Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 6, ISSUE 4 APRIL 2017

"Look at Market fluctuations as your friend rather than your enemy;
Profit from folly rather than participate in it" - Warren Buffett

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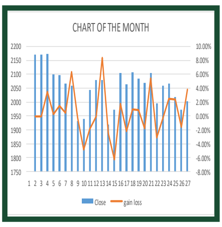

Kondratieff Wave Cycle

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Editorial Comment

Sergio Simone

After the Republicans won the Presidential election, stocks rallied on the expectation that Donald Trump would follow through on his election promises and that these promises would lead to stronger economic growth. There was an immediate jump in small-cap stocks which is an indicator of an upcoming bullish market. Trump's policies included market positive policies like regulatory and tax reform which would greatly benefit the smaller companies that had faced heavy regulatory hurdles and tax burdens during the Obama administration.

While stocks rallied after the election, they peaked and began moving within a trading range earlier this year. It seems that investors were

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The Universal Divide

Kristina De Sousa

Universal Life Insurance (UL) is a combination of permanent life insurance and a tax-exempt investment account of which clients can select from various investment options. UL "unbundles" the insurance coverage and the investment component, ultimately providing more flexibility for clients. Despite what its name implies, universal life insurance is not actually for everyone. In fact, it's safe to say UL is an effective form of

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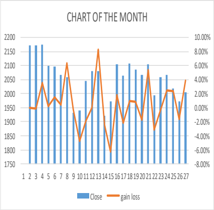
Kondratieff Wave Cycle



The Kondatrieff Wave Cycle was brought to the attention of the world by the brilliant Russian economist Nicolai Kondratiev (1892—1938). He was executed during Stalin's purges for his economic beliefs.

Kondatriev proposed the theory that Western capitalist economies have long term (50 to 60 years) cycles of boom followed by depression.

Continue Reading

Ryan Simone

Socially Responsible Investment Trend

Sustainable, Responsible, Impact Investing (SRI) is a style of investing that has gained new momentum over the last several years. It is a duel purpose investment strategy of earning superior returns while investing in a socially conscious manner. Although a version of SRI investing has been around for centuries (typically tied to faith based or religious

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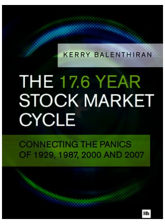


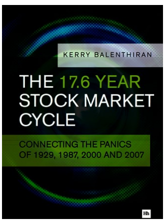
BOOK OF THE MONTH

FUND OF THE MONTH

INVESTMENT TERMINOLOGY

DOES HAVING A CO-HABITATION AGREE-MENT MAKE SENSE

Book of the Month



The 17.6 Year Stock Market Cycle–By Kerry Balenthiran

Boom and busts occur much more frequently than many imagine and by studying historic stock market cycles we can learn a lot about their expected duration and also what to expect along the way. Researchers have been making attempts to understand these cycles for many years. In the late 1800s/early 1900s businessmen and scientists started to formulate theories about recurring business cycles of various lengths and established the concept of the business cycle.

Fund of the Month—Mackenzie Global Diversified Equity Class

The fund seeks to provide investors with a diversified global portfolio designed to provide growth of capital over the longer term. The Fund seeks to accomplish its objective by investing directly in equity securities of issuers located anywhere in the world, or in mutual fund securities. The Fund may also invest in other securities, including fixed income securities.

Investment Terminology

ECONOMIC CYCLE—Recurring, fairly predictable, general pattern of periodic fluctuations in national economies. Left to themselves, all market economies repeatedly move through four stages of (1) expansion, (2) peak, (3) recession, and (4) recovery. Despite numerous attempts to explain causes of economic cycles, no theory is universally accepted or applicable.

MAZZEO'S LAW

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

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Does Having a Cohabitation Agreement Make Sense?

More and more couples are choosing to live together before marriage. In fact, between 2006 and 2011, the number of common-law couples rose 13.9%, more than four times the 3.1% increase for married couples. Still, married couples still remain most common family structure despite the decrease in numbers over the years. There are a lot of misconceptions about cohabitating couples when it comes to the law and their rights, and even more when it comes to them separating.

Please click on the link to be directed to Paul's article, "Does Having a Cohabitation Agreement Make Sense".

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Cross Asset Investment Strategy

United States: The economic backdrop is still positive. Business climate indicators have

Schroders Economic and Strategy Viewpoint

Populist policies appear to be good for markets which rallied following the Brexit vote and rose further on the election

Late Cycle, Not End Cycle: Key End of Cycle Risks to Watch

Cyclical indicators have continued to show healthy growth

Alternative Investments and the Global Macro Strategy

Malcom Gladwell introduced the concept the "Tipping Point", the

Life Insurance Solutions for Business Owners

What's the best life insurance for business owners? It depends on where you see yourself in the

Your Estate Plan—Getting Started

Thinking about death and putting off planning your estate—one is difficult and the other is very easy

Steel, Stimulus Drive China's Strongest Economic Growth Since 2015

China's economy grew faster than expected in the first

Young Investors: Should Your Investments Be Held In A TFSA or RRSP?

The greatest of advantages of being investors in Canada are the

Dementia Poses Financial Risk

Today, 564,000 Canadians are living with dementia, according to the Alzheimer Society of

Ads That Play On Consumers' Emotions May Drive Them to Action Without Much Thought

Advertising that encourages

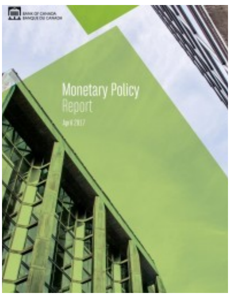
Bank of Canada Maintains Overnight Rate Target at 1/2 Per Cent.

The Bank of Canada today announced that it is maintaining its

Canada One of Four Advanced Economies Vulnerable to Housing

Moody's Investors Service has released a report that identifies

Monetary Policy Report April 2017—Bank of Canada



Recent data point to a somewhat stronger pickup in global economic growth than had been expected at the time of the January Monetary Policy Report. However, the considerable uncertainty noted in January, particularly regarding US economic policy, continues to cloud the outlook. This uncertainty is expected to persist as the possible changes under consideration notably in relation to fiscal and trade policies, would involve complex and probably lengthy negotiations and changes to legislation.

VIDEO LINKS

Outlook for the Global Economy

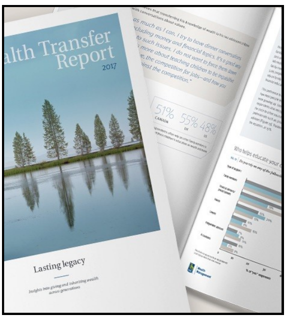
PIMCO explains their growth and inflation outlook for economies around the world

The Importance of Manager Tenure

These four top-performing Canadian equity mutual funds have had the same lead manager for

Le Pen Faces Macron In Final Round of French Elections

Voters in France have comprehensively snubbed the country's political novice Emmanuel



Wealth Transfer Report 2017

It is estimated that within a generation, US $4 trillion will be passed down to inheritors in Canada, the United Kingdom and the United States. Yet wealth rarely endures long enough to create a legacy that lasts for multiple generations.

With that in mind, we undertook a study to find out how prepared families are to give and receive inheritances. We surveyed 3,105 individuals in Canada, the UK and the US, and supplemented our data with in-depth interviews. Our respondents—worth US $4.5 million on average—included wealthy professionals and entrepreneurs, business owners and retirees, givers and inheritors of wealth.

Disclaimer

EDITORIAL COMMENT CONTINUED

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being more cautiously optimistic in their positions and decided they needed to see some results before they continued to carry the market to new highs. Unfortunately these results are not coming as quickly as investors were hoping.

The shine seems to be coming off the U.S. economy since the Trump administration was unable to offer a viable alternative to Obamacare. The failure to pass the AHCA has kept the current administration from tackling other priorities like tax reform. The concern investors have moving forward is the difficulty Trump will have implementing his objectives amidst what may be a divided GOP caucus. Since the first attempt to reform Obamacare failed, investors should be on high alert with their focus on anticipated changes to tax reform, deregulation, trade policy and infrastructure spending. These are all key factors that could potentially impact stock and bond markets throughout the year.

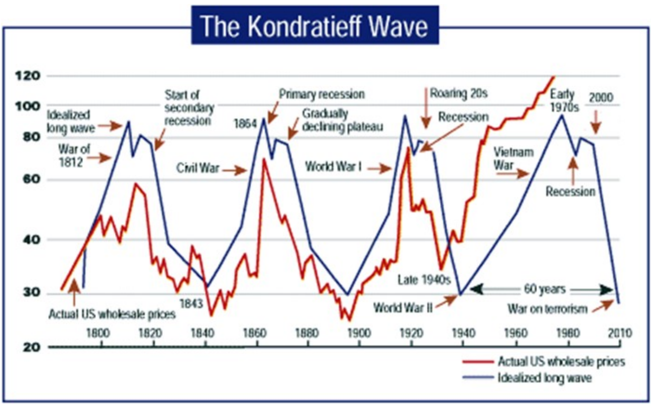
For those that see a silver lining in most things, they will find one here. Had health care reform passed, much of the year would have been spent with a focus on implementing the changes. Now, this time can be spent trying to get tax reform into the 2018 fiscal year budget. How the market reacts to any tax reform bill will be determined by what's in it. Some skepticism remains as investors ponder the costs of tax reform or the permutations it will take on. Will lower corporate tax rates be offset by a tax repatriation program and a border tax adjustment, and will the Trump Administration elect to shift from individual tax reform as expected, to a tax relief program which will make it easier to push through Congress? Is this going to become another "pay Peter by robbing Paul" scenario.

Trump has good intentions and would like nothing more than to see everyone get on board and support his policies, but Washington is run on a scale of checks and balances which can slow any good intentioned plan to a snail's pace. The committee hearings on tax reform will begin after Congress returns from its April recess and I for one will pay careful attention to what emerges from these meetings.

The progress with regulatory reform, which is a key element to keeping the markets moving forward, has also slowed as key regulatory posts remain unfilled. It is anticipated that once these positions are filled the regulatory rollbacks should gain more traction. Investors are anxious for deregulation in the financial sector which would likely lead to easier money lending policies by the banks. Historically, easing banking regulations has led to accelerated loan growth over the following year.

Trump has repeatedly signaled his intention to allocate $1 trillion in additional infrastructure spending, but Senate Majority Leader Mitch McConnell has warned that Congress may not be so willing to open their checkbooks for such a large spending package. This may not necessarily quash the stimulus package as alternative methods of funding it are available such as public-private partnerships.

There is a lot of uncertainty going forward which has created quite a funk in the markets. We are dealing with a market that is trading within a very narrow range. It is the kind of market that takes the wind out of the sails for many investors. Sometimes we shouldn't look a gift horse in the mouth. Even when prices are making no headway, dividend yielding stocks tend to pay enough to make the lackluster performance worthwhile.



Another way to explain this market is by use of the long-term economic cycle, technically referred to as a K-wave. This cycle is divided into four "seasons" of economic activity spread over a period of 60 years. Each season is approximately 15 years in length. The winter season in this cycle began in 2000 and ended around 2015. The evolution of this cycle has taken us into the K-wave Spring which should last until 2029/30.

In nature, Spring time is a force to be reckoned with. We see warm days followed by blizzards, followed by rain storms. It is a very volatile season. The same can be said about a K-wave Spring. It takes a while for a new season to fully establish itself. A K-wave Spring often experiences the same reactions. At some point this economic funk will give way to expansion. Until then we can expect to see occasional flare-ups of the Winter mentality. As the years progress, these flare-ups should become more infrequent and fall into blossoming economic times.

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The Universal Divide—CONTINUED

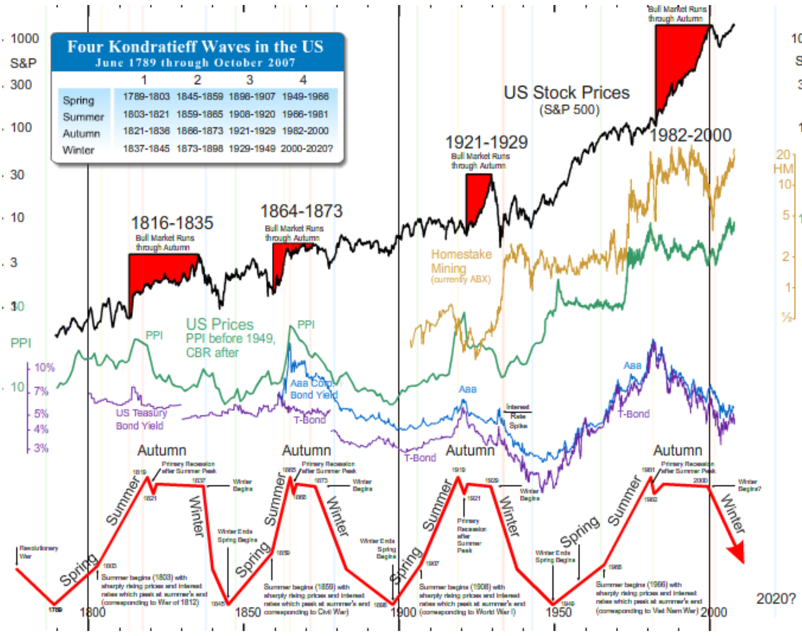
permanent insurance appropriate for only a select few. As such, UL continues to be one of the most controversial life insurance products to date; as there remains a large divide in those who find UL very attractive and those who feel it has no place. Those opposed to UL argue that the product carries far too much risk with potentially devastating consequences for the policy holder. The current low interest rate environment and recent tax law changes are reshaping the face of the UL world; leading many carriers to raise premiums, adjust product features accordingly, and in more and more cases actually remove UL from the product lineup all together. The tax changes relevant here involve the 'exempt test' (the amount of tax-exempt cash that can be held in the policy), which has experienced a reduction in allowable limits within the investment portion of a UL policy. In addition, the new rules are designed to prevent clients from overfunding the policy aggressively in the plan's initial years. As the profitability of these products is being crushed by low interest rates, premiums are being driven up drastically. With this said, many product supporters believe that once rates (inevitably) rise, UL products will experience a reduction in premiums and enhanced product features once again. The UL world is much smaller than once existed, but it does still exist in a modified way

A similar, but alternative product is participating whole life insurance, which provides guaranteed cash values, level premiums, and the opportunity to earn dividends from the insurer. Like all things in life, nothing comes for free- and these benefits are pricey. Despite the fact that UL policies have seen a recent but substantial rise in cost, they continue to be more affordable than their participating-life counterparts. UL is also more flexible, in that contributions to the investment portion of the policy can be adjusted to ultimately alter the premium to suit your affordability needs. This variable makes UL particularly suitable for business owners who have variable income and expenses. Also, as opposed to par whole life, UL allows the insured to choose their own investments. With par whole life the insurance company pools and invests the premiums conservatively, as they see fit. Thus, UL makes sense for those investors of a more aggressive nature. With that said, there are, however, ways to reduce the risk with UL. In order to be more conservative, you can choose to hold conservative (GIC) investments within the policy, or select a level cost of insurance or a limited pay option in order to ensure predictable premiums. Some will still argue that it's safer to purchase a participating policy, based on the lack of guarantees with UL.

Despite all these factors, there are still supporters who maintain that UL can be a very viable option for some. Some of the reasons include but are not limited to: flexibility, cash value availability, and tax deferment for the investment portion. Thus, they can be useful for building savings that compliment registered savings (i.e. RRSP & TFSA are maxed out), for enhancing an estate to be left for loved ones, and for business owners looking for tax-efficiency, as these policies still maintain their purpose from a tax-planning perspective. The key is to be cautious, and to fully know your product. UL is for sophisticated individuals; it can be risky, and it is complex.

Aside from pricing, the real issues stem from the details of UL and client's comprehension of the product they are getting involved with. There tends to be mass misunderstanding of how the product works, specifically, with respect to issues such as premium increases over time. It is misleading to assume that returns in the portfolio will offset the (increasing) premiums over time, and this train of thought leads to grave disappointment when the investments don't perform as projected, and rates become unaffordable over time. Another misconception is that UL is a guaranteed policy when it most certainly is not. The only thing close to a guarantee when it comes to UL is the death benefit if the policy remains in force. Product misconceptions seemingly stem from the complexity of UL products. Despite this complexity, UL sales material is often very simplistic and fails to address essential details of features such as risks and limitations. A key solution here is to use realistic illustrations for product projections that take into account the very real possibility that the investments won't perform as expected. Again, the product certainly has its place in a long term financial plan for some, but the key is to plan ahead as a result of a thorough needs analysis. Furthermore, it is crucial that an advisor monitor any UL policy based on the investment component to ensure the product is living up to its projections, and make adjustments accordingly.

Kondratieff Wave Cycle— CONTINUED



The four cycles are:

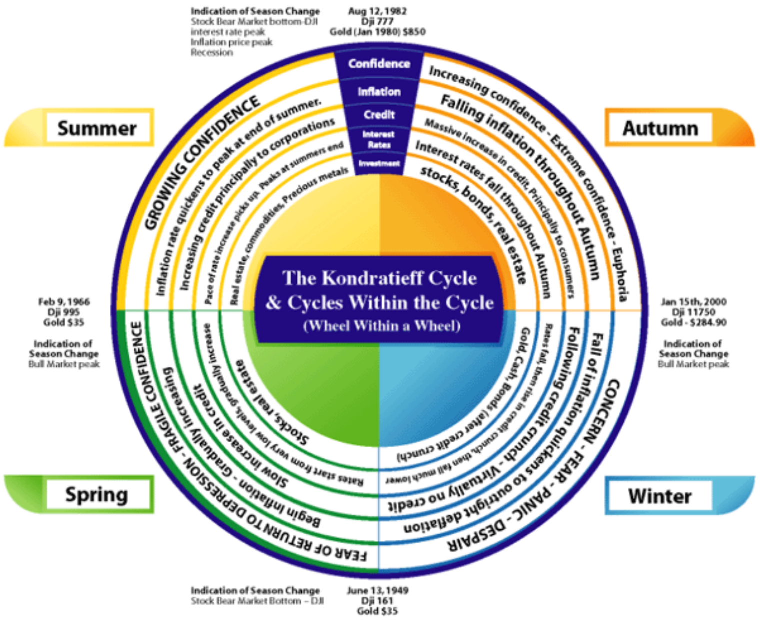
◊ Spring, a time of beneficial inflation

◊ Summer, a time of stagflation

◊ Autumn, a time of beneficial deflation

◊ Winter, a time of deflation.

The current cycle began around 1949/50. Following Kondatriev’s theory, we experienced beneficial inflation from 1949 to 1966, stagflation from 1966 to 1982, beneficial deflation from 1982 to 2000 and deflation from 2000 to 2014/15. One benefit of understanding this theory is that it gives us the opportunity to manage our portfolio risk more efficiently. During each season there are investments that are more appropriate than others. For example, during the Autumn, stocks, bonds and real estate make the best investments whereas investing in gold and gold stocks are higher risk. The opposite would be true during the Kondratieff Winter.



We have just exited from the Kondratieff Winter, a time where debt is cleansed from the economy, primarily through bankruptcy. Other conditions include: Increased Deflation where fear and panic set in; consumer confidence falls and reaches a state of despair; unemployment reaches absurdly high levels; significant bankruptcies are experienced in all sectors; banks fail; interest rates rise; and we experience an international currency crisis.

Like all cycles, K wave analysis is more “descriptive than prescriptive”, but it does provide an enormous insight into our current economic condition. After the destructive period we have just come out of, the world economy will be ready for a new epoch making Spring boom which will propel it to new levels of political, social and economic development. Hopefully, enough intelligent minds will prevail to prevent a global catastrophe that would completely distort the paradigm we have entered.

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SOCIALLY RESPONSIBLE INVESTMENT TREND—Continued.

principals), a more modern approach to SRI began during the 1960s with focus on socially responsible investing. It started with themes relating to women's rights, the Vietnam War and civil rights in which investors would look to avoid companies that promoted and profited from gender and labor inequality and human rights abuses.

SRI experienced another growth period in the 1980s as the health of the environment became a greater concern to people. Fueling this growth were environmental issues stemming from a number of catastrophic incidents such as Bhopal, Chernobyl, and Exxon Valdez. In the 1980s, human rights issues were also a concern to groups of investors such as schools, churches, and other groups who were looking to put pressure on the South African government and the racist system of apartheid.

Today, SRI investing is a far more developed concept with an even broader socio-environmental framework. As a result we are seeing an increasing number of SRI related investment products and new ways of measuring the sustainability of investments. For example, Morningstar now rates on a scale of zero to five, each mutual fund's level of sustainability based on its underlying holdings. Many mutual fund companies offer SRI funds with no limitation on themes. For instance, an investor can still create a diversified portfolio of equities and fixed-income assets under an SRI umbrella. Some fund companies go a step further and offer funds with SRI specific themes. One fund may avoid purchasing companies tied to guns, tobacco, or liquor; whereas, another fund may avoid companies with large climate change footprints.

Figure 1: Leading SRI criteria for investors. ESG refers to Environmental, Social, and Governance - all factors of an SRI strategy.

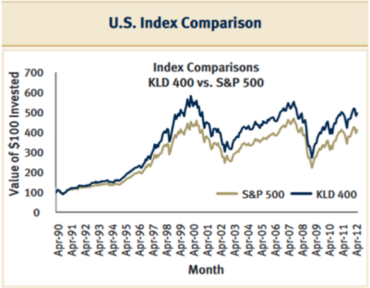
According to the Forum for Sustainable and Responsible Investment's 2016 report on SRI trends, as of year-end 2015, more than one out of every five dollars under professional management was invested according to SRI strategies. That amounts to over $8.72 trillion. As the millennial generation grows into more wealth, it's likely that SRI strategies will continue to gain favor with a generation known for its deep concern about social and environmental issues.

Fig. B: Investment Funds Incorporating ESG Factors 1995–2016

	1995	1997	1999	2001	2003	2005	2007	2010	2012	2014	2016
Number of Funds	55	144	168	181	200	201	260	493	720	894	1,002
Total Net Assets (In Billions)	$12	$96	$154	$136	$151	$179	$202	$569	$1,013	$2,457	$2,597

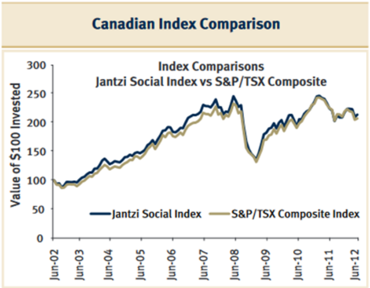
SOURCE: US SIF Foundation.
NOTE: ESG funds include mutual funds, variable annuity funds, closed-end funds, exchange-traded funds, alternative investment funds and other pooled products, but exclude separate accounts, Other/Not Listed, and community investing institutions. From 1995-2012, separate account assets were included in this data series, but have been excluded since 2014, in order to focus exclusively on commingled investment products.

But can limiting one's investment choices to socially and environmentally responsible companies also limit returns? In other words, can SRI funds perform as well as their counterparts?



A few may be surprised to find out that research shows SRI investment strategies outperform non-SRI strategies on both a consistent and long-term basis. One way this is measured is by comparing an SRI index to its counterpart index. For example, the S&P 500 is measured against the KLD 400.

RBC GAM has an excellent and well cited research report that highlights how SRI strategies compare to traditional strategies. The quick conclusion on performance is that SRI compliant companies tend to be undervalued by markets and investors.



SRI's superior performance, however, comes into question when comparing SRI mutual funds to traditional mutual funds. The empirical evidence provided on this is contradictory, but most research points to a slight performance advantage for mutual funds that have a higher SRI tilt.

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Here are the most common misconceptions and factors to consider when deciding whether or not having a cohabitation agreement in place makes sense.

Provincial variances

Not all provinces treat common-law partnerships the same. For example, in British Columbia it was recently ruled that if a couple is living together for two years then they have the same rights as married couples. In Alberta, only couples living together for three or more years or has a child a child together and live together are considered common-law. In order for a couple to be considered common-law in Ontario or Manitoba, they must live together for three years or more, or one year with a child.

Spousal Support

Not always, but in some cases, it is possible that someone in a common-law union is awarded spousal support based on their circumstances. For example, if one party had to take care of a child or children and therefore forfeit a career it might justify spousal support. Also, in unique cases where one person was financially dependent upon the other regularly and would suffer financially from separating then they too might be granted spousal support. However, it's important to know that granting spousal support at all in most common-law cases is not common.

Property & Division of Assets

In most provinces, because common-law couples aren't considered married there is no matrimonial property, and therefore no legal rights to it. The only exception would be if there was a cohabitation agreement in place and in that agreement the property and assets are addressed. Otherwise, without a cohabitation agreement in place the law looks at how each party has contributed to the home. Maintaining the home or any improvements and renovations done are all considered as contributions. But there are variances across Canada because the legislation around common-law couples is different. British Columbia considers common-law couples married after two years of living together, whereas Quebec doesn't acknowledge common-law couples at all. So in B.C. common-law couples have the same rights as married couples, whereas in Quebec, common-law couples are seen as common roommates and whatever one party owns, they keep.

If you are considering living together with someone before getting married or instead of getting married, it helps to know your rights. Cohabitation agreements, especially in Ontario, can help protect your rights and those of your partner's in the event of a relationship ending, like financial assets, investments, debts, as well as property. It can also provide peace of mind especially for couples that just started living together and don't meet the criteria necessary to be considered a common-law in the eyes of the law.

At Mazzeo Law we have helped many people prepare a cohabitation agreement to protect their rights and those of their partners. In order for an agreement to be finalized, each partner has to obtain his or her own lawyer. Give us a call or request a free consultation and one of our representatives will get back to you promptly to set up a meeting.

www.mazzeolaw.ca

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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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