

# I N V E S T M E N T FOCUS

For Clients and Friends of Doris C. Kutrowski

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#### To My Clients:

Summer is here and Shirley is happy to have started her ladies golf nights. She is excited to be attending her niece's wedding in August which is going to be held in Cranbrook at the Saint Eugene Resort. She is looking forward to getting together with family and friends.

Doris is busy with her new puppy "Fendi" -- a Shepard/golden retriever cross. Fendi is keeping her Bernese, Benny, on his toes. Doris will be having company in July and is looking forward to visiting the pandas at the Calgary Zoo.

-Doris

## Why These Are Good Times...

We are in the late innings of the business cycle, in an economic expansion that has been more prolonged than most. As such, when the market experiences periods of volatility, a wave of pessimism emerges.

But let's keep perspective. Even today, the Canadian economy continues to perform well. Jobless claims are still at decade lows and manufacturing sales have been solid. Strong U.S. growth, combined with a lower loonie, has helped to support our exports, which hit a record high in April. Our resource-based economy is expected to benefit from rising oil prices, which have reached their highest levels since 2014.

This is not to say that there aren't challenges. While the International Monetary Fund recently upgraded the global growth picture, Canada's growth slowed in the first quarter of the year. Our global competitiveness, an important engine for economic growth, continues to be threatened. This has been highlighted in the energy sector, which has faced continuous challenges in building new pipelines. For now, NAFTA negotiations are ongoing and the U.S. continues to impose tariffs globally, adding to trade uncertainty. As interest rates continue to rise, Canada's debt load, as well as that of individual Canadians, becomes more apparent.

But having a longer-term view should remind us that these are good times.

We are living in one of the most prosperous periods in the history of the world. Income and quality of life have improved; disease, violence and child mortality have fallen. Consider that it was just 100 years ago that the average Canadian died at age 57. Today, the average Canadian retires around age 63, and there is a good probability that you will live until 100 years old!<sup>1</sup>

What has happened over just a few decades? Since 1988, the average Canadian family income has risen by 89.5 percent. Investors have a wealth of investing products available, more than ever before, and have seen the S&P/TSX Composite Index gain over 369.1 percent. And, yet, during this period, there were four bear markets that collectively lasted 48 months; two of which saw the equity market drop over 40 percent.<sup>2</sup>

While setbacks happen too quickly to ignore, progress often happens too slowly to notice. But savvy investors should remember that shorter-term periods of market volatility are normal, and have allowed equities to be one of the greatest wealth generators of any asset class over the longer-term.

1. Statistics Canada life expectancy; 2. Statistics Canada. avg. income; S&P/TSX Composite Index 1/98 to 4/18.

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## Estate Planning

# The Role of the Executor: A Large One

Have you been named as an executor<sup>1</sup> of someone's estate? If so, you have been entrusted with a very important role. It is often a large responsibility, so here are some things to keep in mind:

**It is time consuming.** Settling an estate generally takes about 18 months on average, but may extend to several years depending on complexity. Duties can include arranging the funeral, finding, itemizing or even managing estate assets, applying for probate (where applicable), notifying financial institutions of the death, filing income tax returns, liquidating or distributing assets as directed by the will...and more. It may involve visits to financial institutions or meetings with accountants, lawyers and even creditors or beneficiaries.

**It may involve exercising business judgment or knowledge.**

The executor is often called upon to make decisions on behalf of the estate, such as those related to realizing estate assets or preparing estate tax returns. In many cases, professional assistance will be required; however, the executor will be responsible for monitoring and approving the actions of those hired.

**There are legal implications.** As an executor, you may be held personally responsible for any losses incurred as you settle the estate. For example, if the estate's assets were distributed prior to the estate's taxes being paid to the Canada Revenue Agency, the



executor could be held personally liable for the balance of taxes due.

**You may be required to manage conflict.** Even with the most harmonious families, conflicts can emerge. The executor will need to make fair decisions and, in some instances, the parties may not agree with the outcome, even if the executor acts without bias.

**Your place of residence may have consequences.** There may be complications to the estate if you, as the executor, and the estate are in different jurisdictions. For example, if you are appointed as executor for the estate of a Canadian resident, but you decide to become a non-resident of Canada, the estate may also become a non-resident, which could result in negative tax consequences.

Consider that not everyone may be well-suited to be an executor. Having a full understanding of what the role entails can be helpful in deciding whether to act in this position. To learn more, or for an introduction to an estate planning specialist, please call.

1. Also known as the estate trustee, estate representative, liquidator.

## Planning Ahead

# Many Factors Can Affect the Timing of CPP Benefits

The Canada Pension Plan (CPP) provides eligible individuals with a partial replacement of earnings in retirement. If you are approaching retirement, you may be asking: when should I start taking CPP benefits? For some, the timing decision is based on a "collect now and think about it later" approach. But, if you are in good health and can afford to live without CPP in the short term, delaying payments can make a difference in the amount received.

The standard age to start receiving the CPP pension is 65. However, you can start collecting as early as age 60 at a reduced pension amount, or as late as age 70 for an increased pension. Payments are reduced by 0.6 percent for each month that the pension is started before age 65 (reducing the pension by up to 36 percent) and payments increase by 0.7 percent for each month delayed beyond age 65 (increasing the pension by up to 42 percent).

Knowing when to start collecting your CPP pension would be made easier...if you knew exactly how long you were going to live. Other factors can influence the decision, including immediate/future income needs, the preservation of other income-tested benefits (e.g., Old Age Security) and current/future income tax bracket. While an analysis specific to your situation should include these factors, a simple optimization exercise can start the thinking process and show how the timing decision can change.

Generally, if you believe that you'll live to age 83 and don't need funds, a rough rule of thumb says that starting CPP at age 70 may be optimal. But this analysis ignores the time value of money, the idea that a dollar today is worth more than in the future due to potential earning capacity.

By including this factor, the table estimates the age that an individual, who turned 60 years old at the start of the year, could start collecting CPP benefits. It assumes the person receives the maximum monthly pension amount in 2018, an annual rate of inflation of 1.5 percent, and an annual discount rate of 5 percent (for the time value of money). Starting to collect too soon may leave money on the table. Based on the assumptions, if you expect to live to age 88, the value in today's terms of the cumulative CPP benefits would be \$154,628 if starting at age 60, compared to \$184,228 by waiting until age 68.

To review your situation, please get in touch or consult a tax advisor.

If you think you'll live until age...	Consider starting CPP at age...
71	60
72 to 74	61
75 to 77	62
78 to 79	63
80 to 82	64
83 to 84	66
85 to 87	67
88 or above	68

# Are You Managing Your Online Presence? Protecting Your “Digital Footprint”

The Facebook data breach this past spring highlighted how significantly the internet impacts our lives. Years ago, it would have been absurd to consider that a social media application, once created as an online gathering place for university students, would end up under U.S. congressional scrutiny. Would you have thought that by answering a seemingly innocuous quiz, your information could potentially be used to meddle in a national election?

With Canadians now spending, on average, over 24 hours per week online<sup>1</sup>, we should be mindful that the personal information we share can be used without our knowledge. As such, care should be taken to manage our digital footprint.

## Your Digital Footprint: What is it?

Your digital footprint consists of the record or trail you leave behind as you use the internet. When you pay bills or make online purchases, do a web search or participate in social media, you disclose information including where you are (a computer IP address), the websites you visit and your social circles.

Many people understand that when using online services, you relinquish a certain level of privacy. But the Facebook scandal highlighted that organizations may be using more of our information than we realize. This is a good reminder that everything has a price. What may appear to be free can have hidden costs: if you aren't paying for the product, consider that you may actually be the product. Many companies build profiles based on our digital footprints and monetize that information.

While this data is frequently used for commercial purposes to track, customize and market to you, there is also the risk that criminals can use this information for unscrupulous purposes, such as to steal your identity. Even the most careful individuals are at risk of having information exposed or stolen.



## Managing Your Digital Footprint

While completely eliminating your digital footprint may be difficult, if not impractical, there are ways in which we can better manage it:

- 1) Develop basic “digital hygiene”.** Don't post sensitive information. Consider creating boundaries for your online presence, such as using a separate credit card for digital purchases.
- 2) Close or delete old accounts.** Try searching for yourself online: you may find old profiles/accounts that you have forgotten about.
- 3) Check privacy settings.** If these are not enabled, personal data may be more accessible to others. Privacy-enhancing tools can be purchased to help to protect from surveillance or data profiling.
- 4) Delete cookies.** Online sites can leave cookies on your system that track your movements or allow targeted ads. You can delete these to prevent this type of exposure.
- 5) Keep antivirus software updated.** This may help to prevent your information from being compromised.
- 6) Make changes to your data.** In situations where you can't delete information, consider using pseudonyms or making modifications that may help to conceal your personal identity.

For more information, a good resource is the non-profit Internet Society: <https://internetsociety.org/tutorials/digital-footprint-matters>

Source: 1. <https://www.theglobeandmail.com/news/national/concerns-raised-as-report-suggests-canadians-spending-more-time-online/article34360751/>

# Rising Oil Prices: Paying the Price at the Pump

While the rapid rise in global oil prices may help to give the Canadian equity market a bump, it has provided many Canadians with sticker shock at the pump. Oil prices have reached four-year highs, largely due to a reduction in supply, including production outages in Venezuela, increasing tensions in the Middle East and a reluctance of many global energy companies to invest in new production. But with oil prices remaining low for years, many are asking why gas prices have risen so rapidly. In fact, the average price we pay at the pump is higher today than back in 2008 when oil was trading at \$145/barrel!

Higher gas prices can be attributed to a variety of factors. First, the Canadian dollar is trading much lower than it was in 2008. Since much of our gas comes from U.S. refineries, we are paying for the lower Canadian dollar. U.S. refineries have been

	May 2018	July 2008
Gas Price	\$1.50/L	\$1.39/L
Oil Price	\$70/B	\$145/B
CAD/USD Ex. Rate	0.7766	0.9726

Sources: WTI oil, [www.eia.gov](http://www.eia.gov); gas prices, [gasbuddy.com](http://gasbuddy.com); exchange rates, Bank of Canada. At 5/14/18 and 7/14/08.

sending gas overseas, due to a stronger global economy, which has increased demand and prices. Here at home, many provinces have also enacted carbon

taxes which have added to higher prices. As well, in the summer, gasoline blends are more expensive as environmental regulations require mixtures that don't evaporate as quickly.

While this may not be good news for Canadians, consider that we pay a lot less than many of our global counterparts: a litre of gas costs around \$2.73 in Iceland and \$2.69 in Hong Kong!<sup>1</sup>

Source: [www.globalpetrolprices.com](http://www.globalpetrolprices.com); 1. Based on prices at 5/14/2018.

# The Centenarian Club: Plan for Longevity

Centenarians — people reaching the ripe old age of 100 — are now the fastest growing age group in Canada. There are over 8,200 Canadian centenarians and this number has increased by 40 percent over the past five years.<sup>1</sup>

As our longevity continues to increase, consider how far we've come. In ancient Greek times, average lifespans were believed to be only 20 to 35 years. Just 100 years ago, Canadian life expectancy was about 57 years. Today, Canada ranks 12<sup>th</sup> globally for longest life expectancy: 80.2 years for males and 84.1 for females.

Understanding our potential longevity is important in retirement planning. After all, we want to make sure we don't outlive the funds saved for these years. Many use life expectancy as a gauge for planning purposes. But using life expectancy figures may be underestimating your longevity.

"Life expectancy" is an average figure of how long an individual with certain characteristics (e.g., gender, health) is anticipated to live. Life expectancy is also a moving target. If you've reached age 65, your life expectancy has already increased. In Canada, a 65-year-old has a life expectancy of 83.5 years for a male and 86.6 years for a female.<sup>2</sup>

"Longevity" is a measure of the number of years you may actually live, and not on average. As such, there is a significant chance — around 50 percent — that you will live beyond your life expectancy.

The "Actuaries Longevity Illustrator" is a tool developed by the Society of Actuaries that looks at how long you can expect to live based on average health and demographic characteristics. It is meant to provide perspectives on your longevity risk. It also estimates how long a couple may live and a survivor may outlive a spouse. While the tool is based on U.S. demographics, it still provides a good starting point for individuals to address the impact of longevity in managing wealth. <http://www.longevityillustrator.org/>



## How Do We Plan for Increased Longevity?

As we consider our own longevity, it may be useful to review the way we plan for retirement, including:

- Funds may need to extend over a longer time horizon, which may mean deciding to continue working to an older age or budgeting to spend less today.
- Future healthcare contingencies may need to be adjusted to account for longevity. Have you set aside adequate funds? Are there other tools, such as insurance, that may play a supportive role?
- It may be helpful to revisit your financial plan. There may be ways to support greater longevity, such as adjusting asset allocation, exploring financial products to help provide a steady stream of future income, or incorporating tax-efficient strategies to maximize income? We can help in this regard.

Though planning for increased longevity may be a source of stress for some, there may also be good news. Greater longevity may offer more time for investments to grow. Using the "Rule of 72", at a 6 percent rate of return, investments can potentially double every 12 years or so.<sup>3</sup>

## How Far Can We Go?

Canadian researchers have recently shown that there is no plateau in human life and our lifespans can be expected to climb far into the foreseeable future.<sup>4</sup> So plan ahead for a long and happy life!

Source: 1. Canada Census 2016; 2. Statistics Canada, Life Expectancy 2009 3. "Rule of 72" is a simplified way to determine how long an investment will take to double, given a fixed annual rate of return, by dividing 72 by the rate of return; 4. "No Limit to How Long People Can Live: Study", CBC News, June 28, 2017.

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