

*Dr. Patrick O'Brien's*  
**Fall 2021 Client Note**



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*"Our portfolios have layers of protection, just like an onion"*

Dear Clients and Friends:

I hope this note finds you well and happy as the summer ends - and with the change in the weather, there is a change in our office policy. RBC DS has required that all of us be vaccinated and so I look forward to seeing you in our offices (with COVID-19 protocols) once again.

**Unstable Places in the World – Best to Avoid:**

There are many financially unstable places in the world where the financial system is unsafe due to undemocratic systems of law, disregard for property rights, vague accounting standards, and questionable regulation. Recently, some variable system governments have felt threatened by media and e-commerce companies operating inside their borders. Being in a near all powerful position, such governments have instituted new regulations that have significantly clouded the future of these companies resulting in steep losses for shareholders.

What about our portfolios? These regulatory changes abroad have had no effect on us at all, not because we cleverly sold our shares before everyone else, but because we never owned them. This is why, when speaking with new clients and now as a reminder to you as well, that our portfolios are like an onion. Our money is at the center with layers of protection around us. My first layer of protection against a negative result is to stay away from these financially unstable places. The second layer of protection is our appreciation of hard valuable assets such as real estate and hydro dams, again in jurisdictions where the rule of law prevails. A third layer is a preference for companies that send customers a monthly invoice for

necessary daily use items such as electricity and cell phone service which will get paid.

Garden variety downturns in markets are unpredictable, inevitable, but temporary when following this investment philosophy. By staying away from unstable places we eliminate a significant variable. By investing in hard valuable assets, like quality real estate and companies with strong income profiles, we reduce two more sources of variability. Please call me (and now visit!) if you would like to discuss this further.

**Fall Planning Notes: Just as planting a tree 20 years ago was the best time, today is also a good time.**

There is no need to wait to make your 2021 RSP contribution until the deadline on March 1 of 2022. By doing it now, you get the benefit of time on your side – compounding time – which is the 8th wonder of the world according to Einstein. Not so for fully contributed TFSA clients. You will have to wait until you pass “Go” on January 1st before you can put another \$6,000.00 (likely) into your TFSA. If you aren’t fully contributed, then now is a good time.

Two other planning considerations – avoiding probate:

Probate fees are approximately 1.4% in BC and are charged on the value of the assets that are listed in the will when it needs to be verified by the court prior to transferring assets to the beneficiaries. For privately held corporations, a multiple will strategy is potentially a useful method for avoiding probate. By having a second will covering the corporation(s), the will likely won’t need a grant of probate and can be transferred easily to the beneficiaries. That is a saving of \$14,000 per million.

There is another way to reduce expected probate costs, in this case for individuals: older, single people can make their taxable accounts (not RRIFs or TFSAs etc.) joint with only the gift of beneficial survivorship. This account allows the portfolio to flow on passing to the intended beneficiaries without needing probate. This technique has saved some of my clients many thousands of dollars on multimillion dollar investment accounts.

Please reach out to us if we can be of assistance in your investment, financial/estate planning, or insurance.

Sometimes we can help in other ways. Clients do call me about other matters when they think I might be of assistance. I welcome those calls.

I wish you all a wonderful fall season,

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