



PERSPECTIVES ON BUSINESS & FINANCIAL MANAGEMENT

the Capital Partner

"Preserving, Protecting & Propagating Capital through Prudent Planning"

JP Morgan Study Examines Trends as Investors Approach Retirement

ON AUGUST 19, J.P. Morgan Asset Management released a report that examined how investors approaching retirement manage their portfolios, their income and their spending.

Drawing on a data base of 23 million 401(k) & IRA accounts, they reviewed the activities of some 31,000 people as they approached or began retirement between 2013-2018. 401(k) and IRA are retirement accounts similar to RRSP & RRIFs.

Findings

Research from the report suggested:

- "De-risking"** is common place. Three quarters of retirees reduced their equity exposure after "rolling over their assets from a 401(k) (RRSP) to an IRA (RRIF).
- Retirees relied on the mandatory minimum withdrawal amounts when determining how much income to draw.
- Income and spending are highly correlated. Where income amounts were increased (i.e. from social security, pension plans, etc.) spending followed.

Retiree Profiles

The retirees studied in the report shared the following characteristics:

- Roughly 30% of the subjects received pension or annuity income.
- The median value of retirement accounts was \$110,000.⁰⁰
- The median investable assets were estimated to be between \$300,000 and \$350,000.⁰⁰ (i.e. balance being held in non-registered accounts).

- The most common retirement age was between 65-70.
- Age 66 was the most common age to start receiving Social Security.

Other Observations

The study also recognized the following trends.

First, retirees who waited until the rollover date to "de-risk" (i.e. rebalance their portfolios) needlessly exposed themselves to market volatility and the potential for loss. For example, those re-balancing their portfolios in April 2020 after the COVID pandemic, were still down 5-6% after the markets had recovered a year later. Retirees ought to consider rebalancing portfolios prior their obligatory rollover (age 71).

Second, the majority of retirees were using the RMD-required minimum distribution as a guide for withdrawal amounts versus basing amounts on retirement income needs. Like U.S. IRAs, Canada's RRIFs are also subject to a minimum withdrawal schedule that increases with age. Retirees relying on the schedule for guidance could limit or see future income amounts reduced.

Finally, 61 year-olds represent the peak year of baby boomers in Canada. Should they retire and de-risk en masse, Canadian equity markets will likely undergo increased downward pressure and volatility. Retirees should consider re-balancing or "annuitizing" while markets are fully valued and prior to an increase in capital gains or interest rates.

For more information, see: <https://am.jpmorgan.com/us/en/asset-management/adv/insights/retirement-insights/retirement-portfolio-allocation/>

THANKSGIVING ISSUE

"Do not spoil what you have by desiring what you have not; remember that what you now have was once among the things you only hoped for."

Epicurus

DE-RISKING RETIREMENT RISKS

JP Morgan released a study that has implications for investors approaching retirement & drawing income from retirement accounts.

page 1

PANDEMIC RE-SET

How has the pandemic affected Canadian's retirement plans? An RBC Poll reveals how plans have changed.

page 4

THE CAPITAL PARTNER INTERVIEW

David Bond, PhD is a distinguished authority on Canadian government, economics & business. He shares some insights on how government should proceed after a federal election that changed little.

page 6

STREET LEGAL

A legal case that shows why it is important to communicate with charitable beneficiaries.

page 9

GORDO'S CAPITAL COMMENT



When the Law Lifts and Separates

Why It Pays to Listen to the Pros

IN 2015, A KELOWNA blogger felt her body was in need of some maternal enhancements.

She went to see a plastic surgeon who provided advice and counsel based on her size, morphology, and unique circumstances, etc.

She dismissed the doctor's recommendations and insisted upon the "Ultra High Profile" option. The doctor provided cautionary advice, but the blogger was firm. She wanted the grandest of glands.

Days after the augmentation surgery, the enhanced blogger noticed one silicon summit had a lower elevation. She called the doc who said it could take three months to settle and reach parity. It just needed some time to heal.

After 3 months, the blogger was still not content. Her left fixture was not pointing in the right direction. The doctor offered to perform a corrective procedure at no additional cost. She refused and insisted the corrective surgery be performed by another surgeon.

The blogger then applied her craft. She wrote about her "anxiety filled nightmare" on-line, augmenting her reviews with her opinions, alternative facts, and pictures for all to see. Her posts "went viral."

The doctor asked her to remove the posts. She refused. The doctor threatened legal action. She still

refused, so he sued for defamation (i.e. damaging his reputation).

In late August, the case concluded and local media milked the story for all it was worth.

Justice Weatherill ruled in favour of the doctor stating the defendant had failed to prove her criticisms were true and based on errors made by the surgeon. The defendant was ordered to pay the plaintiff \$30,000.

It seems much heartache could have been spared if the blogger had heeded the doctor's original advice.

It's a theme that seems all too common these days. People are quick to dismiss counsel offered by financial, medical, legal, dental, engineering, accounting and real estate professionals. I don't get it.

We're now 18 months into a pandemic that has disrupted nearly every life on the planet. I'm not sure what's more alarming: the virus itself or the number of folks regarding professional advice with disdain and indifference?

This Thanksgiving I'm especially grateful to the many professionals who dedicate their lives to research, study, best practices and the service of others. I've been a beneficiary of their work and effort. All of us have. They simply inspire. We should all be happy to support the many pros out there who still give a hoot.

Happy Thanksgiving! ○

the Capital Partner

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FINANCIAL MANAGEMENT

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CAPITAL PARTNER STRATEGIES

A Thanksgiving Strategy for Parents of Modest Means

DAN and GRACE SIMPSON are conflicted.

Grace has been a teacher for years and her position has provided her and her family with a reliable income, benefits and a pension plan. Dan's contracting business has succeeded beyond his grandest hopes. They have resources for their retirement, their children's education and their family's future.

Still, their parents struggle.

Grace's father Jake, passed away years ago, leaving her mother Rachel, with a home that was paid for, but few other resources. She worries about money constantly.

Dan's folks, Ike and Sara grapple with their situation. For years, Ike worked as a carpenter in a large mill. He contributed to a pension plan during his working career, but the mill fell upon hard times and later into receivership. His pension benefits

were cut by 35%. Dan's mom stayed at home to raise the children. They survive on a reduced pension plan, CPP and OAS.

Providing for Parents - Pitfalls

Dan and Grace are grateful to their parents and would like to enhance their folks' income, but it's not so simple. Their siblings have not done as well in life. They're a bit resentful and they see their parents' assets as a future entitlement. How could they provide funds to their parents without the assets being usurped in the future by disgruntled family members?

One solution involves purchasing a variable annuity contract/seg fund.

It would work like this.

Working with a qualified advisor, Dan and Grace could purchase \$125k variable annuity contracts/seg funds for each set of parents. Initially, it would cost them \$250,000.00

Gifted the contracts to both sets of parents would mean any income produced from the contracts would be taxed in their parents' hands, all of whom are in lower tax brackets. The contract could then be structured as follows:

- **85%** of the funds would be allocated into a Canadian dividend fund. The fund would fluctuate over the short term, but over the long term, it would likely grow and provide greater future income & principal. Also, income originating from the fund would be part: i) return of capital (not taxable); ii) eligible dividends ("tax-favourable"); and, iii) capital gains, (also "tax favourable").
- **15%** would be allocated into a money market /cash portion that would fluctuate little, (i.e. if at all).

(Continued on page 11)



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* Volatility is measured by standard deviation, which compares the variability of a security (such as the RBC Canadian Dividend Fund) to the overall market. For general information purposes. Segregated Fund fees are higher than mutual funds as they include a management fee and an insurance fee component.

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Retirement Reset:

RBC poll finds

Pandemic Impacts

Retirement Plans,

Timing & Goals



- Retirement dates delayed for some Canadians, as others lean into new opportunities
- Retirement savings goal jumps to \$1 million, with estimated shortfall of \$300,000 or more

Toronto, August 27, 2021 -

THE PANDEMIC has Canadians thinking. According to a recent poll by RBC entitled *Retirement: Myths & Realities*, Canadians are re-considering:

- what their retirement looks like;
- when they will be able to retire, and
- how much they will now need to save in order to do so.

The survey sampled Canadians aged 50 years and older.

The most immediate impact is that the pandemic has caused some Canadians to hit the pause button on their retirement date. Eighteen per cent of respondents say they'll now be retiring later than expected, with that response highest in Alberta (33%).

Concerns about outliving retirement savings have reached their highest level in a decade, as 21% of respondents with more than \$100,000 in investable assets now expect to outlast their savings by 10 years (compared to 16% in 2010), with the highest percentage reported in Quebec (27%).

Compounding what respondents are facing over the near-term is the fact that half (50%) do not yet have a financial plan, and only 20% have created a formal plan with an advisor or financial planner.

"If you're nearing retirement without a formal plan, there's a shrinking window of opportunity to review your options, to see if you can enjoy the retirement lifestyle you're hoping for," explains **Rick Lowes**, Vice-President Strategy, RBC. "An advisor can help you translate your personal goals into financial ones and explore strategies to achieve them. Also, RBC's MyAdvisor gives our clients the ability to use interactive scenario planning, to see the potential impact of today's financial decisions on tomorrow's projected outcomes."

Poll respondents also indicated the pandemic has prompted them to either think about, or take action on, a number of retirement-related issues, including:

- Thinking more about where they will live in retirement (22%);
- Deciding where they do not want to live (20% do not want to live in a retirement home);

- Reviewing and updating wills and beneficiaries (15%);
- Taking stock of their financial affairs (17%); and,
- Taking up a new career or hobby, realizing 'life is short' (16%)

Canadians approaching retirement have also been re-setting their retirement savings goals. **Those with more than \$100,000.⁰⁰** in investable assets now estimate they will need to save **\$1 million** on average - approximately **\$50,000** more than in 2019 - with over three-quarters falling short of their goal by almost \$300,000 on average.

Meanwhile, those with **less than \$100,000.⁰⁰** in investable assets have lowered their retirement savings goal - now sitting at **\$533,153** (vs. \$574,354 in 2019) - but they have a much larger savings gap of \$472,991.

To help bridge a shortfall during retirement, both of these groups responded that they would:

- Stay in their current home and live more frugally (37% of those with >\$100K; 36% of those with <\$100K)

RBC SURVEY ON RETIREMENT

RESPONSE	CANADA	BC	AB	ON	QC	MALE	FEMALE
Will delay retirement	18%	20%	33%	16%	9%	15%	20%
Will outlive savings for retirement by 10 years <i>(among those with \$100K investable assets)</i>	21%	21%	20%*	19%	27%	20%	23%
Thinking more about/acting on... where I will live in retirement	22%	29%	28%	20%	23%	23%	21%
Thinking about/acting on... not living in a retirement home	20%	30%	19%	18%	18%	20%	20%
Thinking about/acting on... reviewing/updating wills and beneficiaries	15%	17%	13%	18%	12%	15%	14%
Thinking about/acting on... taking stock of my financial affairs	17%	28%	23%	20%	14%	18%	16%
Thinking about/acting on... taking up a new career or hobby	16%	15%	9%	24%	4%	15%	16%

* Small base size. Findings for SK/MB and AC also not included due to small base sizes.

(Continued from page 4)

- ii. Return to paid work (31% and 36% respectively)
- iii. Downsize/move (31% and 23% respectively)
- iv. Ask a family member for assistance (lowest on their list of options, at 3% and 5% respectively)

“We know from past polls that retirees will find a way to make their finances work, but this may mean they aren’t leading the lives they were hoping for when they retire,” notes Lowes. “We’re here to help Canadians so they can focus on what truly matters to them.”

More information about the comprehensive resources RBC provides to support Canadians as they transition into and live in retirement is available in [Retirement Planning](#). ○

Reference: <http://www.rbc.com/newsroom/news/2021/20210827-myths-realities-retirement-poll.html>

RESPONSE	>\$100K investable assets	<\$100K investable assets
Retirement savings goal	\$1,000,670	\$533,153
Amount already saved for retirement	\$703,058	\$60,163
Retirement savings goal deficit	~\$300,000 [-\$297,612]	~\$470,000 [-\$472,991]
If I need more \$ in retirement... I would return to paid work	31%	36%
If I need more \$ in retirement... I would stay in my current home, live frugally	37%	36%
If I need more \$ in retirement... I would move (downsize; rent not own, etc.)	31%	23%
If I need more \$ in retirement ... I would cash in some investments	55%	16%
If I need more \$ in retirement ... I would borrow against my home equity	13%	6%
If I need more \$ in retirement ... I would ask a family member for help	3%	5%

Shaken Not Stirred.

His Word is His Bond.

David Bond has a remarkable biography. After graduating from Yale with a PhD in Economics, he spent the rest of the 1960s teaching at Western and UBC. Then, in 1971, he entered the Canadian civil service and aspired to several senior positions, including Director General of Content & Analysis (the team that designs the long-form census) and head of the Copyright, Patent and Trademark Office. When the Solidarity protests heated up in BC, Bond was sent by then Prime Minister **Pierre Trudeau** to represent the federal government's interests.

In the early 80's, he was appointed President of the Canadian Association of Broadcasters. Then in 1986, he was hired as an Economics Professor at the Université de Québec before becoming Chief Economist at HSBC in 1989. While there, he wrote/co-wrote several books on Economics. He retired from the bank in 1998 but served as an Adjunct Professor at UBC's Sauder School of Business until 2003. Prior to retiring, he served two years as a visiting scholar with the Canada West Foundation.

His community service ethic is noteworthy. Since retiring, he's devoted much of his time to community, cultural & educational boards. He's served as President of the Vancouver Maritime Museum and he was the founding president of the Friends of the Canadian Museum of Civilization in Ottawa.

He remains a respected authority on business & economics and still writes a weekly column for the Kelowna Daily Courier.



POLITICS & PUBLIC POLICY

TCP: *We just got through an election that didn't change much. Where does the government go from here? How should the PM proceed?*

DB: Having spent over \$600 million on an unnecessary election, we now need to hope the prime minister will attend to the outstanding issues that remain critical to administering the government of the nation successfully.

He needs to deal immediately with three central challenges if his third mandate is to establish a positive legacy. He will need help.

First, he must address his primary weakness - his limited ability as an administrator of a complex institution: the government bureaucracy. His father as Prime Minister had an outstanding Chief Operating Officer in **Michael Pittfield**, Clerk of the Privy Council. He was hard as nails and did not tolerate less than almost perfect performance from Deputy Ministers - or even Ministers. As a consequence, the Public Service performed efficient-

ly, effectively with rapid turnaround on issues that Pittfield believed were important. **Justin Trudeau** needs someone like Pittfield. **Michael Sabia**, the current Deputy Minister of Finance, would be a good candidate.

TCP: *The former CFO at CN Rail, Bell Canada CEO and former CEO of Caisse de dépôt et placement du Québec (Quebec Pension Plan)?*

DB: That's him. The PM also needs a new chief of staff for his own office. The job requires a command of major files (especially personnel issues) and excellent political judgement. **Tim Krupa**, the defeated Liberal candidate in Kelowna - Lake Country, would be a well-qualified candidate.

TCP: *What's in his background that would qualify him as a capable and effective chief of staff?*

DB: He's a bright individual. He attended Oxford on a scholarship. He worked in the prime minister's office during the Liberals first term. And, he's worked for the Canadian Pension Investment Board.

TCP: *So, the prime minister fills those key positions, then what?*

DB: They need to address the shameful treatment of Indigenous and Metis people over the past 3 centuries.

We know what needs to be done; it was spelled out in the document entitled *Call to Action* published by the Truth & Reconciliation Commission in 2015. It called for the establishment of a longitudinal data set that would measure changes in various aspects of the quality of life Metis and Indigenous people experience. It seems straightforward enough, but the recommendation has yet to be implemented. Now is the time.

The Prime Minister should establish within Statistics Canada a special unit charged with developing and maintaining the data base as outlined in the Commission's Report. An Advisory Board could be composed of Indigenous and Metis members along with public servants in the Federal Departments of Indigenous and Northern Affairs & Indigenous

THE CAPITAL PARTNER INTERVIEW...

Services Canada, plus other Public Service employees as requested by the Chief Statistician. The data base will make obvious what actions are needed to make continuous progress on this important to government initiatives.

TCP: *What about other problems facing the country like homelessness and affordable housing? Shouldn't the prime minister be focused on those issues also?*

DB: It's not so simple. Housing is a joint responsibility between the provincial and federal governments.

What power the feds have stems from fiscal policy (taxes) and interest rates (monetary policy). It's the provinces who really have jurisdiction over housing. They regulate, enforce property laws and they have the power over municipalities.

However, two factors highlight why housing should have been a critical issue in this last election. First, the escalating prices of housing, particularly single-family detached residences. Secondly, the limited supply of lower-cost housing such as rowhouses and affordable rental properties.

Owning real estate is in some sense analogous to investing in financial assets such as stocks and bonds in that the demand for the asset is responsive to its yield. With a longer-term government bond, the market price, once the security is issued, moves inversely to the prevailing interest rate for its remaining maturity. If interest rates in general decline, the fixed coupon attached to the security is worth more and the price of the security rises.

With real estate, the yield on the dwelling (the pleasure and convenience it provides the owner plus the rent owners do not have to pay) remains relatively constant so, if mortgage rates in general decline, the value of the dwelling should rise.

In the past decade, interest rates have remained extremely low so housing prices have risen. The lower mortgage rates permitted more people to afford a property and demand increased at a much more rapid rate than the supply, especially since any

increase to supply does not happen overnight.

Increasing the supply of housing, particularly lower cost housing such as townhouses and other forms of multiple unit dwellings, has been hindered by several factors. In many municipalities, the granting of development permits for multiple units has been limited for political reasons (i.e. *NIMBYism*).

Or, as in the local development at McKinley Beach, the original plan for denser housing in the form of town houses was abandoned by the developer because single detached houses offer a greater profit margin. Thus, even though the demand for more modestly priced attached dwellings is strong, adding to the supply of such housing is less attractive to the developer than supplying more mini-mansions. Staff at the City of Kelowna certainly understand the need for more mid-market housing in our region. They entertained the developer's proposed change in the projected housing density for McKinley. Council turned it down earlier this month in a tied vote but the new proposal could still resurface.

If developers don't consider building affordable housing supply a worthwhile endeavour, should cities get into the business of building lower cost housing? If they do, they will discover a massive demand for funding of such activity. Where will the money come from?

One possible answer would be making the taxes applied to existing dwellings a constant percentage of the appraised value of the dwelling. Thus, the house I bought back in the late 1960s for \$41,000 and on which I paid \$2,300 in property taxes, and which was recently sold for more than \$1.2 million would now generate annual taxes of \$67,317. This tax measure would essentially allow the municipality to share in the windfall gains accruing to the seller.

I can't imagine this idea would enjoy widespread support from homeowners in hot markets but something along this line is needed to offset the overreliance upon separate dwellings as both habitation and investment.

Perhaps a transfer tax when the dwelling is sold or transferred to someone else would achieve a similar result. The provincial government could also simply require municipalities to build a fixed percentage of new dwellings in denser formats.

To assist those who rent by choice or necessity, it would be wise to require owners of rental property to disclose taxes paid, amounts spent on maintenance and administration and the expected return on the funds invested for the particular rental property. That certainly would highlight attempts to gouge renters and help bring about a more rational and competitive rental market.

Local city governments could offer also incentives for lower cost rental properties. Here in Kelowna, for example, rental properties are free of municipal taxes for the first 10 years after construction.

We need a tax and regulatory regime which makes it clear to developers and municipal politicians alike that the kind of attempt at "bait and switch" we saw in the revised development proposal at McKinley Beach will not fly. We should also make our expectations as voters clear: municipal councils and planning departments must refocus on solving the housing shortage rather than on facilitating ever-increasing profits for developers.

TAX POLICY

TCP: *While we're on the subject of taxes... Neal Winokur, a CPA and author of the Grumpy Accountant says Canadians spend \$7 billion annually on accounting fees and another \$4.3 billion employing 40,000 people at CRA to enforce the Income Tax Act (CITA). Comments?*

DB: Our tax system is extremely complex with special deals thrown in for certain classes of citizens. It desperately needs an update.

There are also challenges facing governments, namely how to finance the provinces and an ageing population. The feds can't and won't give up their power to tax, while the provinces—who are responsible for healthcare, require more sources of revenue.

(Continued on page 8)

THE CAPITAL PARTNER INTERVIEW...

His Word is His Bond - David Bond Interview

(Continued from page 7)

It's the third action item Trudeau needs to undertake. Before he does anything else, he needs to establish a **Royal Commission on Taxation** at all levels of government (federal, provincial and municipal). The Commission should examine and comment upon:

- the total amount collected by all levels of government;
 - how the fiscal obligations of each of the three levels of government have changed over the past 60 years - since the last Royal Commission, and;
 - how the demands on each can be expected to develop in the future.
- With the overriding goals of providing a stable and efficient tax system, it should focus on **simplification and transparency**. It should evaluate different forms of taxation and their particular advantages and disadvantages in achieving consistency and equity of treatment. It should also specify the resources needed to administer the tax system at all levels, providing for adequate enforcement.

Since the product of such a Royal Commission will address all levels of government, two or three major cities, several or all provincial governments and the federal government must contribute to its costs and provide Commissioners. At least three Commissioners should represent the private sector. This last condition is fundamental if the Report's recommendations are to achieve widespread acceptance.

I think **Jack Mintz** of the University

of Calgary would be a good candidate for Secretary of the Commission.

Addressing these three priorities - public administration, reconciliation and the tax system - on a direct and high priority basis should improve both confidence in government and delivery of government services.

SOCIAL POLICY

TCP: By 2024, more than 20% of our citizens will be 65 or older. How should government be preparing?

DB: We need to improve how we handle the problem of ageing. It requires we "re-think" three issues.

First, we need to examine our social structures. Decades ago, families housed three generations under one roof. Today, each generation strives to own their own property and we "warehouse" seniors in "homes."

Second, we need to tweak our view of geriatrics. People are living longer.

Third, we need some genuine public discourse on i) mental health ii) child welfare iii) racism/multiculturalism, and iv) family abuse. Change and social adjustments don't happen overnight. It took 40 years to change attitudes about tobacco use and drunk driving.

FOREIGN POLICY

TCP: The foreign policy file and our foreign service department really need attention. Our influence has waned. Our relationship with the U.S., other western trading partners, trade in the Pacific Rim and our relationship with China are all under stress. How do we go about modernizing our foreign service and updating foreign policy?

DB: The U.S. is still more protectionist, even though they signed onto NAFTA II. President Biden hasn't rescinded protectionist tariffs imposed by the previous president.

China has engaged in "hostage diplomacy" - although they deny it as a matter of "saving face." So far, they seem to be getting away with it.

We need to develop an Asian policy outside of China. That means we need to broaden our language and cultural capacity. And, our policy needs to be "exceptionally conservative." Some entrepreneurs are star struck by the potential of the millions in middle class Chinese. It can quickly escalate as we saw with **Meng Wanzhou**.

The Americans are more devious but they struggle with losing an empire much like the British did 100 years ago. It's hard for them to adjust. There may be missteps.

The Chinese are beholden to the Chinese Communist Party who fear their grip on power. It's not a happy place and they're ready to crack down on anyone who threatens it.

TCP: Well, here's hoping there are no crack downs at turkey time. Thanks David and Happy Thanksgiving! ○



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STREET LEGAL

by David Smith LLB & Raphael Leitz J.D.

Charitable Pledges & Contractual Pitfalls

Ontario Case Highlights the Importance of Communicating to Charities
When Planning Gifts to Ensure that the Gifts are Valid and Enforceable



PLANNING ONE'S estate raises the question of what you want your legacy to be. It is a highly personal decision that does not have a correct answer.

For some individuals, this can mean ensuring causes that are close and dear to their heart receive support from their estate. To this end, donations and charitable gifting are a common practice in wills.

In planning such gifts, it is important to ensure that the gifts are valid and enforceable. The testator's best intentions can be undermined by the failure to comply with legal technicalities.

Testators may make gifts bearing certain conditions, such as having something named after them. Where these conditions are important to the testator, they should: (i) be communicated to the recipient of the gift to ensure they are willing and able to comply with the conditions, and (ii) set them out explicitly in the will.

The case of **Brantford General Hospital Foundation v. Marquis Estate** is an excellent example where a gift, with good intentions, ran afoul of contract law.

The testatrix and her deceased husband had been long time and generous donors to the Brantford General Hospital Foundation.

The testatrix had pledged, prior to her death, to donate \$1,000,000.⁰⁰ over a five year period. As part of this pledge, a facility was to be named after her family. However, she passed away shortly after the first instalment was paid, leaving \$800,000.⁰⁰ of the pledge unpaid. Her estate refused to

pay out the remainder of the pledged funds and the Hospital initiated litigation.

Justice Milanetti ruled against the plaintiff, stating that a promise to subscribe to a charity is not enforceable in the absence of consideration. The promise to name a facility after the family was considered ancillary to the donation of \$1,000,000.⁰⁰ and not of vital importance, and as such, invalid as consideration.

Central to this determination, was that the idea for naming the facility originated from the Plaintiff and was subject to board approval. The pledge was deemed unenforceable.

Where a testator has ongoing charitable intentions that they wish honored by their estate, it would be wise to review the enforceability of these plans after their passing. ○

DAVID MORGAN SMITH LLB

joined **Rodney Hull, Q.C. & Ian M. Hull** in their estate litigation practice in September '97 and was made a partner at **Hull & Hull LLP** in January '06.

He was an instructor at the Ontario Bar Admission Course (Estates & Trusts) from 1998 - 2005.

David is a member of the Society of Trust & Estate Practitioners and the Ontario Bar Association - Trusts & Estates. He's been included in The Best Lawyers in Canada in the area of Trusts & Estates.

For more info:

Visit: <https://hullandhull.com/team/david-morgan-smith/>

RALPHAEL LEITZ J.D.

joined **Hull & Hull** in July 2021 as an articling student. He graduated from Wesleyan University with a B.A. and more recently from the University of Windsor Law School.

See:

<https://www.linkedin.com/in/raphael-leitz-92609725/?originalSubdomain=ca>



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CAPITAL PARTNER BUSINESSES

Business Briefs, News & Notes

Enbridge's Line 3 Replacement Project Completed

ON SEPTEMBER 29th, Enbridge Inc. announced the achievement of a major milestone with the substantial completion of the Line 3 Replacement Project and the establishment of an in-service date of October 1.

This step marks the full replacement of the entire 1,765-kilometre/1,097-mile-long pipeline from Edmonton, AB. to Superior, WI.

With new state-of-the-art, thicker-walled pipe, its completion ensures a safe, reliable supply of North American crude oil to U.S. refineries, helping fuel the quality of life for millions of people.

The new 542-kilometre/337-mile Minnesota segment of Line 3, which follows other segments already placed into service in Canada, North Dakota and Wisconsin, restores the full pipeline capacity of **760,000 barrels per day** to meet the energy needs of refineries in the Midwest.

In Minnesota, the Line 3 replacement was the most studied pipeline project in state history, with input gathered from 71 public comment regulatory meetings and over 3,500 community engagement meetings. ○

Enbridge is held in RBC Canadian Dividend & IA Financial Dividend Growth Funds

Investment Contracts Performance

As of August 31, 2021.

	YTD	1 yr	3 yr	5 yr
RBC Cdn Dividend GIF - Invest Series	21.45%	30.82%	7.53%	7.48%

As of July 30, 2021.

	YTD	1 yr	3 yr	5 yr
Manulife Dividend Income GIF Select	16.13%	28.36%	15.47%	12.62%

As of June 30, 2021.

	YTD	1 yr	3 yr	5 yr
I.A. Financial Dividend Growth	14.60%	29.70%	6.70%	7.50%
I.A. Financial Real Estate Income	17.60%	31.00%	6.10%	5.30%

Any amount allocated to a variable annuity contract/segregated fund is invested at the risk of the contract holder and may increase or decrease in value. Guarantee provisions contained in these contracts are the responsibility of the issuer. Past performance is no guarantee of future results.

CN Responds to TCI's Claims Regarding its bid for Kansas City Southern (KCS) & Business Operations

MONTREAL, Oct. 01, 2021.

CN RAIL responded today to the numerous misleading claims and inconsistencies in recent disclosures by CIFF Capital and TCI (collectively "TCI"), which, in addition to being a shareholder of CN is the largest shareholder of Canadian Pacific ("CP"), CN's direct competitor and Canada's second-largest Class 1 railroad.

As CN highlights below, these erroneous claims include:

- False/misleading characterizations of CN's performance;
- Inaccurate description of financial risks associated with CN's bid for

Kansas City Southern ("KCS") and refusal to acknowledge that CN walked away with an incremental \$700 million amongst other strategic benefits;

- Failure to provide a credible or differentiated plan; and
- Failure to acknowledge concerns over the fact that TCI is the largest shareholder of CN's principal competitor.

"CN has announced an ambitious strategic plan to deliver immediate and long-term shareholder value, while retaining our commitment to safety, customer service and the communities we serve. This plan builds on the investments we have

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CAPITAL PARTNER STRATEGIES

A Thanksgiving Strategy for Parents of Modest Means

(Continued from page 3)

It would provide sufficient liquidity and reliable income.

- A 4% annual draw from the cash portion would provide each set of parents with \$417/month or \$5,000 of tax-favoured income per year. Initially, this portion of the portfolio would provide up to 3.5 years of steady income, regardless of what happened in the equity markets. In years where the dividend fund grows, the portfolio can be re-balanced to the initial weightings. Growth is captured and turned into income.

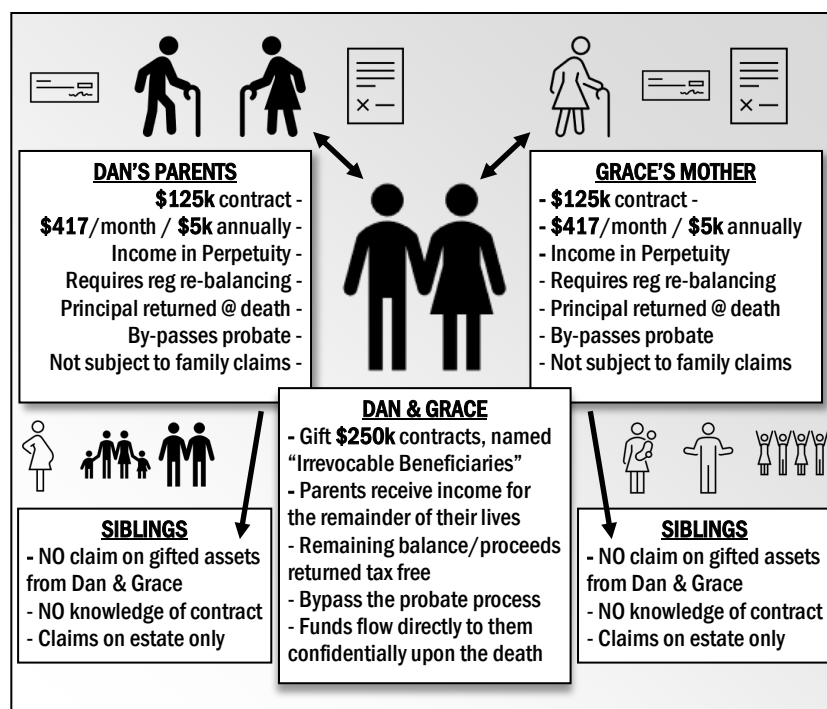
Over the years, the portfolio should grow in value and provide parents with a growing stream of income until it's no longer required.

Safeguards & Protection

Because the investment "contract" is held with an insurance company, Dan and Grace can be named "irrevocable beneficiaries." That means no changes can be made to the contract without their express written consent. The feature ensures owners of the contract (i.e. their parents) cannot change the terms of the contract unilaterally.

The Value of a Contract

Stocks or stock mutual funds could be used to achieve similar ends, but unless those assets formed a part of trust, once the parents passed, those



designated assets would be:

- frozen;
- form a part of the estate;
- taxed;
- subject to probate (& fees);
- subject to possible claims & litigation by family members;
- subject to delays.

However, if those assets were to be held in a contract with a life insurance company, upon death proceeds would be paid directly and

confidentially to the beneficiaries.

Summary

Employing this strategy, Dan and Grace would provide additional tax-favoured, lifetime income for their parents. Assuming the portfolio grew over the long-term, their capital would eventually be returned, in an efficient, tax favourable manner and in a way that wouldn't create more family friction. Call it a win-win. ○

CN Responds (continued)...

(Continued from page 10)

made in technology and capacity over the past three years to drive long-term sustainable growth in total revenues and operating margins. CN maintains an open and constructive dialogue with its shareholders, including discussions about areas where we can improve our business performance, but we will not indulge unfounded and bad-faith arguments that serve the interests of one shareholder over others – or of one of our competitors over CN.

CN's Board and senior management team are intently focused on putting forward ideas, initiatives and people that drive us forward to where CN and the railroad industry are going, not where it's been."

JJ Ruest

President & CEO

CN remains fully committed to a long-term, sustainable growth strategy, with a focus on operational excellence, a customer-first culture, innovation and ESG leadership. On September 17, 2021, CN announced

a comprehensive strategic plan with specific and measurable targets, including a target of approximately \$700 million of additional operating income and a 57% OR for 2022, alongside plans to complete the remaining C\$1.1 billion of its C\$1.5 billion share repurchase plan. ○

CN Rail is a top holding in both RBC Canadian Dividend & IA Financial Dividend Growth Funds. Further information can be found at this link: <https://www.cn.ca/en/news/2021/10/cn-responds-to-tcis-misleading-claims/>

Appointments

Canadian Bar Association Welcomes New President

OTTAWA – **Stephen Rotstein** of Toronto began his year-long tenure as President of the Canadian Bar Association on Monday, August 30th, taking the helm of the 125-year-old Association of over 36,000 lawyers, notaries, law teachers and law students across Canada.

He succeeds **Bradley D. Regehr** of Winnipeg. **Steeves Bujold** of Montreal begins his term as Vice-President.

Congratulations and best wishes to the new appointees.

Sample Annuity Rates

Rates are as of **August 31, 2021** & based on a non-registered \$100,000 premium. Payments are **Guaranteed for LIFE** & include a 10- year guaranteed payment stream (i.e. balance paid to beneficiaries). Rates change daily. Quotes available upon request. E & O.E.

# of Lives, Age & Gender	Monthly Income	Annual Payment as % of Premium
65 Yr Male	\$ 474.02	5.70%
65 Yr Female	\$ 443.97	5.33%
65 Yr Joint	\$ 402.11	4.83%
70 Yr Male	\$ 545.20	6.54%
70 Yr Female	\$ 506.79	6.08%
70 Yr Joint	\$ 455.15	5.46%
75 Yr Male	\$ 611.59	7.40%
75 Yr Female	\$ 564.10	6.22%
75 Yr Joint	\$ 517.88	6.69%
80 Yr Male	\$ 723.79	8.69%
80 Yr Female	\$ 671.49	8.06%
80 Yr Joint	\$ 613.66	7.36%


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