

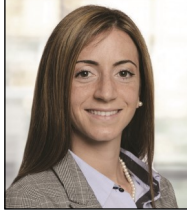
"It is in the midst of disasters that bold men grow bolder." - Henry IV

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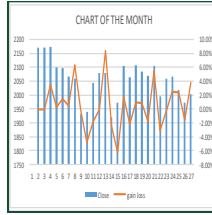
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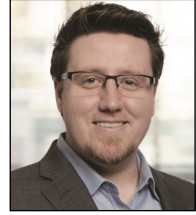
Sergio Simone
EDITORIAL
COMMENT



Kristina De Sousa
HOW INSURANCE
PLAYS OUT IN
DIVORCE



**U.S. DEBT EXCEEDS
\$20 TRILLION**



Ryan Simone
DISASTER
CAPITALISM

Editorial Comment

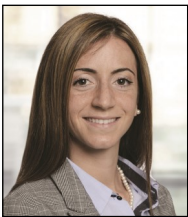


Sergio Simone

On September 10th, Hurricane Irma made landfall with the eye of the storm over the Florida Keys. I sat glued to the TV as forecasters predicted the storm would travel up the west coast of Florida to make landfall again near Naples. The projected route would take the eye of the storm directly over Cape Coral where I own a home. The visions of the devastation, damage and ruin left in the wake of this mind-boggling hurricane was not lost on me.

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How Insurance Plays Out In Divorce

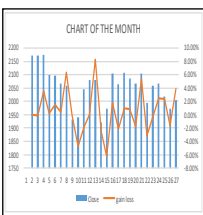


Kristina De Sousa

Divorces can be complicated and this is amplified when spouses are connected by assets. One such asset is insurance, and there are certain ways to approach life and health insurance in cases of separation or divorce. First and foremost, it is key to have an experienced professional involved in the process.

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U.S. Debt Exceeds \$20 Trillion



On September 13, 2017, the United States exceeded the \$20 trillion mark in national debt. This translates into almost \$62,000 per person and over \$167,000 per tax payer. Although there will likely be a lot of finger pointing on both sides of the aisle, the reality is that both parties share responsibility for boosting the debt. There is no single cause as budget

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Ryan Simone

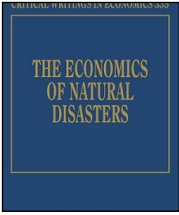
Disaster Capitalism

This year has been a particularly bad year for hurricanes in the United States. Hurricane Harvey lead to a disaster in parts of Texas resulting in roughly 70 deaths thus far and approximately \$180 billion in damage. Not since Hurricane Katrina in 2005 has the U.S. seen this costly of a disaster. While the U.S. was dealing with the disaster in Texas, Hurricane Irma slammed into Florida as a category 4 storm.

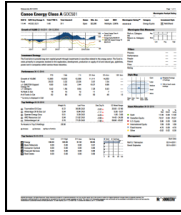
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BOOK OF THE MONTH



FUND OF THE MONTH
MANULIFE DIVIDEND
INCOME FUND CLASS F

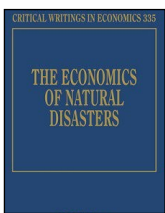


INVESTMENT
TERMINOLOGY



BILL 34 RECOGNIZES
GRANDPARENTS'
'ELEVATED' ROLE

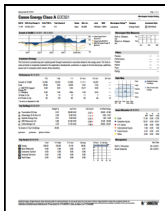
Book of the Month



The Economics of Natural Disasters—By Mark Skidmore

This book features influential articles on the macroeconomic and regional impacts of natural disasters, natural disaster vulnerability, emerging life-saving technologies, the role of government in fostering resilience and adaptation in response to disasters. Together with an original introduction by the editor, this volume will be an invaluable source of reference for researchers and policymakers alike.

Fund of the Month—[Manulife Dividend Income Fund Series F](#)



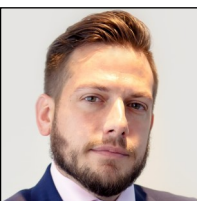
The fund seeks to provide a combination of income and capital appreciation by investing primarily in a diversified portfolio of Canadian dividend paying common and preferred equity securities. The Fund may also invest in real estate investment trusts (REITS) and royalty trusts.

Investment Terminology



Master Limited Partnerships

MLPs, are often known as limited partnerships that trade similarly to stocks. Given the unique tax treatment and complex rules surrounding them, investors who don't know what they are doing should generally avoid investing in MLPs, particularly in retirement accounts where the tax consequences can be unpleasant if not masterfully managed.



MAZZEO'S LAW

BILL 34 RECOGNIZES GRANDPARENTS' 'ELEVATED' ROLE

In family law, the role of the courts is to put children first, despite the complications of the various relationships within the family, Vaughan family lawyer Paul Mazzeo tells AdvocateDaily.com.

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



MAZZEO LAW
BARRISTERS & SOLICITORS

Please click on the link to continue reading Paul's article, [Bill 34 Recognizes Grandparents' 'Elevated' Role](#)

KPW LIFE PLAN—IMAGINE YOUR FUTURE

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LINKS

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[Panama Papers: Lessons For Shareholders](#)

One in four global public firms uses tax havens to shelter funds—and among on the

[Decoding the VIX](#)

We are seeing a disconnect in financial markets. While the global economic policy uncertainty index is elevated, the VIX (often referred to as the “fear”

[Value of an Advisor](#)

Updating our annual “Value of an advisor” study for 2017 seems especially relevant given the spotlight that the DOL fiduciary rule has shone on all

[Make These Moves First When Divorce Strikes](#)

The early stages of a family breakdown often prompt unsettling questions for separating

[Don't be Fooled by Reports of a Hot Economy, Canada's Struggling.](#)

Transitory factors temporarily boosted growth, but the long

[Parents Delaying Retirement to Help Their Kids](#)

A “failure to launch” among many young adults has left more than half of Canadian parents

[OECD Raises Canada's Economic Growth Outlook, Now Best in the G7](#)

The Organization for Economic Co-operation and Development

[How Low Can Unemployment Go?](#)

The Federal Reserve, America's central bank, is tasked by Congress with seeking full employ-

[Eurozone Sees 'Burst of Activity' in September](#)

The eurozone economy ended the third quarter of the year on a strong note, a survey has

[Rise in Female Workers Suppressing Wages, Says OECD](#)

A rise in the employment rate for women since 2008 is holding

[The Fed, a Decade After the Crisis, Is About to Embark on the Great Unwinding](#)

After a historic buildup of its bond

[Bank of Canada Raises Interest Rate to 1%](#)

The Bank of Canada raised its key interest rate by another quarter of a percentage point, up to 1

[Why the Fed Wants 2 Percent Inflation](#)



When you hear the word “inflation,” you might assume it's a bad thing. After all, money that's worth less tomorrow than it is today sounds like a bum deal.

But the Federal Reserve likes a little inflation in the economy—2 percent, to be exact. Why is this? “it's not too hot; it's not too cold,” says Mike Bailey, director of research at FBB Capital Partners in Bethesda, Maryland. “It's the closest they can get to a perfect number for keeping inflation stable.”

VIDEO LINKS

[Morgan Stanley on Economic Impact of Hurricanes Harvey and...](#)

Morgan Stanley chief US economist Ellen Zentner discusses how

[Bridgewater's Dalio Sees Similarities Today with 1937](#)

Ray Dalio, founder of Bridgewater Associates, discusses monetary

[The Currency Market](#)

Drummond Brodeur, Senior Vice-President and Global Strategist, and Matthew Strauss, Vice-President and Portfolio Manager, discuss their views on



[JPM's Gabriela Santos: We're Later In The Market Cycle But Not The End](#)

Gabriela Santos, JP Morgan global market strategist, discusses her view of the markets right now and what could happen in the markets or economy to cause a major downturn.

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EDITORIAL COMMENT CONTINUED

I was convinced that my home would be flattened and was preparing myself for what would be involved in rebuilding.

Fortunately for me, Irma veered inland after Naples and we were left unscathed. Many people were not so fortuitous as the tallies of the incredible losses began to surface. In isolation, the damage done by Irma was shocking enough but compound the damage created by Hurricane Harvey only a few short weeks before and the costs become immeasurable.

It is expected that Hurricanes Harvey and Irma will distort measures of the U.S. economy in the months ahead. Everything from jobless claims, GDP and inflation will be knocked off course. Economists will be faced with the difficult task of trying to forecast the trajectory of the economy. Will future bad reports be a result of the storm damage and will good reports be a reflection of the rebuilding process? It could be a year from now before the storm's effects have fully been played out in economic data.

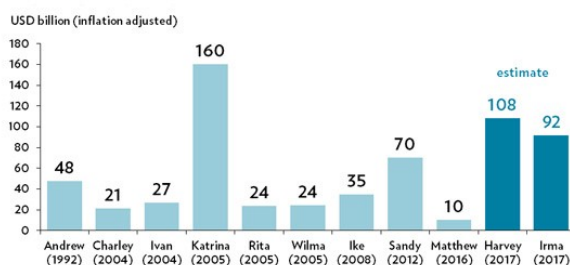
Some people, such as New York Fed President William Dudley, believe that the initial impact of the storm in both human and economic costs will be tragic and harmful, but in the long run, economies tend to snap back from such major events. Dudley believes that Hurricanes Harvey and Irma will ultimately lead to increased economic activity over the long run.

"Those effects tend to be pretty transitory," Dudley said in a live interview with CNBC. "The long-run effect of these disasters unfortunately is it actually lifts economic activity because you have to rebuild all the things that have been damaged by the storms."

Initially we can expect some impact on certain parts of the economy like inflation. Gasoline prices are likely to spike due to disruptions to oil refineries in the Houston area. Energy prices make up 7% of the consumer-price index with motor fuel accounting for nearly half of that. The move in gas prices could raise inflation by about 0.5% but historically, with other major storms, the effect has faded within a few months.

A preliminary estimate from Moody's Analytics put the cost of the damage from Harvey and Irma between \$150 billion and \$200 billion. Mark Zandi, chief economist at Moody's Analytics, said rebuilding from the back-to-back storms will boost the U.S. economy in Q4 of this year and into 2018. Zandi did add that a critical factor in determining the effect on the economy is "how much insurance money and government aid flows to the impacted regions and how quickly these funds get there. As with most natural disasters in recent years, we anticipate that the combination of insurance money and government aid will roughly cover the full cost of the property damage and the lost economic output."

History of the costliest US hurricanes



Source: National Oceanic and Atmospheric Administration

Zandi also added that the timing and magnitude of the rebuilding surge will depend on labor availability in Texas and Florida. He said "There were already mounting labor shortages in both Texas and Florida before the storms, and they will surely be much more acute in their wake." Zandi has expressed concern that it won't be easy to entice construction workers from other parts of the country to the storm-ravaged areas, even at higher wages. That being said, he expected most of the rebuilding to be completed by the end of 2018. This could lead to a major boom in the construction industry and related industries.

Although Harvey and Irma are profound humanitarian disasters, they're unlikely to become economic ones. The likelihood is that the short term pain inflicted by the storms will be offset by the bouts of infrastructure stimulus that the rebuilding process will inspire.

Other industries will also be in a position to benefit from the rebuilding process. For example, the auto industry will be replacing the million or so vehicles destroyed by the hurricanes. Construction companies and home improvement retailers will also profit off of the rebuild.

We can expect the broader economy to see higher rates of job and GDP growth by early 2018. These natural disasters may change the attitude of infrastructure spending in Congress. Where there may have been little will in Congress to finance the construction of new infrastructure, despite the potential of such investments to create jobs and increase the economy's productive capacity, there will be bipartisan consensus that the government should rebuild cities that were shaken by natural disasters. In the long run, the stimulus the hurricanes may produce in economic activity are greater than the disruption they cause.

How Insurance Plays Out in Divorce—CONTINUED

Beyond a separation, former spouses often remain connected whether it be via co-parenting or ongoing financial support obligations. It is fairly standard when negotiating a divorce to have the person providing the ongoing financial support to secure it in some way. This is where life insurance comes in- it is the most common type of security. The death benefit required is based on the amount and duration of the support obligation, and can be provided through a private policy or one offered through work. It is most often the case that the former spouse be the “irrevocable beneficiary”, but some elect a more complicated approach- having the beneficiary constituted as ‘in trust for the children’. In this case a lawyer helps enact a trust agreement with both parties. Even more complicated is when a third party (family member) is selected to be the beneficiary of the policy (in-trust for the children), someone who can help the non-insured spouse access the proceeds if need be.

However, if the individual with the ongoing financial obligation doesn’t have life insurance, it is likely they will be asked to obtain it provided they have sufficient financial means. Conversely, there are alternatives should the other party prove to be uninsurable. One of these options is to accelerate the support obligation through a lump sum payment (full or partial) so that even if the payer passes during the support period, there will be sufficient funds available to the payee. In cases where the payer doesn’t have the means for a lump sum payment, another option is to designate the payee as the beneficiary of a registered savings plan. Keep in mind that this option has its flaws given that beneficiaries cannot be irrevocable with an RSP and owners are able to deplete these plans at their leisure.

An irrevocable beneficiary designation is an imperfect solution as well, as this doesn’t prevent a subsequent spouse of the deceased from making a claim against the policy. Thus, family lawyers are working to find more secure options. However, if circumstances change, separation agreements may allow for variation in the security. Should the security not be in place upon death, separation agreements typically allow for the balance of the support obligation to become a first charge against the deceased’s estate.

If that wasn’t complex enough, now we will discuss health insurance. Upon separation, the spouse with health insurance is typically asked to maintain the former spouse under the plan for as long as the plan allows for or until the obligation ends.

Most plans allow health coverage to remain until a divorce is finalized, while others terminate coverage immediately. Former spouses may need to apply for individual health insurance if their own employer doesn’t provide such coverage. It is important to be made aware of this well in advance of coverage ending, as the right to apply for coverage generally expires after 60 days of being removed from a former spouses’ plan (to ensure any pre-existing conditions are covered). Coverage for a former spouse with a pre-existing medical condition can be expensive with limited coverage. However, provided the former spouse is healthy, they will get better benefits by applying for individual coverage that requires medical information.

When it comes to children, generally it is not an issue to maintain them under the plan until they reach the age of 25 (provided they’re full-time students). If both spouses have health insurance in place, benefits can be coordinated based on the parent who is born earlier in the year. For example, the parent with a January birthday would have their plan as the first payer and the parent with the July birthday would have their plan as second payer.

Reimbursement of health expenses has proven to be a real issue when it comes to former spouses. Specifically, when expenses are claimed by the non-insured spouse, the insurance company typically sends the refund cheque or direct deposit directly to the insured’s bank account regardless of which spouse made the claim/paid the expense. There are only a few insurance companies that permit the refund cheque to go to the non-insured spouse. There are also instances where cheques can be deposited to a joint bank account for children’s claims. Some separation agreements contain clauses that require the insured to provide the insurance refund cheque to the non-insured spouse who paid for the expenses within a certain period, along with confirmation from the insurance company verifying the amounts.

Evidently, these are issues that can be highly complex, and it is recommended that advisors work simultaneously with family lawyers to be of most use assisting clients experiencing divorce.

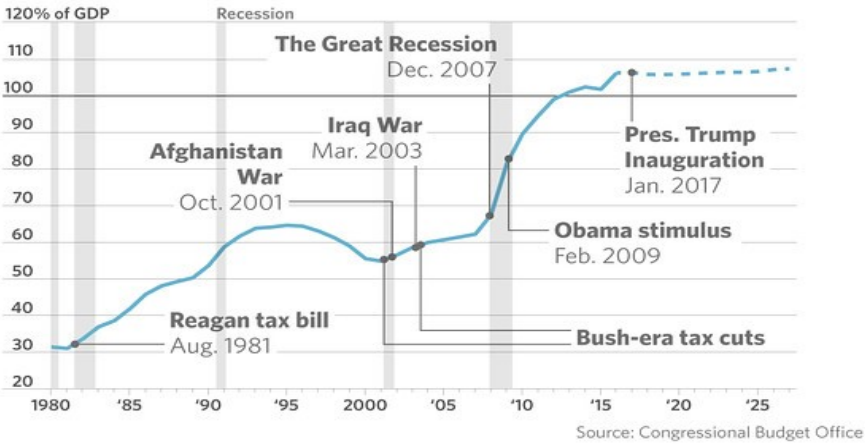
U.S. Debt Exceeds \$20 Trillion - CONTINUED

increases have come while seeking funds to fight wars, cut taxes, create economic stimulus packages only to mention a few.

As the chart indicates, there was a severe bump in debt in August 1981. The U.S. was at the beginning of a recession and President Ronald Reagan signed major tax cuts into law to try and

Key moments leading up to the \$20 trillion debt

Projected debt as a percentage of GDP (1980 - 2027)



stimulate growth. While the cuts in tax rates achieved the desired effect of boosting the economy, the downside was less money flowing into the government coffers. In today's dollars, this caused an average of \$118 billion a year in reduced federal revenues during the first four years following the new tax law.

The rout on taxes did not end with Reagan. President George W. Bush also signed tax-cut packages in 2001 and 2003. President Barack Obama extended the cuts for two years in 2010, and made most of them permanent in 2012. Kathy Ruffing, a consultant to the Center on Budget and Policy Priorities, has estimated that the cuts originally enacted during the Bush years will account for \$5 trillion of outstanding debt through 2017. Of course this includes the interest costs.

Wars have also significantly increased the Federal debt. The Iraq war in 2003 cost about \$805 billion while the Afghanistan War has added another \$783 billion to the debt. Including interest, these two wars tally a healthy \$2 trillion of the debt.

The great recession that began in December 2007, brought on by the collapse of the U.S. housing market, lasted for two and a half years. The downturn and recovery spanned two administrations, the Bush and Obama presidencies. This recession heralded an era of debt increases as the government responded to the recession with Quantitative Easing packages. Between 2009 and 2012 the deficits exceeded \$1 trillion.

While the U.S. was still suffering the effects of the Great Recession, President Obama signed the American Recovery and Reinvestment Act in February 2009. In addition to tax cuts, Obama's stimulus bill spent billions of dollars on unemployment benefits and infrastructure projects. In 2015, the Congressional Budget Office put the price tag at \$836 billion. By 2016 with interest payments this added more than \$1 trillion to the debt.

There is no end in sight for the national debt. It is projected to keep increasing as the government spends more on programs for its aging population. The Congressional Budget Office estimated that if current laws remain the same, debt held by the public would rise to 150% of the total economy in only 30 years. It currently stands at 77%.

It is quite possible that the 30 year time frame will be generous as President Donald Trump has vowed to enact several policies that could have a major impact on the debt such as tax reform and a pledge to leave programs including Medicare and Social Security unchanged. The tax Policy Center has estimated that the proposed tax reform alone could add about \$7.2 trillion to the debt over the next ten years.

2017 is turning into a year of extraordinary natural disasters. As yet, it is difficult to ascertain the final costs but early estimates for hurricanes Harvey and Irma are as high as \$290 billion. This does not consider the wildfires and the effect of the extreme heat on the west coast.

DISASTER CAPITALISM—Continued.

Although Florida was arguably better prepared than Texas, the economic cost of Irma could be just as great or possibly greater.

There had been a lot of news coverage as Irma made its way across the Caribbean towards the United States. The U.S. markets responded with a slight dip, largely a result of investors believing insurance companies and other financial institutions would share in the economic cost of the storm. But these types of market moves are blips in the longer trend. As soon as Irma faded into a tropical storm and then disappeared over the continental U.S. the markets breathed a sigh of relief and started to climb again.

Unfortunately, markets don't always behave in a way that reveal any great short-term trend with disasters. For example, the Indian Ocean Earthquake in 2004 caused extreme devastation in which 230,000 people in 14 countries were killed. Following this disaster the S&P 500 went 20 days before it experienced a 3.8% correction followed by a 35% rally thereafter. Hurricane Katrina in 2005, which was the most economically costly disaster in U.S. history at the time, was greeted with a three-day rally by the S&P 500, and after a 38 day period the S&P had dropped by 2.4%. It was such a small blip in the market that its nearly impossible to pick it out on an Andex chart. In another example, the terrorist attacks of September 11, 2001 changed the way the world works. Following the attack, stock markets remained closed for a full week. When they reopened the S&P 500 lost a staggering 11.6% in four days – likely the result of a period of panic selling. It was short-lived however as all U.S. markets returned to pre-9/11 levels within a month.

Clearly, making a short-term bet on the markets during disasters is a gamble. The one trend that does seem to hold though is that regardless of a panic sell or not, the markets tend to rally at some point following disaster. One possible reason for this is the idea of Disaster Capitalism and that disaster recovery means putting people and businesses to work.

Disaster Capitalism is a term created by noted Canadian author Naomi Klein, but the origins of Disaster Capitalism come from ideas presented by the economist Milton Friedman. Its meaning is complex but it has to do with the post-disaster rebuilding process. Unfortunately, Klein's take on Disaster Capitalism is not a good one, as she claims that it can be used to push controversial policies onto a region that is in 'shock' from a disaster. Her example is the Iraq war, which she argues was a way for the United States to create a new control paradigm in the Middle East. Although Klein argues its negative side, some argue that Disaster Capitalism can be used in a positive light. If done properly, it can be a tool for rebuilding old infrastructure, enhancing impoverished areas, creating new technologies and even repairing broken economies. There are even socially responsible investment strategies (ESG Funds) to ensure communities affected by disaster are supported rather than taken advantage of.

Here's the bottom line: in the short-term, markets react unpredictably to disaster and any bet one way or another is speculation. Over the long run, markets tend to respond in a way similar to communities impacted by disaster - by rallying and growing stronger .

Communication is Key When Creating a Will—Continued

And there is recognition that children need access to more than just their parents — the rights of grandparents aren't as robust he says, although new legislation acknowledges the special role they play.

"The courts will consider anything that's in the best interests of the kids," explains Mazzeo, principal of Mazzeo Law, and says that legislation supports that approach.

Advocates say an estimated 75,000 Ontario grandparents have limited or non-existent access to their grandchildren, resulting from issues such as messy divorces and fractured relationships with their adult children. They have formed support groups and have been outspoken about their concerns.

Recently, grandparents in Ontario were acknowledged as being an important part of considerations by the courts, observes Mazzeo.



Bill 34, the *Children's Law Reform Amendment Act*, which was implemented in December, recognizes grandparents' role and allows them special considerations when granting access. The simple amendment to the *Children's Law Re-*

form Act means courts must now consider them in custody cases and brings Ontario in line with other provinces.

"It specifically includes the word 'grandparents,' which signifies their important role," says Mazzeo. "It's an acknowledgment of their elevated status."

That should help the many people who say they have little or no access to their grandchildren when they turn to the courts for help, he adds.

The lack of a relationship that children have with their grandparents can be a byproduct of stresses within the family structure, says Mazzeo. The end of a marital relationship brings with it a variety of emotions and it is not unusual for animosity to develop. That could impact how and when grandparents get to see the kids.

By their very nature, courts and litigation are intended to help people work through their problems. But emotion factors heavily in family law, often complicating and muddying the issues. That, in turn, could create stresses that end up affecting not just the family members who are directly involved, but also those outside of the immediate family unit.

Mazzeo says there are situations where grandparents have been shut out by the parents and are therefore unable to develop any relationship with the children.

"The courts must consider the best interests of the child. It is supposed to be the mandate of the lawyers and judges," he says. "The children didn't choose this family split."

The goal of the justice system is to try to find the best solution for the children in terms of who they live with and who has access to them, and the new legislation is intended to include grandparents in that mix, says Mazzeo.

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