Your Best Interest

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The Election (USA that is) as Apocalypse

If you can believe this, I'm getting a statistically significant number of inquiries around the 2020 presidential election. Oddly, these inquiries centre on different outcomes: Trump will win, and the country will continue spiraling into chaos; Trump will lose, and the socialists will destroy the economy. It's the election as apocalypse. I have had serious inquiries about getting out of the market now, before it's "too late." These are from people that have always focused relentlessly on their plan and are able to tune out current events. So, I thought it would be good to address for others that may have the same questions.

The election as apocalypse is a pretty standard emotional crisis for many investors. If you've been in the business as long as we have, you've had the thrill of receiving "If X wins, our American friends will move to Canada" emails regarding both Presidents Bush 43 and Obama – twice each.

It may sound trite but the right answer, and how all the wealthy have made their money is to stay focused on your plan and tune out current events. It is a mistake to look much beyond that counsel for substantial responses – as the election isn't the real concern. Indeed, there IS no real concern. There's just a rock in the endless sea of investors' anxiety: unfocused dread which they can come to rest for a little while. Human nature is such that we take comfort in fear, regardless of how absurd. When the fear fails to become a reality – we look for a different fear.

Being pressed, we may venture that the greatest economic and market calamity in this century happened under a supposedly free-market Republican, while the subsequent economic and market recovery made significant progress – the latter much more so than the former – under a progressive Democrat. However anecdotally, this suggests that the economy and the markets are ultimately driven by forces much greater than the policy and/or the personality of any particular president.

But the even larger truth is that no president, and indeed no government, can force 505 rational businesses to lose money (and therefore value) for any length of time. The companies will just stop whatever activity the president/government has determined to harm. They'll hold their capital, redeploy it somewhere else, or return it to shareholders in the form of dividends. This is yet another demonstration of the idea that equity capital is the last bastion of reality in a world out of which reality is rapidly leaking. I use the example of the 505 companies of the S&P 500 for effect and that is related to the more controversial election – however the same principle applies to Canada.

Our job isn't to convince you of this or anything else. Our role is to provide the very best advice – advice that is borne out not just by history but by reason. *Serial pessimism isn't an economic outlook.*

The Aging Economy

We have been spending much time over the last years discussing and pontificating Longevity Risk. Last year we introduced to client in our reviews to the "underfundedness" of G20 countries. We reviewed specifically that of all the retired persons in Canada, they only had enough funds to last 11 years, meaning 50% of Canadians will not have enough money to fund their lifespan. It is a sad truth and one that we reviewed in depth that comes from a myriad of reasons: lack of enough savings during working life, pension plans dealing with less workers paying into the plan than retirees, and people living longer. Every decade our lifespan increases by 1.2 years. Going into this fall, we will be reviewing in more depth that impact of longevity on goal savings and spending.

We thought that this study conducted by BMO Wealth Institute would marry well with the themes that affect our clients' goal achievement the most.

The aging economy: improving with age

People are living longer than ever before. However, while advances in medicine, health, nutrition and fitness have extended the lifespans of Canadians, the number of years they spend in retirement has not changed much over the last generation because they are also working longer.

Living longer does not necessarily mean that Canadians will be unable to afford to retire. However, it does mean that thoughtful and effective financial decisions should be made about retirement and estate planning goals, savings strategies and tax planning in order to have the fulfilling retirement that most Canadians want.

Concerns about living longer

BMO Wealth Management commissioned a survey to learn the views of Canadians aged 55 and older on aging and the concerns that living a longer life bring. The results of the survey can help to make Canadians aware of these issues, so they can thoughtfully and proactively address the ones that are important to them.

Overall, the most frequently cited concern was about future healthcare costs and whether health problems will affect quality of life (51%). Fears about running out of money during retirement (47%) and being a burden on family members (40%) also came high on the list. Being lonely later in life was a concern for 20% of respondents, and not having anything left to leave to heirs was mentioned by 14% of those surveyed. A similar number (13% of respondents) worried about becoming a victim of abuse, neglect or fraud.

Canadians are staying in the workforce longer

Many Canadians address these concerns by staying in the workforce or by earning self-employment income rather than relying on accumulated retirement savings. From a financial planning perspective, earning additional employment income beyond a "normal" retirement age has a very positive impact on helping retirement funds to last longer and achieving retirement and estate planning goals.

Support for adult children

Providing financial support to an adult child or grandchild is a decision that should be considered within a larger context that includes both retirement and estate planning considerations, ideally within a comprehensive wealth plan. Once it is determined that retirement goals can be met, then gifting to an adult child provides a helping hand without having to worry about running out of money.

Healthcare costs

Healthcare costs and their impact on the ability to achieve retirement goals was the top concern raised by respondents to the survey, even though many medical costs are covered by provincial healthcare programs. The cost of long-term care, whether provided at home or in a nursing home environment, can have a detrimental financial impact on retirement and estate plans. Solid financial and retirement plans should build in contingencies for the additional costs of long-term care if it is required.

Reducing taxes

One of the most effective ways to reduce the overall family tax bill is by income-splitting. With the support of your tax professional, pension income-splitting rules provide an effective yet simple strategy to lower personal taxes. Couples can take advantage of a spouse's or common-law partner's lower marginal tax rate when one partner's retirement income is much higher than the other's.

Philanthropy

Charitable giving has a place for many Canadians that possess the financial resources. There are significant tax benefits to be realized by charitable giving at the top marginal tax rates. Furthermore, strategies such as setting up a charitable foundation or a donor-advised fund can create an immediate tax benefit and build a long-term legacy of supporting causes that are personally important. A major benefit of creating an instrument for long-term giving is that it allows donors to be thoughtful in their giving, as well as involving their families.

A good Will

It is very important to work with an experienced legal professional to prepare a Will and Powers of Attorney that clearly explain your estate planning and distribution goals. Litigation between potential estate beneficiaries is expensive, reducing the amount available for your heirs. It can also hold up the distribution of an estate for years, delaying financial benefits for loved ones and causes you care about.

By working together with your BMO Nesbitt Burns Investment Advisor to become more educated about your financial options and opportunities, it will be possible to better manage your financial future and put a plan in place to meet both your ongoing cash flow needs in retirement and your estate planning goals.

Source: BMO Wealth Management.
October 2018.
The Aging Economy: Improving with Age.
BMO Wealth Planning: Insight.
Retrieved from http://bmo.com/wealthreports

Financial Literacy for Children

Many wealthy families fall short when it comes to teaching their children about money. One study[1] showed that 67% of wealth holders are apprehensive about sharing inheritance details with their heirs, and only 10% provide them with complete information. Some of the reasons they hold back include:

- Concerns that children will become spoiled and lack ambition;
- Uncertainty on which assets – and how much – will be left to them;
- Waiting for them to get older;
- Fear they will rely on wealth that might not materialize; and
- The belief that it's simply none of their business.

While these are valid concerns, children need to understand how to manage money and, like any skill; it must be taught and practiced.

Our team has been meeting more and more with *20 something* year old children and grandchildren of our clients. We notice that there is a need for budgeting basics and learning how to separate pools of money. The advent of technology whereby items can easily be purchased on credit (did you know that the average student is carrying around $1500 in credit card debt), and that there is a disconnect between having paper/coin money to actually go to the store and purchase something with.

We are passionate about supporting the next generation to achieve the level of financial wealth and prosperity that their parents and grandparents have enjoyed.

In addition, when Christine was meeting with Kase's new school in the spring, they had asked if we could design a financial literacy programme. It was at that time that we decided to start the process of seeing what is available. Spencer spent months researching tools that were available and we were horrified at the lack of *good* learning tools around money – so we did the obvious: built our own!

We started with Budgeting 101 and Investment 101. We ran sessions in our boardroom, limiting participants to 8, and serving a pizza lunch we got down to business. We targeted the summer when University students are home for the break and kids graduating high school have not left. The feedback that we received was extremely positive that we are now building out more learning modules and creating a plan to really run with this service. We are thinking of starting one aimed at younger students that we can run on Pro-D days.

We would also encourage everyone to have conversations with their kids, grandkids, nieces/nephews about finances. Here are two hyperlinks to articles that can start the process. Then, just keep an eye out for our next Financial Literacy session!

Ten Ways to Promote Financial Literacy to Your Children

Teaching Your Children About Money

Happenings

Spencer hauled in a big catch fishing up in Haida Gwai with his brothers and his dad.

Spencer completed his Financial Planning fundamentals and with the practical expertise of completing most of the financial planning for our team, he is en route to receiving his CFP designation (Certified Financial Planner).

Spencer finished off his Box Lacrosse season by heading to Nationals in Montreal. They put in a very good showing knocking out the home team favoured to win. Now its onto field lacrosse for the fall.

Christine received a Major Donor Award from the Rotary Foundation for a cumulative financial contribution to the good work of The Rotary Foundation (TRF). TRF transforms gifts into service projects that change lives both close to home and around the world. During the past 100 years, TRF has spent $3 billion on life-changing, sustainable projects. And has ZERO administration fees charged to donations as it is all run by volunteers.

Christine is headed to Toronto this fall to speak at a National Investment Management Due Diligence conference. She will be sharing her process for building successful model investment portfolios that are not only contributing to positive goal attainment for clients, but are innovative in their use of alternative investment vehicles. Congratulations team on being recognized as having some of the best processes for managing money!

Also on the Due Diligence front, **Spencer** is just back from an institutionally focused due diligence trip in Seattle… look for coming integrations into our practise of some of the updated trends.

And this list would not be complete without a blurb of **Christine** and Kent's **wedding** in Italy.

They survived 15+ hour travel with a little one, a month away from home, more prosciutto than they ever cared to eat, Super Tuscans, the most crazy ferry system ever, and two heat waves. The highlight of course was the wedding. Kase's highlight was experiencing Assisi and learning more about St. Francis' life and visiting his tomb.

They started off with a few days in the romantic city of Venice. Then on to eastern Tuscany – truly the "heart" of Tuscany. They were at a mountain top villa on 65 acres for two weeks where the only sounds were the wild boar at night and the cuckoo birds in the morning. That was the launching point for daily adventures and the location of their wedding reception.

They married in the "most beautiful hillside town in Tuscany," Anghiari, in a church built in 1104. Local residents gathered around (and in) the church during their ceremony. Following Tuscany they headed to the Island of Elba. This may ring a bell as it is where Napoleon was banished to. And his compound still stands. This was the relaxation part of their trip with the daily decision being: pool or beach.

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Adaptive wealth counsel for discerning clients