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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 7, ISSUE 1 JANUARY 2018

"Don't cling to a mistake just because you spent a lot of time making it."
- ***Anonymous***

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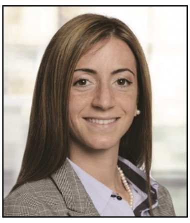
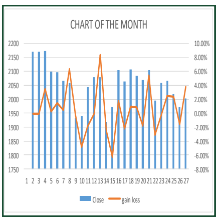
Sergio Simone
EDITORIAL COMMENT



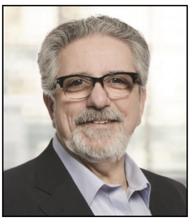
Kristina de Souza
THE EVOLVING CRITICAL ILLNESS LANDSCAPE



WORLD DEBT SURPASSES $63 TRILLION

Ryan Simone
GLOBAL SYNCHRONIZED ECONOMIC GROWTH

Editorial Comment



Sergio Simone

Anyone invested in the markets over the last 8 years or so, is probably very content with their portfolio returns, but this bull market is getting long in the tooth. The so-called "Goldilocks economy" that has persisted over the last year and accounting for strong returns in many categories, may be coming to an end and different strategies must be considered,. This is not a time for complacency and while the environment for taking a reasonable level of risk is good, it is late in the cycle,

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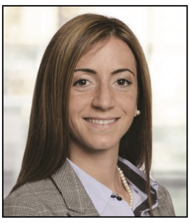
The Evolving Critical Illness Landscape



Kristina de Souza

As I have touched on in the past, critical illness (CI) insurance is a product that pays a lump sum benefit upon diagnosis of cancer, heart attack, stroke and other serious illnesses. The CI market is experiencing unprecedented growth in recent years, and this is expected to continue to climb going forward. Interestingly, much of the potential critical illness market remains unpenetrated, as many North Americans have yet to purchase this coverage.

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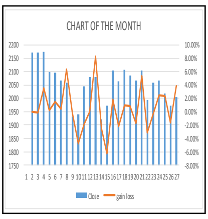
World Debt—Surpasses $63 Trillion



World debt, the amount of money that national governments have borrowed, has surpassed the staggering sum of $63 trillion. Theoretically governments would borrow money to cover short-term budget deficits or finance some critical projects, but unfortunately, many countries today use debt to cover the costs of operating their current governments.

Continue Reading

Ryan Simone

Global Synchronized Economic Growth

For the first time in over a decade we are seeing "global synchronized economic growth'. For many investors this meant that 2017 was a great year to be invested and it looks like 2018 may be as well.

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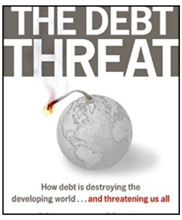


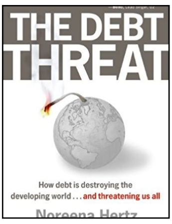
BOOK OF THE MONTH

FUND OF THE MONTH RENAISSANCE GLOBAL SCIENCE AND TECH

INVESTMENT TERMINOLOGY

DO YOU HAVE A WILL?

Book of the Month



The Debt Threat

By Noreena Hertz

A look at the history of third-world debt and its crippling effects on people in developing countries. Hertz offers a probing analysis of the origins of this rampant burden and its evolution through the decades. With clear principles of justice, she uncovers the imbalance of power and misuse of corrupt dictators and reckless lenders.

Fund of the Month—Renaissance Global Science and Technology

The funds objective is to obtain long-term capital appreciation by investing in a diversified portfolio of global companies involved mainly in telecommunications, biotechnology, computer hardware and software, and medical services and other scientific and technology based companies.

Investment Terminology

Political Risk

In general there are two types of political risk, macro risk and micro risk. Macro risk refers to adverse actions that will affect all foreign firms, such as expropriation or insurrection, as occurred in Cuba when Fidel Castro took control of the country in 1959. American owned assets worth hundreds of millions of dollars were expropriated. Micro risk refers to adverse actions that will only affect a certain industrial sector or business, such as corruption and prejudicial actions against companies from foreign countries.

Paul Mazzeo, specialist in Family Law, Real Estate, Wills & Estates, Litigation and Corporate Law.

MAZZEO'S LAW

Do You Have a Will? If Not, Here Are 7 Reasons Why You Should.

Something I see all too often as a family lawyer are people fighting over the estate of a loved one that has recently passed because there is no will left behind with instructions. Emotions and hurt can still occur even when there is one because family members sometimes feel the division of assets and such is unfair or disagree with the instructions.

Please click on the link to continue reading Paul's article "Do You Have A Will?

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Which Morningstar Index Performed Best in 2017

How well did markets fare in 2017? Morningstar Research Inc.'s preliminary 2017 perform

How To Structure Your Portfolio For 2018

The new year brings an opportunity to reflect on your current investments, analyze future outlooks and rebalance your

Global Asset Allocation Views 1Q18

Broad-based and above-trend growth is set to continue into 2018 before gradually easing back to trend over the year.

Companies More Optimistic: Bank of Canada Poll

Canadian companies are more upbeat about the future than they were three months ago with firms

Canadian Dollar Faces A Perfect Storm In 2018

The U.S. Dollar has recovered from a five-month rout vs. the Canadian dollar which saw the

What Canadians Should Know About US Tax Reform

Now that U.S. tax reform has been enacted into law, we are at

Political Uncertainty In An Age of Trump

While political uncertainty might be at an all-time high following the U.S. election, it hasn't led to the kind of volatility that we

Canada's Economy To 'Wane,' Says Internal Memo To Finance Minister

Canada's economy headed for

It's Time To Start Positioning Your Portfolio For Rising Interest Rates

As Trumponomics get closer in the side mirror for the United

We're In A Classic Late Cycle, Says Economist

An optimist and a pessimist meet for a coffee. "Things can't possibly get any better," the optimist says. The pessimist

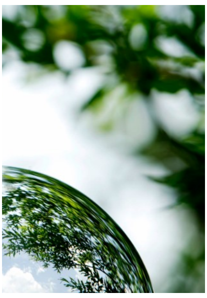
Is It Time To Look Beyond US Stocks?

For the better part of a decade, both stocks and bonds have enjoyed the most favorable

Bank of Canada Raises Rate to 1.25%, But Cautions on Nafta

The Bank of Canada had a window to raise interest rates and it

Franklin Templeton Investments - 2018 Global Investment Outlook



For nearly a decade, financial markets have surfed a wave of low-cost money in the US, courtesy of the US Federal Reserve's massive quantitative easing (QE) programs that were launched after the global financial crisis of 2007-2009. The expansion of the Fed's balance sheet from around US$900 billion in 2008 to nearly US$4.5 trillion today has arguably been the most dominant force shaping global financial markets. QE has driven down yields and pushed up asset prices, steering many investors towards riskier assets while keeping the costs of capital artificially suppressed. This has distorted valuations in bonds and in equities, in short, the era of QE has created a seemingly complacent market that views persistently low yields as a permanent condition.

VIDEO LINKS

Blackrock—2018 Investment Outlook

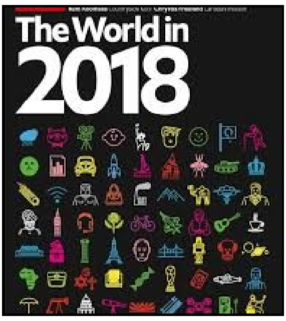
A synchronized global expansion has room to run in 2018. Strong corporate earnings and steady

The Path For Canadian Interest Rates This Year Goes Through Donald Trump

Politics will drive markets in 2018.

How Much Millennials Think They Need to Retire

Young people may be underestimating how much money they need to fund their futures. "As many as 34 percent of

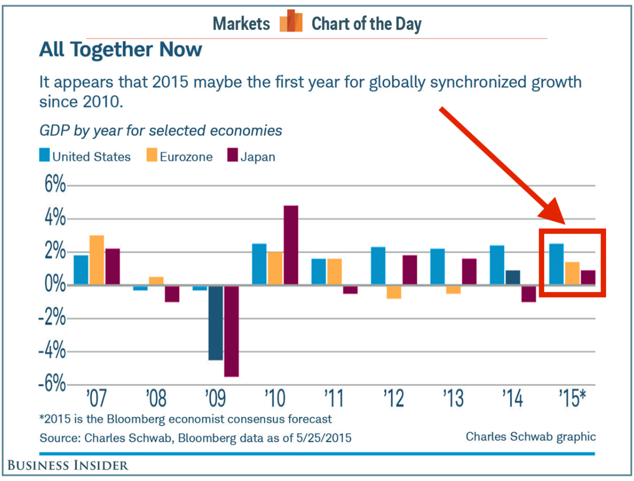


The World in 2018—What will be the top ten stand out moments of 2018

In 2018 Cyber attacks will effect our lives like never before. Hackers have already compromised multi-national organizations. Stealing the personal details of millions of people. Hackers have even been implicated in national elections. In 2018 the impact of cyber-criminals will be felt by all. 2018 may be the year that people's attitudes will shift from "will I be hacked" to "when I am hacked".

EDITORIAL COMMENT CONTINUED

but it is also important to maintain a close watch on macro data and maintaining a diversified portfolio across a liquid universe of assets. Even though we see limited risk of recession in 2018 it is still wise to be vigilant with investment opportunities which will have more to do with security selection and sector allocation and less to do with “just being invested”. It will require more work to find the successful investment funds. Managers will likely have to take a more fundamentals-driven approach in finding the right securities. Two other key ingredients will be to stay liquid and flexible to take advantage of potential macroeconomic movements.



As an investment advisor, I have been delighted in recent years to witness synchronized global economic growth for the first time in almost a decade despite the numerous geopolitical hurdles like Brexit negotiations, tensions with North Korea, Catalan secession efforts and a turbulent U.S. political climate. All indicators appear to favor the probability of this cycle to have some major staying power. If this comes to pass, investors will reap greater rewards from equity investing over government bonds. For those that are looking for a more balanced approach, you may want to focus on higher-yielding bonds for your fixed income allocation.

Other investment considerations to make when looking at fund managers is to focus on value managers instead of growth managers. Your investments should also acknowledge the effects that stable-to-higher oil prices and interest rates will have on your portfolios. With this in mind, I still expect global economic growth to exceed expectations for another year which will bode well for U.S. and European equities. Recoveries in Europe and Asia are still in their infancy relative to the U.S., which should allow for an extended period of catch-up growth. The hidden gem in all of this is that Canadian equities are on a path of better returns than both the U.S. and Europe.

With all this great potential on the horizon I would be remiss if I didn’t address the elephant in the room. The current global equity bull market is one of the longest on record, and numerous indices are hitting record highs on a weekly basis. It is times like these when we must remain especially vigilant. It is during these times that we must keep a close eye on risk indicators and challenging our existing views. Central banks around the world are intent on reducing their balance sheets. While central banks are on the verge of tapering, equity markets have enjoyed one of their longest runs in recent history without a significant correction. I would not be surprised to see a modest correction in equity values during the first or second quarter of 2018. This should not be feared and in fact, if it does come to be, investors should consider using it as a major buying opportunity.

As we prepare to rebalance our client’s portfolios we will keep several things in mind. (a) There is positive economic momentum: (b) Interest rates are on the rise: and (c) Inflation is stable to increasing

Since interest rates are biased upwards, we are finding better risk-adjusted returns investing in blue chip equity funds than in fixed income funds. Another reason for this concentration is that I view the risk of recession to be fairly minimal, but as mentioned previously, I do have some concern over an earnings pause which may cause a brief market correction. Right now, I would welcome a correction in this secular bull market as it would be great news for well-positioned investors to take advantage of reduced prices. Looking ahead, the news is not all bad. Despite inflation-related hurdles we expect 2018 will bring solid and synchronized global growth. For me, the key to investing in 2018 is to avoid or minimize exposure to sectors with excessive interest rate risk which could dramatically change the landscape in 2018.

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The Evolving Critical Illness Landscape—CONTINUED

This is discouraging given that millions have benefitted from the cushion critical illness products have provided for the financial hardship linked to health adversities.

With that said, critical illness insurance is under great pressure at the moment due to shifts and advances in disease diagnostics and treatment. For example, advances in heart attack diagnostics have allowed for even small amounts of cellular damage to be identified and treated. As a result, these diagnostics have led to debates and substantial confusion within the industry. This sort of diagnostic shift is taking place not only with heart attack detection, but with respect to a variety of illnesses, and such advances in methodology are set to progress drastically in the years to come.

The CI industry has responded to these changes in several ways. When enhanced tools enable diagnoses of earlier and more minor illnesses, the definitions used in CI contracts are weakened. Further, the very basis of CI insurance; that it provides financial support in instances when life is threatened by severe illness, is compromised, and this ultimately leads to pricing uncertainty. These advances have also made it increasingly more challenging to detail the covered definitions of critical illness.

Keep in mind that all Canadian CI policies utilize standardized definitions developed by the Canadian Life and Health Insurance Association (CLHIA). This standardized approach to defining illness ensures a level playing field for the consumer and insurer alike. However, insurers are at risk of being out of sync with the medical field as they must continually amend policy wording with clauses and so on. Ultimately, medical advances have no choice but to bring into question the long-term viability of CI products as they currently stand. At the same time however, the given circumstances provide the opportunity for insurers to tailor their services to be far more aligned with people's needs. Perhaps the next stage of CI insurance will see a shift from broad compensation to a more tailored approach to people's unique needs.

Cancer happens to be the most common critical illness claim; according to the Canadian Cancer Society, one in every two Canadians will be diagnosed with cancer. A significant diagnostic shift has taken place; whereby cancer is now detected more often and at a much earlier stage than the past. Such advances in the detection of cancer will certainly lead to higher prevalence rates as individuals are diagnosed sooner and more often. At the same time, medical interventions are becoming more effective and genetic innovations are transpiring into life-saving treatments. To keep in line with industry standards, insurers have revamped their CI lineup upon adopting the new benchmark definitions outlined by the CLHIA.

One of the recent major changes pertains to the definition of cancer. Currently, the cancer definition is broad; stating that 'cancer' is covered under a CI policy. The new Health Priorities definitions will be far more narrow; specifically outlining which cancers are covered and which are not, and where partial payments will be made for certain types of cancer. The new definition of cancer for CI purposes requires that it be life threatening in nature; specifically, a definite diagnosis of a tumour characterized by the uncontrolled growth and spread of malignant cells and the invasion of the tissue. The types of cancer include carcinoma, melanoma, leukemia, lymphoma, and sarcoma. Given ongoing developing technology, it made perfect sense for the CLHIA to revisit the language used in CI cancer definitions. The challenge was to phrase the definition of cancer in such a way that ensures a uniform level of severity given the influx of new technology. This will prevent CI policies from paying out for minor diseases as opposed to life-threatening ones; ultimately preserving the life of CI insurance as a whole by preventing it from becoming unaffordable and unsustainable.

The medical technological advances occurring today have the potential for both positive and negative implications for the CI landscape. As survival rates of critical illnesses continue to rise, patients are faced with out-of-pocket costs affiliated with increased survival; accordingly they will likely gain an increased appreciation for the financial risks they face and see the true value of critical illness insurance. On the other hand, as medical advances lead to earlier detection of disease; CI claims may see a drastic increase; perhaps even some that may never have taken place without such advances. A potential outcome of this could be a decrease in treatment costs and ultimately less value placed on the need for CI Insurance. Thus, the insurance industry does not operate in isolation; they must continually re-evaluate their products, assumptions, and definitions in relation to factors both within and outside the industry.

In Canada, the majority of CI policies are non-cancellable; meaning the insurer cannot cancel the coverage nor can they adjust the rates or terms of the policy. It is important to keep in mind, however, that each CI policy is unique, and includes exclusions and limitations that will define if a benefit is not payable. It is crucial to review a policy and be sure to be aware of any exclusions or limitations that may apply. Though many insurers have adopted the new CI cancer definitions and adjusted their product lineup accordingly, there are still a few that have not as of yet. Thus, there remains a short window of opportunity to get a CI policy in place for yourself under the broader definitions.

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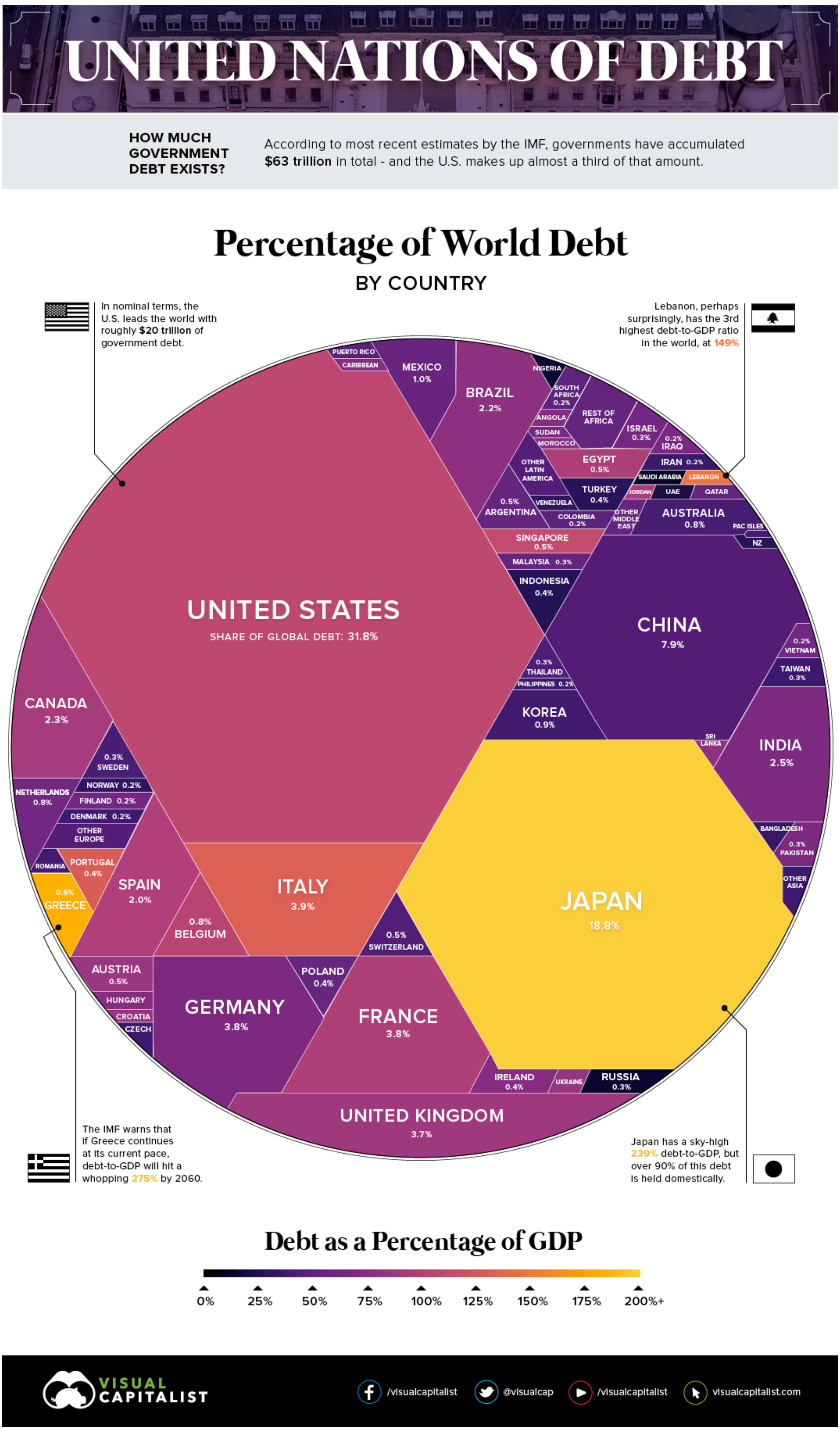
World Debt—Surpasses $63 Trillion- **CONTINUED**

Today, countries have fallen into the trap of running constant and growing deficits as a normal business practice. The problem is that like Greece’s experience, too much debt is not healthy. When countries begin to focus on deficit instead of debt, and the debt balloons so high that reducing the deficit number is considered a political party’s achievement of budget success then debt begins to grow without thought or concern. Some refer to this as “debt creep”.



Take the U.S. as a prime example. The United States has not posted an annual budget surplus since 2001, when the federal debt was a mere $6.9 trillion, or 54% of GDP. Today it has become a behemoth at $20 trillion and a whopping 107% of GDP. This accounts for almost 32% of the world’s sovereign debt. At some point in the future this constant debt accumulation will have dire consequences. It is absolutely necessary that governments become more fiscally constrained or future generations will suffer financial distress.

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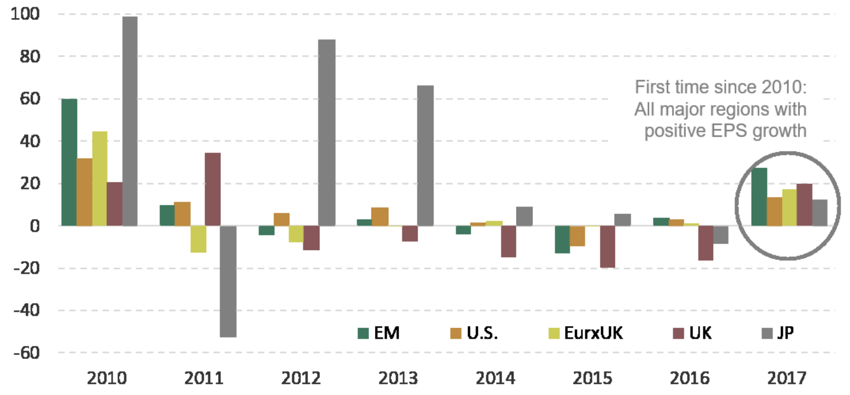
GLOBAL SYNCHRONIZED ECONOMIC GROWTH—Continued.

Synchronized growth is a fascinating and rare trend since it is very unusual for the world's biggest economies to grow all at once. But China, the U.S. and even Japan among others all have positive growth rates.

Chart 1: Synchronized Earnings Growth

Percent, As of 7/4/2017



Source: Citi Research, Factset

Past performance is no guarantee of future results. Indexes are unmanaged, and not available for direct investment. Index returns do not include fees or sales charges. This information is provided for illustrative purposes only and does not reflect the performance of an actual investment.

There are different reasons and theories for why this is happening. First, many of these countries spent heavily to get out of the 2008 recession while Japan simultaneously began to pull out of its own decades long slump. Such spending is also found in many of the emerging growth markets like Indonesia which are now governed by market and trade friendly economic reformers. Second, despite what we see on the news and in our Facebook feeds, the world is more peaceful now than it has been in the recent past. For example, terrorist attacks are down by double digits while economies and markets favor boring, old stability. Finally, the U.S. has managed sustained economic growth and this may have helped lift other nations tied to the U.S. economy.

The question is could this continue? Some argue that we should expect even more U.S. growth in 2018 now that tax cuts are set in place. For the last several years, investors were hesitant to enter the equities market, in part from the memorable pain of 2008, but also because of the rapid dissemination of news. Investors were hyper-aware of geopolitical turmoil and the adoption of new technologies. This created volatility through emotional buying and selling with little attention given to the strong fundamentals that have been present over the last several years. Those strong fundamentals are still present in all major economies and emerging growth economies which suggests 2018 could see continued growth.

One of the positive fundamental trends we're seeing are an accelerating global trade in which world manufacturing activity expanded to a 78-month high in October 2017. Moreover, Worldwide business optimism as recorded by October's IHS Market Global Business Outlook survey, climbed to its highest level in three years and optimism amongst U.S. firms reached its highest since 2014. And it is not just large corporations showing optimism as small business owners' optimism remained at historically high levels throughout the end of 2017. If the theory of U.S. economic influence on global synchronized growth has any merit, strong U.S. fundamentals like those we are currently seeing will promote further growth across global economies.

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Still, having a last will and testament will minimize family disputes.

When you don't have a will in place, your estate is tied up in the courts and eventually they end up deciding how to divide your estate without your direction. While there are more reasons than not, here are seven reasons why having one is a good idea.

1. Family Protection

One of the most important reasons for having a will is protecting the interests of your family and loved ones after your passing. Sometimes depending legal challenges beyond what you would imagine occur and a portion or your entire estate may be awarded to someone you would not have wanted to inherit it. For example, in a wrongful death lawsuit the father of a son who had passed suddenly was awarded over $1 million even though the father had not been part of his life for over 32 years. His mom and siblings who were part of his life received nothing.

2. Estate

In creating your will, you and only you decide how your estate is to be divided and distributed. It is a legally binding document that instructs exactly how you want your assets and such to be handled when you pass.

3. Inheritance

Controlling who gets what is an important part of your will. In fact, sometimes disinheriting certain family members to ensure they do not receive any inheritance is even more important. But if you don't have a will, you have no say and sometimes your full inheritance can be passed on to someone you would not have wanted to receive anything like an ex-spouse.

4. Children

Needless to say that if you have children, especially if they are minors, you would want to have a say in who will look after them should you pass away before they are able to care for themselves. Without any instructions, the court will have to appoint a family member or guardian to care for them.

5. Taxes

Appropriating your estate by dividing it among family members or donating to a charity of your choosing can minimize the taxes on your estate. It's unfortunate but without one, the estate is taxed and the government will still get its share in taxes. Avoid being overtaxed on your estate by having a will in place and all assets properly divided.

6. Executors

This is quite a responsibility for the executor as their role will be to pay all bills, close accounts, cancel credit cards, and notify any and all banks and business establishments of your passing. Having someone you can trust that is reliable and organized handle these things makes the most sense. It also doesn't have to be a family member, so choose this person wisely.

7. Gifts & Donations

Leaving a gift or donation behind is like leaving a legacy that can make a positive impact that lives on even when you are gone. Not to mention, that gifts and donations up to a certain amount are excluded from taxes.

None of us are guaranteed tomorrow and the only guarantee in life is that one day, whether sudden or not, we will pass on. Having a will can put our minds at ease and allow us to better enjoy our days while here knowing that our family's interests will be protected and taken care of.

Contact us for a free consultation and we will be happy to help answer and address any questions or concerns you might have with your last will and testament.

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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.

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

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