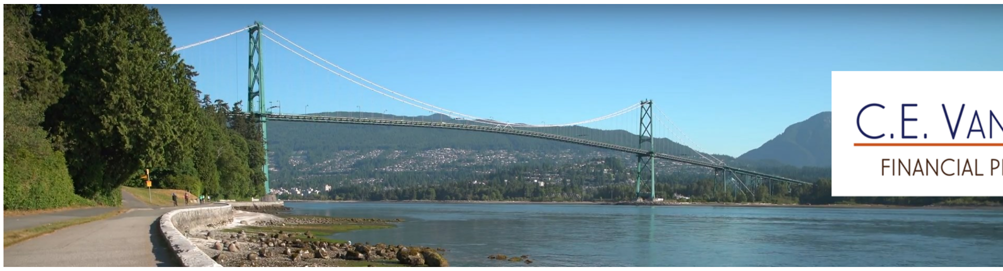

C.E. VANDENBERG & ASSOCIATES INC.
FINANCIAL PLANNING – WEALTH MANAGEMENT – INSURANCE

mutual gains

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OK… Enough Already (“Uncle!”)

We’ve seen the unprecedented, once in a lifetime (I hope) worldwide health scare pop out of nowhere early this year. Since then we have been riding the daily waves of this thing. Life is far from normal and despite glimpses of hope a vaccine will be developed in the not too distant future, there really is no definitive end in sight. Sorry if that sounds pessimistic but it’s the truth. The hurt though for most of us isn’t financial but rather, lifestyle. Cheryl and I see family and our closest friends almost as we have in the past. It is the travel restrictions that are the most stifling and frustrating for us. Business wise, planning the next round of client review meetings will be a balancing act based on individual client comfort levels.

The reality, despite the emotional toll this is obviously having, is that most businesses are adapting to a Covid world. Sure, some businesses are having a tougher time than others. Many will not survive. However, there are many that

(Continued on page 2)

We will listen carefully
to what you are saying
and be attentive to your desires
as well as your fears
so together we can build
and enjoy
a harmonious
and responsive relationship
in attaining your life’s dreams
and through that
We will be attaining ours.

Carey

What Are Your September New Year’s Resolutions?

I don’t make New Year’s resolutions, I haven’t for years. They just don’t stick and for good reason. The change of a calendar year is more to do with financial year ends than a personal year end, which is September (for me anyway).

My greatest change in how I do things for the next 12 months is set up in September. Summer is a season where time is taken off from work. You get to think because your mind is freer than normal and it is so for a longer period of time rather than just a weekend which makes it a natural precursor to change.

For me, a new set client review meetings starts in September. Cheryl and I are usually planning where we will be travelling over the next 12 months. Both business and holiday travel are usually mapped out through August of the following year. We decide what activities we want to start and which ones have run their course. In essence, summer is the 30,000 foot view of the past and starts the process of how we want things to look going forward.

Now I recognize that maybe I should have pointed this out a couple of months ago, so you too could start the process of getting to your September New Year’s resolutions. However, I’m sure you’ve had more time than normal these past 5 months or so to recognize what is no longer necessary and make at least 1 concrete change that will year after year, move you to a life, lived better than

(Continued on page 2)

(OK.. Enough… Continued from page 1)

were either designed for this or will adapt to thrive in this new normal. That is in fact what is happening and the brightening lights are dozens of economic data points which measure housing, auto sales, retail activity etc. The arrows are sloping upwards.

Recognizing the economic improvement trend, I'm not too worried about my own portfolio or those of my clients. I have the utmost confidence that we are well positioned. The portfolio managers we use have deep teams and a broad range of perspectives and experience to produce pleasing returns for the next several years as they have shown to do for so many years in the past. They are disciplined to not getting caught up in blind optimism; to think "it's different this time". The fact that their own money is invested alongside ours adds to my confidence. They aren't simply hired guns. They are highly skilled "money pilots" knowing that the decisions they make affects them just as much as it does you and me.

So, the concern isn't about portfolios outside of the concentration risk in large US companies that are at historically extreme valuations (read more about that in my most recent BloG post in August). The fallout that is will continue to be felt will be more deeply related to people; those closely knit around you. It will be their jobs along with their housing and debt situations. More widely, it will be the social handcuffs that are on all of us, which will have the biggest impact. No gatherings of more than a handful of people. No chance to really meet new people. Very limited personal touch from anyone other than your direct family members. No experiencing the emotion of attending a concert, connecting with others at a church, walking through the crowds at a festival or art show. Most emotion will be covered with masks during those sanctioned smaller events and when flying anywhere within our borders. Despite the bleak tone, there are over 100 teams of researchers worldwide that are diligently working to find the vaccine(s) that will give us the ability to drop the masks, for good.

So, looking at this broadly, portfolios are moving forward and 3 to 5 years from now and longer, most reading this will be better off financially. Businesses and the economy are adapting. That is a given. It's the psychological and emotional impacts that will take longer to repair and heal. People are adapting too but people aren't simply mechanics which is why frankly, I believe a vaccine is more important to humanity than it is to economics. I do know that when we come out the other side, we'll have gained a deeper understanding on how, what we were doing prior, wasn't as important as what we originally thought and we'll have realigned our "Big Rocks" to match that. So in

(September New Year's Resolutions, Continued from page 1)

it was being done, before. So, what is that 1 thing that you should not be doing anymore, or the 1 thing that you should start doing, or maybe doing more of? Pinpoint that 1 thing and you'll be on your way to a habit of improvement. (PS. Don't look to change something that is really big or difficult. Start with small things. Success in the small things will make tackling the bigger things that much easier). That is your assignment; determine what that one thing is.

Reverse Mortgages Are Popular But Not Good

There is a common thought among aging home owners. That thought being, "my home is my retirement plan". Well, if I look at what I've seen people do and what has recently been reported in media, only 14% of baby boomers are actually willing to cash out of their existing home and move to another, much cheaper one. That means 86% of older, urban homeowners want to live in their existing home for as long as they can. Of those, only 1/2 plan on selling their home and downsizing to a condo. If my numbers are correct, that means only about 7% plan to downsize where it may free up a reasonable amount of home equity to create retirement income with. What people are planning is completely different than what they actually want.

Because of that reality, a growing number of retirees are looking at a Reverse Mortgage to pull equity of their homes, either by way of a monthly income or for a large purchase such as a motorhome. 10 years ago Reverse Mortgage debt was ~$700 million. It's over $4 billion today.

In almost all cases, when I prepare Retirement Projections for clients, we assume that their current home will be sold around age 85. However, if you are accessing your home equity too early via a Reverse Mortgage, you could be digging yourself into a hole that you will never be able to climb out of. As I mentioned in the Sept/Oct 2019 issue of Mutual Gains, there are several ways to access your home equity to produce income. I would highly recommend re-visiting that piece and of course having projections done before you make any decisions. That way you'll be making the right one.

Should You Raid Your RRSP To Pay Debt?

On occasion I will get a call or an email from some who finds themselves in a tough financial spot. They are reaching out because in their time of financial stress, they see money in an RRSP as the quick fix to the problem. Although I don't believe this will apply to any of my clients, I believe there will definitely be a significant amount of debt squeezes happening over the next several months if not, a few years. I thought I would get it out there sooner rather than later so rational decisions are made.

The most memorable call I received from a client in this regard was when a credit card company was hounding her. I strongly advised not to withdraw money from the RRSP. I know she wanted to get this problem out of the way easily and the RRSP was for her the easiest option to achieve the that. I get it. It was her only real asset aside from a condo with very little equity.

(Continued on page 3)

Withdrawing from a RRSP is the most expensive way of financing debt in today's low interest environment. Withdrawing money from a RRSP means those dollars are added to your income. This punches you up into a higher income tax bracket, meaning 30, 40 or almost 50% of your RRSP withdrawal goes to the government. Even if you were paying 5% interest on some kind of loan to a family member, it would take you up to 10 years to pay the same interest you would pay in one fell swoop, to CRA.

The other thing is, RRSP's are creditor protected by the federal Bankruptcy and Insolvency Act (BIA). In other words, if you declare bankruptcy, RRSP money remains yours. The only real exception is if you loaded up your RRSP in the 12 months prior to your debt problems. In that case, your RRSP could be taken from you by creditors. The simplest way out of a credit squeeze is often, with the help of a credit counselor, your debt repayment can be negotiated, meaning you could be paying much less back than you actually owe and given a longer time frame to do it. Plus, you would still have your RRSP, fully intact. Doesn't that sound better?

The Risk Of Getting Really Sick

You have planning in your DNA. You know where you are going and in regards to retiring, you know exactly, almost to the day, what you need to do to get to that point. What happens though, if something goes awry with your health? A wrench we'll call Critical Illness, gets thrown in your planning spokes and sends you over your handlebars? If you can't build your assets by working, where will the money you need, come from?

Let's face it. None of use are invincible. Stuff happens. That is clearly evident to me as I've seen it over and over again. In the past I've received a tearful voicemail from a client whose spouse had died. A call from a client telling me he was told yesterday that he has terminal cancer. Contact from an Executor telling me one of my client has passed away. The more people you know the more obvious life's realities are.

Let's consider if <u>you</u> get sick. You now may have to stop working. Assuming you survive (which so many do), how will you be able to continue to contribute to your retirement accounts? If you can't your plans then will have to change. You may have to retire on less money, work longer, substantially change your housing or, all of the above (and then some). Buying Critical Illness insurance can pay you $10,000 to several hundred thousand dollars in the event you do become sick.

However, there is a strong possibility you never get cancer or some other critical illness? Buying coverage with Return Of Premium means that, at a certain point in time, all of the insurance premiums you paid will be refunded back to you. Yes, you lose the ability to make money on the dollars you paid to the insurance company over the years. However, consider this to be a kind of "asset allocation". Allocating money to something that has a lower expected return but it will zig when another part of your portfolio zags. If your health zigs, Critical Illness insurance zags, giving you a smoother ride. It is much like buying bonds (or gold) within an investment portfolio. These act as a kind of insurance as well. Allocating money monthly or annually to a Critical Illness insurance policy with Refund Of Premium will cover the risk of you getting sick and not being able to continue to earn income. If you don't get sick you can get all of your money back.

Who is this best for? Those who have high debts and / or need all of their family income to make ends meet. If you are in your 20's to 50's you probably carry the greatest risk in this area and are probably in need of this kind of risk protection, the most.

How To Freeze The Amount Of Tax You'll Pay

Do you have all the income you need and more assets than you'll ever spend in your lifetime? Above that, I'm guessing your wealth will probably still increase for the rest of your life? It's a great position to be in. The problem however is that growing wealth creates growing taxes. The solution? An Estate Freeze.

Freezing your estate means taking certain assets that you own today (ie investments, the value of a business etc.) and freezing them at today's value. The future growth will grow to someone else, most likely your kids. Freezing these assets (and freezing your tax bill) means transferring them into a holding company. You get preferred shares of this new holding company and your heirs or a "Family Trust" for their benefit, are issued common shares. Any future increase in value of the assets you transferred, will now accrue to your heirs. They most likely have a longer life expectancy than you and thus the future tax bill is deferred until many years down the road.

Whenever you transfer assets to someone, you are deemed to have sold those assets and thus, have to pay tax on the capital gain. This is the difference between what you paid (or the "Adjusted Cost Base") and today's fair market value. However, with an estate freeze as I alluded to, you can transfer these assets using Section 85 of the Income Tax Act. Simply transferring the assets from your name into theirs triggers a tax hit.

The other benefits of an Estate Freeze are: 1) Use of the LCGE (Lifetime Capital Gains Exemption) for private company shares. On $1.5 million being transferred, that could equate to approximately $400,000 of tax savings; 2) Any income earned on the investments can now be distributed to your adult children and their children and taxed in their, lower income bracket, hands; 3) Probate fees on your estate will have been frozen as well; and 4) You maintain control of the assets in the holding company because you hold the voting preferred shares.

This may all sound very complicated however, this is a commonly used tax reduction strategy. A Financial Planner can determine if this can be of help to you and layout how it will basically work. An accountant and lawyer structure it for your own personal situation, laying the path to tens if not hundreds of thousands of dollars in future income tax, being avoided.

Tech Gems— Google Location Sharing

Cheryl can see where I am, I can see where Cheryl is. Simply put, that is what Google Location Sharing does. When I was at Home Depot several weeks ago, I got a text from her asking in a playful way, "what are you doing at Home Depot?". I did LOL, literally. While she has been on a long run or a run when we were far from home, I've found myself a bit concerned about where she is. Concern erased seeing her current location (or where she was 2 minutes ago) on Google Maps. Last year while we were on vacation on the coast of Washington State and I was off fishing at dusk, she knew my location on the water. I'm sure many of you are thinking… "Really? I don't want that!". Well then, how about tracking where your kids are? You can do that using the same technology with the Family Link app. You'll need to create a Google Account for your kids to make it all work.

HHHMMM…

• The market staged a prodigious recovery during the quarter and gained a neatly symmetrical 20% to post its best Q2 since 1938. Dixon Mitchell Investment Counsel, July 2020 #BestIn82Years

• On one hand, we can't become overconfident and assume that the threat of a correction is over — that the market has overcome the impacts of the coronavirus and is destined to remain strong. On the other hand, we also shouldn't be overconfident and assume that a correction is imminent — that the market is destined for a fall simply because it's recently been strong. Kristina Hooper, Chief Global Market Strategist, Invesco, Aug. 2020 #ExpectAnything

• If an investor missed only the S&P 500's 10 best days in each decade going back to 1930 through 2019, the total return for that investor over the past 90 years would have been 4.7%, on annualized basis. The annualized return for a buy-and-hold investor over that same period was 9.8%. That's just over a 50% better return however, dollar differences are much, much bigger. For perspective, a $10,000 initial investment would have only grown to $639,000 if an investor missed the 10 best days every decade. But that same investment would have grown to $44 million in a buy-and-hold strategy. Invesco, April 2020 #Buy&HoldWins

• Stock prices usually begin rising 4 or 5 months before the recession is over. In the last recession, the S&P 500 hit a closing low on March 9, 2009. Economists judged the end of the recession to be July 2009, 4 months later. IPC Aug. 6th Update #NewBullMarket

S&P 500 Total Return Index (since 1973*)

5 Best Quarters	Performance	Following Quarter	Following Year	Following 3 Years (Annualized)	Following 5 Years (Annualized)
Q1 1975	23.9%	14.4%	25.7%	5.4%	6.9%
Q4 1998	21.3%	5.0%	21.0%	-1.0%	-0.6%
Q1 1987	21.2%	4.8%	-9.5%	8.4%	10.1%
Q4 1982	19.9%	9.0%	20.9%	19.3%	15.9%
Q4 1985	18.4%	15.2%	18.2%	12.7%	12.8%
Q2 1997	17.5%	7.5%	30.2%	19.7%	3.7%
Q2 2009	15.9%	15.6%	14.4%	16.4%	18.8%
Q3 2009	15.6%	6.0%	10.2%	13.2%	15.7%
Q2 2003	15.4%	2.6%	19.1%	11.2%	7.6%
Q1 1986	15.2%	5.9%	24.4%	10.0%	12.7%
Q2 2020	20.5%	?	?	?	?
Average	18.4%	8.6%	17.5%	11.5%	10.4%
Positive / Total	-	10/10	9/10	9/10	9/10

CIO Office (data via Refinitiv). *Official S&P data since 1988, Datastream reconstructed total return index before. NATIONAL BANK INVESTMENTS

• The big 6 Canadian banks deferred mortgage-payments for over 760K Canadians as of the end of June, representing approximately 16% of all outstanding mortgages held by them. IPC Daily Market Update, Aug. 2020 #NoFinancialBuffer

• The longest term mortgage that most people even consider is a 5 year (@1.54%) however a 10 year mortgage can be had today for as little as 2.55%. Sept. 2020 #PriceOfSecurityIsLow

• Canadian retails sales in June were 1.3% higher than February, returning to pre-pandemic levels. Sunlife Global Investments, Aug. 2020 #BetterThanItWas

• 95% of Canadians start taking their CPP at age 65 however, 75 - 80% would be better off delaying their CPP. Why take it when it may not be the best thing to do? It may just be a psychological decision of not wanting to get their CPP "discounted" before 65 but as well, seeing the after 65 increases as simply a "bonus". Life In The Tax Lane, Sept. 2020 #WaitUntil70

• "We haven't had a [federal] budget, we never had a coherent fiscal plan [under Morneau], and there's now a deficit of $343 billion…. a budget is necessary to hold government accountable. I think it's irresponsible not to have a budget for 18 months basically." The last formal federal budget was produced in March 2019. Jamie Golombek, Managing Director of Tax & Estate Planning CIBC, Aug. 2020 #HidingFacts

• The idea that people are hypersensitive to discomfort and will move mountains to avoid it even when it's manageable and the act of avoiding it creates bigger risks, is a strange trait. But it's common. CollaborativeFund.com #HeadOverHeartNeeded

• "History never repeats itself, but man always does". Voltaire #CanISayMan?

• "People spend too much time on the last 24 hours and not enough time on the last 6,000 years." Will Durant #ValueOfHistory

• "Bending the curve." I worry that is becoming increasingly difficult because a significant cohort of Americans are resistant to wearing face masks. It's worth noting that there was resistance to wearing masks in the U.S. during the 1918 Spanish flu pandemic as well — so much so that an "Anti-Mask League" was formed in San Francisco Invesco, July 2020 #PersonalFreedomFight

• "The more choices we have, the less happy we are with what we choose." Paradox Of Choice, Barry Schwartz, Psychologist #ObsessedWithChoice #NeverSatisfied