts to world GDP forecasts in its latest Global Economic Outlook (GEO), but the slump in global economic activity is close to reaching its trough.

"World GDP is now forecast to fall by 4.6% in 2020 compared to a decline of 3.9% predicted in our late-April GEO. This reflects downward revisions to the eurozone and the UK and, most significantly, to emerging markets (EM) excluding China," said Brian Coulton, Chief Economist, Fitch Ratings.

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EDITORIAL COMMENT-CONTINUED

Over the last month it appeared that the recently experienced extreme volatility had calmed down, and although earnings were down for many companies, it was nowhere near as bad as expected. In fact, the unemployment rate, which was projected to fall by another 8.5 million workers, rose by 1.5 million. The indices were beginning to show resilience and were continuing their climb for a second consecutive month. We had dug ourselves out of the deepest parts of this mess and optimism was returning.

Just when we thought that the worst was behind us and we began to cautiously look at a promising future once again, the Federal Reserve's monetary policy decision coupled with a rise in COVID-19 cases in some key states, caused a nearly 7% drop in the Dow Jones Industrial Average.

The renewed volatility in the equity markets is an indication that there is a growing concern for a second wave of the pandemic and the effect it would have on the optimistic rebounding of the global economy. In my opinion, investors are over-reacting to an onslaught of both positive and negative news.

One day we are bombarded with the news of record-breaking U.S. retail sales figures coupled with the announcement of a new government stimulus package. The markets are euphoric in their relief and climb like a bullet. This is followed by a spike in COVID-19 cases which creates unabandoned fear in the hearts of investors over a second wave of pandemic which causes the markets to suffer their biggest one-day pull-back since March with the Dow Jones Industrial Average plunging more than 1,800 points.

There is a growing concern that the second wave of the coronavirus is inevitable as at least 21 states in the U.S. are now experiencing an increase in average daily new cases and hospitalizations have doubled since Memorial Day in some states like Arkansas, Texas and Arizona. China is also experiencing a resurgence in cases and has re-introduced lockdown measures in Beijing. Why wouldn't investors be on high alert with these events counteracting the strength of the economic restart. I believe we are in for some continued volatility over the next month as the re-opening struggles to find dominance over the pandemic.

In all fairness, the market may have been overbought before the pullback because a preponderance of investors became optimistically over-enthusiastic about the strength of the economic re-start. Much of this was propagated by the massive two-day gains following the release of May's U.S. employment figures. The number was forecast to show 8 million more Americans out of work and instead revealed there were 2.2 million more new jobs created. Some pundits were now touting the "V" recovery was a foregone conclusion. This ended quickly and investors are now re-assessing their assumptions about how quickly and seamlessly the economy can recover. Their concerns reinforced by Federal Reserve Chairman Jerome Powell who has offered a sobering opinion that it could be a long time before the U.S. economy is back operating at full capacity. I have stated in a previous newsletter that my belief was the shape of the economic recovery would more resemble the Nike Swoosh and I am still convinced this is the road it will take.

Let me be clear, the rally off the March bottoms has not been an illusion. Despite the need to remain cautious about the economic re-start, there is no question in my mind that the global economy is beginning a promising recovery. That being said, it is only fair to point out that I still carry a bit of speculation. I can't help but recall how long it took for retail investors to jump back into markets in any significant way following the financial crisis in 2008-09. One major difference now is that day trading has flourished during the re-start. In the words of former Fed Chair Alan Greenspan, "I remain cautiously optimistic".

So, the big question in my mind is "What will drive equity markets now that we've had this pullback?" As I have mentioned, there is likely going to be a lot more volatility ahead, but I am convinced that it will be the same issues that have driven markets off their bottom that will persist and carry us forward.

First and foremost is whether a second wave of the virus occurs and what it will look like. Will it be so widespread as to cause a second lockdown throughout the world or will it be more contained so that large parts of the economy can remain reopened? My second concern is about the strength of the economic recovery even assuming the second wave of the virus is less disruptive than the first.

Going forward it is important that we, as Financial Advisors stay on top of the data related to the virus as well as the economy to figure out where markets may be headed going forward. For example, we have to pay attention to alternative data sources like restaurant reservations or credit card sales that offer real time knowledge about consumer habits and what industries and sectors of the economy are coming back online faster than others.

EDITORIAL COMMENT-CONTINUED

We have to continue being aware of the role of governments and central bankers going forward. They have played an integral role in the performance of equity markets this year and I am convinced they will continue to do so. Take for example the stimulus response. It has been a critical component of the rally off the bottom and more support is expected to come. In the U.S. a \$1 trillion package of additional aid is in the works to support small businesses and those unemployed due to the virus. The Trump administration is also working on a \$1 trillion infrastructure spending package. Meanwhile the European Commission has proposed a E750 billion recovery fund and other nations including Japan have also announced additional stimulus to prop up their economies in recent weeks. These are the types of fiscal measures that act as a catalyst for stocks for as long as the need for them continues to offset the potential long-term consequences of the massive debt burden that is piling up.

No one can predict where markets will go from here. But over the last few months we have experienced a rapid recovery across U.S. equities albeit with a “two steps forward, one step back”, trajectory. Much of this is caused by sensationalist reports in the media but the headlines usually only tell one side of the story. I know it is tempting to read the headlines and react, but as an investor it is vital to maintain an unemotional perspective and take a long-term view.

Too many investors treat their investment portfolios like an index. If you hold a well-diversified portfolio, it will contain investments in various asset classes, geographies, and risk profiles. This will help mitigate some of the extreme volatility I am expecting. I urge investors that when faced with sensationalistic and alarming headlines, to stay focused and look at your portfolio as a long-term investment. By maintaining perspective, you are more likely to stay on track to achieving your financial goals.

MARTIN GROSSKOPF—CONTINUED

If the putative rules some might have learned from the collapse of cleantech still applied, then sustainable equities should have taken an outsized hit even as the market crashed. Valuations should have been all the more fragile given the rise in green investment in the few years leading into 2020. And the recent outright collapse of traditional energy prices should have sounded the death knell for sustainable stocks – it almost certainly would have a decade ago.

Yet this time around, none of that has happened.

In fact, sustainable equities – which today comprise a far broader and less-capital-intensive set of industries and companies than can be captured by the notion of “cleantech” – have generally outperformed the major indices so far this year. For example, funds based on so-called environmental, social and governance principles – ESG for short – have enjoyed better relative performance, on average, than wider benchmarks. In March, according to separate analyses by Morningstar and Bloomberg, respectively, about 60% of ESG-focused large-cap equity funds and ETFs outperformed the S&P 500. And Bank of America Merrill Lynch research has found that during the sharpest period of index decline, between Feb. 19 and March 25, stocks in the top quintile of ESG metrics beat the S&P 500 by five percentage points.

Granted, ESG metrics include governance and social responsibility scores, which might or might not be directly linked to the imperatives of environmental sustainability. Sustainable funds that take a more focused thematic approach, however, have also proven resilient in the COVID-19 environment. In our own experience, we have found that our long-term strategy of allocating assets according to four main themes – energy and power technologies, water/wastewater solutions, waste management and pollution control, and health and well-being – has proven extremely resilient compared to the MSCI World Index through the pandemic panic.

In short, there has been no evidence of green flight.

No doubt, one reason might be the increasing popularity of ESG in recent years, especially among institutional investors. As well, ESG principles tend to identify companies with better risk mitigation and management practices, and so are better equipped to withstand a crisis. Investors have begun to see sustainability themes as opportunities, and most sustainable funds use some form of ESG criteria these days. Fans of the ESG movement have long argued that it produces lower-risk, lower-beta, higher-performing investments; the current crisis might well prove them right.

Another factor is that the scope of “sustainability” has widened. As the themes in our strategy suggest, sustainable opportunities are not just in battery packs and solar panels anymore, but cut across a broad range of sectors. While there is a high capital intensity to the energy transition required to address climate change, many other themes in sustainability can be less capital-intensive, helping to insulate them from market shocks. And with greater breadth in opportunities comes less correlation to traditional energy prices – a dynamic that overwhelmed the themes in prior recessions.

Some firms, obviously, have fared better than others in the current climate, including specific health and well-being stocks that provide measurement and testing solutions to the healthcare and scientific sectors. Companies developing renewable power projects, meanwhile, have tended to retain guidance in this downturn given the long-term nature of their contracts and ongoing commitment from companies and governments to embrace less polluting energy. There are also opportunities in water treatment for firms to take over underfunded water systems from local governments especially given the strain near term on tax revenues.

Sustainability stocks in other segments, especially those more exposed to the economic cycle, have not fared as well. Yet the robust relative performance of sustainable equities during a crisis is no longer in question. The better question might be what happens once the world returns to some semblance of normalcy?

In our view, the resilience of sustainable equities isn't just a one-off generated by a few outperformers, but rather illustrates secular trends. The rise of ESG is one; the diversification of sustainability is another. Yet more generally, the current pandemic might accelerate an evolved view of capitalism, one where there is more acceptance of government intervention (of which there has been quite a lot lately, of both the regulatory and the fiscal variety) and corporate responsibility towards employees. When this is over, will the body politic more readily recognize that markets are imperfect at directing capital towards the areas of the most pressing social and environmental need? Will people, business and markets more readily accept government action in these areas through incentives and regulation?

We think it's possible and indicative of the recent pledges by U.S. Business Roundtable towards more of a stakeholder focus. Of course, investors are understandably wary whenever someone says, “It's different this time.” But when it comes to sustainable investing, the world has changed. And although it comes at a heavy price, the coronavirus pandemic might be the catalyst to make it change for good.

MARK SCHMEHL—CONTINUED

- I don't typically invest in FAANGs (outside of Microsoft) because I think I have better options elsewhere for innovation
- Trading is always part of the process, but it has been down relative to history (usually 200% turnover/year)
- I want to get the mix right between offense and defense - Important to position the stocks I own so I can get the portfolio to move in the right direction
- I've seen about 500 companies in the last 2 weeks, asking management teams how (in their experience) consumer behaviour has changed

Market Trend

- Going from bad to less bad. Things are getting better but from terrible levels
- The charts that I see are all about week over week improvement
- The market has gone up a lot, but the question lies within the sustainability of it
- Yes, things are getting better, but nobody knows how fast

'Work from Home' investment theme

- I think WFH is a secular theme
- We've accelerated what was already happening by about 2 years
- A lot of stocks that I owned before COVID stood to benefit from people working from home
- These stocks aren't just WFH - they're about flexible collaboration and we'll be seeing more of it
- It's about creating a better work experience for everyone
- This trend will likely continue for the next 4-5 years as everything moves to the cloud
- Online shopping continues to get better and gain market share

Acceleration of businesses using new technology

- When we talk to Zoom, they care about innovation at the enterprise level more than consumer
- Their focus is on employees using Zoom to collaborate
- A lot of companies are benefitting from the acceleration, such as Etsy
- Niche stocks that were secular growers are now getting more exposure because of the pandemic
- These stocks will likely continue to work

Investing in the other tail

- I spend a lot of time looking at really bad parts of the market
- Traditionally, when a destroyed sector can raise equity, it's usually a sign that it has bottomed
- It happened with banks in 2009; I bought every bank deal for 3 months
- Travel stocks are very similar, I've added to a lot of stocks in terrible places
- If the economy is back in 12 months, these things are still all buys
- Key question: How quickly will we get back to normal on the economic level
- I want to get the mix right between offense and defense
- Important to position the stocks I own so I can get the portfolio to move in the right direction
- I know what I want to own, I just don't know how much

MARK SCHMEHL—CONTINUED

Management calls

- Fidelity has access to management teams around the world, I am exhausted from all the meetings I've sat in on the past few months
- In periods of uncertainty, management teams are the last to see things
- Many are managing with the expectation that we'll get a second wave
- But the market is currently saying that things will be better a year from now
- I do think it will be a slow recovery and we may have a second wave

Portfolio turnover

- In 2018, I put 30% of all my portfolios in home builders - then pieced it out as we recovered but didn't do that this time around.
- I owned a lot of stuff that worked in virus times: Shopify, Zoom, Etsy, Slack, Okta
- When the market was melting, I was actively trying to get more exposure to the names I owned
- I also got to add some of the junky stuff and captured a lot of the upside
- Trading is always part of the process, but it has been down relative to history
- It's usually 200% turnover per year

New themes (VR, augmented reality, autonomous cars, etc.)

- That kind of thing got thrown out the window with this pandemic hitting
- It will be interesting to see how ESG stocks do, they've bounced back well
- Tesla hit an all-time high yesterday
- Some other environmental stocks I owned got hit hard but have come back
- I think these trends are being overshadowed by COVID

Virtual Reality - completely failed

- Every start-up working on VR or Augmented Reality has gone bust or been bought by Google
- It's not ready and there isn't a real application yet - too far in the future for me to invest
- A lot of these private companies got picked up by the FAANG stocks
- Now, everything is focused on digital transformation, working from home and online retail
- We'll get back to the sexy stuff when everything calms down

U.S. Presidential Election

- Don't think it matters a whole lot
- I think The House will remain split and it'll be tough to get legislature through, no matter who wins
- I think Trump would be structurally bad for the U.S. economy
- But if he stays in power, it will be polarizing and so far, polarization hasn't hurt the economy
- Market cares about the economy, not politics

Practicing Patience —Continued

When we discuss risk with our clients, we are essentially referring to volatility. We are all aware that what goes up, will come down- and vice versa. Markets rise and markets drop at varying degrees; and risk is the measure of one's ability to withstand these ups and downs in their portfolio as a function of timing. In other words, the real 'risk' lies in whether you will need to withdraw funds in a time when your portfolio is down, or if you have the ability to hold on until things come back up.

Financial markets are also known to experience phases of relative calm followed by sudden and often unforeseen spikes in volatility. Investors need to understand that volatility in itself is normal, and although we cannot control it, we are in control of how we react to it. We, and some great researchers, argue that its best not to react at all; as leaving the market during volatility can not only lock in losses but can result in missing out on any rally that follows. There are solid reasons why remaining invested over the long term is the one of the best ways to navigate turmoil within the markets.

We've always stood behind the fact that even the 'best of the best' in the industry do not have the ability to time the markets. Being able to leave the markets to avoid downturns and get back in to take advantage of rallies at precisely the right time is impossible. After all, no one seems to have the crystal ball that would make this task possible. Often, attempts to do so only end up causing inadvertent damage to a portfolio. Because no two market cycles are the same, the exact direction it will take cannot be predicted with any degree of certainty. As we have seen over history, there are a vast range of factors that the market reacts to. Potential upswings are virtually impossible to predict, and will likely be missed in the absence of perfect market timing. The research shows that missing even a few good days on the market can have an exponential impact on one's portfolio. Not a risk worth taking if you ask me.

To this point, history has demonstrated that periods of sharp declines have more often than not been followed by periods of some of the most promising returns. History has demonstrated the high recurrence of market rebounds following declines; serving to remind us that making sell-off decisions based on fear are ultimately unnecessary and remaining invested is far more favorable. In addition, a well-balanced portfolio has the uncanny ability to produce positive returns over the long term. The point I am trying to make is that although we cannot guarantee that history will repeat itself, odds are in favor for those willing and able to invest over the long term.

I touched on the fact we are currently experiencing unprecedented (economic) uncertainty, and it is unlikely that any amount of factual information would ever completely eliminate the anxiety this causes for investors. However, we like to keep reminding investors that market volatility, and all its perils, actually offers active managers' opportunities to better position their portfolios for the long term in a way they would otherwise not be able to take advantage of. There are times when markets get ahead of themselves, prices become disproportionately high, but we can also see the flip side. Temporary periods of crisis can drive down prices resulting in mispricing, which inadvertently creates fabulous buying opportunities. This ultimately sets the foundation for the emergence of long term profits.

Another opportunity that volatility provides is the potential to rebalance. Portfolio rebalancing can be one of the best ways to take advantage of the situation when comparing assets within a portfolio. This could look like selling assets that have grown in value and buying assets that have fallen in value; while maintaining the overall strategic asset allocation of a diversified portfolio. This describes the basic principal of buying low and selling high, and systematically rebalancing a portfolio is a great way to manage risk over time. Again, another real takeaway here is the importance of diversification (asset class and geographically), which can be most effective in times of uncertainty.

Throughout history, the financial markets have faced crises of varying degrees, from the tech bubble to the current pandemic; everything prior and in between. By spreading the risk across multiple asset classes through a robust, strategically rebalanced, well-diversified portfolio, is arguably the single best tool to mitigate the impact of volatility on a portfolio. This is a prime example of why, as I described last month, having a trusted advisor at your side can really help guide you to the right decisions.

The key here is to note the opportunities that emerge from times of uncertainty. What we are facing right now is just another reminder of how quickly things can change. The 10+ year trajectory we were on has faced a stark confrontation; retreating to levels we haven't seen since 2008. Even with the economic stimulus in place it is no secret that we anticipate further volatility in the foreseeable future. The temptation to react will likely continue, however, rest assured that patient investors are typically rewarded over the long term. COVID-19 has undoubtedly wreaked havoc, and its work isn't over just yet. If you're going to take anything away from this year, practicing patience is something that can have lasting benefits for years to come not only on your investments, but your overall well-being.

Life Centered Financial Planning: Life, Death & Taxes —Continued

Their eldest son Ben is in his late 30s and has a career as a successful photographer. Ben brings in a respectable \$70,000 a year from the sale of his photos. Ben is happy as a photographer and has no interest in the family business.

Peter and Mary Jane also have a daughter named Gwen. Gwen works at the business earning over \$100,000 per year. Her husband Harry also works there, and both are considered key employees.

Peter and Mary Jane's grandson Flash is in high school and their twenty-something granddaughter Felicia is living common law with a guy named Norman. Felicia met Norman at a bar frequented by members of a local motorcycle gang. Norman used to be married and has several children with his ex-wife.

Peter dislikes Norman and says he can't be trusted.

Peter and Mary Jane own their home which is worth \$1 million. Peter also owns assets in his name only, such as:

An RRSP worth \$500,000

50% of the shares in a friend's company

A cottage in Bobcaygeon worth \$500,000

A non-registered mutual fund portfolio worth \$900,000

Also, Peter has a permanent life insurance policy with a death benefit of \$400,000 and Mary Jane has Term to 100 life policy with a death benefit of \$200,000. Peter named his estate as the beneficiary of his policy and Mary Jane named Peter the beneficiary of hers.

Peter confesses to making one big investment mistake. He had bought \$700,000 worth of Blackberry Shares when they were trading at \$250 per share. Today those shares are only worth \$100,000.

THE STRATEGIES: Gifting, LCGE, Named Beneficiary, and Designating a Trust

Peter and Mary Jane want to know what strategies they could use to minimize taxes and fees when one of them dies.

One strategy would be to give away assets while both are alive. For example, Peter, being both older and male, is statistically likely to die first. If he gifts his cottage, to Mary Jane then there would be no taxation when Peter dies. If he does not gift the cottage, he is deemed to have disposed of the shares and will be taxed on any growth. Also, since he will not be the owner of the cottage when he dies, there will be no probate on asset, reducing the total probate fees. However, this is a tax deferral strategy and not a tax elimination strategy since Mary Jane will be taxed on the disposition when she dies.

The gifting strategy carries a timing risk if Mary Jane is gifted the cottage and then dies before Peter. One way around this is to leave assets to a spouse through the will (i.e. after death). If Peter identifies Mary Jane as a beneficiary of the cottage, when Peter dies the cottage will rollover to Mary Jane, resulting in a tax deferral on the capital gains (taxable when Mary Jane dies). This solves the tax issue, but now leaves the cottage open to probate and the resulting fees.

Peter could also use the Life-Time Capital Gains Exemption (LCGE) strategy. Let's assume, Peter runs the family business as a sole proprietor. He should consider incorporating his business if it qualifies as a QSBC (Qualified Small Business Corporation). If it qualifies, he would be eligible for the \$883,384 capital gains exemption that could be applied towards an estate freeze. Peter's daughter Gwen is a key person at the business and, along with her husband Harry, has a clearly vested interest in the company. This gives Peter an avenue to transfer all future growth of the common shares of the company to Gwen and her husband Harry. The result being that any taxes paid on future growth of the company will be in the hands of Gwen and Norman rather than his own.

Another strategy would be a Named Beneficiary strategy. Peter named his estate as beneficiary of his insurance policy. As a result, when Peter dies, the insurance will form part of the estate and will be subject to probate. If he were to name Mary Jane, his children, a charity, or anyone else other than the estate, the death benefit will be paid directly to the beneficiary and there would be no probate.

A final strategy would be the Designate a Trust strategy. Peter could create an Inter-Vivos trust (aka a living trust) and put whatever assets he wants into it. Doing so means these assets will not be included in the estate, thus removing any probate fees associated with those assets and any further taxation on the growth of the assets. Peter would have to be careful not to name himself both settlor and beneficiary. Doing so means the trust would be a revocable/reversionary trust and Peter would still be taxed on the assets, despite them being held in the trust.

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