Kleinburg PRIVATE WEALTH
Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

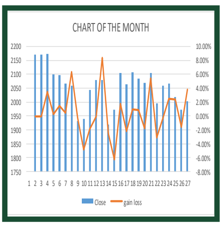
VOL. 5, ISSUE 11 NOVEMBER 2016

"You cannot escape the responsibility of tomorrow by evading it today."
— Abraham Lincoln

To Page 2 To Links Page

Sergio Simone
EDITORIAL COMMENT

The Value of Advice



Controlling Your Emotions

Ryan Simone

Editorial Comment

Unless you live in a remote corner of the world you know that Donald Trump will be the next President of the United States of America. His surprise victory with a GOP sweep of Congress has people shaking their heads in disbelief. The Republican sweep will give Trump momentum as he takes office, but there is still considerable uncertainty about his policy plans, and with Republicans falling 60 votes short of the votes needed to pass most legislation in the Senate, some bipartisan compromises must be made if he wants to achieve any of his goals.

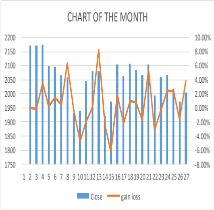
Continue Reading

The Value of Advice

In August 2016 Claude Montmarquette and Nathalie Viennot-Briot published a study titled ***The Gamma Factor and the Value of Financial Advice.*** *The study was based on a new Canadian survey that reconfirms the positive value of having financial advice. The study concluded that the discipline imposed by a financial advisor on households' financial behavior and increased savings of advised households are key to improving asset values of households relative to comparable households without an advisor. The paper also iterated that investors who dropped an advisor*

Continue Reading

CHART OF THE MONTH—Controlling Your Emotions



For many investors creating their investment portfolio can be the easy part. In simplistic terms, once you have determined your investment goals, risk profile and time horizon it is just a matter of selecting the underlying investments that will create a well balanced and diversified portfolio. The more difficult part will be sticking to that strategy. It is a certainty that you will be faced with changes in the economic environment, the markets, your career, the needs of your

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THE KPW LIFE PLAN—Why We Plan

I have a friend who is a dentist with his own practice. My friend was married recently, less than a year ago. In the time we spent together we discussed married life, joked about the quirkiness of suddenly living with another person, and eventually the topic turned towards the future.

Continue Reading

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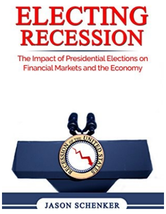
KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 5, ISSUE 10

OCTOBER 2016

To Page 1

To Links Page



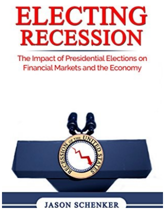
BOOK OF THE MONTH

FUND OF THE MONTH
T.D. U.S. Low Volatility Fund—Advisor Series

INVESTMENT TERMINOLOGY

LANE'S LETTER

Book of the Month



ELECTING RECESSION–By Jason Schenker

In Electing Recession, top-ranked financial forecaster and best-selling author, Jason Schenker, presents a nonpartisan and objective analysis of the impact of presidential elections and election outcomes on critical economic indicators including GDP growth, industrial production, unemployment, housing starts and auto sales. For financial markets, Schenker examines the impact of presidential terms and tenures on the dollar, oil prices, gold prices, silver prices and the Dow. He also presents a discussion of critical long-term risks, including the national debt, entitlements, and demographics.

TD - U.S. Low Volatility Fund - Advisor Series

The fund seeks to achieve long-term capital appreciation by investing primarily in, or gaining exposure to, equity securities of issuers in the United States, while seeking to reduce volatility. Over a market cycle, the fund seeks to deliver similar returns to the S&P 1500 Composite Index C$ with less volatility. Generally it will have more exposure to defensive sectors such as utilities and consumer staples; and will generally hold less than 10% of the holdings in the S&P 1500 Composite.

Investment Terminology

CREDIT CYCLE—The credit cycle tracks the expansion and contraction of access to credit over time. It influences the overall business cycle because access to credit affects a company's ability to invest and drive economic growth. Over time, performance of credit-oriented fixed income sectors such as investment grade corporates, high-yield corporates and preferred securities is linked directly to the credit cycle. Corporate bonds tend to decline during a downturn, and investors often reposition portfolios away from the corporate sectors in anticipation of the downturn. The four phases of the credit cycle are: Repair, Recovery, Expansion and Downturn.

LANE'S LETTER

What a week! We think the most important thing about the election is that the uncertainty of who won has now been removed and a renewed optimism for growth appears to have taken its place. Although a Trump presidency was not our base case, we did mention in our Lane's Letter on July 18th that we thought the biggest macro event risk of the year for equities would end up being Brexit, not the US election as both candidates were pro-market. We had also suggested in our September 12th Letter that Buying the dips was once again a good strategy for equities as economic data and earnings were improving. We have felt that the conditions for a strong year-end move are in place, regardless of the outcome of the US election, and last week emphatically proved that point with the best week in US equities since 2014 with gains likely continuing into the end of the year given the setup.

Continue Reading

BACK TO PAGE 1

Disclaimer

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 5, ISSUE 10

OCTOBER 2016

To Page 1

LINKS

To Page 2

Bond Markets Everywhere Are Getting Destroyed

The election of Donald Trump has brought bond market

US Treasuries Sink as Traders Eye Trumpflation'

US sovereign bond prices slumped as traders continued to

How Geopolitics is Effecting Emerging Markets

Developed Markets are decelerating, despite years of central banks trying to boost these

The Myth of Passive Investing

The rise of low cost indexing is one of the most transformational trends in modern investing.

The Looming Bequest Boom-What Should We Expect?

Over the next decade an estimated $750 billion will be transferred

YELLEN: A rate hike would be appropriate 'relatively soon'

Janet Yellen reiterated her case that a rate hike would

Sun Life Announces Industry-Leading Underwriting and Product Changes

Offering life insurance of more than $3MM for people with HIV

Who Wins in the Gig Economy and Who Loses

The winners and losers in the US economy have traditionally been easy to identify. If you had a full-time job, you won.

Take it Easy: What You Should Know About Semi-Retirement

Retirement is something most people work towards their entire

Why Corporate-Class Funds Still Make Sense

Corporate-class funds appear to be alive and well. This is despite the 2016 federal budget

Robo-Advisors Have Human-like Flaws, Study Says

Robo-advisors has not been without glitches and growing pains, according to a newly

All About Annuitization

Where there's a growing demand, there's also a growing supply as Canadian plan sponsors seek to better manage their balance sheets by laying off funding risk

U.S. Economy in Slow Roll Toward Full Late-Cycle Phase

- The late-cycle phase can often be characterized as an overheating stage for the economy, when growth peaks and inflation accelerates.
- The low magnitude of growth and inflation has prolonged this U.S. cycle, but similarities in the direction of the cycle resemble historical late-cycle transitions.
- U.S. inflation is poised to accelerate amid tighter labor markets and higher oil prices.

VIDEO LINKS

The Outlook for the Fed Ahead of a Trump Presidency

John Stopford discusses the outlook for monetary policy

'Trump Thump' Whacks Bond Market for $1 Trillion loss

Trump's victory may mark the long-awaited end to the more

Janet Yellen, The Economic Outlook November 2016

The US economy has make further progress this year

Everything You Need to Know About the Economy

An old joke says that economics is the painful elaboration of the obvious. Despite that, many economic concepts aren't widely understood, even among investors. Some think they're boring; others find them intimidating.

With that in mind, we've put together a series of straightforward, Q&A-style stories to explain the ideas everyone should understand.

Think of it as Economics 101 without having to sit through hour-long lectures.

GO TO PAGE 1

Disclaimer

GO TO PAGE 2

EDITORIAL COMMENT CONTINUED

I know a very short time has elapsed since election day, but it seems the global markets reacted to the Trump victory in the same way it did to Brexit: A huge drop followed by a larger recovery. Post election night futures fell 5% but quickly recovered when the markets opened the next morning and continued to rise for the rest of the week. Historically, markets pull back about two-thirds of the time after a presidential election, with a median loss of 1.9%, but three months later, the markets are up two-thirds of the time with a median gain of 5.7%. Seems like "The Donald" has bypassed the decline part of these historical averages.

There was so little policy information coming from the presidential candidates that I feel there are still too many unknowns regarding what the new President and Congress may be able to accomplish, but there are two areas that Trump has remained steadfast on: Tax reform and regulatory reform. Tax reform is a priority issue for many Republicans and a centerpiece of Trump's economic agenda. In fact, Trump's tax plan is similar to the blueprint released by House Republicans during the summer. The challenge will be to get bipartisan support needed to pass most legislation. Trump has also stated that he will usher in an era of regulatory relief and may seek to reverse some of Obama's biggest regulatory initiatives.

No one knows how long it will take for the market to price in a Trump victory, but the stock and bond markets tend to be resilient and quickly price in new information. Investors should remain aware that the bigger longer term drivers of stock and bond market performance are economic in nature, and the U.S. economy is in very good shape with unemployment low, corporate earnings improving and the global economy on the upswing. A well diversified portfolio should not be contingent on a party or person being elected. So, if you were comfortable with your portfolio the day before the election, you should still be comfortable with it after the election.

Trump's win will certainly put pressure on the Mexican peso, especially if he succeeds in implementing protectionist trade policies. This could have an impact on companies that have exposure to foreign sales or foreign supply lines. If this causes a weak dollar, then gold may be the sector that will benefit most.

The US$ will likely experience a short-term appreciation due to a flight to quality, but this could be offset in 2017 as the anticipated Fed rate hikes are less probable due to uncertainty over what policies Trump will try and push through and the impact these policies might have on the global economy. I suspect this uncertainty may also lead to heavier volatility in the short-term, until or unless we begin to see some clarity.

One sector that could see a significant boost with a Trump presidency is the energy sector. Especially if Trump follows through with comments he made during his energy policy speech in North Dakota a few months ago, that it is his desire that the US dramatically expand its production of fossil fuels and take a leading share in the export market. If energy production expands there could be a significant upside.

Putting personalities aside, I believe that a Trump victory will be better for equities than a Clinton victory would have been. Historically, a Republican President and a Republican Congress has equated to lower taxes, higher spending, larger deficits and less regulation. These are all things that the market loves. I believe we will see reduced corporate and personal taxes, a repatriation of offshore cash from US multinationals at a lower tax rate, Obamacare revamped, deregulation that will end the witch hunt on pharma and financials, environmental regulations will get put on the back burner and the big one will be increased spending on defense.

Regardless of the short-term market trends, it is critical during times like these to have a long-term plan and to stick with it. If you are unhappy with your long-term plan, then find a professional you can trust to help you build one that meets your philosophies and risk tolerances.

BACK TO PAGE 1

GO TO PAGE 2

The Value of Advice Continued

between 2010 and 2014 incurred a significant reduction in asset values, while the households who retained their financial advisor gained in asset value.

There are seven distinct areas that households benefitted from having and keeping a financial advisor.

1. Increased rate of return on investments
2. Improved savings and investment behaviors
3. The selection of appropriate financial products
4. An improved tax efficiency of savings
5. An optimized asset mix for personal circumstances
6. A portfolio that optimized risk tolerance, all leading to
7. An increasing financial confidence in their portfolio and ultimately ***Peace of Mind***

With the onslaught of Robo Advisors and Do-it-Yourself portfolio sites, it is not surprising that advice has garnered considerable attention of late. Positive industry claims have been met with public skepticism, particularly when the markets have exhibited extreme volatility or downward pressure. Until recently there has been scarce information about the cost, risk and consequences of advice. Any literature that is accessible usually identifies three factors when measuring the value of advice.

1. The **ALPHA FACTOR** where the performance of an investment is compared to a market index. This study indicates that advised savers received a net median return that was about 3% points higher than non-advised participants. **THIS IS NOT NEGLIGIBLE!**
2. Balanced market portfolio advice seems to also have a positive effect, albeit marginal for some.
3. More recently new studies have identified value in advice that led to diversification and improved savings discipline and better disciplined behavior facing market volatility rather than in returns. This became known as **THE GAMMA FACTOR.**

Montmarquette and Viennot-Briot reaffirm the strong positive effect on the amount and the value of assets of advised households. With a subset of households surveyed in both 2010 and 2014, they were able to show that keeping your advisor was largely beneficial relative to those who dropped their advisor after 2010.

The key economic results show that participants using a financial advisor for more than 15 years have on average about 173% more financial assets, or 2.73 times the assets of comparable non-advised respondents. Much of this can be attributed to the disciplined behavior and greater savings habits acquired through advice.

The original study in 2010 focused on the Alpha Factor: The extent to which an advisor increases household investment assets. The current study changed its focus to the Gamma Factors associated with financial advice: Greater discipline, greater savings, balanced portfolio allocations, among others. The conclusion heavily stresses that **Gamma Factors increase the amount of assets and their value!** Without a doubt the conclusion is that advisors add positive value to a portfolio.

The impact of having a financial advisor greatly supersedes the effect of not having one. For 2014, the median value of the financial assets of advised respondents is 5.4 times the median value of all non-advised respondents. The longer a financial advisor is used, the greater the portfolio values. Those who had a financial advisor for at least four to six years have almost 69% more financial assets than those who did not. Similarly, a respondent associated with an advisor for seven to 14 years had 173% more assets. Those with 15 years or more had 290% more assets than they would have if they did not have an advisor.

The positive impact of advice arises from factors other than good investment selection, such as an increase in savings rates, better portfolio diversification, and more tax efficient investments. Sticking with an advisor also induced a more disciplined behavior during periods of market volatility.

The bottom line is that financial advice matters, and the results are strongly skewed to the positive side.

GO TO PAGE 1 GO TO PAGE 2

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Controlling Your Emotions, Continued

Remember these events?

1960 Russia downs U-2 plane
1961 Berlin Wall erected
1962 Cuban missile crisis
1963 Kennedy assassination
1964 Gulf of Tonkin
1965 Civil rights marches
1966 Vietnam War escalates
1967 Newark race riots
1968 USS Pueblo seized
1969 Money tightens – markets fall
1970 Cambodia invaded – Vietnam War
1971 Wage/price freeze
1972 Largest U.S. trade deficit ever
1973 Energy crisis
1974 Nixon resigns
1975 Clouded economic prospects
1976 Economic recovery slows
1977 Market slumps
1978 Interest rates rise
1979 Oil prices skyrocket
1980 Interest rates at all-time high
1981 Market slumps
1982 Worst recession in 40 years
1983 U.S. Embassy, Marine barracks bombed
1984 Record federal deficits
1985 Economic growth slows
1987 Record-setting market decline
1988 Junk bond scandal
1989 October "Mini-Crash"
1990 Persian Gulf crisis
1991 Recession
1992 Riots sweep Los Angeles
1993 Bombing of World Trade Center
1994 Rising U.S. interest rates
1995 Oklahoma City bombing
1996 Taiwan Strait crisis
1997 Collapse of Thailand economy
1998 President impeachment proceedings
1999 Y2K 2000 Internet stocks plummet
2001 September 11 terrorist attacks
2002 WorldCom accounting scandal
2003 War in Iraq
2004 Madrid terrorist attacks
2005 London train bombing
2006 India, Israel, Lebanon bombings
2007 U.S. housing bubble bursts
2008 Global financial crisis
2009 Financial crisis lingers into early 2009
2010 European debt issues emerge
2011 Japan, Fukushima earthquake
2012 China slowing growth concerns
2013 U.S. government temporarily shuts down
2014 Russia and Ukraine conflicts
2015 Paris terrorist attacks

If you had invested $100,000 in the U.S. stock market on Jan. 1, 1960, it would be worth $18,767,110 on Dec. 31, 2015!

If you stayed invested!

*Invested in the S&P 500 Index in local currency terms.
Source: Market events – Ned Davis Research, Bloomberg, Fidelity Management & Research Company.

In most cases, a disciplined investment strategy can provide the confidence you will need to see your plan through to the end.

The chart highlights 54 significant events since 1960 that caused world markets to fall. That is just shy of one major “catastrophic” event each year since 1960. Any one of these events would test an investors fortitude to stay the course. Maintaining discipline is vital to attaining your goals. Making even a few poorly timed moves, like selling when the market is low, or worse, being out of the market when it rises again, can have a dramatic effect on the final value of your portfolio.

Every generation has faced dramatic market challenges whether they be political events, economic upheavals, natural or man-made catastrophes, which in turn have tested the discipline of investors. Overreacting to market movement is a potential threat to achieving the goals you initially set for yourself. Fortunately you alone can control how your react. Having a disciplined long-term investment plan may help make it easier to resist the temptation to let emotions control your reactions.

The chart isolated 54 times that you may have been tempted to sell your positions, but if you stayed disciplined and you had invested $100,000 in 1960 in the U.S. stock market, you would be worth more than $18 million today.

Markets have always moved up and down and they will continue to do so. Controlling your emotions in response to volatility may have long-term benefits. Step back and take the long view, and you will see that even though the ride may sometimes be very bumpy, markets do trend upwards.

RETURN TO PAGE 1

GO TO PAGE 2

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THE KPW LIFE PLAN - Why We Plan - Continued.

While we talked it had occurred to me that, as married people tend to do, he was envisioning his future differently then he had in the past before marriage. His vision had changed rather quickly, from considering his future as a dentist with a dental practice, to envisioning a future that now included his wife, their aging parents, and someday possibly children. But what stood out the most in our conversation was that my friend had lost his previous image of his future.

Of course nobody can see into the future but we each to some degree prepare in our own way. Some only imagine where they will be and how they will get there. Some take what they know now and make plans to get there. Some will work out the finer details of getting to where they want to be; while, others will spend time finding all of the reasons they can't do it. But I believe for the many people like my friend, who have entered into a new and unfamiliar phase in life, that our imagined futures change and we often have trouble figuring out what we need to do.

This was evident when talking to my friend, when for the first time he said to me: "I think I need to come see you guys at the office and talk to you guys about stuff because of all the changes now…".

He knew he wanted to come and speak with me but he didn't know how to really articulate what he needed to do, what he needed to consider, and what exactly he wanted help with. Basically, he had trouble figuring out what he was asking for.

My dentist friend isn't the only person who I've had this type of conversation with. I couldn't count on both hands how many times people have said that they should come and see me "about stuff" with no clear explanation for what they actually wanted. This of course, is no fault of their own. My dentist friend, for example, is busy being a good dentist and doesn't have time to keep up with daily market changes and what "financial stuff" he needs for a comfortable and prepared future.

If ever there was a clear need for the KPW Life Plan program, it is my friend the recently married dentist. Here's the thing: at some point my friend decided to become a dentist. When he made that decision, he did what he needed to do to achieve that goal. I know this because today he is a dentist. Unfortunately, my dentist friend is not equally clear about his lifestyle wants. Without that clarity, it is more difficult to achieve the end goal. Life planning clarifies this vision of life and permits discovery for how to achieve that vision.

For my dentist friend, a life plan will guide him through his new marriage and help him answer questions like what happens to his estate when he dies. When he was single his estate wasn't a huge issue. Now with a wife and possibly children in the future, he'll want to know things like what will happen to his dental practice if he dies and it transfers to his wife who is not a dentist? If we discover that the situation isn't ideal then we can make the appropriate adjustments and search out the necessary products to ensure the smoothest and best outcome. All of this while ensuring that my dentist friend and his family do not have to compromise on their lifestyle wants.

RETURN TO PAGE 1

RETURN TO PAGE 2

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

Labour Sponsored Investment Funds (“LSIF”) have tax credits that are subject to certain conditions and are generally subject to recapture, if shares are redeemed within eight years. Please note that Mutual Fund Representatives in Alberta are not permitted to sell LSIF.

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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RETURN TO PAGE 1