Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

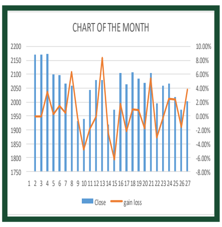
VOL. 6, ISSUE 1 JANUARY 2017

"The greatest enemy of a good plan is the dream of a perfect plan"
Karl von Clausewitz

To Page 2 To Links Page

Sergio Simone
EDITORIAL
COMMENT

Is an "Old Economy" Ideal the Answer



The Best Time Frame for Rebalancing

Ryan Simone
Starting the New Year with a Financial Plan

Editorial Comment

Alice Walker wrote "Time moves slowly but passes quickly," and so here we are again, a year later and hopefully a year wiser. The beginning of the new year is a good time to reorganize your life as you make plans for 2017. If some of those thoughts happen to focus on your investment portfolio, you are not alone. This is a great time of year to review, rebalance and reallocate.

The primary objective of a rebalancing strategy is to minimize your risk while maximizing your returns and doing this within the parameters outlined in your **Know Your Client Profile.** In theory, a rebalancing strategy will weigh your willingness to assume risk against the expected net returns.

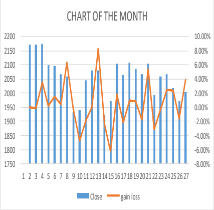
Continue Reading

Is an "Old Economy" Ideal the Answer?

The United States of America, under the leadership of a Trump administration, appears to have disdain for globalization. The two principal arguments against globalization are strong: National unemployment is persistently high among young and low-skilled workers and international trade and technology are increasing viewed as a threat to jobs. When you throw in a staggering debt load that most developed countries are carrying, there is a cloud of dissent lingering in the air.

Continue Reading

The Best Time Frame for Rebalancing



Stocks did not plunge as many pundits predicted after Donald Trump was elected President. In fact, Wall Street rallied after a brief hiccup earlier in the evening. Perhaps the market is still digesting the prospects of a Trump victory. Perhaps markets will collapse at some future point once his policies are crystallized. The reality is no one knows so we'll just have to wait and see what the newly crowned Investor-in-Chief will do and how investors will react to these things.

Continue Reading

KPW LIFE PLAN—Stage 3: Starting the New Year With a Financial Plan

Well, it's the start of a new year and a time when people announce their resolutions. It certainly seems that way at my local gym where I'm noticing a huge influx of new faces since January 1st. Surprisingly, the famed 'weight loss' resolution ranks a distant third to self improvement related resolutions at 44.3% and money related

Kleinburg Private Wealth
91 Anglewood Ct., Kleinburg, ON L0J 1C0
(905) 893-2540

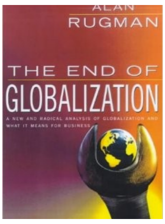
Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 5, ISSUE 12 JANUARY 2017

To Page 1 To Links



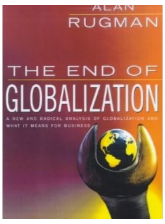
BOOK OF THE MONTH

FUND OF THE MONTH
GOODWOOD MILFORD FUND LP

INVESTMENT TERMINOLOGY

THE IMPORTANCE OF A WILL

Book of the Month



The End of Globalization–By Alan Rugman

Global business is dominated by the 500 largest multinational enterprises (MNEs) out of a total of 30,000 MNEs altogether. The 500 MNEs that are the engines of international business "think regional and act local". Using analysis drawn from world-leading companies. Professor Rugman looks in detail at the managerial implications of the end of globalization, including in-depth discussion of corporate strategies, organizational structures, and analytical methods.

Fund of the Month—Mackenzie US Mid Cap Growth Class

The Fund seeks long-term capital growth and a reasonable rate of return by investing primarily in equities of mid to large capitalization U.S. companies. Many of the companies the Fund invests in are in high growth industries not readily available in Canada, such as the healthcare and technology sectors. The Fund may also invest in equities of companies based outside of North America and in fixed-income of U.S. and Canadian corporations and government bodies.

Investment Terminology

TRACKING ERROR—Is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. Since portfolio risk is often measured against a benchmark, tracking error is a commonly used metric to gauge how well an investment is performing. It illustrates an investment's consistency versus a benchmark over a period of time. Even portfolios that are perfectly indexed against a benchmark will exhibit varying returns. Tracking error can be used to evaluate portfolio managers. If a manager is realizing low average returns and has a large tracking error, it is a sign that there is something wrong with that investment.

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

Please welcome Paul Mazzeo from Mazzeo Law as a new and regular contributor to KPW's monthly newsletter.

Paul's areas of expertise focus in helping families resolve their legal issues which often encompasses Family Law, Real Estate Law, and/or Will and Estate Law. Every family has dealt with one of more of these issues and they can be both emotionally and mentally taxing on the parties involved. Paul will feature articles that will help alleviate some of these concerns by providing expert insight.

MAZZEO LAW
BARRISTERS & SOLICITORS

Please click on the link to be directed to Paul's first article, "THE IMPORTANCE OF A WILL".

Disclaimer

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 5, ISSUE 12

JANUARY 2017

To Page 1

LINKS

To Page 2

Here's what 10 Wall St. Pros are predicting for the stock market in 2017

After the worst start to a year ever, the stock market surged to

Active and Passive, The Best Mix

Undeniably, traditional active management has been losing market share over recent years. Bottom-up stock pickers are

Summary of Key Risks 2017

It's that time of year where we start to set our eyes on what the next 12 months has in store for us. Along with the continued

Rise In Expectations of the Fed

The ultra-accommodating monetary policy of the European Central Bank (ECB) is starting to

What a Balanced Portfolio Really Means

While the concept of achieving a balance between work and leisure has been traced back as far

The Rebalancing Effect

Does rebalancing your portfolio annually create additional return potential and lower volatility versus never rebalancing?

Wells Fargo, 2017 Outlook. Seeing Things Differently.

2016 was punctuated by several short bursts of volatility and quick

Canadian Dollar Could Drop to 65 Cents US in 2017

Higher interest rates in the U.S. are a major factor that will drive loonie down

Job Creation by President

One of the first promises President Trump made when he announced his candidacy over a year ago was that he would be the "greatest jobs President God ever created." So, just how

Economy Approaching Mid-Cycle Acceleration

In 2016, the U.S. economy navigated some difficult challenges including low oil prices, a strong dollar, tightening

75 Charts Every Canadian Should Watch in 2017

For the third year in a row Maclean's asked economists, investors, analysts and financial

If the Bond Market is no Longer a Market for Savers, What is it?

For the past few years, investors have constantly heard the cry for higher interest rates. The argument was

Investment Outlook 2017—Credit Suisse

The investment environment in 2016 was mixed, characterized by uneven global growth and political events such as Brexit and the US elections. The gradual repair of the global economy and greater political clarity in the USA should allow investors to seize opportunities in 2017.

Political events are again likely to trigger further turbulence in 2017. But central banks will probably continue to suppress market risk. In such an environment, market corrections offer opportunities.

VIDEO LINKS

Why Interest Rates Matter

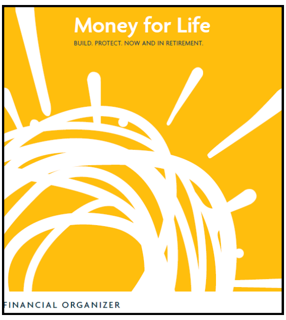
Is it Taper Tantrum déjà vu? Sure feels that way! The sudden return of stock market volatility in recent weeks seems like a repeat of the May 2013 Taper

Dow Hits 20,000 for Frist Time Ever

U.S. equities rose to all-time highs after a series of executive orders from President Donald

U.S. Equity Sector 2017 Outlook: The Fruits of Disruption

When disruptive events occur, they provide our equity research



All Your Financial Records—Right at Your Fingertips

Take a few moments to record key information such as your health-care providers, insurance policies, advisors, wills and trusts. When faced with an emergency or if your situation changes, having this information on hand will make it easier for you to take control and make sound decisions.

EDITORIAL COMMENT CONTINUED

The key words being **NET RETURNS**. Rebalancing often comes with unexpected and hidden costs so it is vital to be aware of what effects rebalancing will have on the net returns of your portfolio.

Here is your dilemma. Over time your portfolio allocations are surely to diverge from your initial targets meaning that now your risk/return characteristics are inconsistent with your initial goals and preferences. Rebalancing is the tool that will align your portfolio with your objectives. As important as this is, be aware that there are costs to rebalancing, the largest of which will likely be taxes. If a fund is held outside a sheltered plan capital gains taxes may be due upon the sale if the fund has appreciated in value. At KPW we do not charge for rebalancing but many firms do so, be aware. Also, be cognizant of the fact that you may be in a superior fund that is now closed to new investments and if you redeem your assets, you may lose the ability to buy back in.

Before any rebalancing, you need to factor in transaction costs and taxes. If you are buying and selling stocks, ETFs or individual bonds, there will always be transaction costs, including commissions and bid-ask spreads. You may want to reconsider rebalancing if your portfolio is small and you need to make multiple trades to rebalance. A flat rate fee will incur a relatively larger percentage cost, the smaller the portfolio.

Mutual fund investors may not incur commission fees to buy or sell, but short-term trading fees, usually 2%, can apply if you make a trade within 30 to 90 days of the purchase depending on the rules by the individual Mutual Fund Company. If the assets are held in a tax-sheltered account, you will not have to worry about taxes, but short-term trading fees may still apply. If the assets you sell have gone up in value you will be taxed at half your marginal tax rate. There are ways to minimize this. You can apply capital losses that have been accumulated over the years against the gains so keep track of those capital losses.

One of the most difficult aspects of portfolio rebalancing is that you are often asked to sell part of a position that is doing well to buy another that is underperforming. This seems counterintuitive to our basic human nature. However, history suggests that in the long run these switches will benefit you. The bigger question is how often should rebalancing be done. Some opponents of regular rebalancing will point out that rebalancing during a bull market may take the advantage of momentum out of your portfolio. This opinion is very valid. Why reduce exposure to an asset class that's on a multi-year hot streak when you know that rebalancing can lower returns in a trending market.

The Health Care Sector is a perfect example of this. The returns of the TD Health Sciences Fund in the three years ending 2015 were: 57.34%, 40.74% and 32.78%. If your decision was to rebalance into an underperforming energy fund, like the Qwest Energy Canadian Resource fund, you would have sold a fund that was on a winning streak to purchase another fund that was on a negative streak of –11%, -38.89% and minus -44.43% respectively.

Research has found that there is no optimal rebalancing interval, regardless of the time period chosen. You will only know in hindsight whether or not it was the best choice. No one knows how the markets will perform in the future. The simplest solution is to rebalance once a year when you are making an annual RRSP or TFSA contribution, but even then, pay attention to the current market trends.

Since fees and taxes may be a deterrent to rebalancing consider using additional investment dollars as a way to rebalance your portfolio. You can simply direct any new contributions to the assets that are performing below their target to bring their weighting in line with the rest of the portfolio.

Volatile markets offer the best opportunity to boost returns by rebalancing. Unfortunately, it is very difficult to pull the trigger and sell a winner to buy a loser. Oftentimes, the most difficult decisions to make can be made easier if they are automated. While it may be tempting to try and find the optimal rebalancing strategy, an annual and more automatic strategy can help take emotion out of the equation. In most cases, the less emotion in your investment decisions, the better off you will be.

I suggest that you follow a process that leads to your rebalancing.

1. Meet with you advisor and determine if your Know Your Client criteria is still valid. If not, make the necessary changes.
2. Review the economic horizon and determine what weighting will best satisfy your risk/return parameters.
3. Determine the costs, if any, that will be associated with rebalancing.
4. Rebalance to fit your new criteria.

BACK TO PAGE 1

IS AN "OLD ECONOMY" IDEAL THE ANSWER? CONTINUED

Europe and the USA are seeing widening disparity of wealth, where the rich are getting richer and the poor and middle class are becoming indistinguishable. This has fueled a frustration and discontent that is often played out in how the public votes as experienced by Europe with Brexit and the United States in the presidential election.

Many "have" countries are also adopting refugee immigration policies that are overwhelming the political establishments that are unable to cope with the added populations. From the onset of the new millennium until 2015 the world population grew by 17% but the number of migrants increased by almost double that number. Many of these migrants are of working age but lack education and skills, which is a major burden on the host countries. Language barriers and cultural differences only make integration more difficult. The citizens are becoming vocal and boisterous and are mobilizing in political movements that are strong enough to effect policy change, sometimes to an extreme.

Many developed countries have implemented some form of a retirement or pension plan since the end of WWII but the fact is that these are becoming unsustainable. Part of the problem is that while there were seven working people for every retired person in 2015, by 2050 there will only be 3.5 working people to support every retired person. The tax dollars from this reduced number of workers will also be required to fund health care costs for the aging population.

Today, approximately 30% of global government bonds come with a negative yield which means that public sector as well as private pension funds will have greater difficulty honoring their obligations. The fear of many large corporations is that they eventually will reach the point where there are too few active employees relative to the number of pensioners which may lead to bankruptcy, unless benefits are reduced or charges to active employees are raised. How long before the working population rebels against the perceived "wealthy pensioners"?

Technology is a force to be reckoned with. In today's world, it is necessary to stay on top of it or your business could suffer. Technology is at the forefront of many exciting new markets but it may be a process of creative destruction. Technology is responsible for retiring the "old economy" at an accelerating and unstoppable rate. You only have to look as far as the internet to see how it has already damaged the newspaper industry and is well on the way to doing the same to the Television industry. Countries like China have embraced technology and as low as their prices had been, they are dropping even further as production costs fall. The "Made in China 2025" plan belies that this is not a fad, but a trend that will continue.

Donald Trump is committing to an "Old Economy" ideal by making a case for infrastructure investments. Large infrastructure investments usually create jobs at all levels of education and at the same time provide assets with a positive yield for long-term investors.

The big question for 2017 is "where do I allocate my investments to"? Traditional investments appear to be less and less attractive and growth may be mediocre at best. I believe the best approach is a thematic one that begins with a top-down analysis of global and regional macroeconomic trends. Themes are often the best way to uncover ideas that work when nothing else does.

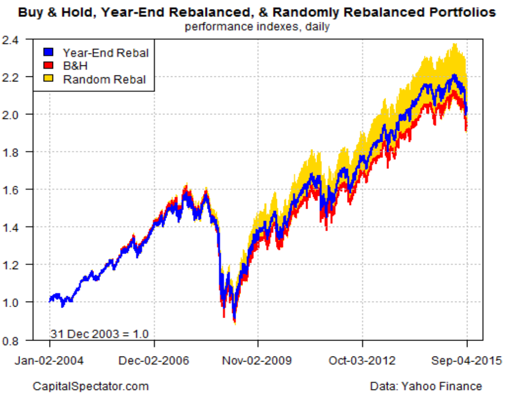
President elect Donald Trump has pledged to dedicate several hundreds of billions of dollars to infrastructure spending in the coming years, potentially making funds that invest in infrastructure attractive investment targets. Another area of potential economic growth is in the emerging markets which remains significantly higher than in the developed countries.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

The Best Time Frame for Rebalancing CONTINUED

While meeting with clients to discuss portfolio re-balancing I have often been asked how often should a portfolio be re-balanced to optimize re-turns? Should rebalancing be done at the beginning of every year or should it be any random date once per year?



The test portfolio in the chart was a globally diversified portfolio made up of 60% equities and 40% fixed income, using 11 different funds. In this illustration, year-end rebalancing is superior to a Buy and Hold strategy and Random Rebalancing is superior to Year-end rebalancing.

Some people choose to rebalance on a certain time-based schedule like every 6-months, every year or every two years. Others wait until certain asset classes shift a certain amount away from their desired targets before taking any action.

The problem is that there is no clear agreement on which is the best timing method. In fact, many experts contradict each other. An article in “Journal of Investing” stated “Over this period regular monthly rebalancing returns dominated less active approaches.” Meanwhile an excerpt from an “Efficient Frontier” article said: “so, what can we conclude from all this? Monthly rebalancing is too frequent. Tehre are small rewards to increasing one’s rebalancing frequency from quarterly up to several years but this comes at the price of increased portfolio risk”.

A paper from Financial Planning magazine used the 25 year period from Oct. 1077 to Sept. 2002 with a 60% stock (S&P 500) and 40% Bond (Lehman Bros. Gov’t Index) as the starting allocation. The results for various rebalancing frequencies are shown in the following chart. Although the various rebalancing periods showed minimal performance differences, the Annual rebalancing produced the best results.

Rebalance frequency	Portfolio growth	Compound return	Standard deviation	Sharpe ratio
Monthly	$ 151,414	11.48	11.56	1.04
Quarterly	153,017	11.53	11.52	1.05
Semi-annually	152,242	11.51	11.58	1.04
Annually	155,905	11.61	11.63	1.05
Never	151,553	11.49	14.49	0.86

Source: Ibbotson Associates. Uses total returns for S&P 500 and Lehman Brothers IT Government/Credit indices. Compound returns, standard deviation, and Sharpe ratios all annualized.

I tend to fall into the camp of “wait for a significant shift before taking action.”

Aside from avoiding excessive trading, there seems to be no optimal rebalancing rules that will yield the highest returns on all portfolios in every period. Many investors erroneously use the motivation for higher returns as their reason to rebalance, when the reason should be to mitigate risk. Rebalancing should be driven by the need to maintain an allocation with a risk and return profile appropriate for each individual investor. The optimal rebalancing strategy will differ for each investor, depending on their unique sensitivities to deviations from the target allocation, transaction frequency and tax implications.

The bottom line is to establish some way to rebalance that does not involve emotions or short-term market predictions, after-all it is better to have rebalanced regularly than not to have rebalanced at all.

RETURN TO PAGE 1

TO PAGE 2

Disclaimer

THE KPW LIFE PLAN - THE ‘GIG’ ECONOMY Continued.

resolutions at 42.1%. In any case, people make resolutions because they want to improve their lives in some way: be happier, be healthier, be organised, be prepared, and the list goes on. Unfortunately, people more than often fail at their resolutions. Only 38% of people in their twenties achieve their goals and a mere 16% of people over 50 reach theirs. The primary reason? They don’t have a real plan in place. Sure they may promise themselves in the mirror that “this will be the year I go to the gym every day” or “I’m going to save as much money as I can this year”. I have no doubt that this person in the mirror truly wants to achieve their lofty goal. The failure comes because there is no real picture of what the final goal is, how realistic it is, or how to get to that goal in the best possible way.

I’ll be blunt: A person will increase their chances of reaching a goal if they speak to an expert

Age Success Rates	Data
Percent of people in their twenties who achieve their resolution each year	37.8 %
Percent of people over 50 who achieve their resolution each year	16.3 %
Length of Resolutions	**Data**
Resolutions maintained through first week	72.6 %
Past two weeks	68.4 %
Past one month	58.4 %
Past six months	44.8 %

and build a plan. Don’t get me wrong, with the internet today it is possible to do the research yourself, learn what needs to be done and how to do it, and come up with your own plan. You’ll also need to self-motivate but that’s easy right?

The problem is, when a person, by themselves, takes on all of the additional parts attached to a goal, they’re still more prone to failure. This is because we are opening up new points of failure while also lacking in the benefits of professional guidance (someone whose only job is to know your goal and understand the best way to get you there).

They could fail to make a reasonable plan suited to their lifestyle or fail at following the plan already in place. Every failure has the potential to cascade into other failures, which ultimately, makes us less likely to reach our end goal. Moreover, this person is putting the goal solely on their own shoulders. There is no personal trainer to keep them motivated through an exercise routine or no financial advisor to help keep emotion out of investing.

For those 42% of people with money related resolutions (and everyone else for that matter) a proper plan in place, with the proper guidance, will increase the chance of reaching an end financial goal. Since I’m not a personal trainer or dietician, I’ll skip the weight loss resolution and go right to what I know: the KPW life plan is a tool that brings you to an end financial goal. I’ve already written about the process of building the plan in previous articles. For example, how we gather information together, meet one-on-one to build the plan together, and so on. The next step is having the actual, hold-it-in-your-hand plan. This is a real document with a real to-do list that is easy to follow. The document itself can get quite long depending on who it’s tailored to specifically. Too long, in fact, to show in this article. However, I’ve put together a sample plan using a fictitious couple named Bill and Sue that you can check out on our website HERE.

I suggest taking a quick peek to see the incredible thoroughness and usefulness of this plan. I also suggest that now is the time to start one with us. Not only is it the beginning of the year, but we’re also approaching tax time. This is the time where you’ll be looking at your income and expenses which means digging up all your tax forms, excel expense sheets, bank and credit card statements and so on. Why not kill two birds with one stone and get a plan started while you deal with your taxes?

GO TO LINKS PAGE   Disclaimer   GO TO PAGE 2

Generally, a will is a legal document in which a deceased states their intentions in respect of the following matters (most commonly):

◊ Who gets what assets and when;
◊ Who looks after the estate (executor) and any trusts created by the will (trustee);
◊ Who should have custody of minor dependants (although this is not binding on the Court);
◊ How one wishes to be buried (although this is not binding on the executor).

Without a will, all the above noted decisions are made for a deceased by the government, pursuant to Ontario's' *Succession Law Reform Act*. The main reason for preparing a will, therefore, is so that the complexities of asset distribution to family members does not become subject to the application of inflexible legislation. One's legacy is too personal and too important to be left unplanned.

I will provide more information on the practical application of Ontario's' *Succession Law Reform Act* in a separate contribution. However, it is vital, as a starting point, to first emphasize the importance of being proactive in estate planning. The first and most important step in estate planning is to meet with an attorney and discuss making a will.

In sitting with my clients to discuss the preparation of their will, I review all matters of the planning of their estate, including, but not limited to: minimizing probate fees; reviewing life insurance; understanding liquidity of assets and timing of estate administration; potential for the estate to become involved in litigation and steps that can be taken to minimize or eliminate this risk; and the preparation of other legal documents like powers of attorney or marriage contracts that could be helpful in the administration of the estate.

What may feel like a difficult topic of conversation can become simplified by proper planning and strategy with the partnership and guidance of a qualified attorney.

For more information about Mazzeo Law, follow the link.

www.mazzeolaw.ca

DISCLAIMER

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.

All non-mutual fund related business conducted by **Kleinburg Private Wealth Management** is not in the capacity of an employee or agent of Carte Wealth Management Inc. Non-mutual fund related business includes, without limitation, advising in or selling any type of insurance product, advising in or selling any type of mortgage service, estate and tax planning or tax return preparation. Accordingly, Carte Wealth Management Inc. is not liable and/or responsible for any non-mutual fund related business conducted by **Kleinburg Private Wealth Management**. Such non-mutual fund related business conducted by Kleinburg Private Wealth Management alone.

Mutual funds provided through Carte Wealth Management Inc.

RETURN TO PAGE 1