Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 7, ISSUE 6 JUNE 2018

“The stock market has forecast nine of the last five recessions.” - ***Paul Samuelson***

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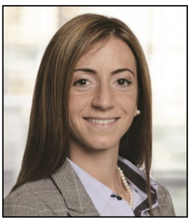
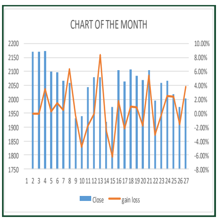
Sergio Simone
EDITORIAL COMMENT



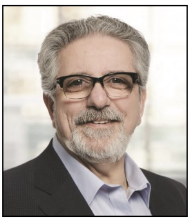
Kristina de Souza
CANADIAN TRAVEL INSURANCE



BE DIVERSIFIED

Ryan Simone
PLANNING FOR THE FUTURE WITH A TRUST

Editorial Comment



Sergio Simone

If the current bull market lasts until August of this year, it will become the longest running bull market in the history of the S&P 500. However, since the beginning of the year it seems we have been on the verge of one correction after another.

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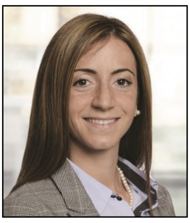
Canadian Travel Insurance



Kristina de Souza

Summer has finally decided to show up, and the need to flock to warmer climates has subsided for the time being. With the warmer weather and perhaps the rise in the USD, many Canadians may have shifted their travel focus from foreign destinations to Canadian staycations.

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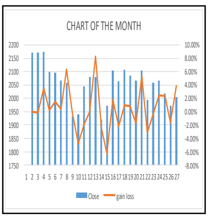
Be Diversified



Diversification is a key element of investing successfully. It refers to the practice of spreading your investment dollars over various asset classes such as equities, bonds and cash. These generalized asset classes can further be broken down into sub-classes like Canadian equites, U.S. equities, large company stocks, small company stocks, health care or

Continue Reading

Planning For The Future With A Trust

Ryan Simone

In the context of financial planning, a trust is perhaps the most flexible and important advice a planner can give. There are many different formations a trust can take, as well as many needs and purposes behind the creation and operation of a trust.

Continue Reading

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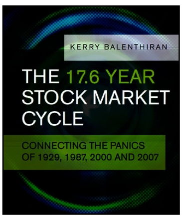


BOOK OF THE MONTH

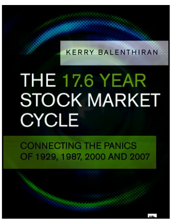
FUND OF THE MONTH AGF AMERICAN GROWTH CLASS

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH FINANCIAL DUCKS IN A ROW

Book of the Month

The 17.6 Year Sock Market Cycle



By Kerry Balenthiran

This book is concerned with cycles. A cycle is a sequence of events that repeat over time. The outcome won't necessarily be the same each time, but the underlying characteristics are the same. A good example is the seasonal cycle. Each year we have spring, summer, autumn and winter, and after winter we have spring again. But the weather can, and does, vary a great deal from one year to another. And so it is with the stock market.

Fund of the Month—AGF American Growth Class

The Fund offers concentrated exposure to U.S. equities, while focusing on innovation to identify companies that exhibit exceptional product development and corporate leadership. The manager, Tony Genua, applies a bottom-up growth investment style that looks for companies with above-average earning and revenue growth, relative to their historical earnings, the industry or overall market.

Investment Terminology

Call Option—Put Option

A Call Option gives the holder the right, but not the obligation, to buy a fixed amount of a certain stock at a specified price within a specified time. Calls are purchased by investors who expect a price increase.

A Put Option is a contract that gives the holder the right to sell a specified number of shares at a stated price within a fixed time period. Put options are purchased by those who think a stock may decline in price.

BLOG OF THE MONTH

www.Financial Ducks In A Row.com

INCOME REPLACEMENT WITH DISABILITY INSURANCE

Most individuals understand the need for traditional life insurance. It pays a death benefit in the event a loved one, such as a spouse, dies prematurely. The death benefit is there to provide income for expenses, and to fund future expenses such as college or the surviving spouse's retirement.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

GLOBAL HIGH NET-WORTH INDIVIDUAL WEALTH SURPASSES US$70 TRILLION FOR THE FIRST TIME

PARIS—(BUSINESS WIRE) - The World Wealth Report 2018 (WWR), released today by Capgemini, found the improving global economy spurred high net worth individual (HNW) wealth to surpass the US$70 trillion threshold for the first time. Registering its sixth consecutive year of gains, HNWI wealth grew 10.6 percent, making 2017 the second-fasted year of HNWI growth since 2011.

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TWO-THIRDS OF YOUNGER HIGH-NET-WORTH AMERICANS FEEL PERSONAL RESPONSIBILITY TO DEPLOY WEALTH FOR SOCIETY'S BENEFIT, NEW STUDY FINDS

MINNEAPOLIS, Minnesota, June 12, 2018—The definition of legacy in the U.S. is shifting from value to values, as high-net worth Americans increasingly prioritize the impact of their money throughout their lives and beyond. This is according to a new survey from The Economist Intelligence Unit (EIU), commissioned by RBC Wealth Management. While respondents understand that financial wealth is the primary enabler of their legacy, many are focused on familial relationships and social contributions as they think about making their mark.

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PASSPORTS ARE NOW VALUABLE COMMODITIES

Buying desirable citizenship is all the rage among the UHNW

How much is your passport worth? The world is increasingly interconnected, particularly among the high-net-worth, and cross border activity is now the norm. With so much money flying around, governments worldwide are taking note and rushing to enact regulations to control, and get a piece of the action

Continue Reading

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

The Economist Intelligence Unit

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.

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FUND MANAGER COMMENTARY

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RACHAEL VESPI
QV INVESTORS INC

PHILIP PETURSSON
MANULIFE
INVESTMENTS

BLAKE C. GOLDRING
AGF MANAGEMENT

JURRIEN TIMMER
FIDELITY
INVESTMENTS

Rachael Vespi, Investment Associate

QV Investors Inc.

Within all of our equity strategies, QV has always limited single sector exposure to a maximum of 25%. This self-imposed sector constraint ensures an adequate level of industry diversification across our concentrated portfolios. Compared to most global indices, the TSX is an extremely narrow market.

Continue Reading

Philip Petursson, CIM, Chief Investment Strategist

Manulife Investments

Despite constant trade dispute chatter, North American equity markets finished the month positive with the TSX, S&P 500 and the Nasdaq up 2.9%, 2.2% and 5.3% respectively in local currency terms as investors focused on strong sales and earnings growth in the region. . Continue Reading

Blake C. Goldring, M.S.M., LL.D., CFA

AGF Management Limited

Brexit is a Process Not An Event—Part One

Preparing for Brexit not just a British Challenge. Earlier this week, I had the privilege of participating in the "Preparing for Brexit Not Just A British Challenge" Panel with the Right Honourable Lord Mayor of the City of London and the

Continue Reading

Jurrien Timmer, Director of Global Macro

Fidelity Investments

All About The Liquidity

Strong earnings are bailing out high valuations, but it's all about financial conditions from here.

Four months after the market peak in January, the Standard & Poor's 500 (S&P 500) Index remains stuck in a trading range of around 2,600—2,800. What's next? More of the same, if you ask me.

From here, it's all about earnings and liquidity (i.e., the level of interest rates and availability of credit), which together drive stock valuations in the form of price-to-earnings (P/E) ratios.

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Liquidity Crisis Looming

Liquidity could become a serious problem for basic market operations, Puplava noted. And high frequency trading is the match

Fed Raises Interest Rate, Signals Possible Acceleration In Hikes

The hike from 1.75 per cent to 2 per cent reflects the economy's

Household Debt And Housing Remain Key Risks For Financial System: Bank Of Canada

Canada's housing market and

Take A Closer Look At Participating Whole Life Insurance

Advisors and clients are increasingly choosing participating (par)

What Higher Rates Mean For REITs

Rising interest rates make the cost of financing property more expensive, something that real

The $3 Trillion Move That Could Boost U.S. Stocks

Getting more American women into the workforce would boost the nation's economy.

Yield Curve Points to Recession In About 22 Months

Guggenheim Partner's Scott Minerd has his eye on the yield

Keeping Eyes Peeled For A Bearish Turn

Markets and economies move through multi-year periods of expansion and contraction.

5 Facts About Fixed Income

Fixed Income investing seems Straight forward. But here are five reasons why working with

4 Ways To Determine If You Are A True Investor Or Just A Speculator

Many people are hesitant to invest in the stock market,

Measuring The Market Impact Of Geopolitical Risks

Estimating how—and exactly which—geopolitical events may

Are Recession Risks Increasing in the U.S.?

This is now the second-longest U.S. economic expansion ever. We always knew it was going to

Leger, Omni Report—Seniors And Money

Seniors (aged 60+) are most likely to be supported by the government (73%), followed by company pension plans (44%) and investments (35%).

ONE-IN-FIVE SENIORS ARE STILL WORKING, especially those with financial concerns (26% vs 16% no concerns), who have debt (27% vs 12% no debt), who are stressed about finances (25% vs 18% not stressed), or who are supporting children financially (28% vs 18% not supporting children).

Continue Reading

VIDEO LINKS

Many Canadians Think CPP Won't Be There For Them At Retirement

Barbara Shecter speaks with Mark Machin, CEO of Canada

How The Rules Of Portfolio Construction Are Changing In Today's Market

Here's how rising interest rates

U.S. Going It Alone Undermines Dollar's Fate, Lazard CEO Says

U.S. isolationism could undermine the dollar's status as the

OECD Economic Outlook

The global economy is experiencing stronger growth, driven by a rebound in trade, higher investment and buoyant job creation, and supported by very accommodative monetary policy and fiscal easing, according to the OECD's latest Economic Outlook.

The pace of global expansion over the 2018-19 period is expected to hover near 4%, which is close to the long-term average.

EDITORIAL COMMENT-CONTINUED

We recently survived another, in a series of, market corrections; the U.S. – China trade tariffs situation sent markets tumbling. Even though "market corrections" tend to occur every 20 months or so, investors still feel gentle urging to 'get while the getting's good'. Historically, they would be right about one every three times there is a correction since two-thirds of the time market corrections DO NOT become a bear market.

Morgan Stanley Research recently released an analysis of S&P 500 trends since 1950 to identify recurring patterns in corrections and market shifts to try and provide investors with some historical signs that change is imminent. One pattern highlighted by the report is that market drawdowns are more common than investors realize. Since 1950 there have been more than 100 instances where the S&P 500 index has fallen by more than 5%, and 32 times that it dropped more than 10%.

That being said, if a market correction happens to fall into Recession territory, there is reason for concern since most recessions lead to bear markets. We rarely experience a bear market outside of a Recession. It is a fine line between market correction and market recession. For that reason alone, it is imperative to keep an eye on the progression of any market correction. Corrections have a tendency to start out very innocuously and under most investors' radar screens but can develop into raging bear markets before we have the time to make a decision on what to do with our portfolios.

Forecasting equity prices is a fool's game and inherently unknowable, even to the most astute and brilliant investors. No one can predict with certainty what will happen in the future. All we can do is use history as a reference to give us some guidance with hopefully better probabilities, on what may transpire in the future given certain conditions. Therefore, investors should try to understand the specific signals of a bear market transition to help them position their portfolios.

With this in mind, I will say that the odds are against an upcoming recession in the United States, at least for the foreseeable future. Barring some unexpected geopolitical event or six-sigma event like 1987, a bear market is very unlikely to be underway. If my analysis is correct, we are likely to experience higher equity prices over the coming months. I also expect we will experience new indices' highs long before the next recession.

It is true that equities fall before the start of most recessions. The dilemma is that we can only discern this in hindsight as the majority of equity drops have been just short-term market corrections. Since 1950 there have been 35 market corrections on the S&P 500, defined of a drop of at least 10% from peak to valley. Only ten of these have gone on to become bear markets, defined as a fall of 20% from peak to valley.

S&P 500 Corrections & Bear Markets

Table 2: S&P 500 Corrections & Bear Markets

Peak Date	Trough Date	Peak Price	Trough Price	Percent Loss	Number of Days**	Recessions
6/12/1950	7/17/1950	19.40	16.68	-14.0	35	
1/5/1953	9/14/1953	26.66	22.71	-14.8	252	1953-54
9/23/1955	10/11/1955	45.63	40.80	-10.6	18	
8/2/1956	2/12/1957	49.74	42.39	-14.8	194	
7/15/1957	10/22/1957	49.13	38.98	-20.7	99	1957-58
8/3/1959	9/28/1960	60.71	52.48	-13.6	422	1960-61
12/12/1961	6/26/1962	72.64	52.32	-28.0	196	
8/22/1962	10/23/1962	59.78	53.49	-10.5	62	
2/9/1966	10/7/1966	94.06	73.20	-22.2	240	
9/25/1967	3/5/1968	97.59	87.72	-10.1	162	
11/29/1968	5/26/1970	108.37	69.29	-36.1	543	1969-70
4/28/1971	11/23/1971	104.77	90.16	-13.9	209	
1/11/1973	10/3/1974	120.24	62.28	-48.2	630	1973-75
11/7/1974	12/6/1974	75.21	65.01	-13.6	29	
7/15/1975	9/16/1975	95.61	82.09	-14.1	63	
9/21/1976	3/6/1978	107.83	86.90	-19.4	531	
9/12/1978	11/14/1978	106.99	92.49	-13.6	63	
10/5/1979	11/7/1979	111.27	99.87	-10.2	33	
2/13/1980	3/27/1980	118.44	98.22	-17.1	43	1980
11/28/1980	8/12/1982	140.52	102.42	-27.1	622	1981-82
10/10/1983	7/24/1984	172.65	147.82	-14.4	288	
8/25/1987	12/4/1987	336.77	223.92	-33.5	101	
1/2/1990	1/30/1990	359.69	322.98	-10.2	28	
7/16/1990	10/11/1990	368.95	295.46	-19.9	87	1990-91
10/7/1997	10/27/1997	983.12	876.99	-10.8	20	
7/17/1998	8/31/1998	1186.75	957.28	-19.3	45	
7/16/1999	10/15/1999	1418.78	1247.41	-12.1	91	
3/24/2000	10/9/2002	1527.46	776.76	-49.1	929	2001
11/27/2002	3/11/2003	938.87	800.73	-14.7	104	
10/9/2007	3/9/2009	1565.15	676.53	-56.8	517	2007-09
4/23/2010	7/2/2010	1217.28	1022.58	-16.0	70	
4/29/2011	10/3/2011	1363.61	1099.23	-19.4	157	
5/21/2015	8/25/2015	2130.82	1867.61	-12.4	96	
11/3/2015	2/11/2016	2109.79	1829.08	-13.3	100	
1/26/2018	2/8/2018	2872.87	2581.00	-10.2	13	

* Corrections are declines of 10% or more. Bear markets are declines of 20% or more (highlighted in red).
** Number of days includes weekends and holidays.

February 13, 2018 | **S&P 500 Bull & Bear Market Tables**

Yardeni Research, Inc.
www.yardeni.com

EDITORIAL COMMENT-CONTINUED

For any investor who has experienced a market correction, they will attest that it can feel devastating in the moment, but as I mentioned earlier, they do occur about once every 20 months on average and have done so since 1980. I'm sure many investors were convinced each one of these corrections would lead to a Recession.

Of the ten recessions that have occurred since 1950, a bear market has emerged in nine of them. Since a recession imminently leads to a bear market, investors should use all tools at their disposal to forecast the probability that an innocuous correction will lead to an ominous bear market.

Although there is no foolproof solution or indicators to deal with this predicament, over the last fifty years, three economic indicators have stood out as beacons in warning of a recession:

1. Rising unemployment claims
2. An inverted yield curve
3. Declining new home sales

All of these are viable signals of trouble ahead. There is a high probability that if all of these economic indicators are in play, we should pay close attention to the next correction as it may turn into the next bear market.

Recession Start	SPX Peak	UE Claims Bottom	Yield Curve Inverts	New Home Sales Peak	LEI Peak
Dec-69	Dec-68	May-69	Apr-68	Jul-63	May-69
Nov-73	Jan-73	Mar-73	Mar-73	Oct-72	Mar-73
Jan-80	Oct-79	Nov-78	Aug-78	Oct-78	Nov-78
Jul-81	Dec-80	Apr-81	Sep-80	Aug-80	Nov-80
Jul-90	Jul-90	Feb-89	Dec-88	Mar-86	Jan-89
Mar-01	Mar-00	Apr-00	Jun-98	Nov-98	May-00
Dec-07	Oct-07	Feb-06	Dec-05	Jul-05	Apr-06

Months Before Recession

Recession Start	SPX Peak	UE Claims Bottom	Yield Curve Inverts	New Home Sales Peak	LEI Peak	SPX Decline
Dec-69	12	7	20	77	7	36%
Nov-73	10	8	8	13	8	48%
Jan-80	3	14	17	15	14	10%
Jul-81	7	3	10	11	7	27%
Jul-90	0	17	19	52	17	20%
Mar-01	12	11	33	28	10	49%
Dec-07	2	22	24	29	20	57%
Average	7	12	19	32	12	35%
Median	7	11	19	28	10	36%

Notes:
Yield curve is 10-2 except 1968 and 1973 (10-1)
UE claims is 4 week average
Does not include 33% decline in SPX starting 8/87 (no recession)
Red = econmic indicator lagged SPX

This chart speaks volumes. On average the index has peaked seven months ahead of the coming recession. Unemployment claims have begun to rise a median of eleven months before the next recession, but it has lagged the index four times (see in red). The yield curve has inverted an average of 19 months before the next recession and only lagged the index once. New home sales have started to decline from a peak more than two years ahead of the next recession and has never lagged the index.

After reviewing this information and putting it into today's context, we may be inclined to believe that equities peaked in January and therefore we must now be heading for a recession and a bear market. I don't believe this is the case right now. Unemployment claims have fallen to a 49-year low in the middle of May; the yield curve is still 50 basis points away from inversion; new home sales are close to but still below their expansion high made earlier in the year; and finally, the Conference Board's Leading Economic Indicator (LEI) index hit a new high in April. All this information leads me to believe that the S&P 500 will exceed it's January high in the months ahead.

Eventually a Bear Market will come but it will likely be triggered by some catalyst like continuing increases in interest rates which is the direction the Federal Reserve seems to be moving in.

Morgan Stanley identified key market signals to watch for as forecasters of bear markets. There is a tendency for credit spreads to widen. Credit tends to be the first crack in the wall and can provide a bearish market signal as early as one year in advance. Equities will rally sharply, and bond yields will rise. In the year prior to a bear market, many emerging market currencies perform strongly. Finally, commodities will stay strong and in fact, will likely perform stronger going into a bear market.

It is impossible to predict exactly when this bull market will end, but we are beginning to witness some of the previously mentioned signals. It is a time to be diligent about our portfolios and to review our asset allocation and diversification strategies…..just in case.

Canadian Travel Insurance—CONTINUED

Somewhat surprising is the fact that the majority of Canadians aren't aware of the need for travel insurance, particularly when it comes to staying on Canadian soil.

It is commonly assumed that much like when we are at home, a provincial health plan provides full coverage right across Canada. However, the fact of the matter is that most provincial plans cover less than 10% of total travel medical expenses the moment we leave our home province.

Fortunately, most Canadian travel insurance companies offer coverage specifically designed for travel within Canada. By nature, these plans are economical and cover expenses that most provincial health plans do not. Some of the coverage these plans provide include ER fees, ambulance rides, prescriptions and much more for those travelling out-of-province.

These plans can be purchased on a single trip, or multi-trip annual basis, depending on your travel plans/needs. There are a multitude of reasons emphasizing the need for this type of coverage. For example, although provincial health care plans typically cover hospitalization, once a Canadian is out of their home province, there is actually only limited coverage available. Again, once you leave the province a provincial health plan only covers a restricted amount of costs associated with a medical emergency.

Keep in mind that any service or treatment received out-of-province must be considered medically necessary in order for it to be covered by OHIP.

Here is a summary of the services and partial coverage Ontario Health Insurance (OHIP) provides; outpatient doctor visits: up to $50, ER fees: $50, inpatient admissions: $200 per day (all inclusive), inpatient admissions involving any type of Intensive Care Unit, Critical Care Unit, or surgery: $400 per day, Laboratory work: $3-$12 per item, and Radiology: anywhere from $7 (x-ray)-$500 (MRI), just to name a few.

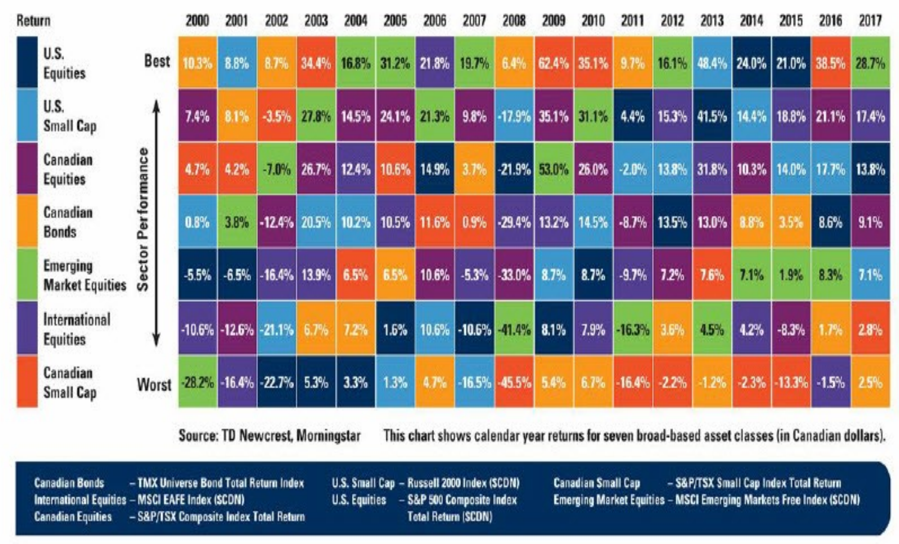
Even for the limited coverage they do provide, provincial health care plans generally do not pay up front for the services, which could mean paying partial or entire medical bills prior to being reimbursed.

On the other hand, there are several medical expenses that are actually excluded by provincial health plans, some of which include; ambulance, prescription drugs, some medical supplies/equipment, emergency dental services and transportation back to your home province. Another factor to consider is that not only do different provinces cover different prescription medications, but there are some rare drugs that may not even be available in another province. Having insurance in place can save a life - as it can be used for immediate medical transportation back home should the need arise.

These facts are important to consider in order to ensure one has the right coverage for their needs. Although provincial health insurance covers some of the medical expenses incurred upon travel, there are gaps in this coverage that travel insurance can fill. Regardless of whether you are a frequent traveller or not, accidents and medical emergencies can happen at any time or place-no matter how near or far. Without sufficient protection, medical expenses while travelling may be financially devastating. Having travel insurance to act as a safety net allows you to travel with confidence, knowing you'll be protected at the time and place it's needed the most.

Be Diversified - CONTINUED

technology. Diversification in a portfolio is critical to grow returns while providing some peace of mind. Each asset class tends to perform differently during different market and economic conditions and it is virtually impossible to predict which one will



Return	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Best	10.3%	8.8%	8.7%	34.4%	16.8%	31.2%	21.8%	19.7%	6.4%	62.4%	35.1%	9.7%	16.1%	48.4%	24.0%	21.0%	38.5%	28.7%
	7.4%	8.1%	-3.5%	27.8%	14.5%	24.1%	21.3%	9.8%	-17.9%	35.1%	31.1%	4.4%	15.3%	41.5%	14.4%	18.8%	21.1%	17.4%
	4.7%	4.2%	-7.0%	26.7%	12.4%	10.6%	14.9%	3.7%	-21.9%	53.0%	26.0%	-2.0%	13.8%	31.8%	10.3%	14.0%	17.7%	13.8%
	0.8%	3.8%	-12.4%	20.5%	10.2%	10.5%	11.6%	0.9%	-29.4%	13.2%	14.5%	-8.7%	13.5%	13.0%	8.8%	3.5%	8.6%	9.1%
	-5.5%	-6.5%	-16.4%	13.9%	6.5%	6.5%	10.6%	-5.3%	-33.0%	8.7%	8.7%	-9.7%	7.2%	7.6%	7.1%	1.9%	8.3%	7.1%
	-10.6%	-12.6%	-21.1%	6.7%	7.2%	1.6%	10.6%	-10.6%	-41.4%	8.1%	7.9%	-16.3%	3.6%	4.5%	4.2%	-8.3%	1.7%	2.8%
Worst	-28.2%	-16.4%	-22.7%	5.3%	3.3%	1.3%	4.7%	-16.5%	-45.5%	5.4%	6.7%	-16.4%	-2.2%	-1.2%	-2.3%	-13.3%	-1.5%	2.5%

Source: TD Newcrest, Morningstar   This chart shows calendar year returns for seven broad-based asset classes (in Canadian dollars).

Canadian Bonds – TMX Universe Bond Total Return Index
International Equities – MSCI EAFE Index ($CDN)
Canadian Equities – S&P/TSX Composite Index Total Return
U.S. Small Cap – Russell 2000 Index ($CDN)
U.S. Equities – S&P 500 Composite Index Total Return ($CDN)
Canadian Small Cap – S&P/TSX Small Cap Index Total Return
Emerging Market Equities – MSCI Emerging Markets Free Index ($CDN)

lead the pack over any given time period. The chart illustrates how the returns and the ranking of each asset class has varied dramatically over the years since 2000.

The key benefit of a diversified portfolio is that the investor will experience more stable returns by having reduced exposure to any one asset class. With the help of a financial advisor, an investor can have a portfolio specifically tailored to his/her investment profile.

It is also important to review this allocation periodically as adjustments will likely be necessary over the life of the portfolio.

Another key benefit of a properly allocated portfolio is that it is unnecessary to “react” to short-term market conditions with undisciplined reallocations, which generally tend to do more harm than good to an investment portfolio.

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Disclaimer

Planning For The Future With A Trust—Continued.

For example, a trust could be created to support a surviving spouse with income for the rest of his or her life. A trust could also be created to ensure that a surviving disabled or dependant family member is set-up financially when a caregiver passes away. In its most broad definition a trust is a way to dictate the distribution of one's assets to any heirs.

Some trusts will be straightforward in the distribution of assets while others will seem somewhat 'quirky'.

Remember the movie "Brewster's Millions"? In this movie, Richard Prior's character must spend $1 million in 30 days with nothing to show for it. If he accomplishes this feat, his character stands to inherit a much larger sum of money from his recently deceased uncle. Brewster's uncle is able to do this through a trust and although the premise of the movie somewhat exaggerates the capabilities of a trust, the general idea is still there. A more real example of a 'quirky' trust would be the following:

A father creates a trust that pays his son a $1000/month income for the rest of the son's life. However, this man wants his son to live a healthy and traditional lifestyle. To encourage such a lifestyle, the father instructs the trustee that if his son reaches the age of 30, weighs under 200 lbs. and doesn't smoke, his son will inherit a lump sum of $1 million. This is a quirky request for a trust but completely legal and in-line with how a trust can operate. In other words, there is a trust design for any situation.

A trust can be a flexible means for an individual or family to direct the distribution of assets after death, but there are planning implications to take into consideration.

Any trust falls under one of two classifications: The first classification is categorized as a spousal, common-law or alter-ego trust (from hereon in referred to as a 'spousal trust'). The second classification for a trust is a 'non-spousal' trust. The primary difference between the two classifications is how tax is paid and the 21-year deemed disposition rule. Also, as the name dictates, a spousal trust can only include a spouse or common-law partner. An alter-ego trust involves just one person, for example, you could create a personal trust where you are the beneficiary of the income or capital. Any other trust for children, grandchildren, parents, charity, etc. falls under the non-spousal class.

Spousal trusts and non-spousal trusts work in an opposite tax order. With a spousal trust, money is rolled in and taxed out; whereas, with a non-spousal trust money is taxed-in and rolled out. For example, if a spouse dies, assets roll into a spousal trust meaning no taxes are paid until the surviving spouse dies or disposes of the assets in the trust. Also, since the assets are held in the trust, when the surviving does eventually die, any gains are taxed to the trust rather than the individual's estate. Any taxes are deferred until a deemed disposition (ie: death or the sale of the assets).

In a non-spousal trust, money moves into the trust at fair market value (FMV). This means any difference in the FMV and the adjusted cost base (ACB) of the assets is taxable. Now, let's suppose a trust is created for a young child age 7. Theoretically, this child could live to 100 years old. Remember that taxes aren't paid until assets are deemed to have been disposed (i.e. death). For this child, that would be 93 years of tax deferral. I like to think that this didn't make the CRA very happy, so they created a rule called the 21-year deemed disposition rule. This means that any money in a non-spousal trust must be removed after 21 years have expired. Fortunately, the money can be rolled-out to a 'capital beneficiary', meaning no taxes are paid by the beneficiary. This is because the fair market value of the assets becomes the new adjusted cost base when it is rolled out. This also means the CRA can now get paid on any subsequent growth on the assets, unless they are placed in a registered account.

Clearly, a trust can be a flexible planning tool for ensuring the financial well-being of any heirs, but they absolutely require a well thought out strategy prepared by a professional advisor.

Philip Petursson, Commentary continued

In Europe, political concerns bubbled to the surface in Italy as anti-Euro parties gained strength which created concerns of another round of 'exit' talk similar to what we saw in Greece in 2011.

However, at the same time, I was in Rome on vacation and when speaking to the locals about their opinions on the political landscape the resounding response was "m'eh". Their anger was focused on their beloved Azzurro (Italian National soccer team) not making it to this year's World Cup.

As a result, across the Eurozone, equity indices were negative with the STOXX Europe 600 down 0.6%. Emerging Markets also experienced weakness on concerns of the impact of a rising US dollar on their fiscal positions. The MSCI Emerging Market index was down 3.8% for the month.

Strength in the US economy will continue to put upward pressure on inflation. We believe that the Federal Reserve will continue on their interest rate hiking path of two more for 2018. However, uncertainty around the political situation in Europe and Emerging Market vulnerability will keep the FED rate hike expectation from rising despite strong economic data and firming U.S. inflationary pressures.

In Canada, last Friday's job report showed wages grew at 3.9 per cent (high since April 2009). The Bank of Canada will closely watch this going forward and if it becomes a trend it will likely force the Bank of Canada to increase rates at a quicker pace than what was expected at the beginning of the year.

Although we remain focused on the potential of negative risks in EU, Italy, and Emerging Markets we remain constructive on equity markets for 2018. Like all geopolitical risks, we believe it will be short term in nature without long term consequences. We believe the odds of a global recession are less than 10% due to the levels of many of our recession indicators.

On top of that, we have seen oil fall from $70 to $65 which will act as a stimulus to the global economy as we enter the fall. We believe that a new dollar invested in equity markets have a high probability of positive return over the upcoming year on the backdrop of a strong global economy and earnings environment.

More than one billion fans tuned in to watch the final of the 2014 FIFA World Cup Brazil. The month-long competition reached a global in-home television audience of 3.2 billion people. We expect even more viewership for the 2018 FIFA World Cup in Russia which begins this week with growth of online and mobile viewing. So sit back, cheer for your favorite team as the World Cup is a unique event that draws people from all countries, cultures, religions and language together for 1 exciting month.

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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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