

Patrick O'Brien's
January 2021 Client Note



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A January dawn burns away the remnants of 2020!

Dear Clients and Friends,

I wish you all a very happy start to 2021. It was a difficult year just past with a pandemic not seen since the flu of 1957/58. That event has faded from our collective memory such that few of my friends who were adults at the time remember it. Hopefully, the current pandemic fades as quickly.

I do not know what 2021 holds for us, but I believe our portfolios are likely to be as resilient as they were in 2020, as my portfolios are much more about preparation than they are about prediction.

I appreciate the motto “Be Prepared” (Boy Scouts devised in 1907) and follow it in portfolio construction. Given that downturns are both unpredictable and inevitable, being prepared allows us to expect short-lived and temporary setbacks against a backdrop of rising profitability greatly in excess of bank interest. Last year was a good example – holding quality companies and sitting tight worked very well - unpleasant at the time, but ultimately effective.

Veterinary medicine, particularly beef cattle vet work, is a great place to learn the value of being prepared and shaped my investment program vicariously. There was a time when I was routinely performing C-sections outdoors in the winter on wild beef cows. They would be restrained in cattle chutes, sometimes of uncertain age and structural integrity, so it was imperative to have a halter on the patient as a backup precaution (I carried an extra one in my truck). Just because one cannot foresee how she could escape mid surgery and take off across the prairie, does not mean it cannot happen. It gives me the willies just thinking about it.

Enough of that, lets discuss a preparation exercise suited for single older folks and their families to sidestep probate...

The Joint Account with the Right of Beneficial Survivorship – a Probate Saver

This is an account structure which allows an older single person to have 100% control, security, and privacy of their accounts, yet avoid probate on their passing.

Background: An official grant of probate is often necessary for an executor to carry out the instructions in the will. Here in BC, it comes at a cost of about 1.4% of the estate assets, which is \$14,000 per million. We are highly motivated therefore, to bypass this expense.

Consider an elderly widow with a \$1 million taxable account and three adult children who she wants to inherit the account on her death. She could use this account structure to pass her investments to the three children on her death without probate. As an aside, the widow may also designate her children as the beneficiaries of her TFSA and RIF which segregates those accounts from probate as well. What about also having the children on the house title you ask? Not generally recommended, and I will write about that in another client note. Please feel free to call and discuss if you would like to know now.

Further points to consider:

- She is not giving up any control and the children have no access or standing on the account and do not automatically receive statements.
- She can change the owners whenever she wants.
- This maneuver does not remove the income tax liability on the gains in the portfolio.
- Creditors of her children, ex. A divorcing spouse, has no access as the beneficiary does not own the account – only the right to inherit.

Please give me a call to discuss this method and the other ways to avoid probate in more detail as you see fit.

Introduction: Brooklyn Nikiforuk

Brooklyn joined us in July of last year after completing her diploma in financial management. She is from Maple Ridge and now lives in Pitt Meadows. Many of you have spoken to her on the phone now and no doubt enjoy her cheery voice. With Cameron MacKenzie looking after his own clientele (yes, he is still here and doing very well), I was in need of a new mentee and assistant. Tanner is moving into that role also leaving Celine in need of help. We are so glad to have Brooklyn and I hope to personally introduce you to her when we are all back in the office.

Happening Now - TFSA and RESP season:

It is January and that means we can lump another \$6,000 into our Tax Free Savings Accounts. Those with children and grandchildren can also make RESP deposits for 2021. Call us if you are unsure about your limits or suitability.

Coming up:

Registered Savings Plan (RSP) contribution deadline for 2020 is March 1st. Please keep my hair from thinning any more by making those contributions well before the deadline. ☺

As always, please reach out to us for assistance on any financial matter that comes your way.

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Brooklyn Nikiforuk, Associate

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