Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 7, ISSUE 9 SEPTEMBER 2018

"You should have a strategic asset allocation mix that assumes that you don't know what the future is going to hold." - Ray Dalio

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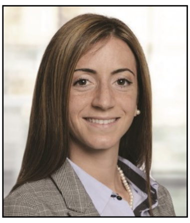
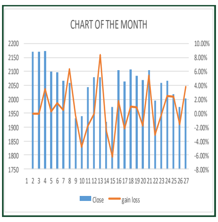
Sergio Simone
EDITORIAL COMMENT



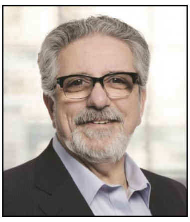
Kristina de Souza
CANNABIS LEGALIZATION IN THE REALM OF LIFE INSURANCE



EMERGING MARKETS—TAKING A LONG-TERM PERSPECTIVE

Ryan Simone
LONG-TERM PLANNING WITH A DISABLED CHILD

Editorial Comment

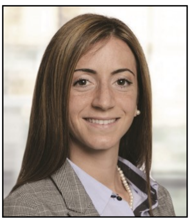


Sergio Simone

If you are a mutual fund investor you undoubtedly have seen or heard commentary about management fees. Many fund companies have been aggressively reducing fees recently and it is likely you have recently received fee reductions in funds you own. But what are management fees, how do they affect your investments, and should your focus be on fees or should they emphasize "Value" more?

Continue Reading

Cannabis Legalization in the Realm of Life Insurance



Kristina de Souza

In light of the legalization of recreational Marijuana use next month, the life insurance industry is no exception to the growing acceptance of the drug. Some of the largest life insurance companies are updating their policies to better align with the new legislation; and these changes are greatly impacting the premiums for Marijuana users.

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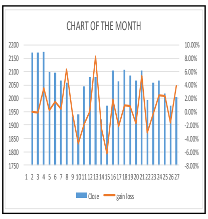
Emerging Markets—Taking A Long Term Perspective



With the current environment of market volatility, ratcheting-up trade tensions, and currency unpredictability, it's easy to understand investors' uncertainty about emerging markets equity. However, as seen in the chart below, volatility within emerging markets equity is nothing new.

Continue Reading

Long-Term Planning With A Disabled Child

Ryan Simone

Children tend to outlive their parents. If a child is disabled in a way that creates a lifetime dependency, this can put extra strain on parents to ensure the child is taken care of financially when neither parent is no longer able. Tax planning, estate planning, and financial planning are three important areas of planning to help individuals in this regard.

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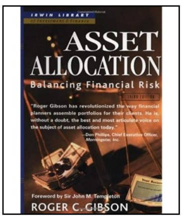


BOOK OF THE MONTH

FUND OF THE MONTH
Mackenzie US Mid Cap Growth Class—A

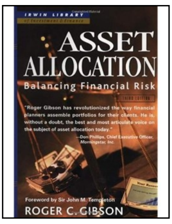
INVESTMENT TERMINOLOGY

BLOG OF THE MONTH
RETIRE HAPPY

Book of the Month

Asset Allocation: Balancing Financial Risk

By Roger Gibson



Dispensing with luck, market timing, and Buy low, sell high sleights of hand, this book aims to outline sensible decisions that all investors can make on their own. It includes: a risk-adjusted model for striking the best portfolio balance between equity and fixed-income securities; guidelines to help clients ignore short-term fears; and more.

Fund of the Month—Mackenzie US Mid Cap Growth Class - A

The Fund seeks long-term growth of capital and a reasonable rate of return by investing primarily in U.S. equity securities. The Fund may also invest from time to time in equity securities of companies based outside of North America and in fixed income securities of U.S. and Canadian corporations and government bodies.

Investment Terminology

Average Maturity

For a bond fund, the average of the stated maturity dates of the debt securities in the portfolio. Also called average weighted maturity. In general, the longer the average maturity, the greater the fund's sensitivity to interest-rate changes, which means greater price fluctuation. A shorter average maturity usually means a less sensitive - and consequently, less volatile - portfolio.

BLOG OF THE MONTH

Stock Market Outlook: A September Slump?

nerdwallet

August didn’t bring the market volatility many investors anticipated, but September might—here’s why market watchers think it cold be a bumpy month.

Some investors entered August bracing for turbulence in the U.S. stock market, but the month didn’t live up to its decades-long reputation as the year’s most volatile.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

Manulife Financial For your future™

A GUIDE TO LEVERAGED LIFE INSURANCE

Leverage is, quite simply, taking out a loan. The loan can be secured or unsecured. The loan arrangements discussed in this guide are secured loans – often referred to as collateral loans.

A loan is secured when a specific asset is assigned as collateral security for the loan. The lender can, if necessary, seize the property provided as collateral and liquidate it to repay the debt. It is often easier (and cheaper) to obtain a secured loan. A real estate mortgage is a good example of a secured loan.

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NATIONAL BANK FINANCIAL MARKETS

TAX-EFFICIENT STRATEGIES FOR HIGH-NET-WORTH FAMILIES

Planning is essential for HNW investors. Here's how tax and insurance strategies can ensure your wealth is preserved for future generations.

High-net-worth (HNW) individuals face a different set of financial challenges and opportunities than most other Canadians. Typically, their concerns are less about funding their lifestyle in retirement and more about how to protect and grow their wealth and pass it on to the next generation.

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FOLLOWING IN OUR FOOTSTEPS?

Private WEALTH CANADA Online

One of the challenges in estate planning is deciding whether to limit what you pass on to your heirs so that you don't spoil them. Most of us became wealthy through hard work, commitment, and our own ambition. We hope our children end up sharing these values and following in our footsteps.

The reality is, however that despite our best efforts as parents, there are no guarantees when it comes to raising children. Indeed, hardly a week goes by without a headline about some son or daughter of a wealthy family being sent to a rehab centre or in trouble for one reason or another.

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IE INVESTMENT EXECUTIVE

CANADA'S WEALTHY PREFER ONE ADVISOR

An increasing number of Canadians now are millionaires. And although these high-net worth individuals (HNWIs) may have extra money on hand, they don't necessarily want to work with more than one financial expert.

This information comes from the 17th annual World Wealth Report, a joint venture of Paris-based global consulting firm Capgemini Service SAS and Royal

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FUND MANAGER COMMENTARY

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WENDY BOOKER-URBAN
IA CLARINGTON

DINA DEGEER
MACKENZIE FINANCIAL

JOE ZIDLE
BLACKSTONE GROUP

JURRIEN TIMMER
FIDELITY INVESTMENTS

Wendy Booker-Urban, Senior V.P. QV Investors Inc.

IA Clarington Investments

Summer Activity

Like many Canadians, I enjoy spending the summers exploring our great country and this often involves a lot of driving. As I travelled the highways in B.C., Alberta, and Saskatchewan this summer, I noticed

Continue Reading

Dina DeGeer, Senior Vice-President, Portfolio Manager, Head of Team

Mackenzie Bluewater Team

Following the conclusion of the Canadian banks' earnings last week, we attended a broker conference with the CEOs of the major financial institutions in Canada in attendance. Despite concerns around the credit cycle, Canadian housing, trade-negotiations with the US, the

Continue Reading

Joe Zidle, Managing Director and Investment Strategist

The Blackstone Group

THIS IS A BULL'S DREAM

With this bull market officially becoming the longest in history, a jittery investing public reasonably raises concerns that this marathon may soon come to an abrupt finish line.

Continue Reading

Jurrien Timmer, Director of Global Macro

Fidelity Investments

Crunch Time For Emerging Markets

With Turkey exploding back into the headlines—the Turkish lira has lost close to 40% of its value year to date through August 15—it's a good reminder that although the U.S. economy remains strong, the same cannot be said across the emerging markets. And unlike what happened in 2016, this time around we likely can't count on the U.S. Federal Reserve to open the liquidity spigot and, in turn, dampen U.S.-dollar strength.

While the S&P 500® is back near its all-time high (reaching 2863 on August 7, 2018, versus the 2873 record set in January), the MSCI World ex USA Index is down around 12% since its January 26 peak and the MSCI Emerging Markets Index is down nearly 20%, within which Turkey was off a whopping 55% (all data as of August 15). Stoxx® Banks

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U.S. Consumer Spending, Inflation Rise While Incomes Cool

U.S. consumer spending extended gains into July and inflation

Canada's Economy Surged In Q2 On Higher Exports

A surge in exports of energy, aircraft and pharmaceutical

Buffett Says Stocks Remain Attractive Even At Current Prices

Billionaire Warren Buffett says U.S. stocks remain attractive

Bank Of Canada Holds Rate Steady For Now

The only thing standing in the way of higher interest rates is the uncertain future of the North

Doubling Down On A Losing Investment

Loss avoidance in investing involves more than math, because psychological traps

On Track For An October Rate Hike

As widely expected, the Band of Canada left the overnight rate unchanged at 1.5% today.

Americans Still Skittish About Investing, Post Crisis

It's been 10 years since the financial crisis, yet many

Know Your Tolerance For A Market Downturn And Stay Calm When It Hits

Nobody can predict with accuracy when stock markets will end their

A Warning On Interest Deductibility

The Tax Court ruled on interest deductibility relating to returns of capital used for personal

Making The Money Last

Many retirees are concerned about outliving their savings, and as a consequence they live a lower retirement lifestyle than may be feasible.

Central Banks' Interest Rate Increases Carry Great Risk

Short-term interest rate tightening is likely to flatten the yield if not

5 Tips For Managing Your Investments In Retirement

Retirement is the time to relax, enjoy life and pursue meaningful activities—not spend time

Currency Roundtable 2018

Why Plan Sponsors Can't Afford To Ignore Currency

Right now, currency management is more important than ever—but plan sponsors are still hesitating when it comes to making decisions about hedging. The 2018 Currency Management Roundtable looks at why currency should be top of mind for plan sponsors today and how it can be used to manage risk and add returns.

VIDEO LINKS

Canada Ranks 9th in 2018 Natixis Global Retirement Index

Canada rose two spots to No. 9 among 43 countries in the 2018

The Yield Curve And The Next Recession

Get recession-ready by monitoring yields and corporate spreads

Retirement Report—Estate Planning Before Retirement

Hank Parrott is joined by attorney Russ Cook to talk about

Principles For Success—Ray Dalio

In 1975, Ray Dalio founded Bridgewater Associates, out of his two-bedroom apartment in New York City. Over forty years later, Bridgewater has grown into the largest hedge fund in the world and the fifth most important private company in the U.S., and Dalio himself has been named to Time magazine's list of the 100 most influential people in the world. Along the way Dalio discovered unique principles that have led to his and Bridgewater's success. It is these principles, and not anything special about Dalio that he believes are the reason behind whatever success he has had. He is now at a stage in his life that he wants to pass them along to others to do whatever they think is appropriate to do with them.

EDITORIAL COMMENT-CONTINUED

Management fees are paid by mutual funds to the person, company or organization that manage the fund's assets. These are the professionally licensed money managers who have the responsibility of looking after your investments through a mutual fund. As would be expected these managers are remunerated for their services and the costs incurred in carrying out these services. Although you, as a mutual fund investor, pay for these services, you do so indirectly via a management fee that is charged to the mutual fund that holds your investment. You are solely responsible for an amount that is directly related to the number of units of the fund that you own.

Management fees are calculated as a finite percentage of the average net asset value of the fund over the year. The level of management fee is usually tied to the amount of work and expertise involved in managing the assets of the fund. Different types of management styles and asset classes require varying amounts of input from the managers and their teams. For example, an equity mutual fund typically has a higher management fee than a money market fund or an index fund because there are greater complexities of researching, selecting and managing the equity portfolios.

There are often fee discrepancies in similarly classified funds because of the way the funds are managed, but more on this later.

Mutual fund fees do not end with the Management Fee. These fees are lumped in with other costs to operate the fund and become part of the "management expense ratio" (MER). Other items in the MER typically include legal, audit, admin, custodial, transfer agency service, and marketing fees. Although MERs of individual funds vary, generally they range up to approximately 3% of the funds' asset value. The MER is the cost of running the fund, expressed as a percentage of the assets within the fund.

It is important to note that posted returns by mutual fund companies typically are net of the MER. For example, a fund that reports a 10% return on investments and has a 2.5% MER would have earned 12.5%. I am not suggesting that management fees and costs should be ignored in favor of returns, but that these fees should evaluated based on the value you are receiving for them. You should always pay attention to the management fees and MERs, but you should not base your decision solely on the fees. Saving on fees does not necessarily translate into higher returns.

One of the harshest criticisms directed towards mutual funds is that the fees, most of them hidden, erode your investments. To make matters worse, if you are not overly knowledgeable about the financial industry, these funds can overcharge for these fees and you would never know it. This is sobering information. No one wants to learn that their hard-earned investment dollars could be depleted by fees, some of which end up in the pockets of people doing much better than yourself. Although mutual funds offer a straightforward way to invest when you have minimal investment knowledge, it is still wise to keep an eye on your money and make sure that you are receiving fair value for the fees you are being charged.

This value can be innate or concrete.

Mutual funds offer a wide range of investment options with built-in diversification. This allows an investor with limited cash to diversify into dozens if not hundreds of underlying positions over a wide spectrum of asset classes. Better still, these mutual funds are carefully regulated in Canada to protect investors and foster fair and efficient markets.

Investors derive many benefits from mutual fund investment. I have highlighted a few:

- Access to investment opportunities around the world that are researched and managed by expert investment professionals within a well-regulated environment
- Performance potential: Portfolio managers work on your behalf and aim to deliver superior risk-adjusted returns over the long term
- Liquidity: You can redeem your shares at current prices (less fees and charges that may be due upon redemption) at any time.
- Tax-efficiency: Corporate class funds and funds with tax-efficient income streams can help minimize taxes and maximize your investment returns.

EDITORIAL COMMENT-CONTINUED

- Cost efficiencies: It would be costly, time-consuming and, in some cases, impossible to create a similar portfolio on your own.
- Flexibility: You can buy mutual funds in relatively low initial or monthly amounts.
- Technology to provide timely, accurate reporting on your investments.

This is just a sampling of the benefits that investors receive from their MERs, but if investors are receiving the same benefits, more or less, why do MERs vary from fund to fund?

Asset class makes a big difference in fees. Generally, MERs are lower for bond and money market funds and higher for equity funds because equity funds generally have higher costs for research and security selection. International and global equity funds may have higher administration costs. An equity fund may also pay international sub-advisors to assist with research and security selection in other countries. One fund may use analysts, researchers and do onsite interviews with potential investment company management while others select their underlying investments via a quantitative computer model.

TYPE OF FUND	MEDIAN MER
CANADIAN MONEY MARKET	0.75%
CANADIAN FIXED INCOME	1.6%
CANADIAN NEUTRAL BALANCED	2.35%
CANADIAN EQUITY	2.48%
GLOBAL EQUITY	2.59%

Source: Investor Economics. Median MERs of Canadian Series A mutual funds in 2013.

Following is an illustration between two American Equity Funds. The returns and fees are current to August 31, 2018. I have elected to not disclose the names of these funds as my intent is not to market them but to illustrate how "Value" plays a role in fund selection. If you are interested in knowing which funds these are, feel free to contact me. These illustrations do not include Commission charges as this is established between individual investors and their advisors.

I used Morningstar's Advisor Workstation 2.0 to filter funds with the following criteria:

- U.S. Equity
- Sold in Canadian Dollars
- Commission based advice
- 4 and 5-star ranked funds
- A minimum of 10 years of returns
- Non-institutional investment fund

The filter narrowed down the total funds in this universe to 80 of which I have selected two to compare.

Fund A showed an annualized return over the 10-year period of 18.13%, with an MER of 2.46%

Fund B showed an annualized return over the 10-year period of 12.26% and an MER of 0.31%

An investor interested only in fees, would choose investment B over investment A while an investor interested only in returns would choose investment A over investment B. Which is the better choice? Where does the investor receive better value?

Let's break it down further. Fund A has a net annualized compound rate of return of 15.67% while Fund B has a net annualized 10-year compound rate of return of 11.95%. If $100,000 where invested in each of these funds ten years ago an investor would have a portfolio valued at:

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EDITORIAL COMMENT-CONTINUED

Fund A Market Value (net of fees) - $428,753

Fund B Market Value (net of fees) - $309,201

By paying 2.35% higher annual management fee an investor would have realized $119,552 more in market value.

Perhaps this can be explained in the management style of the two funds.

Fund A is more actively managed. The portfolio turns over more than 250% per year. This means that the fund manager is buying and selling positions very often.

Fund B has a turnover ratio of only 8%. The management style is more of a buy-and-hold philosophy with very few trades taking place each year.

Fund A has 24 underlying positions which are often being rotated in and out of.

Fund B has 2,469 underlying positions.

Fund A takes a "bottoms-up" approach to investing. This means that the manager is very "hands-on" in the underlying stock selection process. Once he has filtered through thousands of companies, he will take his short list and meet with senior management of each of these companies. Using his own personal selection process, he will filter these names down to possibly a handful at a time and decide on how much to invest in each of these companies based on this analysis.

Fund B is operated by a "black box" computer model. The data of thousands of companies are input into a computer model that selects stocks based on criteria the managers have input into the model. Once the model has been written there is little hands on work done by the fund manager.

I am not suggesting that one of these styles is better than the other, only that one is much more labor intensive and therefore more costly to perform. From my personal perspective I am getting more value from Fund A and would not object to paying a significantly higher management fee for the returns generated.

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Cannabis Legalization in the Realm of Life Insurance—CONTINUED

Some of the biggest names in the industry are modifying their underwriting process, removing Cannabis use from the “high risk” category that includes tobacco use, and are placing it, rather, in a category where premiums are not significantly impacted. Despite the changes only coming into effect in October 2018, most companies have already taken steps to change their mandates ahead of the game. Some companies began adjusting their categorization of Marijuana as early as 2 years ago, separating it from tobacco, and it’s safe to say that nearly all Canadian companies have now followed suit. The fact that Marijuana users will no longer be applied smoker rates is significant; as there is a substantial difference between standard and smoker premiums- sometimes more than double! Premium rates are based on a number of complex calculations using factors relating to health, hobbies, and family history; thus smoking tobacco is one of the purest forms of risk that insurance companies charge a premium for.

Asking about Marijuana use on a life insurance application is now standard practice; both in terms of frequency and quantity, but also in relation to other health issues. Keep in mind that although the risk classification of Marijuana has been reassessed, the use of the drug is still under the microscope for insurers. For example, driving under the influence of the drug is still considered a high risk activity. As mentioned, underwriters will monitor Marijuana use with respect to other health issues, such as depression, which may be a cause for concern.

The rationale for the industry changes is not only progressive but it is competitive in nature. Should recreational Marijuana use become more widespread, maintaining higher premiums would essentially become prohibitive for the general population. This makes sense given that the main target population for life insurance companies is younger people, so keeping insurance affordable makes sense from a business stand point. Unfortunately, Cannabis use is not risk-free by any means from a health perspective. Federal regulations have made it difficult so far to collect accurate medical data on the impact of an illegal substance, thus there remains a lot of unknowns. On a similar note, there are still those on the other side of the fence who feel a reduction in the risk rating for this drug is premature. Most research relates to smoking Cannabis, while other forms of use (ingestion) are much less known. Keep in mind that Canadian legislation hasn’t yet established edibles as legal, which may be inviting consumption in the least healthy of ways. Thus, there is still a lot of research to be done as time goes on in order to paint a clearer picture of what’s best for both insurance companies and consumers alike.

In the meantime, the risk rating has been downgraded. The change, according to Canadian Life and Health Insurance Association, can be attributed to a successful public campaign by Medical Marijuana proponents; which presented a significant amount of scientific evidence as to the benefits of Marijuana and its relative safety compared to tobacco. Most Canadian life insurance companies have reviewed both the scientific evidence as well as their books of business to determine whether Cannabis use has a similar health impact to tobacco use; and have clearly concluded that it does not. With that said, keep in mind that these non-smoker rates do come with restrictions on usage, generally one must qualify as an occasional user (2 joints a week maximum).

As a result of the recent changes, it is likely a good idea to review one’s current life insurance coverage, especially when it comes to smoking status. It’s important to know that many Mortgage Life Insurance providers blend their rates for both smokers and non-smokers, thus by owning a personal life insurance policy instead you will get the most appropriate rate for your own health. Similarly, Term Life Insurance rates have experienced a decrease over the last few years, so regardless of your smoking status you may be eligible for better rates by replacing an older policy. Of course, if you own a policy where you qualified as a smoker based on Marijuana consumption then the new rules will certainly allow you to save on your premiums. Likewise, if you avoided taking out a policy because you are an occasional Cannabis consumer, now may be a good time to apply.

Emerging Markets, Taking A Long Term Perspective - CONTINUED

Over the past 15-plus years, emerging markets equity has been one of the most volatile asset classes, as measured by standard deviation (last column on right). Standard deviation is a measure of volatility and an indicator of risk. Emerging markets equities, as measured by the MSCI Emerging Markets Index (net), have also generated among the strongest returns (appreciating 433% cumulatively) during that time period. (Source: Morningstar, for the period Jan. 1, 2003 to June 30, 2018.)

Asset class returns (%)

																2003 – YTD 2018*		
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 2018*	Ann.	Cum.	Std. dev.
EM equity 55.8	REITs 31.6	EM equity 34.0	REITs 35.1	EM equity 39.4	Fixed income 5.2	EM equity 78.5	REITs 28.0	REITs 8.3	EM equity 18.2	Small-caps 38.8	REITs 30.1	REITs 3.2	Small-caps 21.3	EM equity 37.3	Small-caps 7.7	EM equity 11.4	EM equity 432.7	EM equity 21.3
Small-caps 47.3	EM equity 25.6	Comdty 21.4	EM equity 32.1	Comdty 16.2	High yield -26.2	High yield 58.2	Small-caps 26.9	Fixed income 7.8	REITs 18.1	Int'l equity 22.8	Large-caps 13.7	Large-caps 1.4	High yield 17.1	Int'l equity 25.0	Large-caps 2.6	Small-caps 11.3	Small-caps 426.8	Small-caps 18.0
Int'l equity 38.6	Int'l equity 20.3	Int'l equity 13.5	Int'l equity 26.3	Int'l equity 11.2	Small-caps -33.8	Int'l equity 31.8	EM equity 18.9	High yield 5.0	Int'l equity 17.3	Large-caps 32.4	Fixed income 6.0	Fixed income 0.6	Large-caps 12.0	Large-caps 21.8	REITs 1.0	REITs 10.6	REITs 377.0	REITs 22.2
REITs 37.1	Small-caps 18.3	REITs 12.2	Small-caps 18.4	Fixed income 7.0	Comdty -35.7	REITs 28.0	Comdty 16.8	Large-caps 2.1	Small-caps 16.4	High yield 7.4	Small-caps 4.9	Int'l equity -0.8	Comdty 11.8	Small-caps 14.7	High yield 0.2	Large-caps 9.8	Large-caps 324.3	Large-caps 13.2
High yield 29.0	High yield 11.1	Small-caps 4.6	Large-caps 15.8	Large-caps 5.5	Large-caps -37.0	Small-caps 27.2	Large-caps 15.1	Small-caps -4.2	Large-caps 16.0	REITs 2.5	High yield 2.5	Small-caps -4.4	EM equity 11.2	High yield 7.5	Comdty 0.0	High yield 8.7	High yield 263.9	High yield 9.0
Large-caps 28.7	Large-caps 10.9	Large-caps 4.9	High yield 11.9	High yield 1.9	REITs -37.7	Large-caps 26.5	High yield 15.1	Int'l equity -12.1	High yield 15.8	Fixed income -2.0	EM equity -2.2	High yield -4.5	REITs 8.5	REITs 5.2	Fixed income -1.6	Int'l equity 7.6	Int'l equity 213.2	Int'l equity 16.3
Comdty 23.9	Comdty 9.2	High yield 2.7	Fixed income 4.3	Small-caps -1.6	Int'l equity -43.4	Comdty 18.9	Int'l equity 7.8	Comdty -13.3	Fixed income 4.2	EM equity -2.6	Int'l equity -4.9	EM equity -14.9	Fixed income 2.7	Fixed income 3.5	Int'l equity -2.7	Fixed income 3.9	Fixed income 80.9	Fixed income 3.3
Fixed income 4.1	Fixed income 4.3	Fixed income 2.4	Comdty 2.1	REITs -15.7	EM equity -53.3	Fixed income 5.9	Fixed income 6.5	EM equity -18.4	Comdty -1.1	Comdty -9.5	Comdty -17.0	Comdty -24.7	Int'l equity 1.0	Comdty 1.7	EM equity -6.7	Comdty -0.3	Comdty -4.0	Comdty 16.5

Source: Morningstar. The following indices were used to represent each asset class: Emerging markets equity – MSCI Emerging Markets Index (net); small-caps – Russell 2000® Index; international equity – MSCI EAFE Index (net); real estate investment trusts (REITs) – FTSE NAREIT Equity REITs Index; high yield – Bloomberg Barclays US Corporate High-Yield Index; large-caps – S&P 500® Index; commodities – Bloomberg Commodity Index; and fixed income – Bloomberg Barclays US Aggregate Index.

* Year to date through June 30, 2018

What this means for investors

Maintaining a long-term perspective is key for investing in any asset class, but especially for volatile ones. As investors considering investing in emerging markets ask, “Why now?”, we would argue that emerging markets should always be considered in creating a well-diversified portfolio of investments. After investors carefully consider its risk, emerging markets equity may provide an attractive solution for those investors seeking growth.

Thanks to Macquarie for the chart information.

MACQUARIE

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Disclaimer

Long-Term Planning With A Disabled Child—Continued.

First, the financial planning process can help people prepare through several considerations such as social assistance payments, CPP disability benefits, and Registered Disability Savings Plans (RDSP).

Social assistance payments are payments made to a disabled individual through the Ontario Disability Support Program (ODSP). If assets do not exceed certain limits, social assistant payments would be made to a disabled individual if he or she is unable to earn an income. Proper financial planning means it is crucial that one review those items that may impact a disabled individual's social assistance payments.

CPP disability benefits may also be available and should be included in the financial planning process. If one's disability is classified as 'severe and prolonged' and they are unable to work on a regular basis at any job, then they may be eligible. However, this only works if one's disability occurred after having already contributed to CPP during four out of the six years prior to being disabled.

An RDSP may also be available as a long-term savings vehicle that could attract grants and bonds depending on one's income level. These include the Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB). The CDSG is available regardless of family income and has a lifetime maximum of $70,000. The CDSB is dependant on family income in which lower income families could qualify. The lifetime maximum for the CDSB is $20,000. Both the grants and the bonds are available up to age 49 and an individual could contribute into the plan up to age 59 to a maximum contribution of $200,000. Aside from benefiting from tax deferred growth, a disabled individual could withdraw money from the RDSP for income later in life. Eventually, money withdrawn, including both income and growth, would be taxable in the individual's hands.

To open an RDSP, one must qualify for the disability tax credit, and it is also important to note that contributions are not tax deductible. The primary tax benefit of the RDSP is through the growth deferral of the assets.

Second, proper tax planning will reveal many different tax benefits available to people with disabilities. Some of these benefits include: the Disability Tax Credit (DTC), the Medical Expense Credit, a Disability Supports Deduction, the Refundable Medical Expense Supplement and the Education and Textbook Credit.

The disability tax credit is perhaps the most important of the above listed credits. This is because qualifying for the disability tax credit is the only way for an individual to open an RDSP and take advantage of tax deferred growth, as well as potential grants and bonds. To qualify for the DTC, an individual will need to have a licensed practitioner complete Form T2201. The CRA will review the form and determine if they are eligible for the DTC.

The following is a list of credits and other tax benefits for disabled individuals:

Medical Expense Credit – used to claim a tax credit for any medical expenses incurred.

Disability Supports Deduction – when paying for certain medical expenses related to education or employment, one can fully deduct these costs under the disability supports deduction.

Refundable Medical Expense Supplement – When an individual experiences a decrease in social assistance payments due to employment income, this could help pay for expenses otherwise covered.

Education and Textbook Credit – Whether full-time or part-time, an individual can claim a monthly education tax credit if she decides to go back to school.

Lastly, estate planning will help long-term planning needs. A fair concern may be the impact an inheritance will have on one's social assistance payments. To address this, several estate planning strategies could be considered such as: creating a Henson Trust and creating a Qualified Disability Trust.

A Henson Trust is one vehicle for which parent's could place a child's inheritance. In this case, the Henson Trust's primary benefit is that it will not impact the child's social assistance payments. The terms for the trust would be set up by the parents in their wills. To give the child greater flexibility for receiving income or capital from the trust, the parents could set it up as a discretionary trust. They will also need to name a trustee in the will, which could be a child's sibling's or a corporate trust. Naming a corporate trust as trustee would help avoid any conflict of interest and be beneficial to the longevity of the trust.

Continue Reading

Long-Term Planning With A Disabled Child—Continued.

The parent's wills could also provide instructions to set up a qualified disability trust (QDT) assuming the trust meets the conditions. This would give the Henson Trust preferential tax treatment in the form of graduated taxation. Without the QDT, the trust would be subject to the highest marginal tax rate.

Two other estate planning strategies to consider would be for the parent's to name the disabled child as direct beneficiary of an RRSP and to support the child using life insurance or through any assets that are currently available.

Clearly, in creating a long-term plan for a disabled child, parents have a number of strategies available to them. The risk is in making sure one strategy doesn't create problems or limitations for other viable strategies needed to cover the child's needs. Although financial planning, estate planning, and tax planning can seem a daunting and emotional task for families, it can also provide a deep sense of comfort to the parents of a disabled child.

Dina DeGeer, Commentary continued

Canadian banks continue to deliver robust results with double digit earnings growth, underpinned by an intact growth outlook and benign credit conditions. One would be hard pressed to find evidence of a deteriorating economic backdrop amidst these results but with the undercurrent of fear from the aforementioned factors, results did little to alleviate lingering concerns.

The Canadian banks on average delivered real estate secured lending growth of approximately 4%. While this is a slowdown from the historical 6% growth given the B-20 regulations, it is hardly the "housing bubble collapse" much touted in the media. The impact of declining originations volumes would be will more muted on earnings from two factors: rising rates and increased retention levels. RBC indicated that even if mortgage growth is halved, it with be entirely offset by the benefit of the rate hikes. Meaningfully higher retention rates also serve to offset lower origination activity as borrowers would need to requalify under B-20 rules if they change banks upon renewal – disincentivizing shopping for mortgage rates and consequently improving pricing power of the incumbents. As such, management commentary continues to suggest that expectations of mid single digit growth rate are reasonable and even the alternative lenders like First National, Equitable Bank, or even Home Capital, observed continued sequential improvements as the housing market appeared to find a bottom. Absent an external shock, such as a NAFTA dissolution, growth in Canada is expected to remain in the mid-single digit range as accelerating commercial loan growth has made up for moderation on the mortgage side.

US franchises continue to outshine performance in Canada. Excluding CIBC, which is still lapping its PrivateBank acquisition, average earnings of the US franchises grew north of 20%, underpinned by double digit loan growth, rate hikes from the Federal Reserve and benefits from tax cuts. Certainly, a central thesis for our holdings BMO, TD and RBC is meaningful exposure to this structurally sound market. Given the large runway of growth opportunities, all three banks have signaled their openness to consummate an acquisition to strengthen their US businesses particularly given their improving capital positions.

We continue to remain cognizant of the risks to the domestic market and monitor developments very closely. Having said that, we believe we own among the best positioned franchises, with good credit quality, a solid US presence, growing wealth management business, and a disciplined management team to execute. While the banks are certainly not out of the dog house, the results do point to the earnings power of their franchises, conservative nature of their credit policies, and diversification of their businesses.

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