

High Level Investment Report

Trusted Advice & Peace of Mind

Issue #2 / Spring 2015



Ryan Cockburn, B.Mgt, CIM
Vice President | Assistant Branch
Manager

Associate Portfolio Manager &
Investment Advisor

Westmount Branch – Calgary |
Lethbridge | Red Deer |
Medicine Hat

Tel: 403-382-3498
ryan.cockburn@nbpcd.com

Shelley Qually

Investment Representative

Tel: 403-382-3693

Shauna Nevraumont

Investment Representative

Tel: 403-331-2027

Upcoming Wealth Event Notice

Estate Planning and Executor Preparation

May 26, 2015 – Coast Hotel and Conference Centre

Shawna Albornoz, MTI, TEP, EPC

Vice President, Trust Services -- BMO Trust Company

Watch for your Invitation and RSVP!

Your Executor: What have you signed them up for?

This quarterly issue of the High Level Investment Report will focus on a central **Estate Planning topic**, the importance of the Will and the role of the Executor.

The intent of this quarter's letter, is to motivate you to consider the significance of the administration and distribution of your Estate, and to provide guidance on how to properly structure your Will and assign an executor that is suitable to handle your personal state of affairs.

I am not a Trust Professional, but fortunately I have **Shawna Albornoz, Vice President, Trust Services from BMO Trust Company, who will be in Lethbridge May 26**. At this event you will be able to get the most informative advice possible from one of our trusted BMO Wealth Management Partners.

Where to Begin?

Do you have a Will? That is the simple question. If the answer is yes, you are well ahead of most of the people in Canada. Can you believe that it is estimated that one third of Canadians do not have a will. In a study by LawPro*, 56% of their sample survey did not have a signed will. More shocking was that this same LawPro study found that 88% of Canadians between the ages of 27 and 34 did not have a Will. If you don't have a Will in place, I urge you to make this a top priority this Spring. (*LawPro Survey, May 7, 2012; "Survey: More than Half of Canadians do not have a signed will")

If you have the Will completed, you aren't off the hook yet.

Who is your executor? Is it your Son or Daughter? Is it a lifelong friend? Or maybe you have your favourite Uncle as your executor, who is 20 years older than you, but your Will was completed 15 years ago when you were 50 years old. If you are doing the math, your Uncle should be 85 years old right now. Is this still the right person to be your Executor? Is your executor living in your city or at least living in the same province? Have they moved away to another Province or possibly living in the USA? Do they know they are your executor? Do they want to be your executor? Does your executor have a couple hundred hours in the next 18-24 months to put into the execution of the tasks, duties and responsibilities of being an executor?

Several years ago, my discussion with clients about a Will was fairly simple. Most often I would ask the first question above, and if my client said they had a Will in place, I would answer "that is good" and clients didn't want to discuss more than just answering this simple question. However, in the last couple of years, I have had a few clients acting as Executors for their friends, family and parents, and it has opened my eyes to the amount of work and responsibility it took for them to be an executor. With the rapid increase in the number of Baby Boom Generation clients who are transitioning into retirement, it would also make sense that there is a large group of aging parents, Aunts and Uncles, who are passing away. As this occurs, more and more of my clients have now become an Executor, or know of a friend who has had to act for an estate, and the role of the executor is becoming more **REAL** to them.

No one ever wants to discuss death, or passing away, because it is a difficult thing to think about -- who would really want to? But it shouldn't be thought of this way. **Will Planning should be approached as planning your wishes, organizing and protecting the wealth and estate you have worked hard for over your lifetime. The proper plan will make sure that those you love, and/or those organizations you would like to support, are taken care of and properly looked after, the way you would expect.**

In October 2013, we held an event called "**Creating Good Will**", with Dr. Amy D' Aprix. Many of my clients responded to the invitation, and those that were in attendance thought it was an excellent evening, which facilitated and initiated some of the conversations needed to be had with your siblings, children and spouses about your wishes, goals, and intentions. After the event, many clients and their children or spouses were sitting at their tables for quite some time having conversations triggered by Dr. Amy's presentation. **That presentation covered the softer side of the Estate discussion.**

The other side of the Estate conversation is a bit more technical, but **equally as important**. **Thinking about who to choose as your Executor is just as important as who will get your wedding ring.** Being an executor is definitely held in high honor, and to be asked to be an executor is of course a reflection of someone's trust in you. It is a wonderful gesture. The right person must be chosen based on trust, but also on their ability to complete the tasks required of them and handle the responsibility and stress of the role. Simply stated, both you and your executor should understand what they are being signed up for.

Being an executor requires a long list of duties, including locating the most recent Will, statements for investment accounts and securities, arranging funeral services, and providing beneficiaries with a copy of the Will and/or the relevant portions. Filing Tax returns is also a standard task for the executor.

However, the list can build to be much longer if there are more assets, business operations, or other considerations with the estate. If the deceased carried on a business or owned land or property, which was rented out to another person, there are obligations that must be maintained, but it is also the obligation of the executor to secure physical assets and documents to prepare for the transition of these assets and businesses to the proper beneficiaries. There may also be debts outstanding owed to the deceased, which an executor must collect on. As well, if property is located in other jurisdictional provinces or countries, the Executor will be required to potentially make trips to those locations to handle that part of the estate obligations.

The list of Executor duties is a long one, **but with proper planning and communication with loved ones and your executor ahead of time, it does make things less stressful for all involved.** This is the reason for addressing this topic now.

Additional Estate Planning Documents: The focus in this article has been around the Will, but more so around the **selection of the proper Executor**, who will be capable to execute on your wishes as laid out in your Will document.

Equally as Important to the Will is the **Personal Care Directive** (for health related decisions) and **Power of Attorney for Property**. The Will is a legal document that sets out the person's wishes about how his or her estate should be handled and distributed after death, while the Power of Attorney and Personal Care Directives are legal, written documents that give someone else the right to act on your behalf while you are alive, but unable to act for yourself because of a permanent or temporary incapacitation. In the same study referred to earlier by **LawPro**, **it was found that 71% of Canadian Adults do not have a signed Power of Attorney in these two situations.**

This article will not go into the details of these two documents now, but these documents **also require you to consider who would be the best person to act on your behalf for your health care decisions and also your financial decisions, and they may not be the same person as your Executor (and are also not required to be the same person).**

If you would like to discuss this topic in more detail, I would be happy to review this with you.

The Key Message:

The Key Message of this edition of the High Level Investment Report is to highlight that **there is more to "Planning" that just working with the investment portfolio.** We spend a lot of time trying to maximize returns, yet are easily distracted by everyday life when it comes time for us to plan for the Estate. **It is an area of planning I feel is very important** and am willing to work through with my clients. If we haven't gotten to that point yet, please ask me when we meet next.

Investment Strategy Overview:

I didn't want to end this report without mention to the investment strategy being considered currently.

As most of my clients are aware, **my focus is always on the bigger picture**, and the Macro events that occur around the globe, **trying to position the portfolio for how most geopolitical events will impact investment decisions.**

While individual stock picking is still important for any investor, as it is for mutual fund managers to outperform, **many of the returns for clients in the last 12 months have been influenced by other factors**, such as currency movements, geopolitical concerns, and monetary policy. The amount of moving parts that contribute or detract from investor returns currently is significant.

For example, an **investment in a U.S. company** initiated in 2013 or early 2014, will have appreciated on the statement by 15% at minimum, and even as high as 25%-30%, depending on the timing of such investment. This is due to the Canadian Dollar declining against the U.S. dollar in that time. Add to this **a U.S. Market that was stimulated by money printing**, and the returns have been quite nice for that part of the portfolio. An unexpected interest rate cut by the Canadian Central Bank in January sent the Loonie down over 7% in January 2015 alone, to settle out below 80 cents to the US Dollar. Many Canadian Mutual Funds also have up to 49% U.S. Exposure within them, so "Canadian Equity" Funds have seen a tailwind in returns because of these currency movements.

Focusing on Europe, risks of another Greece financial crunch as their multiple debt payments come due for renewal, as well as slowing economic times likely connected to the sanctions imposed on Russia, **triggered the European Central Bank to initiate its version of Quantitative Easing, where they have now begun printing over 60 Billion Euro per month to buy sovereign debt and other bonds** within the Eurozone to help keep rates low and stimulate investment. So far this year it has proven to be a successful strategy. This will continue until October 2016, and if similar to the U.S. and Japan versions of Money Printing, **it could lead to outperformance in their equity markets.**

Current Strategy for my clients is to remain aware of the macroeconomic conditions that have strong influence on the returns of the portfolio at this time. As mentioned in the January edition of this report, **Energy investments are still being underweighted because of the increased volatility and no sure sign of direction for the commodity.** If the US dollar weakens in the second half of the year, we should see a lift to energy prices on that movement in currency alone, yet I am still cautious in the sector.

Specifically to the US Dollar's value, and where do we go from here? Very few people prior to this past January were willing to stick their neck out and propose a Canadian Dollar below 85 cents, let alone 78 cents. Could we go lower? Sure. I didn't expect the Canadian Dollar to move this far down. However, the Canadian Dollar's weakness (measured against US dollars) has actually been based on U.S. Dollars temporary strength globally in my view. **Weakness in the Euro and Yen currencies**, after their announcement to start printing money began last summer, damaged their currencies values, and investors sold Euros and Yen to buy U.S. Dollars and US Assets. Canada's Loonie is just being pushed around due to its small size in the overall currency basket. Oil falling in value based on oversupplies globally didn't help the Canadian Dollar's Trend. So far this Spring, the Canadian dollar has recovered from the March lows, and we are seeing renewed strength in the Canadian Dollar. The Canadian Central Bank has now gone with two consecutive meetings where they haven't further cut interest rates, something that is now causing confusion to analysts, but is helping the Canadian Dollar's value.

A strategy that I am starting to implement is to SELL U.S. equity positions that have risen in value on company performance, but **also Currency appreciation of the U.S. Dollar**, and proceeds being reallocated to Canadian Currency Hedged Investments, and investments in International Markets that will provide exposure to other currencies that have underperformed the U.S. Dollar.

Essentially, we are looking to capture our U.S. Dollar based Gains.

Gold Bullion has always been in the portfolio as insurance and as a **monetary commodity**, which in 2014 and so far this year, has proven to be a good investment to have held in Canadian Dollar terms (as it has been even better for other investors globally as every country races to debase their currencies' values). **I continue to expect the price of gold to maintain purchasing power over time and benefit from the increased volatility in paper currencies.**

Of particular interest on the topic of Gold, according to the World Gold Council's Full Year 2014 Review report*, **in 2014 Central Banks accumulated the 2nd most Gold in over 50years at a pace of 477.2 tonnes, 17% above 2013 levels in an effort to diversify away from the U.S. Dollar.** Russia was the highest standalone adding 173 tonnes to its reserves. So while the U.S. Dollar is strong, and individuals focus on continued investment in that currency and market, Governments are using the U.S. Dollar strength to reallocate currency into additional Bullion to build and diversify their reserve base. I am not recommending that U.S. Equity Investments be avoided, I am just illustrating that as Canadians we have received some unexpected and almost "free" gains by owning some U.S. investments in the past year. (*World Gold Council – February 2015. www.gold.org)

Some of this strategy may seem repetitive, and it is. It is consistency in looking at the Macro monetary conditions and geopolitical relations between countries, which impact so much. **Opportunities exist in Europe and select U.S. companies** in Sectors that are trading at discounts to the average company in the market. **Patience and holding cash on hand for opportunities is being executed** for clients. **Holding fixed income and Global Bond strategies remains the shock-absorber** for the portfolio should the stock market retrace some of its gains in the last few years in the non-resource sectors. **A cautiously optimistic view of the market right now is prudent.**

All the Best to you this Spring,

Ryan Cockburn