Invest Beyond The Ordinary

Our Value & What Makes Us Different

Investment advisors who proclaim to be *different* and *add value* rarely deliver on this promise.

Today, it has become common to walk out of a meeting with an investment advisor with thoughts of "they said they were different, but I don't see the value."

The Donath & DiSabatino Wealth Management Group prides itself on truly exemplifying the concepts of "different" and "value" from both an investment and planning perspective. Our goal is for all prospective and existing clients to depart meetings with all of the following takeaways

- I had not heard of the investment strategies and concepts discussed in today's meeting;
- I was not aware of the numerous conservative investment strategies available with superior risk profile and preferential tax treatment;
- There are a multitude of investment and financial planning tools available to me which would be easy to implement. However, I am only hearing of them for the first time today;
- A prudent and well-planned investment strategy includes much more than simple diversification through asset allocation and geography;
- As a retail investor, my portfolio can mirror institutional and pension fund strategies allowing for a higher probability of success.

Providing tangible value and differentiating ourselves is at the core of what the Donath & DiSabatino Wealth Management Group considers to be an **expectation** and not an **exception**. Whether you are a high-net-worth family, a high earning professional, a retiree, or a business owner every client's situation is unique and requires customized solutions.

Jessica

- 43 year old female lawyer
- Owns a law firm with partners
- Professional corporation created 6 years ago

- High income earner with RSP valued at over $500,000
- RSP invested in multiple Mutual Funds that carry high fees

Customized Solutions for Jessica

1 **Convert Jessica's RSP to an Individual Pension Plan (IPP) for significant tax savings and greater wealth accumulation**

As Jessica is over 40 years of age, owns a professional corporation and pays herself a T4 income she is eligible to convert her RSP to an IPP. There are substantial immediate and annual tax savings for her corporation by executing this strategy. An IPP allows for larger deposits than an RSP which creates greater wealth accumulation over time.

2 **Purchase Corporate Class funds within the corporation**

Corporate class funds were recommended for Jessica's professional corporation in order to ensure maximum tax efficiency. Corporate class funds achieve this by converting highly taxed interest income into deferred capital gains. The non-taxable portion of any capital gain can be paid to Jessica personally tax free through her capital dividend account.

3 **Invest 25% of Jessica's portfolio in Liquid Alternative Funds**

Jessica's risk profile and return expectations were 5% to 7% over a long time horizon. We recommended that 25% of her portfolio be held in liquid alternative funds that are known for limiting volatility and offering downside protection in negative markets.

Allison & Tom

- Retired married couple in mid 60's
- Substantial portfolio with non-registered joint accounts, RSP's, TFSA's and holding company

- Desire $5000-$7000 per month of income
- Current portfolio is comprised of mainly dividend paying stocks, bond mutual funds and some preferred shares

Customized Solutions for Allison & Tom

1. **Decreased Allison and Tom's allocation to equity**
   Allison and Tom's allocation to equity was decreased in order to reduce volatility. In addition, any securities duplicated in multiple accounts were eliminated as this substantially increased their risk profile. More conservative tax efficient securities were introduced to Allison and Tom as their main goal was income generation rather than capital appreciation.

2. **Holdings in Allison and Tom's portfolio were re-allocated for tax-efficiency purposes**
   Securities in Allison and Tom's portfolio were re-distributed to ensure they were being held in the correct account and therefore, achieving tax efficiency. Less tax efficient securities were moved to registered accounts while more tax efficient securities were moved to non-registered or corporate accounts.

3. **Tax efficient income was created using the available room within Allison and Tom's Capital Dividend Account**
   By utilizing the available room in their capital dividend account through their holding company allowed for a greater amount of tax-efficient income to be paid to Allison and Tom. As a result of this strategy, less income was required from their personal non-registered account allowing for greater compound growth.

Bill

- Bill is the owner of an automotive company
- His portfolio holdings mainly consist of high cost mutual funds

- Bill desires more diversity within his portfolio but doesn't want to sell his mutual funds and incur large capital gains
- Bill has very little knowledge of the fee structure within his portfolio

Customized Solutions for Bill

1 **Provided education to Bill on how mutual fund fees are charged**

It was explained to Bill that mutual funds like most investment products do carry costs. Mutual fund costs are typically embedded and are deducted from the return on an annual basis. Therefore, if a fund carries a 2% cost and achieves a net return of 7% the fund actually produced a gross 9% rate of return.

2 **We recommended that Bill alter his current mutual fund holdings to F class (fee based) thereby lowering his costs.**

This is achieved based on professional fees being a permitted tax deduction in a non registered account or holding company. Therefore, two mutual funds which are exactly the same where one is held as a fee-based version versus non-fee-based version carry different costs simply due to variances in their tax treatment. This simple switch strategy is also permissible without incurring capital gains.

For further information, please contact:

www.investbeyondtheordinary.ca

Jeremy Donath, B.A., LL.B., CIM
Tel: 905-305-1160
Email: jeremy.donath@nbpcd.com

John DiSabatino, MBA, CPA, CMA
Tel: 905-305-8979
Email: john.disabatino@nbpcd.com

BMO Private Wealth

The Donath & DiSabatino
WEALTH MANAGEMENT GROUP

BMO Nesbitt Burns