

PATRICK O'BRIEN'S Winter 2017 Client Note



For the clients and friends of
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Client Note January 2017: The Great Zimbabwe

Back in the 13th century a powerful kingdom existed that controlled most of the trade in gold in southern Africa. The chief city was constructed of stone from a granite quarry that was some distance down the trade road. In order to be admitted to the city, an entry fee was required – a set amount of stone from the quarry. A kind of “stone for access” arrangement.

I think we may see this coming back in a new form under Mr. Trump's leadership. He leads the largest economy in the world by size and domiciles most of the world's best technology, farm land, and infrastructure. As in the Great Zimbabwe, Mr. Trump has, and will be, demanding something from the nations and companies of the world for access to the US market. Further, he will cajole/intimidate companies such as car/drug manufacturers to increase their production in the United States. This is what I expect, but I can't tell the future. In fact, I expect to be surprised at the actual course of events when I look back at 2017 in a year's time.

Despite my agnostic stance on 2017, I have confidence that the portfolios will continue to perform well in an uncertain backdrop. People will still need, and pay for electricity and heat in priority to other bills independent of possible changes in international trade relations. Since late 2014, we have had two significant stressors to the portfolios similar to a physical fitness test such as a cardiologist might perform. It is with humble satisfaction that I can report that the tests confirm the robust nature of the underlying investment philosophy.



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Client Education

Part of my service is to bring important planning suggestions to your attention courtesy of the internal estate lawyer, Dana George, who works closely with me. Here are two ideas regarding alternative power of attorney and contingent beneficiaries for registered accounts.

Alternate Power of Attorney:

Most people will have one person as their power of attorney (POA). The POA, in simple terms, is a legal document that allows one person to act for another in financial matters. I suggest you also have an alternate POA. Consider the situation where one spouse is diagnosed with dementia and the other spouse dies suddenly. The assets of the incapacitated spouse are now in limbo. This means the house can't be sold, investment accounts are frozen etc. The legal route around the problem is arduous, time consuming, and expensive requiring court approval. A better plan is to have a son, daughter, or another reliable person listed as an alternate to avoid falling through this financial crack.

Contingent Beneficiaries:

It generally makes sense for spouses to have each other as the beneficiary of registered accounts such as RSPs and Tax Free Savings Accounts (TFSA). When a spouse passes away, these accounts are moved to the survivor spouse without a tax effect. In many cases, but particularly where there is significant money outside of registered accounts to cover the deceased's final tax payment, it may make sense to assign contingent beneficiaries in case spouses pass together. Without contingent beneficiaries, the registered accounts flow through the estate process when they could have gone directly to the beneficiaries. This adds to the cost (probate, legal, accounting) and time for the beneficiaries to receive their funds. As with all financial planning initiatives, be sure to speak to the appropriate professionals before proceeding.

In that vein, please call us or visit whenever you have questions or if we can be of service to you.

Regards,

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