FEREBEE WEALTH MANAGEMENT
Spring / Summer 2016 Newsletter

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WHAT MOVED THE MARKETS IN MARCH

The rally in oil that began in February continued in March with benchmark crude rallying to $38.30 a barrel by the end of the month thanks to a moderate drop in U.S. production that helped slow growth of record high inventory. Additionally, Iran confirmed its participation at an April 17th meeting with other major oil producers to discuss a potential production freeze. Nevertheless, there has been no indication whether they would be open to participating in such an agreement. The movement in oil also helped spur a recovery in Canadian stocks and the Canadian dollar, which bounced back to its October 2015 level of $0.77/USD.

North American indices were all positive this month. The S&P/TSX posted a 5.3% gain. A rally in the Energy, Utilities, and Financial sectors of 9.6%, 8.3% and 7.5%, respectively, was more than offset by weakness in the Healthcare sector, which closed the month with a 53.1% decline. Overall, 9 of 10 sectors finished the month in positive territory.

In the U.S., the S&P 500 posted a 6.8% gain this month, with all 10 sectors ending the month in positive territory. Energy and Information Technology led all sectors, posting gains of 9.3% and 9.2%, respectively.

The S&P/TSX Preferred Share Index (TXPR) posted an 8% gain as attractive yields drew investor interest and fund flows.

RBC Wealth Management
Dominion Securities

The importance of estate planning

Why it's important to make intentions clear when estate planning

Have you read over your last will and testament recently? Do you know where your will is today? The question is this: Is your will consistent with things you've said and done, and with other documents you might have prepared or signed? Are your real intentions clear to your loved ones, or will there be some confusion after you're gone? For too many Canadians, their estate intentions are not very clear. Today I want to share a story that provides an example of what I'm talking about. It's the story of a court decision called the Morrison Estate, and we can all learn from it.

The facts

In the Morrison case, John Morrison passed away five years ago and was survived by his children, whom I will call A, B, C and D. At the time of his death, Mr. Morrison's estate was largely made up of his registered retirement income fund (RRIF). In his will, he specified that his estate should be divided equally among his children, but that $11,000 should be left equally to his 11 grandchildren. So far, so good. But things took a sour turn. When children A and B, who were joint executors, started looking at their father's estate, they realized that child A had been named as the sole beneficiary of Mr. Morrison's RRIF. The problem? The assets of the RRIF were to end up with child A, but the tax bill resulting from Mr. Morrison's death fell on his estate. The tax bill was high enough that there was no money left to make the gifts to the grandchildren.Child C then stepped in and wanted the court to declare that the RRIF proceeds actually belonged to the estate and that child A was simply holding those assets in a"resulting trust" for the estate. Then, the RRIF assets would be split equally among the children under the terms of the will.The argument was that there was no indication that Mr. Morrison intended a gift of the RRIF assets to child A alone, and there was no agreement between Mr. Morrison and child A that would have seen child A designated the sole beneficiary.

The decision

Justice R.A. Graesser of the Alberta Court of Queen's Bench found himself in a tough spot. Although he believed it was unfair that the grandchildren would be deprived of their modest bequests, a beneficiary designation of a RRIF should carry some weight. Unlike a similar court case (Pecore v. Pecore)where a child was named as the joint owner on a father's bank account (and therefore claimed ownership of that account when her father died, much to the chagrin of her husband who was also a beneficiary of the estate and who wanted half of the joint bank account when their marriage broke down), we're dealing with a beneficiary designation here that is not the same as joint ownership. "In the absence of evidence to the contrary, it should be presumed that [Mr. Morrison] knew what he was doing," the judge said. Yet, in the end, the judge handed down a decision that saw child A being required to reimburse the estate for the tax it paid in connection with the RRIF. Rather than ruling that the RRIF assets belonged to the estate (and overturning the RRIF beneficiary designation), the judge adopted an approach allowed under the Alberta Judicature Act, which gives the court a generic and broad power to remedy unfair situations. And so, child A had to make the estate whole for the taxes owing on the RRIF. Problem solved. But at what cost? Perhaps damaged relationships in the family.

The moral

The battle that took place in this case happened because Mr. Morrison's intentions weren't clear. On the one hand, he named all his kids as equal beneficiaries in his will, but on the other hand he named child A as the sole beneficiary of his RRIF. These are conflicting messages. What can be learned here? Make your intentions clear by discussing your estate planning with all of your kids present. Even better, put your intentions in writing. And please get tax advice. It seems as though Mr. Morrison didn't understand that his estate would owe the tax bill on the RRIF while child A would have the RRIF assets. He probably didn't intend for that result to happen.

This article was originally published by The Globe and Mail – March 31st, 2016

What to watch for in the mail

W8BEN – Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and reporting (Individuals)

The W8BEN form is an Internal Revenue Service (IRS) requirement for all non-U.S. residents who earn (or have earned in the past) U.S. income on investments, either through dividends on U.S. equities or interest on U.S. bonds. The IRS requires signed documentation – a valid W8BEN form – in our files indicating you are a non-U.S. resident or citizen.

By having the W8BEN form on file with us, we have been able to help you reduce the tax rate on the investments from the 30% maximum U.S. withholding tax to approximately 15% or less.

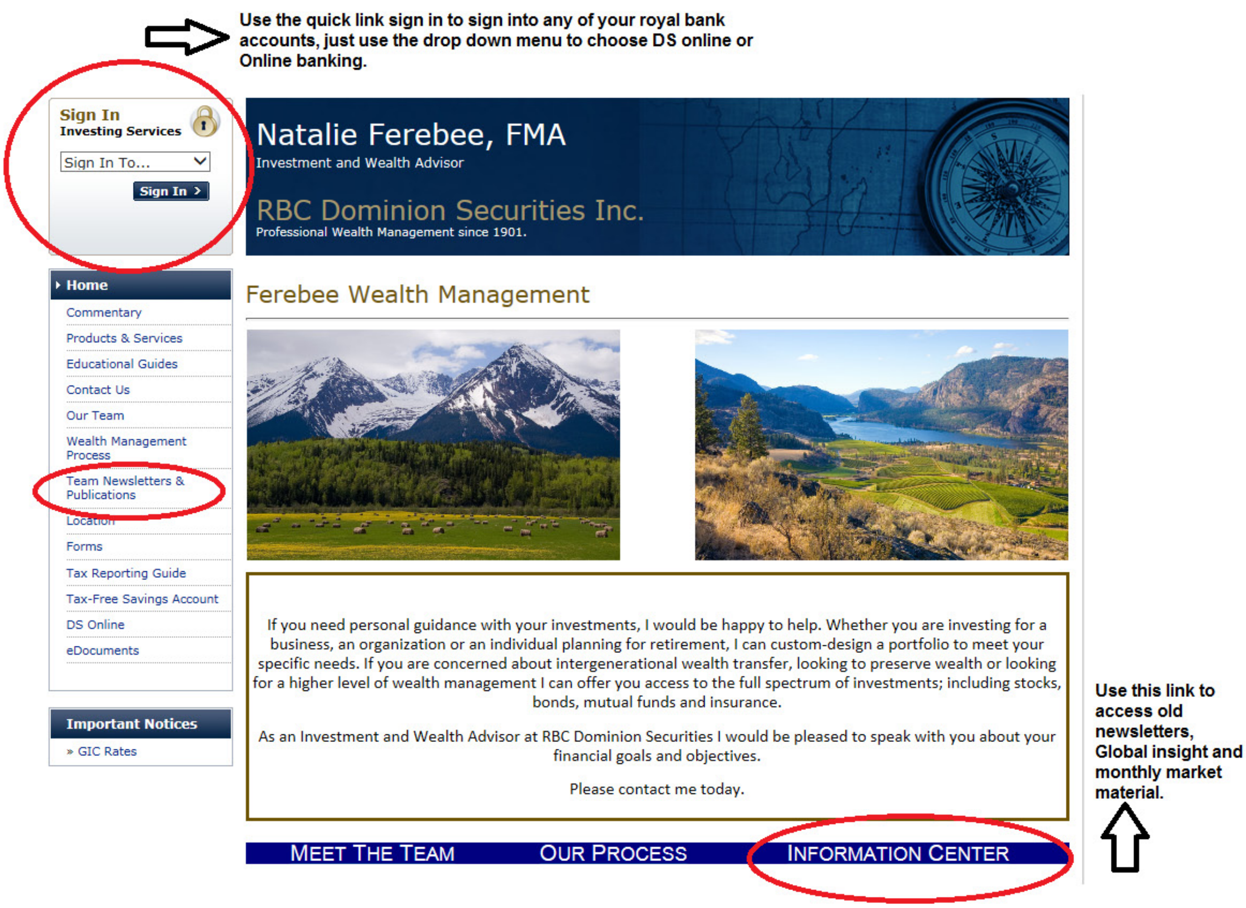
The W-8BEN form is only valid for three years, which means when you receive the W8BEN in the mail the form you signed 3 years ago is now expired. Renewing the form will enable us to help you continue to receive a preferential tax rate. W8BENE is the same form; however used for corporations.

Your Summary of Account Guidelines

The summary of account Guidelines is a report generated by our head office. The summary confirms your investment objective, risk factors, time horizons, and other important information relating to your accounts.
When changes are made to any of the above factors on any of your accounts you will receive a Summary in the mail. It is very important to notify us if you notice ***ANY*** discrepancies in the report.

New Improvements to our website

Visit www.natalieferebee.com to check out our new look.
Below are just a few of the changes we have made.



Pineapple salsa - A little summer treat

Ingredients

•Whole pineapple
•1 cup pineapple, diced
•1 cup peppers, diced (any combination of red, orange, yellow or green peppers)
•1 cup Roma tomatoes, diced
•1 cup cilantro, chopped
•¼ cup onion, diced
•2 limes
•Salt and Pepper
•Optional: 1 jalapeno, seeded and diced

Directions:

1.To make the pineapple bowl, cut about 1/3 of the pineapple off, leaving the stem attached to the larger piece of the pineapple. Make a cut around the outer edge of the pineapple fruit and make cuts across the middle too. Use a metal spoon to loosen and scoop out the pineapple chunks. Pour the extra juice out of the pineapple bowl so that it is empty.

2.Dice enough of the pineapple chunks to make one cup of diced pineapple to be used for the salsa and save the rest for another use.

3.In a small bowl, mix together diced pineapple, diced tomatoes, diced peppers, minced onions, chopped cilantro, lime juice, salt, and pepper.

4.Transfer the salsa to the pineapple bowl for serving.

Important notes and key dates:

Natalie wil be in Terrace July 11-12
Natalie will be in Smithers July 13, 14,15
Natalie Holiday July 25-29
If you would like to contribute to your TFSA contact Natalie today @250-770-1203 or 1-888-523-6888

Need online banking help? Call Stephanie today @ 250-770-1204 for a tutorial.