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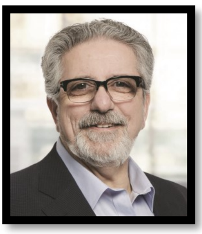
KPW LIFE PLAN—IMAGINE YOUR FUTURE

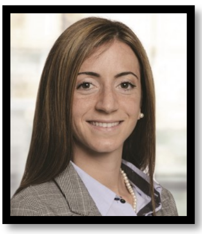
VOL. 6, ISSUE 6 JUN 2017

"If Stock Market experts were so expert, they would be buying stock, not selling advice."
-Norman Ralph Augustine

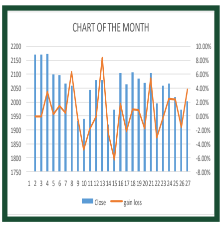
To Page 2 To Links Page



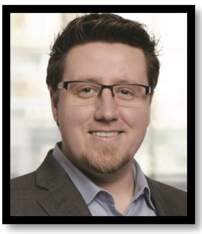
Sergio Simone
EDITORIAL COMMENT



Kristina De Sousa
When It Comes To Your Business, Insurance is Key

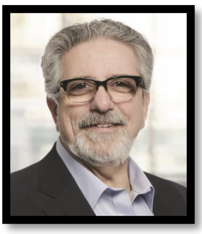


Stay On Track To Get Ahead



Ryan Simone
Real Estate And The Canadian Economy

Editorial Comment



Sergio Simone

I will be the first to admit that a large part of my news, these days, comes from social media. What surprises me is that a survey conducted by Pew Research Center concludes that 62% of adults now get their news from social media. I don't think it's a stretch to assume that it is only a matter of time before social networks like Facebook and Twitter will have considerable influence on how we make investment decisions.

I recall the early dot.com days when Yahoo Finance bulletin boards became meeting rooms where investors would hold conversations about investments that they were looking to make or had made. More recently investors are using sites like StockTwits and SeekingAlpha

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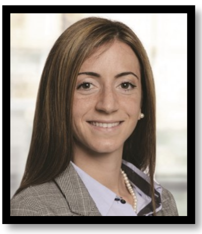
When It Comes To Your Business, Insurance Is Key



Kristina De Sousa

Along with the ample benefits that come with owning your own business, also comes many challenges associated with ensuring its success and protection. Business owners innately have a lot on their plate, and seemingly tend to get "caught up" in the every day tasks of running a company. Finding the time for things of a less imminent nature, such as planning for unforeseen events, tends to fall on the back burner.

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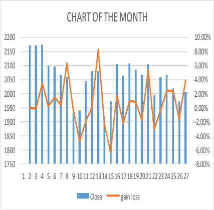
Stay On Track To Get Ahead



Many people react to the market's ups and downs by making emotional decisions about their investments, buying when the stock market is nearing a high, and selling when the market reaches low points. This type of emotional investing leads to investors sitting on the sidelines during some of the market's biggest gains.

Keeping money in the market over the long run means investors

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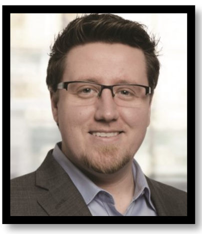
Real Estate and the Canadian Economy



Ryan Simone

"The housing bubble doesn't need to burst for trouble to start; it just needs to stay flat for a little while".

This statement was said to me recently by a representative from one of the fund companies we speak with regularly. I don't think there are too many Canadian homeowners out there who aren't a little concerned about a real estate collapse. I think we tend to believe it

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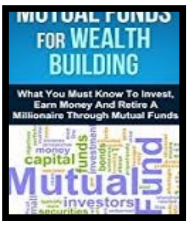
VOL. 6, ISSUE 6

JUN 2017

To Page 1

To Links



BOOK OF THE MONTH

FUND OF THE MONTH
RBC Emerging Markets Equity Sr A

INVESTMENT TERMINOLOGY

CAN YOUR POSTS ON SOCIAL MEDIA BE USED AGAINST YOU

Book of the Month

Mutual Funds for Wealth Building–By John McQuilkin

This book guides you on how to build wealth by investing in mutual funds. In easy to understand format, this explains the various concepts and strategies of investing in mutual funds. What is a mutual fund, types of mutual funds, cost, different investing strategies and avoiding common mistakes.

Fund of the Month—RBC Emerging Markets Equity Sr A

The fund's objective is to provide long-term capital growth. The fund invests primarily in equity securities of companies located or active in emerging markets. This fund is ideal for investors seeking to diversify their portfolio to include growth opportunities in emerging markets and are planning to hold their investment for the long term.

Investment Terminology

OVERCONFIDENCE BIAS

This causes investors to overestimate the quality of their judgement or information. Some investors believe they can predict market downturns and rallies. Others perceive they have a knowledge advantage when they get a tip or read information from a publication or research report. Overconfidence bias leads investors to trade more frequently in effort to align their positions with current market conditions. The cost of frequent trading eats into returns. They also become susceptible to forgetting the times they were incorrect or the role luck played in positive outcomes.

MAZZEO'S LAW

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

MAZZEO LAW
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CAN YOUR POSTS ON SOCIAL MEDIA BE USED AGAINST YOU?

In a child custody case, the answer is yes, everything you post online and make available, can be proven useful in family law cases. You should never assume that just because your profile is private, incriminating vacation selfies or negative posts can't be used against you. Social networking sites such as Facebook, Twitter and Instagram, constantly invite us to share photos, opinions and feelings with our networking groups.

Please click on the link to be directed to Paul's article, "Can Your Posts On Social Media Be Used Against You?"

Disclaimer

To Page 1

LINKS

To Page 2

Rising Debt, Sizzling Housing Markets Leave Canada More Vulnerable

The country's financial system has become increasingly

Stages of Caregiving

According to statistics Canada, there are 8 million people who are family Caregivers and 80% of those in need of care are suffering from severe Chronic

Dollar Steady After Comey Testimony; Euro Falls as ECB Holds Rates

The greenback clung to slim gains against a basket of

Theresa May's Shock Defeat Threatens Further Volatility

In the sort of unexpected twist that observers have come to

Ralph Acampora: Dow Theory Divergence Signals Caution

We've seen Dow Industrials heading higher recently, while

Corporate Earnings, Bond Market Sending Mixed Signals

As is often the case, two major areas of interest are sending

Schwab Market Perspective: Goldilocks...or the Three Bears?

U.S. equities continue to grind higher, setting records, with

Four BRICs Don't Quite Make A Wall

Emerging Markets have been through a lot over the past four years. The "taper tantrum" in

Global Economics. Scotiabank's Forecast Tables

Global momentum remains robust, despite elevated geopolitical risks. Business and house

Trump's Tax Plans To Have Impact On HNW Clients

A reduction in the highest U.S. tax bracket could encourage

Converting An RRSP To A RRIF: What You Need To Know

You've spent years saving for your retirement. Now it's time to

Bank Of Canada Points To Stronger Economy

The Bank of Canada is encouraged by a broadening of economic strength, which includes gains

RBC ECONOMICS—ECONOMIC AND FINANCIAL MARKET OUTLOOK

The global economy continued to build momentum in early 2017 seemingly inured to the uncertain political backdrop. We forecast world GDB growth of 3.5% this year, slightly firmer than our projection of 3.4% in March and well above 2016's 3.1% pace.

The greatest source of uncertainty for the global outlook is what policies the Trump administration will implement in the months ahead. To-date, the new government struggled to enact key planks of the President's policy agenda and there's a lack of clarity about the size and timing of promised tax cuts. Our view is that even with this high uncertainty quotient, solid consumer spending growth and a recovery in investment will underpin a

VIDEO LINKS

Why Is Fed Getting So 'Aggressive' Now?

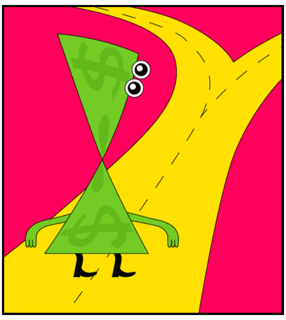
Noah Blackstein, Dynamic Funds, and Ed Keon, QMA portfolio manager, provide insight to what

Q3 2017: Investment Outlook—Emerging Markets

Our Investment Strategist for Asia, Cheuk Wan Fan, highlights our latest investment thinking in

How Much Life Insurance Do You Need (If Any)?

Before we deal with the downer of your death, let's talk about your life. Does anyone depend on you? Like, financially depend



Where To Invest $10,000 Right Now—Six Experts Reveal The Opportunities They See Around The World

Executive orders streamed out of the White House—and into federal court. North Korea fired a ballistic missile 310 miles, with thousands more miles to come. A hair-on-fire effort to repeal Obamacare collapsed.

Nice first quarter.

In the face of all this turmoil, U.S. stocks have been resilient, rising 5.5 percent in the first three months of the year. That makes many investors happy—and nervous about how long it can last. The bull market has celebrated its eighth birthday. You know what that is in dog years.

To Page 1 Disclaimer To Page 2

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EDITORIAL COMMENT CONTINUED

BACK TO PAGE 1

as platforms to espouse the promise of teaching “Do-It-Yourself” investors how to beat Wall Street through the herd mentality of the internet hive mind. Much like the Borg in the Star Trek movies. Remember their famous line “resistance is futile”. This may very well be the case. I am convinced we are entering a new era where “crowd wisdom” will become the force that helps propel markets or at the very least underlying investments in the directions they will be pushed towards.

Some have argued in the past that there is still a large knowledge gap between Wall Street’s elite who have access to the best research teams in the industry and the average investor who relies on advice in one form or another. However, today it is possible for this average investor to leverage their social media communities to find disseminated information which in many cases is equal to what the investment experts have access to.

Although investors have access to incredible amounts of information through social media, there is still one huge component missing: Trust! How do you know that ProInvestor100 is truly someone who has your best interests in mind or are they just trying to coerce you into investing in a position they want to increase the price of before selling their position? Could social media be the next evolution of the boiler room. This is a term that referred to an outbound call center selling questionable investments by telephone. A boiler room was an office where salespeople worked using unfair, dishonest sales tactics, sometimes selling penny stocks or private placements or just outright committing stock fraud.

Some think that the millennial generation is leading us to a tipping point where investors, especially millennials, who seem to be less concerned with privacy, are more willing to share their actual personal profiles online next to their trading activity.

While millennials are often thought to be wary of investing, the availability of social media sites is making it easier and more comfortable for this cohort group to learn and invest. Millennials are tech savvy and are taking advantage of a variety of high-tech and social media tools that allow them to make their own decisions on which investment vehicles they will invest their wealth in. They are now leveraging social networking platforms, websites and mobile apps to do everything from following stock picking tips to finding their financial planner.

Unlike their parents who often shared stock tips on the golf course or around a dinner table, millennials are unlikely to call up their broker or financial professional. Instead, with a few clicks they can bring up a prospectus, get advice and even commit funds. They also tend to reward companies that make it easy to do this. A recent Wall Street Journal survey stated that “30% of Millennials surveyed recently stated they are more loyal to brands that are up-to-date in regard to technology.” Other key factors influencing investment decisions for this group are ‘social responsibility’ and ‘environmental responsibility’.

It is becoming more common to see someone’s full investing advice history which may lead to a more trusted information network. Let’s face it, it is common today, for people to shop by first reading customer reviews of the place they are interested in buying from. Once these “social media advisors” develop a credible history, they may be able to influence the way we invest our money in the future.

There are other ways that social media will influence how we invest our money. Take for example the medical profession. Doctors have a reputation for being the most discriminating investors when it comes to medical technologies. Now, imagine that two companies have both developed a new EKG machine. Now imagine doctors conferring with each other about these products on a social media site and overwhelmingly support one product over the other. This would almost be like having insider information on the company with the product the doctors are supporting. It could give their stock price a boost.

Before logging into your Facebook account for your next great investment idea, consider the following. The existing players in the investment industry do not want to change the status quo. They do not want to be replaced by the wisdom of the crowd. What propels investors away from following the crowd is fear and more specifically, the fear of getting ripped off. There are numerous instances of people losing their nest eggs to stock manipulators. Although the securities regulators are trying to stem the flow there always seems to be another manipulator trying to pressure you into buying something “today” while it is still hot.

Although social media can play an important and integral role in our everyday routine as we use it to get our top news stories or recommendations to a great Italian restaurant or even real-time traffic reports, we may still want to be very skeptical when it comes to investment recommendations. If you are committed to following an online investment community then be prepared to follow one basic principle. Be wary of the anonymous poster. Only transparency will help the honest exchange of ideas.

BACK TO PAGE 1 DISCLAIMER

When It Comes To Your Business, Insurance Is Key—CONTINUED

In the same respect, there aren't many people who give themselves the credit they deserve when it comes to their own value or worth. This comes into play for those who own and operate a small business in particular, where it is critical to consider the possibilities if you were suddenly unable to perform your responsibilities.

With most small companies, business tends to be heavily dependent on the owner and ultimately this "key" person is irreplaceable. In the case of an extreme event, it would be difficult based on an owners' deep knowledge along with their immense time commitment to their company, to replace them with ease. Thus, in one of these undesirable situations the resulting task often becomes finding a successor or selling the company. In the process, a company may find it very difficult to conduct "business as usual", so easing the pain in some form or another would be ideal. The solution here is simple; insurance.

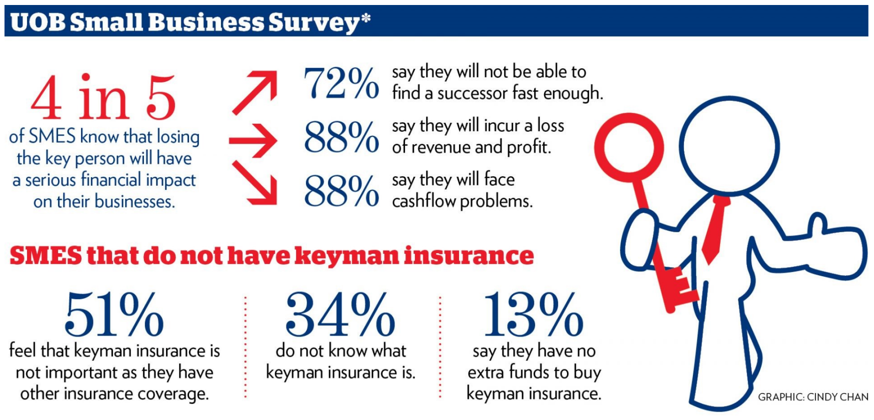
In the same respect that having a life or disability insurance policy in place to protect loved ones in the event you could not contribute as normal is common sense, you must give the same consideration to your business. The solution I am referring to here is called Key Person, or Key Man Insurance, and refers to a life or disability policy placed on the owner, director or employee of a company who is crucial to the business, where the company or a related party (such as a shareholder or lender) is the beneficiary.

The company essentially purchases a life insurance policy on the key employee, pays the premiums, and is the beneficiary of the policy. If and when the key person dies, it is the company who receives the payout from the policy, which is a tax-free death benefit. The purpose of this type of policy is to provide funds that ultimately buffer the effects of your absence on the company; and serves a multitude of purposes. Companies can use the insurance proceeds for a variety of reasons, including covering expenses until a replacement key person is hired, to pay debts, pay investors, help with costs associated with closing down the business, as a reserve against the drop in revenue that may occur during the transition, to pay the costs of replacing lost skills, and so on. Ultimately, key man insurance provides the company with options other than bankruptcy. An additional benefit for private companies is that the life insurance proceeds can be paid out as tax-free dividends to the owners once the business has recovered.

Key man insurance is not to be confused with personal life insurance, which provides a death benefit to dependents of the key person should they suddenly pass away. Disability insurance is also available on key people. The company owns the plan and is the beneficiary of the proceeds. The proceeds, of course, can be used for all the same purposes as proceeds from life insurance; the only difference being that the disability insurance proceeds cannot be paid out as tax-free dividends to the owners of the business, nor can they be paid tax-free to disabled employees.

The death of a key person in a small business often leads to subsequent death of that company. When put like this, one wonders why anyone wouldn't opt to have insurance on such a person. Determining how much key man insurance you need depends on your business, but generally speaking you should get as much as you can afford. Most insurance companies offer this type of policy, and have options including term, whole, or variable life policies. It is important to establish how much your company would need to survive until it was able to get back on its feet.

The fact is that most people don't plan on dying young or suddenly, and by the time people realize they need insurance, it's too late. The "key" here is not to put this task off. It's important to consider how hard you have worked to build your business, and what might be required in your unexpected absence. Having the proper insurance in place is critical to ensuring the long term value and success of your business.

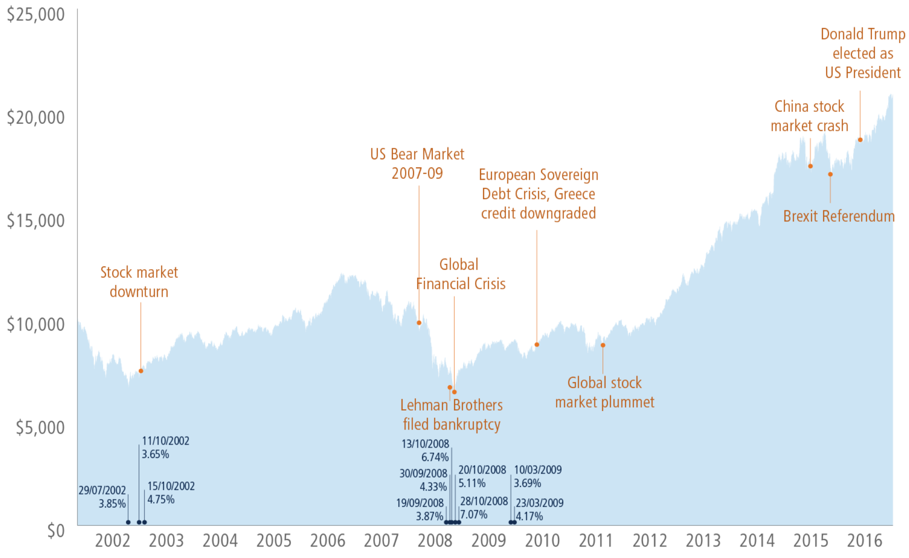


*The survey was conducted in August 2014 among 200 small businesses in Singapore with an annual turnover of up to S$20 million.

For most small and medium enterprises (SMEs), market expansion and funding for future growth are typically their top priorities rather than protecting their business by managing risks. According to the UOB Small Business Survey, one in two SMEs is at risk of not being adequately insured against the loss of their key person. With the loss of the key person, the SME may be faced with revenue loss and insufficient cashflow.

Stay On Track To Get Ahead— CONTINUED

receive the full benefit from all up-market movements. Over the past 15 years, investors who stayed invested even during the worst periods ensured full participation during the best recorded days.

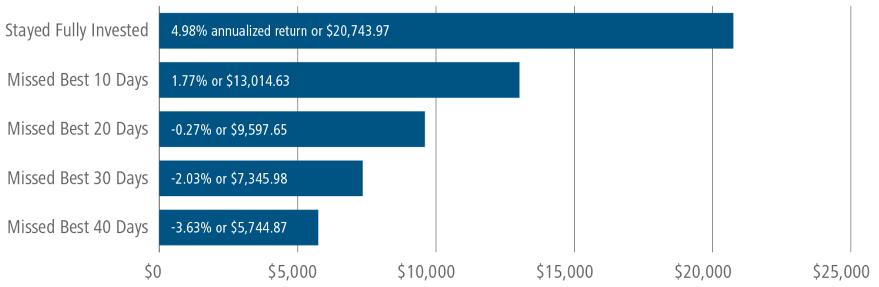


Source: Mackenzie, Morningstar as of March 31, 2017.

Timing markets is difficult to do well, and costly to get wrong

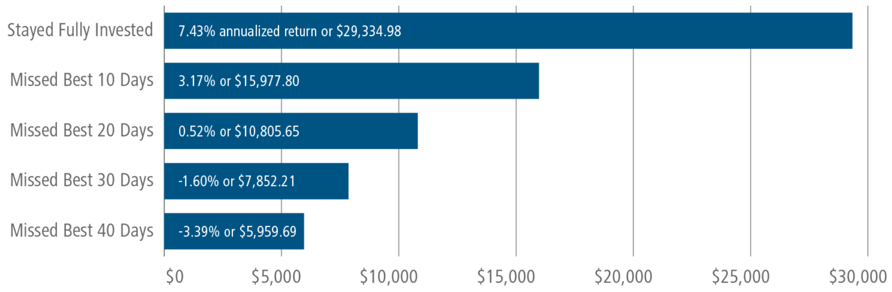
Missing even a few of the best days can be expensive. Over the past 15 years, investors who kept $10,000 invested in MSCI World outperformed those who missed the best 10 days by $7,729 ($13,357.18 in TSX), or 3.21% p.a. (4.26% in TSX).

$10,000 INVESTED IN MSCI WORLD FROM MARCH 31, 2002, TO MARCH 31, 2017



Source: Mackenzie, Morningstar as of March 31, 2017.

$10,000 INVESTED IN TSX FROM MARCH 31, 2002, TO MARCH 31, 2017



Source: Mackenzie, Morningstar as of March 31, 2017.

TO PAGE 1

TO PAGE 2

Disclaimer

REAL ESTATE AND THE CANADIAN ECONOMY—Continued.

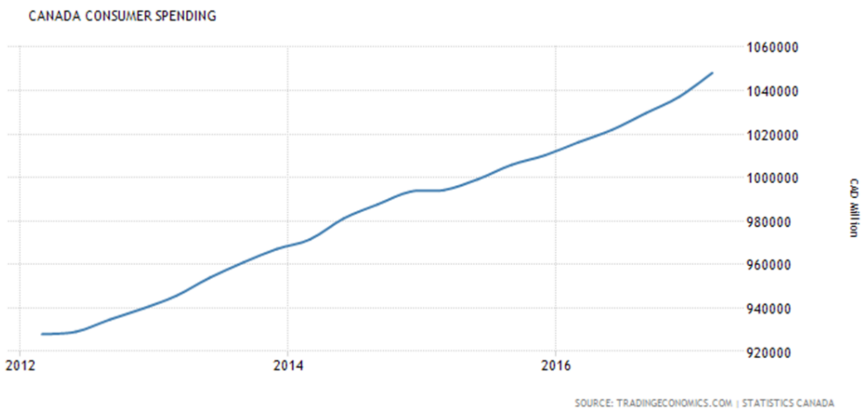
will happen dramatically, where one instance homes sell for hundreds of thousands over asking and in the next instance prices crash and sellers are lucky to get what they paid for years earlier.

The truth is, Canada's economy is in a fragile and highly volatile state and a rapid decline in housing prices is not necessarily the way things 'go down'. Consider this: when oil collapsed a couple of years ago, Canada underwent a significant economic change. The energy sector, which once made up the bulk of Canada's GDP, is no longer the bulk of Canada's economy. Today, Canada's GDP is largely comprised of two things: real estate and consumer spending. There are other sectors like manufacturing, but the bulk of our economy rests on these two sectors for the time being. Oil's collapse over the last few years hurt Canada's economy but its harm was softened by a booming real estate sector. While Calgary's oil party ended and Alberta's population woke up to a collective oil hangover, Toronto and Vancouver's real estate market flourished like never before. So much so that B.C. created a foreign buyers tax to stem the unsustainable growth in prices, and, more recently Ontario followed suit.

A few years ago, many Canadians believed the catalyst to the real estate bubble would be an increase in interest rates. The logic being that higher rates would make it difficult for people to pay for mortgages on homes that they could only afford because rates are low. People would default, homes would be lost, supply would be higher than demand and 'boom' the bubble bursts. Today is a little different though and higher rates may just be another pin-prick in a bubble that doesn't so much as burst, but rather deflates with stagnant housing prices.

The real risk is in housing prices staying flat over an extended period of time and the reason is because of Canada's second biggest sector: consumer spending. Average income has not grown in accordance with consumer spending and for every dollar of disposable income there is $1.67 of debt. The truth is many Canadians are using their homes as an equity source. Housing prices keep rising, Canadians borrow more against their homes, consumer spending increases, Canada's GDP increases, and the economy grows. But here's the kicker: the correlation between increasing consumer spending and increasing real estate prices puts Canada's economy in a vulnerable position. When housing prices stay flat people can't borrow more money. If they can't borrow more money, consumer spending starts to go flat, hurting the economy.

We've known for some time that Canada's economy lacks diversification and is vulnerable to the performance of a very small number of sectors. There are a lot of things that may happen that will help Canada's economy from receding. Changes in housing policy, fiscal bailouts, the emergence of a new sector or renewed growth in oil could be positive catalysts. However, there are just as many things that could go wrong, and with Canada's economy lacking the resilience of other nations, we could be in for a real struggle.



GO TO LINKS PAGE Disclaimer GO TO PAGE 2

This proves particularly complicated when embroiled in a child custody or divorce case, where social media content can be used to discredit a person's character.

In some situations, judges have found a party's social media postings to be admissible as evidence, provided the material is relevant. In the 2013 Ontario case, *MBAY v JY*, comments made by the father on Facebook were allowed, after he disparaged the mother, and made a false allegation of abuse. The court found the father's postings to be a "smear campaign" against the mother. Ultimately, the father's actions backfired, and just made him appear worse in the eyes of the court.

In other situations where a person claims their income and means is too low to provide support, Facebook can speak volumes to what their situation actually is. Posting photos of expensive purchases or extravagant nights out will certainly contradict previous statements and move to credibility. For a long time, emails and text messages have been accepted as permissible evidence, so it only makes sense that social media has come next.

To protect yourself, follow some simple Do's and Don'ts:

1. Nothing is ever truly 100% private; you never know what may be called upon as evidence.

2. Do not make any mention of your family law case on social media.

3. Do not attempt to make your spouse look bad by posting negative comments anywhere online. Encourage your family to do the same.

4. Take a step back, and wait 24 hours before responding to your former spouse. This includes text messages, emails and phone calls. Always keep things calm and peaceful.

5. If you see something on your spouse's social media that you find disturbing or contradictory, inform your lawyer right away.

6. If you have posted something online that you think could be used against you, let your lawyer know immediately.

At Mazzeo Law, we understand the decision to separate or divorce can be difficult, especially when children are involved. We have extensive knowledge and expertise in the area of Family Law, and can help you work through complex legal issues. Consultations are free, so give us a call, and we will work hard to achieve the best possible outcome for everyone involved.

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Back to Page 1

Back to Page 2

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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.

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RETURN TO PAGE 1