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Speaking Personally:

For many of us, the coming of the warmer weather signals that personal income tax time is here. As you deal with 2018 receipts and returns, it may be a good time to consider actions you might take regarding your 2019 tax bill. If you haven't recently reviewed tax-minimization techniques in your investment strategy and would like more information, consider us to be a resource. It may be as simple as fully contributing to your TFSA, or perhaps there is an opportunity for income-splitting with a family member.

If you have any tax-related investing questions, please get in touch. Enjoy the warmer days ahead!

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INVESTING & THE ART OF PATIENCE

Why can it be difficult to have patience when investing?

We are living in a world where instant gratification has become a way of life. We expect fast service and instantaneous results. We are regularly exposed to influences such as on-demand television or one-click internet shopping. Studies have shown that most people are not willing to wait more than two seconds for a website to load.[1] How quickly we forget that less than 20 years ago, most Canadians didn't have access to high-speed internet.[2]

But it's not just the world around us that feeds our need for immediacy — our cognitive tendencies are often biased towards instant gratification. In the "Marshmallow Experiment", conducted by Stanford University over 50 years ago, kids were given the option of an immediate marshmallow, or two marshmallows if they could wait 15 minutes. Most said they would wait for two; yet, less than one-third of that group made it long enough for their reward. A follow-up outcome was particularly interesting: 20 years later, those who were able to wait for the second marshmallow demonstrated better overall life successes in areas such as academics, health and economic well-being.

The marshmallow experiment offers some insight for investors. Building wealth often depends on having discipline and self-control. Long-term investing involves delayed gratification and patience. It may be easy to forget that bouts of short-term volatility and market pull-backs are a normal part of the process, as most of us are hardwired to favour instant gratification. But this can be damaging: Do you sell too soon if markets take a temporary downturn? Do you allow your emotions to rule during volatile times? When the markets temporarily fall, are you tempted to make changes to your portfolio instead of allowing it the time to grow?

Having a longer-term focus means looking beyond the challenges of today, which will eventually be overcome. Equity markets and economies are cyclical, after all. After a volatile December for both Canadian and U.S. markets, the media was focused on recessionary talk. Ongoing trade tensions between the U.S. and China, as well as Brexit separation anxieties, were closely being followed. Yet this was quickly muted after significant January and February gains. In the U.S., the Federal Reserve took a less aggressive stance in its monetary policy, downplaying its position on the prospect of further interest rate rises. This, combined with an upbeat U.S. earnings season, as well as a delayed tariff deadline for U.S./China talks, provided much relief to investors.

Here at home, GDP growth has slowed, there has been softness in certain segments of the housing market and the oil and gas sector continues to struggle. While certain voices of the media continue to express worry that Canada is headed for recession, some of the indicators we've seen in past recessionary environments aren't there. Corporate results, while mixed, have largely met expectations, the labour market is still solid, and cash levels on many corporate balance sheets remain healthy.

As we have seen in the past, markets and economies will continue to adjust and move forward in spite of the short-term noise. Keep your eye on the horizon and don't overlook the value of patience in achieving your long-term goals.

1. www.akamai.com/us/en/multimedia/documents/content/akamai-performance-matters-key-consumer-insights-ebook.pdf; 2. www150.statcan.gc.ca/n1/daily-quotidien/030923/dq030923b-eng.htm

KEEPING PROBATE FEES IN PERSPECTIVE

In some provinces, probate (estate administration) fees may need to be paid on death. Probate is the process by which a court confirms the validity of the will of the deceased individual and the appointment of the estate representative. This confirmation protects estate representatives and institutions who proceed on the basis of the court order in the event that another will is later found to be valid. The fees vary by province — in most cases, they are based on a percentage of the value of the estate.

Some people try to minimize these fees. Sometimes probate fees will not apply. For example, if property is not part of your estate or doesn't pass through your estate on your death, then generally, probate fees won't apply. Registered plans and insurance with designated beneficiaries pass outside your estate. Property registered as joint with right of survivorship (called "joint tenancy") with others may not form part of your estate when you die.

But keep in mind that there may be dangers involved in trying to minimize probate fees. It might actually lead to greater financial implications or other headaches. Particular care must be taken when a beneficiary or joint tenant is not your spouse. For instance, joint tenancy means permanently giving up full ownership of your asset, which may include its control. If a joint tenant encounters financial difficulty, creditors may force the sale of a jointly-owned asset against your personal wishes. There is always risk of a falling out in any relationship, not only with a spouse but others.

There may also be equalization issues. Suppose you have two grown children as your only heirs and you designate child 1 as the beneficiary of your Registered Retirement Savings Plan (RRSP) in

an attempt to bypass probate, leaving the rest of the estate to child 2.[2] When you die, the tax on the fair market value of RRSP assets will need to be paid by the estate, reducing the amount that is passed on to child 2. If this has been overlooked, inequities between the intended division of assets may result.

Saving a few dollars in probate fees may result in other taxes. For example, putting an asset such as a house in joint ownership with a non-spouse may save future probate fees, but if that individual already owns a principal residence, they may be subject to capital gains tax on the sale of the property.

At the end of the day, keep perspective: probate fees may be little more than a nuisance in the broader scheme of effectively settling your estate. Should you require assistance with this, or any other estate planning matters, please get in touch for an introduction to someone who can provide support.

1. Based on provincial legislation as of Jan. 2019; 2. Not applicable in Quebec. This article is intended to provide general information only and should not be construed as specific tax or legal advice. Consult legal and tax advisors to understand the implications for your situation.

THE ROAD TO 2050...

In less than 270 days, the third decade of the third millennium will begin. Since the start of 2000, there has been a distinct shift in global economic power as China is well on its way to becoming the world's dominant economy.[1] Global economic order is expected to continue evolving and will likely change the way we think about investing over the coming decades.

What will the world look like in 2050? Some analysts have predicted that the world economy could more than double in size, with emerging markets being one of the growth engines. Most economists believe that China will dominate as the largest economy, with many other countries, including some emerging economies, surpassing Canada in productive output.

The chart below shows China's rapid ascent to becoming one of the leading nations as measured by Gross Domestic Product (GDP), as well as Canada's comparative position. It also provides an economic projection for 2050.[2] GDP is commonly used to measure economic growth; nominal GDP compares the value of goods and services produced by an economy at current market exchange rates.

By the Decades: Top 5 Nation Leaders in GDP Output in US$B (Indexed to 2018 Dollars)

1990		2000		2010		2018*		2050 Estimate	
1. USA	5,980	1. USA	10,285	1. USA	14,964	1. USA	19,391	1. China	49,900
2. Japan	3,133	2. Japan	4,888	2. China	6,101	2. China	12,238	2. USA	34,100
3. Germany	1,765	3. Germany	1,950	3. Japan	5,700	3. Japan	4,872	3. India	28,000
4. France	1,269	4. UK	1,648	4. Germany	3,417	4. Germany	3,677	4. Indonesia	7,300
5. Italy	1,177	5. France	1,362	5. France	2,643	5. UK	2,622	5. Japan	6,800
17. Canada	594	9. Canada	742	10. Canada	1,613	10. Canada	1,653	17. Canada	3,100

*Based on Dec. 31, 2017 figures. Note: 1. China is the world's largest economy in GDP purchasing power parity terms, adjusting GDP for price level differences;
2. https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf
Source: World Bank data as of 1/31/2019; https://data.worldbank.org/indicator/ny.gdp.mktp.cd

SUPPORTING THE ELDERLY: PREVENTING ABUSE

The financial abuse of the elderly is wide-ranging. From scams, to fraud and exploitation — it isn't always perpetrated by strangers and can even occur at home by acquaintances or friends. If you are concerned about elderly parents or relatives, here are some warning signs to look for:

- **Unusual financial activity** — Unexplained account activity, including withdrawals or credit card charges, may indicate financial abuse.
- **Missing valuables** — Lost items may indicate abuse, but this may sometimes be easily dismissed if a person suffers from cognition problems. Helping to locate missing valuables can determine if the issue is simply confusion, or if it signals a larger problem like abuse.
- **Appearance of a new friend** — A new companion may be cause for concern if warning signs are present, such as unusual financial activity or missing personal effects.
- **Changes to important legal documents** — Unexplained changes to important documents, such as a will or power of attorney documents, may indicate that a senior is being coerced.

While there are often signs, elder abuse may be hard to uncover and can continue for long periods of time. Victims may become secretive because they feel ashamed or fear retaliation. One way to help prevent abuse is to take steps in advance to protect the vulnerable:

Prevent isolation — Form a wide support network of family, friends and professional advisors to help identify problems and intervene where necessary. Widening an elderly person's network can provide support from trustworthy sources.

Check in — Call and visit as often as possible or find a trusted confidante to check in. This can identify warning signs that indicate abuse. Listen closely when the elderly person shares information. Ask questions and never dismiss potential red flags.

Offer support — Offer simple support to review finances, such as scanning of bank or credit card statements to make sure things are in order. Or, provide support for larger projects, helping to update financial documents or conduct a credit check.

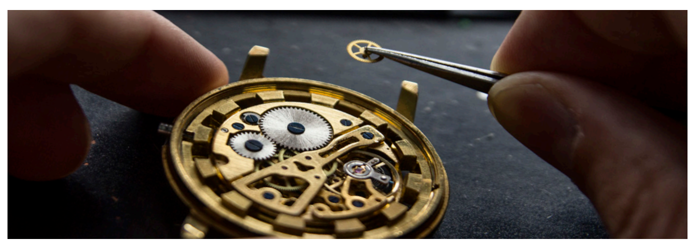
Put safeguards in place — Plan ahead and grant a power of attorney to a trusted individual. Consider appointing a professional (such as a trust company) to work alongside a family member to help provide a safeguard.

RETIREMENT PLANNING: TIMING YOUR OAS BENEFITS

Part of your retirement planning should include considering the timing of various income streams, such as government benefits including Old Age Security (OAS). The decision of when to start receiving OAS will depend on an individual's particular situation, including current/future income sources, life expectancy and envisioned retirement, among others. Here are some things to consider as you think about the timing of OAS payments.

Don't Forget the Clawback — Unlike the Canada Pension Plan (CPP), the OAS is clawed back at a rate of 15% if net annual income is greater than $77,580 (2019) and fully eliminated when net income reaches $125,696. As such, it may make sense to begin OAS at age 65 — the earliest age at which it can be received — in the six-year window before mandatory withdrawals from the Registered Retirement Income Fund (RRIF) start at age 71 and increase income.

Consider the Timing of Other Income Streams —Unlike the CPP, you cannot start benefits early; however, you can delay until age 70. The benefit increases by 0.6% for each delayed month (for a maximum enhancement of 36%). While the payout is larger to delay, some people struggle with the unknown: will you live long enough to make the deferral worthwhile? Consider that delaying OAS is often less lucrative than delaying CPP: The maximum monthly OAS payment is $601.45 (Q1 2019), leading to a maximum delayed enhancement difference of around $216/month. This compares to the maximum monthly CPP payment of $1,154.58 (in 2019), with a maximum additional amount by delaying of around $485/month.



Preserve Benefits Through Pension Income-Splitting — If you have a spouse/common-law partner, splitting eligible pension income may help to keep income below the threshold level and enhance the family unit's ability to avoid the OAS clawback. Be aware that this could also work in reverse by negatively affecting the spouse's eligibility.

Plan to Defer but Change Your Mind? — If you encounter a shortened life span, there is a little-known provision that allows for a partial retroactive payment of OAS. It may also apply if an individual changes their mind and wants to start OAS earlier. If you are above the eligible age and have not applied, you may request an effective start date that predates an original application date, but only for 12 months preceding the application date.[1]

WE ARE HERE TO HELP

As you plan for the timing of your various income streams, remember that we are here to provide assistance.

1. canada.ca/en/employment-social-development/corporate/service-canada/reports/oas.html.

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THE MANY FACES OF INSURANCE

Insurance today is just as much about life as death. There was a time when insurance was largely purchased to protect dependents should something happen to a family breadwinner. Fast forward to today, and while income protection is still a goal, insurance can support more effective solutions for investment, tax, retirement and succession planning needs.

PLANNING FOR LONGEVITY

These days, we find clients to be increasingly concerned about remaining healthy as life expectancies continue to rise. How can we protect ourselves should something happen to our health? This often involves products like disability insurance or critical illness policies. As the boomer generation retires, long-term health care insurance is being used to support the costs of care often not covered by our healthcare system.

INVESTING & TAX PLANNING

Many insurance products blend certain aspects of insurance and investing. Universal life offers insurance protection alongside investment savings, with the two portions unbundled for flexibility. Depending on the company, such policies can offer choice in how the investment portion is invested, and potential for a certain amount of growth to be tax-sheltered.[1] For beneficiaries, the death benefit generally passes on a tax-free basis.[2]

Another product, the segregated fund, is similar to a mutual fund, but is actually an insurance contract. It provides some unique benefits to buyers because it has some of the attributes of insurance: the potential for a minimum guaranteed return over a stated time period, potential protection from creditors, and it may permit the designation of beneficiaries as a way to bypass probate (where applicable).

RETIREMENT PLANNING

For retirement planning, some forms of life insurance can be used as an adjunct to retirement savings plans. Investors can also use insurance to complement their retirement income strategy. As part of a larger-diversified plan, an insured annuity can provide a low-risk component that can increase after-tax cash flow and yield, while also preserving capital for the eventual transfer to heirs.

ESTATE PLANNING

Life insurance policies are commonly used in estate planning to effectively cover future income tax liabilities and sometimes to help ensure that a certain amount of the estate or a particular asset can be passed along to heirs. One of the most contentious estate assets is the family cottage: While many wish to pass it along for the generations to come, a problem can arise when capital gains are subject to tax when the owner passes. Life insurance can help to cover these liabilities and relieve potential monetary stresses for heirs. For those looking to provide a significant gift to a charity, without impacting bequests to heirs or retirement income, an insurance policy can also provide a good solution.

INSURANCE: A PARTNER IN INVESTING

You may be surprised at the opportunities for insurance to play a role in your overall financial well-being. Given our familiarity with your investment circumstances, we can offer perspectives that may make sense for your particular situation. Please call to discuss.

1. Income, including capital gains, on policy investments is not taxed as it is earned. 2. A non-exempt policy is subject to taxation on the growth in the cash policy in excess of the growth of the adjusted cost base.

This article is intended to provide general information and should not be construed as specific tax, legal or insurance advice. Please consult an insurance-licensed CIBC advisor to seek advice regarding your particular circumstances. Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Québec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc.

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