



Summer 2019

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“Learn from yesterday, live for today, hope for tomorrow.
The important thing is not to stop questioning.”

– Albert Einstein

Yesterday, today and tomorrow

Einstein's genius extended beyond science, touching on many important phases of life in general. He believed in a questioning mind being a key to success, and we believe it is also the cornerstone to being a successful investor. Einstein was bold enough to challenge our previous understanding of the universe and changed how we view the world. While we don't believe we are changing the investing world, we certainly use his questioning technique to assess the current investment landscape and be better informed about the immediate investment future.

Learning from yesterday

The last few years have taught us many valuable lessons about the global economy and the stock markets:

1. Full employment in the U.S. does not equal higher inflation. Despite unemployment being at 3.6% and with over one million unfilled jobs, U.S. inflation has stubbornly remained at or below 2%. This is a positive because it means U.S. interest rates have another reason to stay low, since inflation remains under control.
2. Interest rates cannot be forced higher. The U.S. was unsuccessful in trying to raise interest rates. The 10-year U.S. Treasury benchmark now sits at approximately 2%, the lowest level in over a decade. Recent global liquidity and approximately \$13 trillion in negative interest rate debt will ensure interest rates globally stay low for the foreseeable future, which should definitely benefit the stock market.
3. All market sell-offs are temporary. The December and May corrections have been regained and even the financial crisis of 2008 is a fading memory, as markets achieve new record highs. We cannot become complacent, but investing in quality companies and being patient are the key factors in successful investment.
4. The media is a magnifying glass – consume with caution. Things are never as bad, and rarely as good, as the media portrays. Take the facts that are reported and use them, but always take any attached opinion with a grain of salt.
5. Corporate finance is more important than ever. S&P 500 companies have been buying back stock and increasing dividends at a record pace, providing a strong tailwind to the stock market. Another important corporate development since 2008 has been the dramatic reduction of reliance on short-term bank debt. This has greatly improved corporate balance sheets and should serve

Yesterday ...
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to extend the current economic growth cycle. Prior to 2008, if the government wanted to slow down the economy, they simply raised interest rates, forcing companies to pay more interest, and the economy slowed. Now, that direct lever on the economy has been largely removed and the government has less influence.

Living for today

Aside from a weak May, 2019 has been a very good year for investors. Interest rates have fallen and seem poised to move lower. Corporate earnings remain solid, if unspectacular, and the U.S. economy is continuing to grow at 2-2.5% as it has done for the last decade, even with the fears surrounding trade tensions between the U.S. and China.

Our Fixed Income Strategies team has provided us with some further insight into the U.S. consumer, who collectively represents 70% of Gross Domestic Product (GDP) activity and is the key driver of the economy. Following an increase of \$300 billion last year, net private savings in the U.S. reached a near record \$1.8 trillion in the first quarter of 2019, representing 8.7% of GDP, the highest percentage since the late 80s/early 90s and up from 0% prior to 2018. This means the consumer has a lot of flexibility to weather any economic slowdown. These savings were also achieved without cutting spending and without significant inflation. U.S. consumer confidence is also at an 18-year high. All this bodes well for the continued growth of the U.S. economy and stock markets.

Hoping for tomorrow

Everyone worries about the future and the stock market is the biggest worry wart of all. Concerns about tariffs, the U.S./China trade battle and the upcoming U.S. presidential election has caused some purchasing managers to defer discretionary spending and send some caution signals to the market. The inverted U.S. yield curve and a weak oil market have also raised recessionary red flags. Let us question these concerns to inform our view of the future.

The U.S./China trade issue should likely see some sort of resolution by the end of this year because both leaders know it is far too big a global economic priority to remain unresolved for much longer. President Trump certainly needs the political capital such a deal would provide and the sooner he gets it done, the better. President Xi of China cannot afford to wait around either, as major U.S. customers are already looking to move production away from China to avoid U.S. tariffs.

An inverted U.S. yield curve has traditionally signaled a recession is to come within 18-24 months. As was mentioned earlier, the strong link between interest rates and corporate short-term borrowing has largely been disconnected since 2008. The market has priced in four U.S. interest rate cuts by next year and if these come to pass, the yield curve will revert to normal and recession fears should ease. This should also help the Canadian dollar as only one rate cut is predicted for Canada.

As for the oil market, Saudi Arabia-led OPEC has maintained lower output and should continue to do so as the Saudis are once again talking about selling a stake in Saudi Aramco.

They will want the highest oil price possible to get the best value. The production ban on Iran, as well as reduced production from Venezuela, Mexico, and Brazil, will also help. The U.S. is also taking good advantage of the current situation. They are now exporting 3.5 million barrels per day, taking advantage of the higher world price and importing cheaper Canadian oil to meet their own needs, which benefits both countries. We continue to believe that oil prices will rise from current levels as these factors play out over time.

Questions will always remain about the future of investing but as long as we remember to use what we have learned in the past, keep an objective eye on what is happening today and have an informed view of the most likely outcomes for tomorrow, we have the greatest possible opportunity to be successful investors. For now, let us enjoy our successes to date and keep the questions coming.

As always, if you would like to review your investments or financial plan, please give us a call.

Yours truly,

Walter Harmidarow & The Cooper
Wealth Management Team
of RBC Dominion Securities

Acting as an executor

There can be over 70 individual tasks involved, and estates can take years to settle, depending on the complexity.

Did you know?

As an executor ¹, your role is essential to the estate settlement process. Your responsibility is to ensure that your loved one's final wishes are fulfilled as stated in their Will.

While it's an honour, your duties at times can seem endless and complex – ranging from making final arrangements, probating the Will,² managing investments, selling real estate, paying off debts and dealing with beneficiaries.

Five tips if you are named executor

- Assess whether you have the time and resources to perform the duties required. If you don't have the time, knowledge or resources, you may renounce your duties before you get involved in the estate.
- Maintain ongoing communication with all parties involved in the estate. You may have to deal with unhappy beneficiaries about what they will receive and how quickly assets can be distributed.
- Stay organized and be meticulous with your record-keeping. Keep all aspects of the estate separate from your own funds, as you'll need to prepare tax returns and provide an account to beneficiaries.



- You will be held to the highest level of trust and integrity. Always act in the best interests of the beneficiaries. If things go wrong, you can be held personally liable to beneficiaries by the courts.
- Know when to seek professional advice. Assistance from a trust company such as RBC Royal Trust and other professionals can give you peace of mind.

How we can help

If you are an executor and feeling overwhelmed, don't have the time or are unsure how to proceed, we can offer you knowledgeable support through our Agent for Executor services. As an Agent for Executor, we will assume as much or as little of the duties as you require, while you retain the final decision-making authority.

Agent for executor services

We handle some or all of your duties while you ultimately make all the final decisions.

Ideal for individuals who:

- Have been appointed executor and are now required to act
- Need help with certain aspects of their duties
- Find their family situation challenging and need the sensitivity and expertise of an impartial third party
- Lack the time, expertise or desire to administer an estate
- Live outside the city, province or country where the estate is located
- Want to retain final decision-making authority while benefiting from professional expertise

1) In Quebec, "liquidator", in Ontario, "estate trustee with a Will."

2) Probate is not required for notarial Wills in Quebec, and may not be required in other jurisdictions in limited circumstances.

Naming your executor seven common pitfalls and how to avoid them

If asked by a family member or friend to serve as their executor, most of us would consider it an honour. However, it can be a complicated, sometimes overwhelming undertaking.

An executor is often responsible for a long and detailed task list to ensure your last wishes are carried out. To settle even a simple estate, it can take about 18 months. Your executor must complete numerous tasks and duties, including:

- Finding and, if necessary, probating the Will
- Protecting, selling or distributing assets
- Reviewing insurance and pension benefits
- Paying outstanding debts and taxes
- Preparing a final accounting for the beneficiaries of the estate

That's why it's important to carefully consider your choice as executor. Following are seven issues you should be aware of when naming your executor:

1. Not considering your executor's age and health

Many people choose someone close to their own age to act as their executor, such as their spouse, a sibling or a close friend. That may be fine when everyone is younger and in good health. However, when the time comes to act, the person you have named may no longer be up to the task due to their age or health. It's also possible that they will predecease you. Make sure you review your choice of executor as time goes on, and consider naming someone from the next generation.

2. Overlooking family conflict

Let's face it, family can be complicated. That's why it's important to select an executor who is able to manage potential family discord and balance conflicting interests. To help your executor, consider talking with your beneficiaries in advance, so they clearly understand your final wishes and the reasons for your decisions.

3. Selecting someone too busy

It can take one to two years to settle a basic estate, and longer if you have a more complex estate. If you are establishing trusts in your Will, your executor's responsibilities could stretch into many years or even decades. This can be challenging for your executor if they have a busy life, so think about naming someone who will likely have the time to carry out their duties, or arranging professional assistance to help them.

4. Choosing someone too far away

Your executor will be responsible for many tasks that are much easier to do if they are closer to where you live.

5. Naming an expat executor

When a non-resident of Canada acts as the sole executor of a Canadian estate, the estate may be considered a non-

resident of Canada. This could result in the loss of tax advantages enjoyed by Canadian-resident estates.

6. Putting honour before duty

You may feel like you have to name someone in particular as your executor – someone who may “expect” the honour. However, your executor will have duties that require a certain level of technical expertise, such as filing tax returns. What's more, your executor could potentially face personal legal liability if they don't properly carry out their duties. As a result, you should carefully consider your executor's level of expertise.

7. Not getting professional assistance when you need it

Ultimately, you may find it difficult to find someone ideally qualified to act as your executor. Avoid naming someone just because you have to name someone. Give some thought to either hiring a professional to act as your executor, or to support your executor in carrying out their duties.

For information about choosing an executor, please contact us.

Please contact us

For assistance in planning or acting on any of the ideas shared in this article, please reach out to us and we will have our team arrange a meeting to discuss how we can best serve your family's needs. Once again, thank you for your support and we look forward to serving your future investment needs at Cooper Wealth Management of RBC Dominion Securities.