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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 6, ISSUE 3

MARCH 2017

"A bull market is like sex. It feels best just before it ends."
— Warren Buffett

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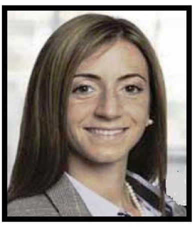
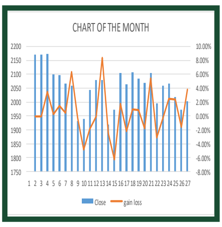
Sergio Simone
EDITORIAL COMMENT



Term vs. Permanent Insurance Policies—The Great Debate



2017—A Year Full of Political Events

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Editorial Comment

Sergio Simone

Since 2009 I have cautiously embraced the bull market. It has been a welcoming eight years. Historically speaking, eight years is a long time for a bull market run. The current one is the second longest on record although it is still just the fourth strongest one on record. This late into a bull market my "Spidey senses" are on high alert. Although I am more about "time in the market than timing the market", I am also a realist and am cognizant that Bull Markets do not last forever.

I am confident that this Bull Market will continue to run as long as equities remain fairly priced, which they are right now. The economy continues to recover and stocks are not expensive relative to low-yielding bonds. For now, I can relax a little with the comfort that the

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Term vs. Permanent Insurance Polices - The Great Debate

Kristina De Sousa

If there are people in your life who depend on your salary, then life insurance is not an option; it's a necessity. When it comes to life insurance, the verdict is still out on which product holds the most value. The two main types of life insurance are **term** and **permanent policies**. Term refers to pure insurance, without an investment component. Conversely, permanent insurance refers to policies with an investment component, also known as a "cash surrender value". Permanent policies

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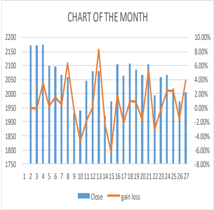
2017 - A Year Full of Political Events



Many potentially crisis causing, political harbingers loom on the world stage in 2017. In Britain, the UK government will set in motion Article 50 that will initiate a two year process to divorce Britain from the EU; In the Middle East, after two years of terrorizing the area, Isis has been losing ground and may face extinction and depending on how this evolves, Trump's US administration will face the challenge of forging a coalition of Syrian forces, both Kurds and Arabs

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Revisiting The VIX

Ryan Simone

After being in the green for most of the year, investor fear seems to be returning as markets take a dip and Trump's eagerness to make great economic change come into question. At least that's what the media seems to believe, since the markets started to dip over the last week or so. For the emotional investor, the investor who makes snap decisions based on 'adverse feelings', this will prove to be

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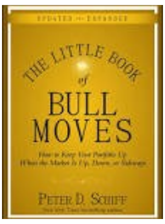
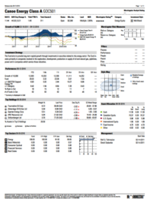


BOOK OF THE MONTH

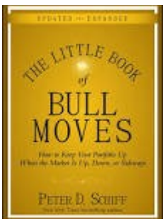


FUND OF THE MONTH
RBC Cube Low Volatility Global Equity Ser A

INVESTMENT TERMINOLOGY

5 Things To Consider Before Filing For Divorce

Book of the Month



The Little Book of BULL MOVES–By Peter Schiff

Analyzing similarities and differences from both an economic and political perspective, Schiff discusses investment strategies that worked in the bull markets of the 1920's, 1960's and 1990's and the bear markets that followed. He explains how those same conservative approaches to investing can be applied in today's market. Schiff provides detailed advice on the techniques and strategies that can help investors maintain and even build wealth now and in the turbulent times ahead.

Fund of the Month—RBC CUBE Low Volatility Global Equity Ser A

The investment objective of the fund is to provide long-term capital growth. The fund invests primarily in equity securities of companies throughout the world using a quantitative investment approach. The fund seeks to achieve a reduced level of volatility. It is managed by Bill Tilford, who is Head of Quantitative Investments at RBC Global Asset Management Inc. He has been working in the investment industry since 1986. Prior to RBC, Bill managed one of the world's largest Global market neutral/overlay portfolios.

Investment Terminology

DEFAULT RISK—Is the chance that a bond issuer will not be able to make the required coupon payments or principal repayment to its bondholders. Many things can influence an issuer's default risk and in varying degrees. Examples include poor or falling cash flow from operations, rising interest rates, or changes in the nature of the marketplace that would adversely affect the issuer. The default risk associated with foreign bonds also includes the home country's sociopolitical situation and the stability and regulatory activity of that government. All bonds except those issued by the U.S. government carry some form of default risk.

MAZZEO'S LAW

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

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5 THINGS TO CONSIDER BEFORE FILING FOR DIVORCE

No one ever thinks of potentially getting divorced on that special day where they exchange vows and say "I do" in front of their closest family and friend to a life long commitment together. But the reality is that divorce happens. In fact, each year it happens to approximately 70,000 married couples. If there's any silver lining it may be that 95-99% of divorces settle outside of court. More often than not, the dissolution of a marriage and all its parts can be handled outside a courtroom and only in extreme cases would it be necessary to go to court.

It's important to consider these five factors so that you can be prepared for next steps if you do plan on moving ahead with divorce proceedings. Continue Reading

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Securities Regulators Warning About Binary Options Scam

The CSA is warning about a scam popping up across Canada

The Coming Retirement Crisis

From CRM2 to MiFID, in many OECD countries, efforts are afoot to change the way advice on retirement planning is

What To Do With Insurance After A Divorce

As clients lives get more complex, their divorces do, too. This is particularly the case when spouses are connected by asset

Risky Mix

The biggest banks in the world are not just banks - they're financial supermarkets that can underwrite securities manage mutual funds, and act as brokers in

The Volatility of Volatility

Volatility of volatility may seem an esoteric concept-the second moment of the second moment of a return distribution. But it can have real world consequences

Institutional Investors Will 'Double Down' on Risk in 2017

Institutional Investors are set to make bigger bets o riskier assets

Journey Through the 6 Stages of Retirement

Most major life-changing events, such as marriage or divorce, involve an ongoing process of

The Death of Volatility

We live in historic times. Not only are global equity markets making new highs on what seems like a weekly basis, volatility as

Do Human Advisor Fees Offer More Value Than Robo-Advisor Fees?

Proponents of robo-advisors say their main advantage is lower

Geopolitical Uncertainties

In 2017 global markets face grave geopolitical uncertainties. Iran, North Korea, China, Russia and Syria could each pose serious risks to global stability

Brexit: All You Need To Know About The UK Leaving The EU

This article is designed to be an easy-to-understand guide to the

Women Playing Key Role In Household's Investment Decisions, Poll Finds

A significant majority of female Canadian investors either control

The Way Forward—Macquarie Asset Management

A decisive close to the post - global financial crisis era, and its lingering effects, may never occur. As 2017 begins, however, many investors feel as if they are reading a new investment roadmap. Last year's wave of populist politics, and its potential impact on economies and the markets, left a degree of uncertainty. So what turns does the road ahead promise?

Amid change and uncertainty, there is opportunity. And opportunity is among the reasons we're excited to share our expanded 2017 Global Investment Outlook, which taps into perspectives from more than 20 investment teams across four continents. These insights cover all that Macquarie Asset

VIDEO LINKS

An Incredible Stat About the Dow

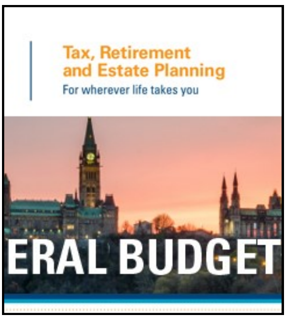
Eighteen years ago, when the Dow Jones Industrial average was trading at half it current value

How the Fed Rate Hike Will Affect Borrowers and Savers

If you're a borrower, you're going to pay and if you're a saver,

U.S. Economy Experiencing Growth Upturn

Good news! After two years of slowing economic growth, leading indicators for the US have



Tax Highlights From the 2017 Federal Budget

On March 22, 2017 (Budget Day"), federal Finance Minister Bill Morneau tabled the Liberal government's second budget since the October 2015 election. The budget, titled "Building a Strong Middle Class," focused primarily on innovation with the goal of building a nation that is both inclusive and innovative.

As for the country's projected financial position, after accounting for Budget 2017 proposals, the budgetary balance is expected to show a deficit of $23,0 billion in 2016-17 and

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EDITORIAL COMMENT CONTINUED

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equity horizon looks good. Some may argue that stock prices are high based on the 10-year Treasury yield, and I would agree with this if they were trading at somewhere around 6%, but when the current yield is less than 2.5% then stock prices are still relatively cheap and should continue to grow.

The Dow Jones Industrial Average recently hit all time highs, finally surpassing the 20,000-point level. Since Trump was elected it has gained 8.5%. The last time something like this happened was in 1980 when Ronald Reagan was elected. Stocks rallied 9% through his inauguration only to plunge 30% through August 1982. Of course the time were different then. Inflation was almost 15% and interest rates ran as high as 20%. Today interest rates struggle to keep off the floor and inflation is hardly a factor.

The biggest difference between the Trump and Reagan administration is that Trump faces the highest debt-to-service ratio of any incoming president since Harry Truman. There is approximately $47 trillion of public and private sector debt in the U.S. Therefore, every one percent increase in rates would cause an increase in interest expense of $470 billion, which equates to approximately 2.5% of US GDP.

CNBC's Michael Santoli, senior market commentator said, "it's best to focus more closely on the all-seeing, no-nonsense bond market than anything else."

The 35-year bull market in bonds seems to have hit a wall and is retreating. Per Bill Miller, founder, chairman and CIO of Baltimore-based LMM, speaking about the bond market; "We're looking for a long bear market. It's going to be a benign bear market, I believe, but still it's a bear market."

Many investors have indicated they are fearful of Janet Yellen's focus on interest rate increases. I argue that if rates move up slowly, the increases will be good for the equity markets. After all, the reason the rates are expected to rise is to slow down economic growth to a reasonable rate, the key term being "economic growth".

Back to my "Spidey senses". There are several concerns I do have and remain very aware of. History has shown that when a bull market ages more assets tend to be allocated to less credit-worthy instruments and as a result the risk that borrowers will not be able to pay back the money rises. According to the Wall Street Journal, household debt, which is just $99 billion short of the peak in 2008, saw the largest single year increase, last year, in more than a decade.

Another concern I struggle with is that interest rates are rising at the same time that Trump is increasing deregulation. We may experience a situation where more and more money is loaned to lower-quality consumers during a time of rising interest rates. I truly hope the financial institutions do not forget what happened in 2008. If Yellen allows rates to increase too quickly, stocks will fall.

Many Americans approve of Trump's protectionist attitudes. They are in favor of bringing jobs back to America especially since the U.S has basically run a trade deficit for decades. What concerns me about the protectionism bandwagon is that the global economy has been built around imbalanced trade for many decades and a sudden reversal and disruption in this could have severe global repercussions.

In 2015, the U.S. ran a total trade deficit of approximately $500 billion. If Trump's protectionism succeeds, this number could be eliminated, but just like the stock market where every sale involves a buy, eliminating this $500 billion trade deficit means that the rest of the world would, by definition have to suffer an equal amount of trade surplus.

In 2016 China had a trade surplus with the US of $347 billion which amounted to just over 3% of Chinese GDP. If that surplus where eliminated, the result would be a shrinking Chinese economy. The question is "what secondary and tertiary effects would this have on the global economy?" I can extrapolate this, but the net result is that it could create global havoc as jobs are lost and production slows.

The Bank of America publishes a monthly FUND MANAGER SURVEY. In the latest publication a total of 210 fund managers ranked the most likely bear market catalysts as follows: "Protectionism = 34% - Financial Event = 18% - Weaker Earnings = 15%".

I don't know if any of this will occur or to what extent, but I can reiterate as I often do that an efficient Asset Allocation structure is critical to portfolio success. These days, stocks, bonds and commodities do not seem to be very correlated and in fact, have recently fallen to the lowest levels since 2006, according to JP Morgan. I expect to see a widening distribution of returns amongst equities, sectors and asset classes. This leads me to stress that there is a strong argument for a diversified portfolio in relation to broader markets, now more than ever.

Term vs Permanent Insurance Policies - The Great Debate—CONTINUED

include universal and whole life insurance. Undoubtedly, permanent life insurance products are more expensive than term. Though premiums vary depending on age and health of the individual, permanent policy premiums can be upwards of 5-20 times the premium amount of term. With this in mind, let's find out the key differences and see which makes the most sense.

Term insurance provides a fixed payout at a level premium, for a fixed period of time; yearly renewable term or level premium term, for example, for 10, 30, or 100 years, and has no cash value. The cost for the policy is simply the cost of insurance for the chosen death benefit based on the age and health of the insured. At the end of the term, the policy lapses and no longer provides a death benefit. This type of insurance is typically referred to as 'temporary' and is relatively inexpensive. In addition to its low cost, term insurance tends to be basic and easy to understand. It is known to provide all the coverage you may need, and none that you don't. This type of insurance is useful when you have a definitive time period where coverage is needed for a set amount of money (i.e. a mortgage). Something to keep in mind is that term policies tend to have maximum issue ages. Term policies can be beneficial for someone who is young and starting out; where the need for insurance is high but cash flow is low. Term insurance policies typically can be converted to whole life policies without a medical exam at a later date, however, due to a lack in initial product education, most people don't even end up converting before the term is up. It is key for policyholders who wish to remain insured to take advantage of the conversion privileges; as purchasing a subsequent term policy will be far more expensive and have no cash value, while insurability and health status is not examined upon conversion.

On the other hand, permanent insurance provides lifelong protection, and the ability to accumulate cash value on a tax-deferred basis. This type of policy remains in force for as long as premiums are paid, and as previously mentioned, combine a death benefit with a savings component. One form of permanent insurance known as whole life, combines life coverage with an investment fund. This insurance entails purchasing a policy that pays a stated, fixed amount upon death, and a portion of the premium is allocated to building cash value from investments made by the insurance company. The cash value accumulates on a tax-deferred basis within the policy for as long as the policy is in force. In addition, you can borrow against the cash accumulation fund on a tax free basis. The premium amount is typically level throughout the life of the policy. The other form of permanent insurance is known as Universal life; which combines term insurance with a money market-type investment that pays a market rate of return.

The bottom dollar, however, is not always the bottom line. Though relatively expensive, there are several scenarios where a permanent policy makes the most sense. For example, if you want to leave legacy, say for example, for a child who needs your income when you pass. Because no one can predict the timing of their death, it makes more sense to buy permanent insurance than to try and save a large sum of money yourself on an unpredictable timeline. An inexpensive way to go about this would be through a universal life policy in which you never add money to the investment component of the policy. When you take taxes and returns into play, more peace of mind can be achieved through an insurance policy than simply investing yourself. Another instance, which can be more of a 'taboo' topic, is insuring a child. Though children are not relied on for their income, there are instances when permanent policies make sense for kids. An example of this would be for a family with a genetic predisposition to a medical issue which down the road can lead a child to be uninsurable by insurance companies. Implementing a policy when a child is young and healthy is ideal. Further, permanent policies have a valid place when it comes to tax shelters. However, among other factors that should be in place, one must be certain they won't need the money put in the policy during their lifetime.

If you are someone with ample assets and choose to fund a whole life insurance policy with an investment component, the funds are sheltered while you're still alive, and the proceeds can be transferred to love ones tax-free once you pass. Critics of whole life claim that you have no control over how the money in your policy is invested, however, this is not a bad thing given the argument that people do a poor job of managing their own investments anyhow. The last example is for estates that will face high taxes. Even if your income is not relied upon when you pass, there remains the issue of estate costs. For example, property cannot pass to your children tax-free: as your estate is liable for capital gains taxes, regardless of whether your heirs choose to sell the property or not. Similarly, upon a widow/widower's death, there may be an enormous final tax bill for investments. When the second spouse dies, RRSP and RRIF investments are fully taxable in the year of death. This means a large portion of your savings ends up in the hands of the government instead of loved ones. Thus, permanent policies certainly have a place as part of a comprehensive estate plan, where the death benefit is designed to cover final expenses. The key here is that the payout is guaranteed. If you know you won't need the cash while you're alive, it may be the best way to keep your wealth in the family.

Beginning in the 1940s, whole life insurance was highly popular. This type of insurance could secure income for one's family should they experience an untimely death and could also assist with their retirement planning. Beginning in the 1980s, due to a shift in tax laws, banks and insurance companies became interest rate sensitive. It was this time of high interest rates that made putting money in permanent life insurance policies questionable, when the alternative of investing in the market would yield double digit returns. Many people began investing in the market instead, and purchasing term insurance for protection instead. This shift lead to an emphasis on selling term policies instead of focusing on life-long insurance needs.

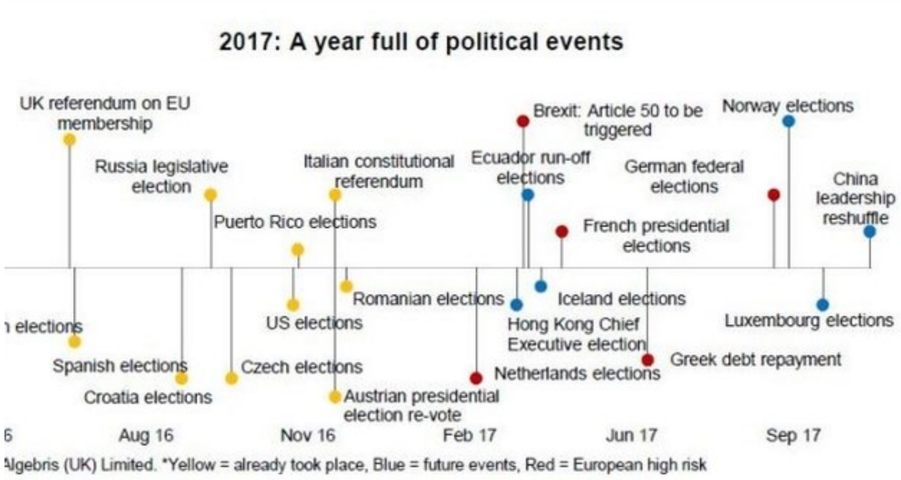
Term vs Permanent Insurance Policies—The Great Debate —CONTINUED

The key to choosing between the two types of insurance truly stems from an understanding of the organic value of life insurance itself. Ultimately, both types of insurance have their own value. Simply stated, term insurance is inexpensive and achieves a simple task. Alternatively, the key benefit of whole life policies is that they provide not only a death benefit, but also living benefits with a cash account that grows on a tax deferred basis. Individuals are not required to pay tax on annual gains, and the funds may be used to supplement retirement income. Furthermore, if structured properly no taxes will be paid on the supplemental income from the life insurance policy. Though known to be relatively expensive, it has been said with permanent insurance that if you can afford the first-year premium, you can typically afford it in the future. An additional benefit of whole life products is that sometimes dividends are declared annually by the company and paid out to the policyholders. Though not guaranteed, dividends are declared when the investments do well, expenses are managed well, and mortality experience improves. Policyholders may use the dividends for a number of things including reducing their premium or building up the policy’s cash value to increase the death benefit. It is rare for term policies to have any form of dividend.

There are valid reasons why permanent life insurance is more expensive. Whereas term policies are mainly implemented to last a finite period of time that will typically end before you die, permanent polices are typically designed to stay in place until you actually pass away. Ultimately, there is a substantial increase in the likelihood that the insurance company will be liable for the death benefit with permanent policies, which is reflected in the higher premiums for permanent policies. In addition, permanent policies tend to have a tax-privileged savings component attached to the policy, where a portion of the premium is set aside for future use. Permanent life insurance can be a valuable tool for some, but there may be more efficient ways to place your cash reserves.

In order to determine the policy best suited for an individual, an in depth analysis of finances as well as long term goals is necessary. The real key is being educated on the options available, and the ultimate purpose of a policy. A full understanding of the value of life insurance will help with the understanding of insurance needs. Life insurance needs do not always vanish as you grow older. Thus, a term life policy will solve their current problem, but an ongoing review of needs must be reassessed to ensure families remain protected. In this ever growing world of “do it yourself”, the industry is making it very easy for consumers to buy products. With that said, few people understand what these products actually do. It is up to professionals to better educate the public about whole life and term insurance, to help them make better decisions. The moral of this story is simple- the battle over term versus permanent life insurance need not be a battle at all, as there are appropriate uses for both of them.

2017: A Year Full of Political Events— CONTINUED



while keeping the Russians onside.

Recently, the Netherlands elections proved an interesting litmus test on whether the populism movement was gathering steam and more importantly how it affects the French vote in April. The German vote is followed later in the year as well. As you can see in the above chart, there are quite a few political events that can throw things off course.

Closer to home, the US interest rates, the U.S. dollar, along with the price of oil can cause a global shake up.

There are no shortages of events that can cause geopolitical upheaval in 2017, but as always, the best solution for investors is to maintain a well balanced and allocated investment portfolio that is much more likely to aid in weathering any storm over the long term.

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Revisiting The VIX—Continued.

difficult and probably a little bit disastrous to their portfolio. By taking the emotion out of investing and considering the facts, things will seem far less apocalyptic and much more normal.

Since Trump was elected, the emotional media talk about fear and uncertainty a lot, which typically translates to investors who are "scared of Trump and what he will do". I prefer a more scientific method of measuring fear and uncertainty in the markets: The VIX is the 'Volatility Index" used by analysts to measure fear and uncertainty in the markets. A higher VIX number means fear and uncertainty is high and markets will be more volatile. A lower number means fear and uncertainty are low, and markets are more likely to experience a smoother ride.

Without knowing where we are in the VIX, most people, including myself, would probably say the VIX is trading at a very high level. People are uncertain about Trump's political agenda, markets seem to be moving down again, and more recently, Trump's health care agenda has been roadblocked and his promised ability to improve the U.S. economy is now questionable. Well, let's look at the facts:

Since Trump was elected, we've actually been experiencing a positive and docile market, and this shows with an abnormally low VIX. In fact, the VIX has a long-term average of 20. At the time of writing this article the VIX was hovering below 14. Granted, it has risen moderately since the previous week where it sat below 12. But in the grand scheme of things, the VIX is actually incredibly low considering all this talk of Trump, fear, and uncertainty.

I recently spoke with an acquaintance who, despite having had a great year so far in his portfolio, was questioning market performance as of late. He had noticed that over the last week the DOW and S&P had dropped over a percent. While he was getting worked up over a recently falling market, I was admittedly sighing with relief. The drop made sense considering the markets were coming off of a 109-day streak of not losing more than 1%. It sounds crazy but when the markets keep climbing as they had been, it's a good sign to have a little drop. It keeps things normal.

So the markets dropped and the VIX rose a few points last week. Probably because Trump's health care agenda didn't go as planned. With all things considered though, the VIX is still at historically low levels. If it had remained below 12 by the end of this month, it would have been the first time in history the VIX went a full quarter at such a low level. Despite this recent and moderate rise in the VIX, the trend still favors investors and their portfolios.

I've included two charts that show the change in the VIX over a 3-year and 8-year term. It's one thing to read the numbers, but it is much more impactful to visually see how historically low this measure of volatility currently is.

Figure 1: 3-Year VIX Index

Figure 2: 8-Year VIX Index

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Property Division

You may have heard two terms by now like equalization payment and/or equalization of net family property. Both these terms refer to the payment that might be issued to one spouse as compensation for the equal division of all property, which cannot always be equally divided. There are some exceptions so, it's best to seek legal advice for more accurate information with respect to your situation.

Child Custody & Access

For children, divorce can be an extremely stressful time as well. Their routine and daily life is changing significantly and this can impact them negatively. It's important to provide them with as much certainty as possible. It helps to have a clear plan for their proper care and support during this very difficult time. As a couple you are still responsible to work out a plan for them like who will care for them and whether custody will be fully awarded to one parent or shared. It's also important to determine where the children will reside and who will make important decisions for them when necessary.

Child Support

Child support payments are based on a variety of factors like the number of children, their age, the province or territory where the paying parent lives, and the paying parent's annual income. If you live in Ontario, you can use the Department of Justice's online calculator to estimate what support payments would be by click here. Although there are many resources online, to be certain of what's expected in your situation it's best to contact a lawyer who will be better able to assess your specific situation.

Spousal Support

The law views marriages as financial partnerships or unions. When the marriage breaks down and ends in divorce the person that's better financially equipped or established may have to provide financial support to the other. There are a number of factors considered in determining how much support is required and for how long like how much is required and how much the other party can afford to pay. It's best to speak to a lawyer once again for more clarity and certainty with respect to your specific situation.

Prenuptial Agreement

This is an agreement outlining exactly what will happen with respect to property, children, child support, and spousal support should the marriage breakdown or end in divorce. In order for the contract to be valid, both parties have to provide consent by signing and agreeing to the contract. Some people are against this process, while others believe having a contract in place protects everyone's interests including the children and can provide peace of mind for a couple. If you have any questions regarding creating one, it's best to speak to a lawyer.

If you and your partner are headed for divorce, it's worth considering engaging someone to help you navigate this tough time like a divorce mediator or coach. Often times having a neutral third party professional helps bring a clear perspective to a very unclear and often times emotional thing like divorce. A lawyer should only be engaged for the legal matters and often times become the mediator or coach but also come with a much bigger price point. Engaging a lawyer to only handle the legal proceedings is ideal and cost effective.

At Mazzeo Law we have handled numerous divorce cases and are here to help you navigate this very stressful time in your life.

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An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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

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