

# PEARLSTEIN'S CORNER

WINTER 2017

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## Three Tips to Balance Risk and Uncertainty with Your Lifestyle

They're at it again. Prognosticators are pummeling us with their forecasts. Peppered with risk and uncertainty about all things financial...they started early; December 1st, according to my client, Arnie. Last week, he asked, "Mark, what the heck is going on? If the tooth fairy gave me \$10,000 for every time I've read or heard the words risk and uncertainty already, I'd have added \$5,000,000 to my nest egg (\$10,000 x 500 times.) **If there's too much information out there for him to distill on his own, I wondered how this impacts other investors' feelings about their own portfolios and different lifestyles, which form part of their ongoing unique stories.**

Here's Arnie's family profile. Arnie is 60, semi-retired and married to Gabby. They have three adult children. Arnie's third career/hobby is being a tour guide. Gabby is a long time yoga instructor. Their liquid net worth is \$3.5 million and live mostly off their investment income. Active consumers of current events and financially secure, Arnie and Gabby are relying on their liquid investments to last at least another 25 to 30 years - their life expectancies. **Stop and think about that for a moment. One-third of your life is a very long time! So, we created a plan, years ago, to help them stay on track to maintain their lifestyle – their peak lifestyle. I define this as the life you want to live up to and through retirement.** Arnie and Gabby have peace of mind now, but what about everyone else? Here are three tips you can use to begin to balance risk and uncertainty with your lifestyle.

### There's good news out there. Be discerning with media headlines and sources.

According to a recent media survey, only 1 out of 17 news stories are positive! We're inundated with negativity, because media outlets know our brains haven't changed from early times. We're drawn to anything that represents a threat - bad news. **In addition, our fight or flight response has been overwhelmed by 'fake news', made-up stories with an intention to deceive, often geared toward getting clicks for advertising dollars.** We know stories in the tabloids are, at best, fairy tails. On the other hand, much of what passes for journalism today ranges from opinions to propaganda, adding more unsettling noise and confusion to the risk and uncertainty we are feeling.

### Risk is different than uncertainty. Know the difference.

Frank Knight, a famous U.S. economist, used risk to describe cases of known probability. For example, Arnie has house insurance because his insurance company knows how many break-ins, fires etc., will occur in his neighbourhood based on 100 years of data on known perils. But uncertainty is on the other end of the event spectrum. An 'unknown, unknown' is when we haven't even thought of a possible event. While we can prepare and plan for risks, we can't predict when these 'black swans' – events impossible to predict yet having catastrophic ramifications – will occur, like the global market meltdown in 2008/9. **Still, we can develop a flexible framework to be resilient, to deal with risks we are aware of, in the face of the unforeseen, by creating a plan to reach and maintain your peak lifestyle.**

### Live for today and tomorrow. Find the right balance for your own story.

Our brains are also wired for pleasure. It's the anticipation of pleasure that's a powerful driver of our future behavior. If we have an image in our minds of what our peak lifestyle looks like, then we have a much better chance of getting there. The first thing Arnie and Gabby did was tell me their story when I met them in my office. I listened. Then, together, we put pen to paper, creating their peak lifestyle plan. All assets, liquid and real estate, were taken into account. We reverse engineered everything, distilling their hopes and dreams down to a few key numbers; one being their monthly costs in dollars. Arnie and Gabby have never looked back, because they're happy looking forward and living in their peak lifestyle.

**To gain clarity on your peak lifestyle plan, connect with me to refresh yours. Or, if you know someone right now who might be interested in customizing their story into a flexible plan they can count on, please forward this and have them connect with me directly.**

Happy New Year.

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One type of 'fake news'.

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# Planning Calendar and Introduction

**This article highlights important dates during the calendar year and some strategies which may help you maximize tax savings and avoid interest and penalties.**

## January

- Consider making the maximum lump-sum registered retirement savings plan (RRSP) contribution for the current year to maximize tax-deferred growth on your investments.

- Consider making the maximum contribution to a Tax-Free Savings Account (TFSA) to maximize tax-free growth in your account for the year.

- Review your peak lifestyle plan (see front page), including your estate plan, to ensure it is still appropriate in view of any circumstances that may have changed during the past year.

## March

- **1st** - The RRSP contribution deadline is the 60th day of the taxation year if you would like to deduct the contribution for the previous year. This deadline applies to regular RRSP contributions, contributions of an eligible retiring allowance and repayments under the Home Buyers' Plan and the Lifelong Learning Plan.

## April

- **30th** - Deadline to file your Canadian

personal tax return (if neither you nor your spouse earns self-employment income) and pay any balance owing to avoid interest or late filing penalties.

- **30th** - Deadline to file and pay the balance owing on a final tax return of a deceased individual if the death occurred between January 1st and October 31st of the previous year. If the death occurred between November 1st and December 31st of the previous year, the deadline is six months after the date of death.

## December

- If you plan to make a large charitable donation to reduce your tax liability this year, consider making an in-kind donation of securities that have an accrued capital gain. You may be able to eliminate the taxable capital gain and get a donation tax credit to apply against taxes owing on other income. If you plan on donating securities in-kind and want to use the donation tax credit for the year, due to the administration involved in processing an in-kind donation, ensure that you start this process well in advance of the year-end.

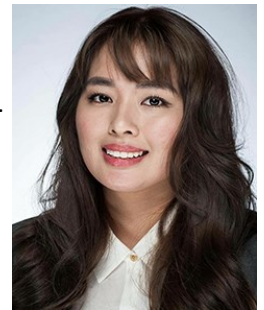
- If you turn age 71 during the year, make your final RRSP contribution before the end of the year. You cannot make contributions to your RRSP after the end of the year in which you turn 71 as your RRSP must be converted to an income stream or withdrawn as a lump-sum by the end of the year.

## Summary

This article covers some common tax and financial planning strategies and highlights important dates that occur during the calendar year. Consult your tax professional to determine whether the strategies outlined in this article apply to your particular circumstance.

## Introduction

This quarter, we welcome Katrina Mijares, our new administrative assistant. Katrina brings her skills and experience in wealth management, compliance and client service. Katrina will be taking care of all administrative duties in a friendly and efficient manner. Prior to RBC DS, Katrina worked at Raymond James for two years. She also worked in the compliance department at a foreign exchange firm called Cambridge Global Payments. Katrina holds a Bachelor of Commerce with a major in Business Law from Ryerson University and is currently in the process of getting licensed as an investment representative. In her spare time, she enjoys the arts, particularly photography, reading or catching a movie at the TIFF Bell Lightbox. If you have any administrative requests, contact Katrina directly at 416-733-5697 or [katrina.mijares@rbc.com](mailto:katrina.mijares@rbc.com).



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