KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 6, ISSUE 8 AUG 2017

"When the economies of emerging markets don't just grow but beat expectations, there's scarcely a mention." - Kenneth Fisher

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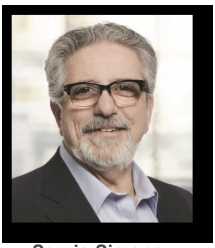
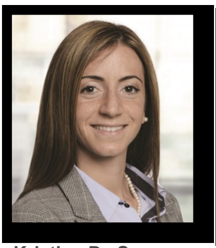
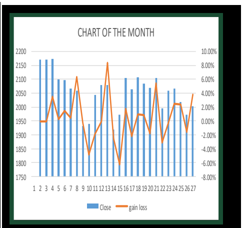


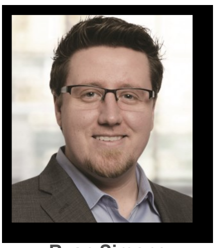
Sergio Simone
EDITORIAL COMMENT



Kristina De Sousa
INSURING THE LIFE OF A CHILD

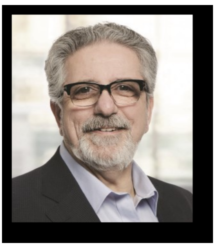


EMERGING MARKETS OPPORTUNITY



Ryan Simone
DIVERSIFICATION AND REAL ESTATE

Editorial Comment



Sergio Simone

As we pass the midway point of the year I thought it would be a good time to emphasize how we are approaching asset allocation for our clients. Although we have been rebalancing portfolios regularly, it is approached with caution as the tax consequences of selling a position can often outweigh the benefits of moving to another position. That being said, any new assets coming into a portfolio will likely be allocated based on the following analysis.

In a surprising move by the Bank of Canada we experienced the first increase in the overnight lending rate in nearly seven years. This unexpectedly caused both an increase in the Canadian dollar and bond yields to reprice higher.

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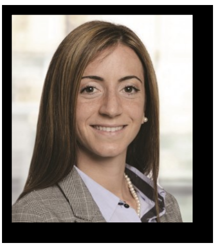
Insuring The Life of a Child



Kristina De Sousa

A controversial but important question this day and age is whether or not to insure the life of a child. The jury is still out on whether it is necessary to do so, but like most insurance it really depends on the circumstances. If you can get past the inherent morbidity of the topic, there are several factors to consider.

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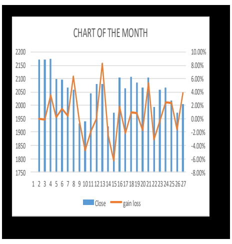
Emerging Markets Opportunity



Emerging Markets have undergone many structural changes over the last thirty years and have achieved much of their growth through exports. While many EM countries still rely on exports for their growth, the economies have been radically changing. Less than ten years ago, commodities and materials stocks made up 50% of the components of the MSCI Emerging Markets Index. Today, they only represent about 15% of the stocks in the index. Some very sophisticated information technology companies are

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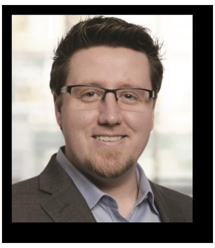

Ryan Simone

Diversification and Real Estate

Summer is winding down and September is just around the corner. If you live in the GTA you'll probably agree that the summer of 2017 certainly won't break any heat records; although it may be a contender for wettest. In fact, it probably wasn't a great year for spending hot sunny weekends on the cottage dock. However, even with the lackluster weather we've been having, it seems that millennials (age 18 to 35) are eager to get on board the cottage ownership game.

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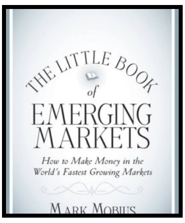


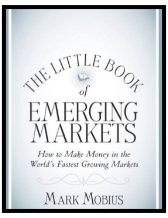
BOOK OF THE MONTH

FUND OF THE MONTH
RBC EMERGING MARKETS EQUITY FUND

INVESTMENT TERMINOLOGY

COMMUNICATION IS KEY WHEN DISCUSSING YOUR WILL

Book of the Month



The Little Book of Emerging Markets–By Mark Mobius

The traditional dominance of the G7 countries is being challenged by emerging market nations like Brazil and India, and while investment opportunities in these countries abound, the risks can be extremely high. Mobius explains why policies and regulations matter as much as balance sheets, how to recognize global contenders, techniques for managing risk, and how to get out at the right time.

Fund of the Month—RBC EMERGING MARKETS EQUITY FUND

The fund's investment objective is to provide long-term capital growth by investing primarily in equity securities of companies located or active in Emerging Markets. It is managed by Philippe Langham who has worked in the industry since 1992 and joined RBC in 2009 to establish and lead the team that manages this fund.

Investment Terminology

Emerging Market Economy

This refers to a nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. Emerging markets are not as advanced as developed countries but maintain economies and infrastructures that are more advanced than frontier market countries.

MAZZEO'S LAW

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

COMMUNICATION IS KEY WHEN CREATING A WILL

The thought of discussing your affairs is an important part of preparing your estate. Planning for the future should include events and things you want to do in the very near future, however, it should also include things that need to take place should something happen to you in the far and distant future.

MAZZEO LAW
BARRISTERS & SOLICITORS

Please click on the link to continue reading Paul's article, Communication is Clear When Creating a Will

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CONGRATULATIONS KRISTINA de SOUZA

Kleinburg Private Wealth Management wishes to congratulate Kristina de Souza for successfully completing the CSI's Certificate in Advanced Mutual Funds Advice.

The Certificate in Advanced Mutual Funds Advice puts Kristina on a direct path to the Personal Financial Planner (PFP) and Certified Financial Planner (CFP) designations. It acknowledges mutual fund advisors who have gained in-depth financial planning and investing knowledge.

By earning this milestone certificate, Kristina has increased her overall professionalism.

Certificate in
Advanced Mutual Funds Advice

The Canadian Securities Institute certifies that

Kristina J. de Souza

has fulfilled all the requirements to earn the Certificate in Advanced Mutual Funds Advice.

Completion Date
July 31, 2017

Managing Director,
Canadian Securities Institute

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Bank Issues Pay Warning and Cuts Growth Forecast as Rates Held

Interest rates are held at 0.25% by the Bank of England but

Dow Hits 22,000 For The First Time Ever

The Dow Jones Industrial Average crossed the 22,000 mark for the first time , boosted by a rally in Apple's shares

Experts Gather In Ottawa To Discuss Mounting Debt Faced By Seniors

Experts from around the world are gathering in Ottawa to

How Currency Exchange Affects Your Life

If you've ever wondered why we can't have a single currency so you wouldn't have to exchange

New Rules Will Lead to Short-term Pain, Long-term Gain For Banks

Although new international accounting standards will initially

Ironic That Emerging Markets Now Finance Developed Markets

We are in a period of uncertainty, but it is not the worst economic

When Neutrality Isn't An Option

The new US sanctions against Russia overwhelmingly passed Congress. But in parts of Europe, they are far less popular.

RBC Financial Markets Forecasts August 4, 2017

Interest rate and Exchange rate values since Q1 2016 and forecast until Q4 2018

August May Be When Stocks' Low-Volatility Streak Finally Ends

Forget Mayweather vs. McGregor, the real summer showdown

How Much of My Money Should Be In Stocks vs Bonds?

When you build a portfolio, one of the first steps you must take

Q3 Outlook 2017: Fixed Income

What was a generally positive quarter for bonds, with 10-year yields drifting modestly lower in

Strong Loonie Weakens Canada Pension Plan's Returns

The Canada Pension Plan Investment Board, the nation's biggest

Russell Investments—Late-cycle Lean Out—2017 Global Market Outlook Q3 Update

We're in a late-cycle, momentum driven market, where valuation is at an extreme. Momentum can drive markets beyond fundamentals for an extended period. No investment process is going to pick the peak in the cycle, but we'd lean out as the risks increase.

U.S. equities continue to post record highs as the economy disappoints and bond yields decline. We're cautious about the rally, and we maintain our "buy the dips and sell the rallies" mindset.

VIDEO LINKS

Greenspan Sees No Stock Excess, Warns of Bond Market Bubble

Inflation won't stay at historically low levels, dooming bonds.

Myles Zyblock: Investment Outlook (Q3)

Myles Zyblock, Chief Investment Strategist, Dynamic Mutual Funds, shares his investment

Q3 2017 Outlook—Fixed Income

Senior Fixed Income Portfolio Manager, Craig Shute, summarizes the current global environment, whether valuations are

Fund Managers Bet Big on Tech

Mutual fund ownership of tech stocks has surged. Dennis Davitt of Harvest Volatility Management and Rich Ross of Evercore ISI discuss with Brian Sullivan.

Watch CNBC LIVE TV

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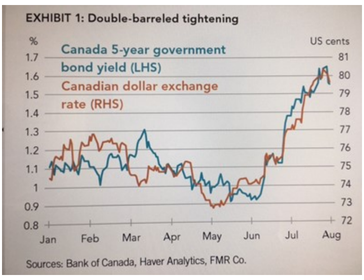
EDITORIAL COMMENT CONTINUED

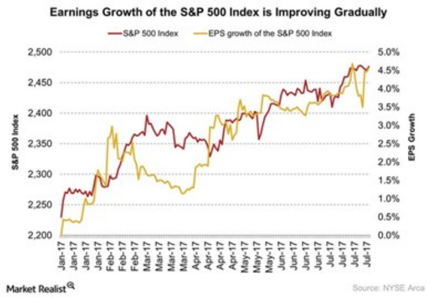


The Bank's decision was based on a considerable upgrade in Canada's near term economic prospects. I believe they were ambitious so we are continuing to take a more cautious approach that is reflected in our continued underweighting to Canadian equity based mutual funds. The Bank's recent rate increase will likely slow the economy and make it more likely that the downside risks to Canada's economy that I have been concerned about will be realized soon. Based on this outlook, and on our opinion that the resulting short-term bump in the Canadian dollar has made unhedged foreign assets that much cheaper on a relative basis, we are diversifying further from the domestic market into unhedged international assets.

The Canadian economy has been teetering on a precipice in recent years, buoyed by household spending. The ratio of household debt to personal disposable income remains near record highs while the valuations of the Toronto and Vancouver real estate markets have represented almost half of the national housing market by value. With the new tax rules on foreign ownership implemented in both Vancouver and Toronto, I expect a slowdown in activity. The outcome of the Bank's tightening policy is to bring an end to the household spending spree in Canada. Understand that the housing market does not have to fall for this to happen, it just has to stop going up. What concerns me is that I don't see any other sector replacing household spending.

The 10% rise in the CDN$ relative to the US$ over the last couple of months will take away any momentum in exports and while capital spending has stopped going down as the collapse in energy has run its course, any sustained recovery looks weak. As housing softens and household spending retreats, I see no reason to expect overall growth to rise in Canada.

Our position in US equities has gone from overweight to a neutral weighting while we have increased our international exposure to an overweighting. Following the result of the US election, I see a lot of good news has been priced into the market. Even with the high probability of tax reform, US equities have run ahead of themselves and are flirting with "overpriced" territory. Currently the S&P 500 index is trading at a price-to-earnings multiple of 21.7x. The forward P/E multiple stands at 18x, which is much higher than the historical average of 15x.



Surveys of U.S. business and consumer confidence have been on the rise which could continue to bolster the equity markets, however President Trump has been faced with many obstacles and challenges in his attempt to affect policy changes. The risk of market disappointment seems to be growing and the margin of error is very small given that valuations are already high. I still see potential in U.S. equity growth, but due to the risk factors involved, we have pulled back our outlook to neutral.

Looking at other developed markets, we see economies reflecting the earlier stages of a business cycle which generally means cheaper valuations and less demanding market expectations. Europe in particular is experiencing an improved economic tone and the years of healing from the trauma of the 2011 sovereign debt crisis and related shocks have fostered the breeding grounds for economic growth and a cyclical upturn. Monetary policy continues to be strong as the region's central banks continue their stimulus measures. The positive outlook does not come without its challenges as low productivity and slow pace of institutional reform will somewhat handcuff the speed at which these economies will experience growth.

Geopolitical issues are still cause for concern in Europe. Brexit, and the upcoming German elections threaten to stall the recovery as waves of populism and fear of the disintegration of the EU weigh heavily on investors. While these events pose a risk, the markets' response to uncertain outcomes like the U.S. Presidential election and Brexit vote in the U.K. lead me to believe that investors are more concerned about the resolution of uncertainty than the uncertainty itself. I believe the potential for profit is being handsomely rewarded for the accompanying risks.

Finally, the underweighting to Canadian equities is being used to fund an overweighting to Emerging Market Equities. Both economies are particularly sensitive to global growth, commodity prices and investor risk appetites, however, relative to Canada, EM is much less expensive and more diversified, with a greater probability of long-term growth prospects. Many analysts are projecting that the real returns from Emerging Market stocks will more than double that of Canadian stocks over a long-term horizon. This should not take away from the shorter-term considerations which also seem to favor Emerging Markets. The better EM performance relative to Canada is also consistent with the broader historical pattern as the U.S. cycle enters its latter stages. With respect to EM, their prices seemed to be discounting the improvement taking place in global economies. As developed economies continue to grow over the next few years, even if the pace is slower than expected, the emerging economies will benefit.

Insuring The Life of a Child—CONTINUED

The main benefit of life insurance is the death benefit it provides; people tend to purchase life insurance for two main purposes: to cover final expenses and to replace lost income. One thing to keep in mind is that there are generally limits on the amount of insurance that can be taken out on a child's life, typically around $200k.

The main logic behind insuring a child's life is that heaven forbid the unthinkable happen, the loss of a child would likely render a parent unable to work for a period of time. It is not to say that money would "fix the problem" but it certainly would provide a much needed cushion to soften the blow of such an event. Unfortunately, there is no insurance for emotional trauma so it is hard to put a price tag on it; and although dollars and cents don't alleviate grief, it's more about compensating for financial losses (i.e. time off work). Although children don't typically have an income, the death benefit can be used to pay for funeral expenses as well as outstanding medical bills that may have arisen.

Perhaps the benefit that stands out the most to me is ensuring the future insurability of your child. Exactly like the timing of death, no one can be certain of their child's future health. Developing a disability or chronic illness later in life makes it hard or impossible to acquire life insurance, at a time when it is most needed. Thus, having insurance in place from early on may help ensure coverage is available later in life. Price is also a factor, as premium amounts tend to be lower for a child as opposed to an adult, and this is particularly relevant for families with a poor health history. An adult with a family history of health issues may have serious barriers when it comes to applying for life insurance, and the costs associated with this dilemma can be significantly buffered by applying for insurance as a child. Keep in mind that the chances of becoming uninsurable as an adult are quite rare. In the same breath, insurance companies this day and age take medical advances into account and are known to insure adults with chronic illnesses. Furthermore, a poor family health history will likely increase the cost of insurance for your child anyhow, and knowing how much insurance will suffice for your child as they grow can be problematic too.

Purchasing life insurance for a child was far more common 30 years ago, when whole life policies taken out on the life of a child were used as a savings vehicle more than anything, as they can build tax-deferred cash value. There are actually several advantages to using permanent life insurance policies for their cash value. The regular premium payments are a great way to establish a disciplined approach to saving for your little one. In addition, for qualifying policies, tax free withdrawals can be made from the cash values up to the cost basis, for things like education or first time home purchases. Subsequently, cash values can provide tax-free loans from the policy. Though cash values are a benefit of permanent insurance, the main purpose of life insurance is the death benefit. The costs affiliated with such policies ultimately decrease the amount of cash value available to accumulate interest. Loans and withdrawals from the cash value erode the death benefit and may even cause the policy to lapse.

A solution to this dilemma is to purchase a small term policy, and contribute to a savings account with the balance, ultimately providing more access to funds and greater control over them than would be possible with a whole life policy. In terms of education savings, it can be argued that there are better alternatives available. Again, because the cash value of life insurance is decreased by the annual cost of the death benefit (mortality charge), vehicles such as RESPs that don't have these costs may be a better option. Given the current low interest rate environment, combined with alternative savings structures, whole life policies on children are losing momentum. Furthermore, if you are one of the lucky individuals owning one of these policies and are in your 20s-30s, it may make more sense to cash in your policy and invest rather in a TFSA or RRSP.

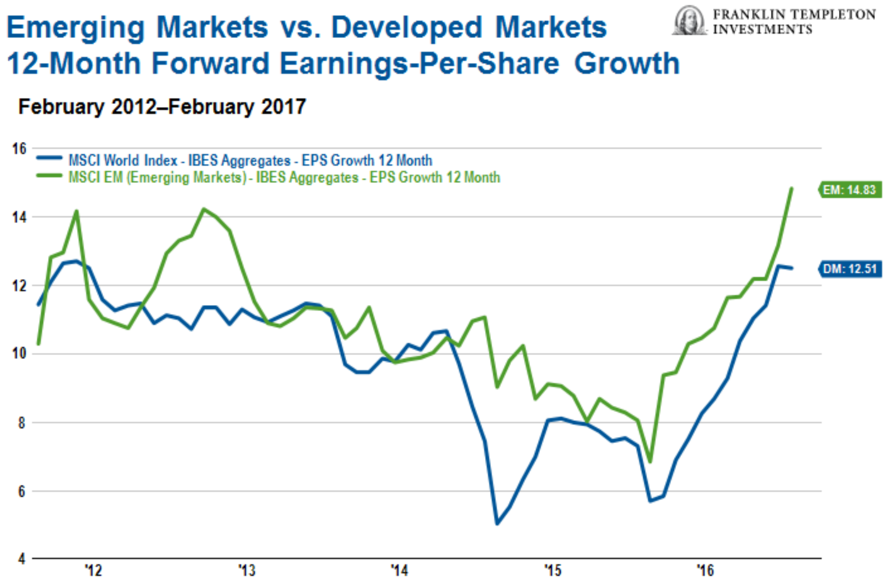
Opponents of these policies argue that life insurance for a child has no merit; and from a strictly financial standpoint that although there will be a short term surge in expenses (funeral, time off work etc.) ultimately expenses will be reduced with the loss of a child. Some argue that there is a real simple reason that it makes little sense: children don't tend to die. For this reason these policies are so cheap; but it can be argued that even this small amount of money can be better used elsewhere. Another alternative is to purchase a child life rider, whereby parents add a rider to their own life policy for a relatively small additional charge (i.e. less than $10 a month). This rider ensures that should a child die, parents are given the face amount (typically 10-15k) to cover funeral expenses or whatever they wish. Often this rider can be converted to a permanent policy (for an amount that depends on the company) without any medicals once the child turns 25.

The bottom line is that there is no right or wrong answer here, all relevant factors must be considered and incorporated into an overall financial plan when making a decision.

Emerging Markets Opportunity - CONTINUED

now based in emerging markets. In 2008 IT companies accounted for 7% of the MSCI Emerging Markets Index and today, it is closer to 24%.

Despite some uncertainties, there is optimism in emerging markets. GDP growth is expected to outpace that of developed markets by more than double in 2017. The following chart shows evidence that earnings growth in emerging markets could likely be higher than in developed markets as well. 2016 marked the first time in more than five years that Em earnings growth has outperformed that of developed markets and the trend is likely to continue.



Source: FactSet, MSCI, as of January 31, 2017. The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 emerging-market countries. The MSCI World Index captures large- and mid-cap representation across 23 developed-market countries. Indexes are unmanaged, and one cannot directly invest in an index. They do not reflect any fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future performance. See www.franklintempleton.com for additional data provider information.

With the United States at near full employment and President Trump's administration proposing policies that appear simulative for economic growth, including tax reform and fiscal spending there could be some very positive momentum for Emerging Markets. History has shown that in general, a strong U.S. economy is very favorable for a strong Emerging Markets economy.

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DIVERSIFICATION AND REAL ESTATE—Continued.

Admittedly, weather has very little to do with this group wanting to own a cottage. Instead it appears to have more to do with current property prices, diverse ownership options, and the potential for income streams.

In a survey conducted by Leger earlier this year, nearly 60% of millennials agreed with the statement that the emergence of popular, user-driven vacation rental websites makes it easier for an owner to rent out an investment property today versus five years ago. Not a surprising statistic given millennials' quick adoption of internet-based social-networking platforms.

Moreover, 28% of families with children under the age of 18 would consider selling their primary residence in the city to purchase a cottage. Nearly half of Millennials surveyed (44%) said they would consider fractional ownership with a friend or family member when purchasing a cottage.

Perhaps the most surprising statistic is that 65% of respondents expressed interest in purchasing a cottage in the next 10 years. A quarter of those plan to use this purchase as an investment vehicle to help finance retirement.

Overall, it appears that growth in the cottage property market is increasingly made up of young families but is still largely the focus of retirees, which has seen an increase since last year (2015). Moreover, where retirees view the cottage as a recreational property, millennials see cottage ownership as a potential income stream both now and in retirement.

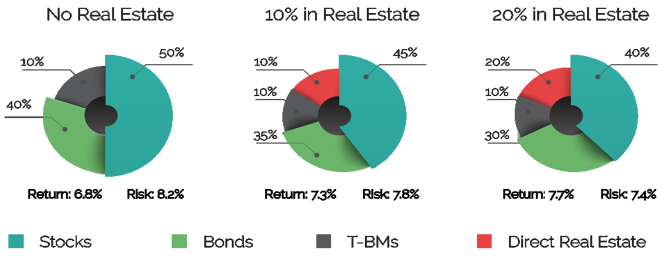
It's widely accepted within the investment community that millennials are skeptical if not fearful of the markets. This skepticism (or fear) comes from the idea that millennials grew up during the worst global financial crisis since the great depression, and more than likely bore witness to their parents' struggle through difficult economic times. Alternatively, Canadian millennials have not truly experienced a real- estate crash. The last one to occur in Canada happened in the late 1980s. The oldest millennials (those in their mid-30's) were probably too young to take any notice or make any understanding of a bursting real estate bubble. For this group, all they really know is that real estate is an extremely hot commodity – difficult to gain access to - and millennials want in.

As an advisor, I recognize the importance of owning your own real estate. It builds one's net worth and can also carry strong potential as an income producing asset. However, I also heed caution to those millennials thinking of going "all in" on real estate. In 2008, when the global markets collapsed, investors saw steep declines in their portfolios. The DOW Jones, for instance, declined 20% by the end of 2008 and didn't start to see significant gains until June 2009 – a period of about one year. However, the DOW came back strong (as did the other indices) and finished off 2009 with a 60% gain. One of the worst market crashes in history caused portfolios to decline for one full year. It would take a balanced portfolio until about 2010 (two years since the crash) to make back the losses.

Alternatively, Toronto's real estate market crashed in 1989 and saw prices drop for seven straight years (1996). Prices didn't reach previous levels until 2002, meaning from 1989 to 2002 (thirteen years) real estate was a losing investment. As lucrative as real estate can be, it has also proven to be an investment with a very costly and lengthy correction period.

The point is always the same: diversity is king. Cottage ownership, or any real estate for that matter, should be treated like any other investment. It should be part of a larger portfolio and not the entire portfolio.

Source: Sec.gov



Studies have proven that investors who diversify their investment portfolio by investing in real estate, reduce risk and increase returns.

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Communication is Key When Creating a Will—Continued

So, where should you start? Keeping the lines of communication open with family is crucial to ensuring that your wishes are carried out the way you want, when need be. This means having an open and honest discussion with family members, beneficiaries and intended executors during every step of the process, to avoid blindsiding them later. During the grieving process especially, things like planning a funeral, and what to do with your possessions, are the last things you would want your family to have to worry about.

Things you might want to consider when preparing your will:

1. The physical location of your will - something as simple as you have a will and where it is located could slip your mind, but is important, because your wishes can't be carried out if your will cannot be found.

2. How you want items and money to be divided - discussing with family members which items you want them to have, or how you want your money to be divided, is an important part of the estate planning process. An open and honest discussion ensures that there are no surprises, and that family members aren't fighting over the division of property and money. Another thing to consider is asking family members which items they might want to have. An item for one person might have great sentimental value, while for someone else it could be insignificant.

3. Updates - a recent marriage, and the introduction of a new spouse, is an important life event that needs to be reflected in your will. As well, when getting divorced, you may want your old spouse to be removed, and a new spouse, children and/or family members to be added in their place.

4. Who you want to be executor - the job of an executor is to distribute your property from your will, and arrange for the payment of debts and expenses. Since this person has such a big responsibility, it is important to choose wisely. Before deciding, you should discuss with the person if they are up to the task of handling the responsibility, to avoid burdening them later.

5. Review - a will should be reviewed every few years, especially after any significant life event. Circumstances change and it's imperative that your will reflect your most recent wishes.

Still have some questions? We can help. We can assist with everything from estate planning to wills and trusts. Get in touch today! http://mazzeolaw.ca/services/wills-and-estate/

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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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