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

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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.

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WHAT IS EXPENSIVE VS WHAT IS REASONABLY PRICED

The timeline for when you will need all or parts of your money, is the critical, first determining factor when putting your money somewhere. An adjunct is to determine if a particular investment category is of good value or not.

Here are your 4 basic investment groups you have to choose from when investing your money (1 and 2 are shorter term, 3 and 4 are longer):

1) Cash—bank deposits (lending your money to the bank)

2) "Fixed Income" - bonds, mortgages or any other "debt" investment

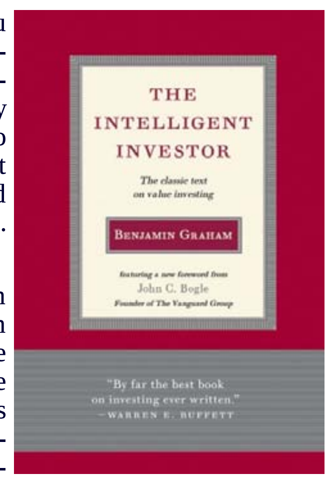
3) Real Estate— either indirectly through Real Estate Investment Trusts (REIT's) or by a direct property purchase

4) Equities— pieces of ownership in businesses

Cash will give you about 0.5% per year. With inflation currently at 1.9%, you are losing almost 1.5% of your money every year you hold cash. Because of that, you shouldn't hold cash for more than 1 year. Rating = Expensive.

Fixed Income is a very broad investment category. Returns can range from 0.5% to significantly higher than that. As an example, I read that Ghana recently issued $4.5 billion USD bond offering paying 9% which sold out very quickly. Rating in this category = Expensive to Cheap.

Real Estate also covers a wide range of "product". Most people only think of their home or any other residential property. You can also invest in commercial property or simply buy into a portfolio of properties that are situated all over the country or world. Rating = Expensive to Reasonable.



Equities is the broadest section of investing. You can own a piece of a Canadian bank, a world renowned automotive company, a social media business that billions of people use or a relatively small company that transports LNG by tanker to other countries. Generally, anything today that pays a dividend / distribution and is considered "safe" is expensive. Many things that don't, aren't. Rating = Expensive to Cheap

I have heard it said very recently, that we are in "the most pessimistic bull market (uptrend) in history". That pessimism has led people to pile into investments they feel the most comfortable in, the "synthetically safe". Strong evidence of this is what financial product manufacturers are marketing today (ie. Low volatility and / or high dividends). This has pushed certain investment areas to become priced well above what they are historically worth. I have seen many examples recently of investments selling for well over 200% of what they should. That is excessive. For those who own these, the damage will become very evident, in time but by then, it will be too late to do anything.

No amount of "how good you feel" about an investment will erase an excessive price paid for it. Once you make an investment and realize that you paid too much, it is most often, too late. The result is permanent loss of capital.

Volatility, the degree to how much a financially strong investment goes up or down, has proven to be quite an irrelevant measure of risk. When you hold reasonably priced investments, the ups and downs are simply, external financial noise, created by people whose interest lies elsewhere (selling news) or investors (I use that term loosely) who haven't done a thorough valuation on what they own and because of that, can't explain in great detail (a thesis), why they own it. For those "investors", all they really considered, before the investment was made was, how much it would pay them on a monthly or quarterly basis or how well known or "big" the business is. I have seen this turn out very badly in years past and I believe it is a significant danger to many.

The investment managers I predominantly use for client portfolios are sticklers for measuring what they are buying. Every hour of their work day is in the pursuit of finding high quality, low priced investments for your, mine and their portfolio, alike. They don't follow the market by buying what everyone else is buying (they have a high "active share" - let me know if you want a quick "101" on that). They will only hold a specific number of investments (ie 35) at any one time. When a holding in their portfolio gets overpriced, a valuation number they calculated initially and on an ongoing basis, they sell it. Deep, thoughtful research, discipline, conviction and independent thinking.

WHAT DOES A "FINANCIAL ADVISOR" DO (FOR ME)?

Money is probably the thing people fret about and have to deal with, more than any other thing in life. Having a Financial Advisor take you down the right roads and over the proper bridges, will get you much further ahead and in as smooth a journey as possible,. Although this list isn't exhaustive on what a Financial Advisor does for you, it gives a good feel of the range of work done on your behalf:

<u>Client meetings and "discovery" meetings on those looking for a Financial Planner</u>. This starts the foundation building, of any other work a Financial Advisor does.

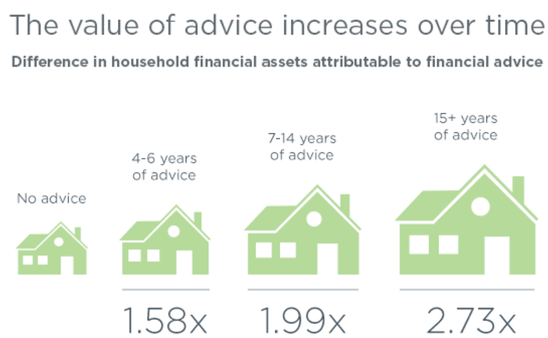
<u>Preparing Financial Plans and Projections</u> so that you get the most out of your money. Updated regularly, these increase your chance of getting to where you want to go. Because of these "road maps" you can actually see where you are going. Without it, your life is a blind journey.

<u>Conference calls and meetings with investment managers</u> that may be used for client portfolios. This helps to ensure you have the best minds in the business working full time on researching, buying and selling investments, within your portfolio. Continual updates on what investments are held, what has been bought or sold and why. What the future is looking like and where investment opportunities are being found. Expectations of returns going forward. This helps in determining if return projections for client's financial plans should be massaged a bit.

<u>Search for alternative investment ideas</u> for clients. This includes finding investments to fit a particular need, or creating a list of investment managers or firms should one of the ones currently being used, need to be replaced.

<u>Keep you informed on your portfolio</u> and things that may effect it. Suggest and make changes when needed.

<u>Making sure you don't make emotional decisions about your money</u>. The hardest work done in this regard, is when there is a sudden onslaught of "news" about a Black Swan event that sounds ominous, or on the other side of the emotional spectrum, friends and family members are overly optimistic about an investment idea being widely talked about.



<u>Professional Development / Education</u>—this can range from, tax, investments, economics through to human psychology and communication. Formally, about 1 week spread over the course of a year is quite normal. This doesn't take into account the extra curricular reading done to solve a problem that may be unique to 1 client.

<u>Maintain a network and liaise with other professionals</u> on your behalf. These professionals specialize in other disciplines such as accounting, bookkeeping, law, real estate etc.

<u>Reducing or eliminating the key risks in your life</u>. This can be related to your portfolio, inflation erosion or by using an insurance vehicle to offset a particular risk.

<u>Tax minimization</u> through strategic use of the Income Tax Act by way of tax deductions and strategically arranging your financial situation.

<u>Providing you with money saving ideas</u> throughout the year. Small advantages lead to big differences.

LIFE INSURANCE THAT PAYS YOU DIVIDEND$

The most commonly used life insurance is term life, primarily because it costs the least to keep in place. You apply for it, you pay for the amount of years you need protection for and then, you cancel it when it isn't needed any more.

For years, term insurance has been my preferred form of life insurance for client risk reduction. What I am finding is that life insurance is often needed for a longer period of time, quite often, through to retirement. This is where a “whole life” (permanent) policy can be very effective, as an alternative to term insurance. With “whole life”:

⇒ Your monthly cost is guaranteed for the life of the policy, which can be in place for your whole life if needed. Term policies, while inexpensive initially, can increase in price, in some cases, quite dramatically.

⇒ A whole life policy provides dividends every year which accumulate tax free and build up as “cash value”. It does so because a whole life policy is a “participating” or “PAR” policy. This means you participate in the profitability of the life insurance company (the oldest in Canada has been around for over 150 years) and in turn, they pay dividends to you, the policy holder. One company I know is currently paying 6.5% on their “participating” policies.

THE “DONATION GOOSE” THAT KEEPS ON LAYING DONATION EGGS

The topic of charitable giving comes up, most often, in December. Since Financial Planning is about “planning”, the best time to plan is well before the intended outcome. So, here it is, a way to plan your charitable giving for 2016 and many years beyond, well before December.

Giving isn't just for the wealthy. If it was, a lot of virtuous things would not have happened. Donating money to causes that are really important to you can form part of your financial plan. You can’t take with you, what you don’t use, but you can leave something greater than you, behind. An ongoing legacy and perpetual giving stream.

With a minimum of $25,000, you can open your own charitable giving account, one that is in your own, or your family’s name ie. <u>insert your last name here</u> Family Foundation.

1. You put in cash or move some of your existing investments into your “foundation”. A tax receipt for the amount you started the account with, is given to you. On $25,000, that is ~$12,000 in tax savings for 2016.
2. Steer the earnings of that money to whatever causes are important to you. Minimum is $500 for each / year.

This sets in place a long term donation strategy, one that could last well beyond your life. With your initial “donation goose” being invested prudently, it could lay eggs of $500 to $1,000 per year to start (2—4%). If your “donation goose” is growing at a rate higher than 2—4%, it will become much larger and more valuable, laying bigger and / or more eggs each and every year. Now all we need to do is set yours up....

PROBATE FEES IN CONTEXT

Everyone seems to hate the very idea of probate fees. Frequent articles in the press tend to reinforce the general view, that probate must be avoided. Trying to blindly avoid probate fees is part of the problem. This is because, most people think they are much higher than they actually are.

The primary probate fee avoidance tactics are, 1) to name a beneficiary on the asset(s) or, 2) to hold the asset in "joint tenancy with rights of survivorship" (JTWROS). These 2 steer money to the beneficiaries outside of the estate and thus, no probate is calculated and paid on them.

Along with the reduction of probate fees using these 2 strategies, Executor fees are also eliminated. Executor fees can run from 2.5% to 5% of an estate. Many estates don’t pay Executor fees because this job is often handled by a family member.

Probate fee costs pale in comparison to Executor fees and even more so, to the tax paid on interest income, dividends and capital gains. As an example, on a $1 million dollar estate, the probate costs in Ontario would be $14,500, BC $13,450, Saskatchewan and Manitoba $7,000 and Alberta only $525. That works out to only 0.05 to 1.45%. In contrast, income tax rates on interest and regular income can be well over 50%. Focusing on probate fees is a perfect example of going after the small fish when there are much bigger ones that should get our attention.

TECH GEMS—TEXTURE.CA

Magazines. There are so many available you couldn’t possible count them. Even the most obscure topic can have a magazine dedicated to it. Because new issues come out most often, on a monthly basis, they can pile up. End result is significant costs on subscriptions plus a mounting “stack” and then “purge” of old issues.

Texture.ca eliminates that completely. 1 small monthly cost paid to Texture.ca, gives you a wide range of magazines to choose from and the selection continues to expand. Current issues, back issues, it’s all there. It’s like Apple Music for magazines. The downside is you don’t get paper. Upside? You don’t get paper. You can try it for 30 days for free and use it on your desktop PC, laptop, iPhone or Android. I have 1 magazine subscription however, Cheryl is more magazine oriented. We share 1 subscription between us. PS. Thanks goes to Wendy R. for this idea.

HMMM…

Canadian homeowners don't have to pay tax on capital gains (the uplift in value) of their homes value nor have we ever been required to report that gain on their tax returns. Under the new rules, all taxpayers will have to declare a sale of a principal residence. Rew.ca, Oct. 2016

3 Hmmms from one source…. The Strawberry flavour in yogurt isn't actually strawberry, it is made from a fungus… The top web search the day after the Brexit vote was "what is the EU?"…. Prediction: Recession will happen in the 1st term of US Presidency therefore it will be a 1 term President. Manulife Investments presentation, Sept 2016 Philip Petursson, Chief Investment Strategist, Manulife Investments

When announcing the iPhone 7, Apple's Phil Schiller said that it takes "courage" to remove the headphone jack. Removing the jack, but keeping the Lightning connection, revealed Apple's intention to go completely proprietary, to have more control, and ultimately to make more money on it's products. (That's "courage"?) CNET Sept 2016

The cost of owning an electric vehicle will fall below gas vehicles as soon as 2022 (owning a gas powered car is still cheaper, over it's life, than any electric car). Driving.ca September 2016

Professionals that disclose conflicts of interest can actually lead to more conflicts of interest. In other words, making clients aware of conflicts of interest can actually make professionals and their clients let their guard down about spotting conflicts of interest. Business Career College Corp. presentation to Financial Advisors, Sept 2016

The World Health Organization predicts that by 2020, major depression will be the main cause of disability on the planet. In industrialized countries, we reached that milestone in 2014. Mental illness represents 70% of disability costs. The Insurance and Investment Journal, September 2016

Canada's federal Divorce Act stipulates that a divorced parent must provide support to unmarried children enrolled in full-time post-secondary education however, parents who remain married don't have the same obligation. Advisor's Edge, April 2016

If you're in financial distress due to unsecured debts, don't assume your best solution is to liquidate RRSPs or other protected investments. Depending on your situation, debt restructuring through a "Consumer Proposal" or perhaps an "Assignment in Bankruptcy" (i.e., using a trustee) may make more sense. Advisor.ca, Aug. 2016

A person bought a property and several years later, rented it out, declaring it was a "no pet" property. Soon after the 1st renters moved in, it was discovered that the previous owners of the property had pets. The new renter was highly allergic to pets. The buyer (current landlord) faced renovation and legal expenses of $10,000 due to this. CKNW, Sept 2016

Only 2 countries in the world outlaw private health care, Canada and North Korea (throughout Europe, public and private healthcare work in tandem). Michael Campbell, CKNW Sept. 2016

The storytellers of cinema (movie makers) are engaging in their craft with an intent to communicate their view of the world and how we ought or ought not to live in it. Brian Godawa, "Hollywood World Views" book

When an individual strives to make more money it's virtuous but when a corporation wants to do that it's considered greed.

It's been one of the hottest times for real estate that I can really remember. Kylie Jenner, TV Personality (19 yrs old)

If you don't read the newspaper, you are uninformed. If you read the newspaper, you are misinformed. Mark Twain

Insurance terms like premium, rider and protection don't have anything to do with a smartphone app, a Harley or sexually transmitted disease. I apologize to those who I have used any kind of financial jargon like this with, and had no idea what I was talking about.

PS. Questions, comments? I'd love to hear them. carey@careyvandenberg.com or call me directly @ 604 541 2690 or… send me a message through Facebook (ask for friend request first), LinkedIn or Twitter.

Carey