

FEREBEE WEALTH MANAGEMENT

Fall / Winter 2014 Newsletter



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WHAT MOVED THE MARKETS:

September proved to be another month of global divergence with positive economic performance from the US and UK contrasted with concerns around lower than expected inflation in the Eurozone and slowing growth in emerging markets. While the Federal Reserve and the Bank of England have signaled that they intend to maintain their course towards the normalization of monetary policy, the European Central Bank announced plans to embark on a fresh round of policy stimulus with the Bank of Japan expected to follow suit in the coming months. In Asia, negative data out of China signaled potential weakness in emerging market GDP growth, leading to concerns that a full global recovery may still take time to fully develop.

For the month, the S&P/TSX declined 4.0%, while the S&P 500 declined 1.4%. S&P/TSX sectors were mixed in September. The Healthcare sector experienced the largest increase, gaining 10.3%. The Consumer Staples, Industrials, and Information Technology sectors were also positive for September, gaining 3.5%, 1.4%, and 0.6% respectively. Meanwhile, the Utilities (-0.6%), Telecom Services (-2.2%), Financials (-2.3%), Consumer Discretionary (-4.0%), Energy (-7.6%) and Materials (-11.4%) sectors all declined for the month.

Overseas, indices were mixed in September. China's Shanghai Index and Japan's Nikkei posted positive returns, gaining 6.8% and 5.4% respectively, while both Germany's DAX and India Sensex were flat for the month. The remaining indices were sharply lower led by Brazil's Bovespa (-11.7%), Hong Kong's Hang Seng (-6.9%), and Australia's ASX 200 (-5.0%). Overall, the MSCI World Index decreased 2.7% in September.

Gold stocks on the S&P/TSX declined in September, losing 17.6%; although they are still up about 7% for the year. The S&P/TSX Small Caps subsector also posted a monthly loss of 9.6%; however, it also remains up about 7% for the year. S&P/TSX Energy, REITs, and Financials subsectors also declined for the month, posting losses of 7.6%, 3.5%, and 2.4% respectively.



RBC Wealth Management
Dominion Securities

REPRESENTATION AGREEMENTS & LIVING WILLS

Recently I read an article in the Vancouver Sun called Dead at noon: B.C woman ends her life rather than suffer indignity of dementia. Gillian Bennett who was 85 and in the early stages of dementia, chose to take her own life with a draught of whiskey, a dose of Nembutal mixed with water and her husband of 60 years by her side.

Before the shadows of dementia began to cloak her mind, Bennett created a website, Deadatnoon.com, to be made public after her death, on which she makes a passionate case for physician-assisted options for the terminally ill and elderly.

Throughout Gillian's blog she encourages everybody over the age of 50 who is mentally competent to make a Living Will that states how they want to die. Below is some information on Living Wills and Representation Agreements.

What is a Living Will?

A Living Will is a statement of how a person wishes to be treated if they are mentally incapacitated and facing either a terminal illness or having suffered a catastrophic injury. Most Living Wills state that a person in such a situation wishes to be left to die in dignity with a minimum amount of medical interference other than pain relieving medication.

Is a Living Will recognized in British Columbia?

Living Wills, until recently, had no legal effect in the Province of British Columbia. They were simply a statement of wishes that were quite often followed by medical practitioners and by the family of the person who wrote the Living Will. With the enactment of the Representation Agreement Act, (R.S.B.C. 1996) c.405, the British Columbia legislature has allowed Living Wills to be incorporated into Representation Agreements and which accordingly made them recognized legally.

What is a Representation Agreement?

A Representation Agreement is an agreement made between a person and a representative or series of representatives which sets out in written form how health care and financial decisions are to be made for that person in the event of incapacity.

There are 2 types of Representation Agreements: Section 9 Agreements and Section 7 Agreements.

Section 9 Agreements are used for health care while Section 7 Agreements can deal with health care, finances and are designed for those persons whose mental capacity is less than complete. A Representation Agreement in British Columbia largely deals with health care as well as instructions on where a person is to live in the event of incapacity and the type of health care he or she is to receive. It can be an extensive document and normally would include in it a Living Will statement.



What happens if I don't have a Representation Agreement?

The legislation in the Province of British Columbia still allows other persons to make health care decisions on your behalf. Under the Health Care (Consent) and Care Facility (Admission) Act, (R.S.B.C. 1996) c.181 an attending physician can institute a process whereby he/she will appoint a "Temporary Substitute Decision Maker" to make those decisions relating to your health care. The procedure however, is cumbersome, takes time and is not easily understood at this point in time by many physicians. We expect within the next 10 years that more and more physicians will require Representation Agreements to be produced to avoid liability issues. For that reason, you should speak to your lawyer regarding a Representation Agreement.

What happens if I don't have a Power of Attorney or Representation Agreement and I develop Alzheimer's, dementia, or have a stroke or am otherwise mentally incapacitated?

Your family will have to spend some of your money. In order to make decisions about your health care and your finances, including the ability to sell your house your spouse and/or your children in that situation would need to apply for "Committeeship" of your person and/or your estate. This is a court procedure found under the Patients Property Act, (R.S.B.C. 1996) c.349. It involves a lawyer making application to the Court and presenting a list of all of your assets, all of your liabilities as well as 2 affidavits sworn by 2 medical practitioners, attesting to your inability to manage yourself and/or your affairs. The Public Guardian and Trustee for the Province of British Columbia becomes involved, and once the Court Order of Committeeship is made, the Committee (which is akin to a guardian for an adult person) must make periodic reports on their activities to the Public Guardian and Trustee. Needless to say this is a cumbersome procedure and can be avoided with an Enduring Power of Attorney and a Representation Agreement.

CASCADING LIFE INSURANCE

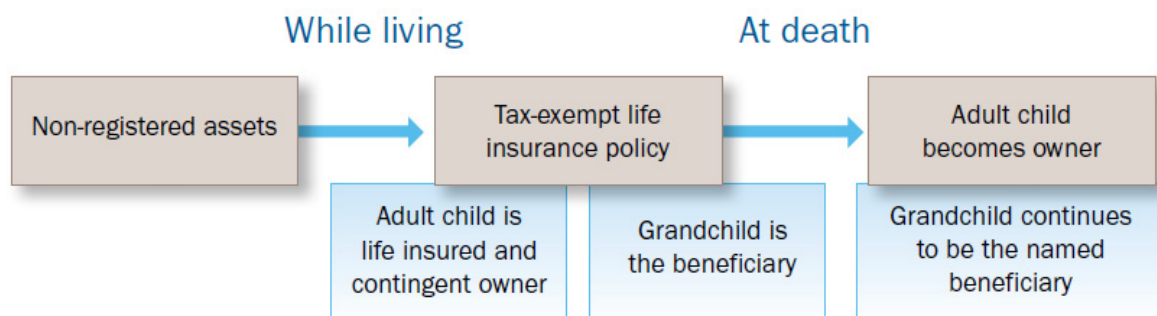
THE SITUATION:

You've worked hard to achieve a degree of financial success and have set aside non-registered investment funds as an inheritance for an adult child or a grandchild. You don't want the tax burden and probate fees to reduce the legacy you'll leave behind. Although you're unlikely to ever need the money yourself, you're concerned about the safety of your investments and having access to the funds should your circumstances change. Also, you're in a high marginal tax bracket and are frustrated with paying significant annual taxes on the growth of these assets.

THE STRATEGY:

Purchase a tax-advantaged permanent life insurance policy with your adult child as the life insured and the designated contingent owner. Your grandchild (the child of the life insured) is named as the beneficiary of the policy. By transferring your non-registered assets into the policy, you'll reduce your future annual tax burden. Funds invested in a tax-advantaged life insurance policy allow for accumulation of cash value inside the policy (within legislative limits), and you don't have to pay income tax on this growth. At your death, because of certain income tax provisions applying to life insurance policies, you may transfer ownership of the life insurance policy to your adult child (who is the only life insured on the policy) without your estate paying any tax on the cash value growth. The transfer is also free of probate, executor and legal fees. Upon the transfer of ownership of the policy to your adult child, he or she will have access to the cash value in the policy while he or she is living. Alternatively, your adult child can maintain the policy to be passed on at their death to your grandchild as a death benefit, again without taxes, probate or legal fees. The cash value in the policy remains completely accessible and in your control while you're alive in the event that you do require additional income.

How it works:



CASCADING LIFE INSURANCE STRATEGY BENEFITS:

- Permanent life insurance protection and control of capital in a tax-advantaged life insurance policy.
- An immediate estate enhancement.
- Potential for tax-advantaged accumulation within the life insurance policy.
- Potential to transfer the policy's cash value growth tax-free to an adult child (who is the only life insured on the policy).
- Death benefit proceeds transfer tax-free to named beneficiaries at the death of the life insured.
- The elimination of probate fees at death of the life insured with a named beneficiary other than the estate (not applicable in Quebec).

WHO CASCADING LIFE INSURANCE BENEFITS INDIVIDUALS

WHO:

- Have annual tax obligations from non-registered investments.
- Want to leave an inheritance to heirs.
- Want to control their legacy.
- Are worried about leaving their family with a large tax burden.

Please contact Natalie if you are interested in getting more information on life insurance and how it fits within your overall wealth plan.

KEY DATES

November 3rd - November 7th Natalie Terrace & Smithers

January 8th - January 16th 2015 Natalie holidays

Important RRSP & TFSA Information

2014 RRSP contribution - \$24,270

2015 RRSP deadline - March 2, 2015

2015 TFSA contribution - \$5500

PUMPKIN PIE CHEESECAKE - JUST IN TIME FOR THANKSGIVING



Total Time

5 hr 30 minutes

Prep: 15 minutes

Inactive: 4 hr 15 minutes

Cook: 1hr

Yield: 8 Servings

INGREDIENTS

Crust:

- 1 3/4 cups graham cracker crumbs
- 3 tablespoons light brown sugar
- 1/2 teaspoon ground cinnamon
- 1 stick melted salted butter

Filling:

- 3 (8-ounce) packages cream cheese, at room temperature
- 1 (15-ounce) can pureed pumpkin
- 3 eggs plus 1 egg yolk
- 1/4 cup sour cream
- 1 1/2 cups sugar
- 1/2 teaspoon ground cinnamon
- 1/8 teaspoon fresh ground nutmeg
- 1/8 teaspoon ground cloves
- 2 tablespoons all-purpose flour
- 1 teaspoon vanilla extract

DIRECTIONS:

Preheat oven to 350 degrees F.

For crust:

In medium bowl, combine crumbs, sugar and cinnamon. Add melted butter. Press down flat into a 9-inch springform pan. Set aside.

For filling:

Beat cream cheese until smooth. Add pumpkin puree, eggs, egg yolk, sour cream, sugar and the spices. Add flour and vanilla. Beat together until well combined.

Pour into crust. Spread out evenly and place in oven for 1 hour. Remove from the oven and let sit for 15 minutes. Cover with plastic wrap and refrigerate for 4 hours.



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