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The Krygier Report

An exclusive newsletter from Mark J. Krygier, Vice President & Portfolio Manager | November 2019 www.krygierwealthmanagement.ca

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Estate planning? Forget the trees…

As capital markets continue to digest the latest political and economic news, sometimes (perhaps more often than we think) on a personal level it makes a lot more sense to focus on areas where our actions can actually make an impact. Over the past 18 months, I have had the pleasure of introducing quite a number of our clients to our partners in the RBC DS high-net worth advisory group – in particular to the estate lawyer and the corporate executor trust officer. I have sat in on most of these meetings, and I can honestly say that these discussions are often eye-opening, and likely to make a much more significant impact on the lives of our clients, than does speculating about the direction of short-term interest rates, fluctuations in the Canadian dollar, the latest political polls showing which Democratic Presidential candidate is leading today, or whether Boris Johnson has lost yet another vote of confidence in Britain. In addition, while ignoring one's investments for a short-time (assuming one holds a broadly diversified portfolio) rarely makes a long-term impact on one's wealth, when it comes to estate planning, inaction can be absolutely destructive both to one's family's financial health as well as to the harmony amongst one's family after one's passing.

When I attend the meetings between our clients and the estate planning professionals, I often comment that when I was in law school, the cases we studied in Estate and Trust law were those individuals who either lacked a will (and who therefore died "intestate" with the result that the government decided how to divide their assets) or who had a very poorly drafted will (which resulted in their families spending their time and money in the court system to divide what was left of the assets). In trying to motivate our clients to not only give some thought but to actually move ahead and create a formal estate plan, I will add (with a bit of tongue in cheek), "Don't let yourself be the subject of someone's law studies in 20 or 30 years." Once family battles start brewing and legal challenges begin, the time for advance planning is over, families often breakdown and are no longer on amicable terms, and the loss of wealth due to legal costs can be devastating to the surviving family members. It has been my experience that in some cultures it is almost taboo to discuss writing a will, as it entails contemplating death, but as they say, that and taxes are the only things one cannot avoid. The real question to consider is, when contemplating sitting down to formally develop an estate plan and having a will properly drawn up in accordance with the jurisdiction's laws in which one resides, do YOU want to be the one to determine what happens to your money, or do you want the courts or the government to make those decisions? As a friend of mine commented when discussing a grandparent's division of assets in her will, "it wasn't fair, but it was clear."

Beyond the writing of one's will, in preparing one's estate for distribution after one's passing, it is crucially important to focus first on the main issues (the proverbial "forest") and not get caught up in the small details (the "trees"). For instance, rather than worry about which daughter ought to get your engagement ring, consider who do you want to get your money, how much of it do you want them to get, and when do you want them to receive it? Do all of the intended beneficiaries need to receive the same amount? Do they all have the same needs? Do any of them have special needs that may require additional money being set aside for them, and if so who is going to administer those funds? In what jurisdiction do your beneficiaries reside? Does that jurisdiction tax the value of assets received by way of an estate distribution? Are all of your contemplated beneficiaries the age of majority and legally capable of receiving the assets outright? Are you confident in their ability to handle a lump sum financial windfall that may come from an estate settlement? Who have you appointed to administer the distribution of your assets? Have you considered whether or not they are comfortable and/or competent to face the accounting and legal challenges in doing so? What happens if your beneficiaries predecease you or are involved in a marital breakdown? Who would then get the share of your estate that would otherwise be coming to them? Have you made provisions for minor children in terms of legal guardianship and financial care? Are the people you have appointed, to administer your estate, peers of yours and are therefore just as likely to predecease you as you are to predecease them? Have you named beneficiaries on your registered accounts (RSPs, RIFs, and TFSAs) and life insurance policies? Are those named beneficiaries consistent with those in your will? If not, did you consider the tax implications of leaving your registered accounts to someone other than the beneficiaries of the residue of your estate? Did you take into consideration the taxable impact death can have on an estate value when contemplating the amount that will ultimately be divided?

Bottom line

As much as people joke about spending all their money during their lifetime, for many people that is not likely. The challenge therein lies in ignoring the "muck" of financial information overload to focus on those things that matter most at the end of the day. A gentlemen I knew, who passed away several years ago, went to his spiritual advisor after he was diagnosed with a deadly illness that ultimately took his life, seeking advice. He expected he would be told about the good things he could do with the time he had left or be given direction regarding spiritual healing he should pursue. His clergyman advised him, "Get your financial affairs in order!" Sound advice.

Global benchmarks
As at October 31, 2019 (Canadian $ Returns)

Asset class	YTD	1 year	3 years
S&P/TSX Composite T/R (Canada)	18.1%	13.2%	6.8%
S&P 500 TR - US$	23.2%	14.3%	14.9%
NASDAQ Composite - US$	25.0%	13.5%	16.9%
MSCI Europe Index Price Return	10.1%	7.5%	5.1%
MSCI Emerging Markets	4.1%	9.1%	4.1%
China S.E Shanghai A Price Return	10.8%	11.6%	-3.7%
MSCI World Index Price Return	14.4%	10.5%	9.0%

Asset class	YTD	1 year	3 years
30-year U.S. T-Bond - US$	21.0%	30.7%	5.6%
10-year U.S. T-Bond - US$	11.2%	16.2%	2.8%
Long GOC Bond (2048)	15.4%	24.6%	3.9%
10-year GOC Bond	6.5%	11.8%	1.5%
5-year GOC Bond	3.5%	6.4%	0.8%
3-month CDN T-bill	1.4%	1.7%	1.1%
US$/CDN$ (1.3159)	-3.5%	0.1%	-0.6%

Source: RBC Capital Markets Quantitative Research

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