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A PERSONAL NOTE:

Autumn — the season of change — is here again. Work is back in full pace, kids are back to school and we are in another federal election year. We have also seen volatility in the equity markets. As investors, we should remember that it plays a common role in the markets. After many years of market advances, temporary periods of volatility may provide an opportunity to put capital to work and continue building portfolios for the future.

It is also the Thanksgiving season. As we focus on the many things to be grateful for, we would like to take this opportunity to thank you for your confidence in our services. To those of you who have been kind enough to introduce us to friends and family, we appreciate this compliment. Thank you.

With the changing seasons, we send our best for the cooler days ahead. Let us know how we can be of assistance.

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NO SHORTCUTS TO SUCCESS

If you've ever driven behind a courier delivery truck, you may have noticed that it rarely makes a left-hand turn. In fact, left-hand turns are frowned upon by some courier company management teams. A no-left-turn policy means that a truck may not always take the most direct route to its destination. Yet, this approach can improve efficiency and reduce fuel usage.

At first, this strategy may appear counterintuitive. How can taking a longer route save time and fuel? In fact, when one of the leading global courier companies started using routing software over 10 years ago, many drivers felt it extended their trips. However, keep in mind that left turns involve going against the flow of oncoming vehicles, often with traffic build-up. Avoiding them improved efficiency, reduced overall miles travelled and saved millions of gallons of gas and carbon dioxide emissions![1]

This philosophy delivers a good message for investors — and perhaps one to remember the next time you want to switch lanes when stuck in traffic: sometimes the most effective solution doesn't involve taking the shortest route.

It's natural to want to get to our destination as quickly as possible. However, in investing, much of an investor's success can come from being committed over the long term. Time and the power of compounding can be powerful tools. Consider that more than 99% of Warren Buffett's fortune was accumulated after his 50th birthday.[2] While it is possible to achieve good results in years, significant results are usually measured over many decades.

RED LIGHT, GREEN LIGHT

Where are the equity markets and the economy headed? The current economic cycle is not one that has been left to run by itself. It has been strongly supported by the actions of central banks. While the Bank of Canada continued to hold interest rates steady in 2019 (at press time), the U.S. Federal Reserve lowered rates at the end of July for the first time in over a decade, citing concerns over a slowing global economy, ongoing trade tensions and lower inflation. Other central banks followed around the world. In some parts of Europe and in Japan, negative interest rates, in which financial institutions must pay to deposit funds with the central bank to discourage the stockpiling of cash, continue to be used to help stimulate economies.

Will this help to keep a recession at bay? This expansion has now been the longest in history. But the constant anticipation of a downturn has created a paradoxical environment: the higher the market climbs, the more the unease. Yet, let's not forget that Australia's most recent expansion has lasted 27 years!

At the same time, the economic cycle is inevitable so as investors we should also expect bumps along the way. The ability to stay focused throughout the investing journey is often one of the key determinants of longer-term success. Courier delivery vans don't always take the shortest routes, and neither should you with your investing. Be patient, have confidence in your plan, and remember that we are here to support you.

1. https://www.cnn.com/2017/02/16/world/ups-trucks-no-left-turns/index.html; 2. On Aug. 1, 1980, shares of Berkshire Hathaway (BRK-A) closed at $340; as of Aug. 1, 2019 they closed at $303,660.

CONVERTING YOUR RRSP TO A RRIF: PLAN AHEAD

Before we know it, the end of the year will be here. For individuals who have turned, or may be turning, 71 years old in 2019, remember that funds in your Registered Retirement Savings Plan (RRSP) must be withdrawn, transferred to a Registered Retirement Income Fund (RRIF) or used to purchase an annuity by the end of the year. If you choose to convert to a RRIF, you will be subject to the RRIF minimum income withdrawal rules starting in the year after you open the RRIF.

The decision to convert your RRSP to a RRIF should be part of a larger retirement income strategy. There are many moving parts that may impact the conversion, including the following:

Tax planning — RRIF withdrawals are included in annual taxable income. The required minimum withdrawal is based on a set percentage of the RRIF value at the start of the year (the percentage gradually increases each year, up to age 95).

Preserving income-tested benefits — Preserving income-tested benefits like Old Age Security (OAS) may be one of the components of your retirement income strategy. This may involve using tactics to reduce required minimum RRIF withdrawal amounts. By taking larger withdrawals from the RRIF in certain years, or from the RRSP before you convert it to a RRIF, you may be able to reduce the opening asset balance and, therefore, the minimum withdrawal in a future year. This may require planning ahead. Your decision on when you plan to start OAS benefits — as early as age 65 or as late as age 70 — may affect the amounts you wish to withdraw from your RRIF.

Pension income tax credit — If you are 65 years of age or older and do not have income that qualifies for the pension income tax credit, you can open a RRIF and do a (partial) conversion prior to age 71 in order to be eligible to receive the federal, non-refundable tax credit on the first $2,000 of pension income. Provincial credits may also apply.

Income splitting — If you have a spouse (common-law partner) in a lower marginal tax bracket, there may be an opportunity to lower your overall household tax bill. You can notionally split up to 50% of eligible pension income with a spouse on your tax return, which includes your RRIF income once you turn age 65.

Planning with a younger spouse/partner — When setting up your RRIF and before you have received any payments, if you have a younger spouse (or common-law partner), you may be able to use your spouse's age as the basis for withdrawal calculations, which can result in a lower minimum withdrawal rate.

Tax-deferred growth — Don't forget that keeping funds in a RRIF allows you to take advantage of tax-deferred growth. If you decide to withdraw funds and do not need funds immediately, consider depositing assets into a Tax-Free Savings Account (TFSA) should contribution room exist, to allow assets to grow on a tax-free basis.

Given the many considerations when converting an RRSP to a RRIF, it is recommended to plan ahead as you consider your overall retirement income strategy. If you need help with this, or any other retirement planning matters, please get in touch.

This article is intended to provide general information only and should not be construed as specific tax or legal advice. Consult legal and tax advisors to understand the implications for your situation.

THE INVERTED YIELD CURVE: WHAT DOES IT MEAN?

Those of us who follow the markets on a regular basis have been hearing much discussion about the inverted yield curve. While the yield curve first inverted earlier this year in March,[1] by the summer it was particularly pronounced. Many economists believe that an inversion is one of the indicators of an impending recession.

WHAT IS AN INVERTED YIELD CURVE?

A yield curve is a graph that plots the interest rates of similar bonds that have differing maturity dates. Normally, yields for longer-term bonds are higher than short-term bonds because bondholders are traditionally rewarded for longer holding periods with higher interest rates. An inverted yield curve does the opposite: a short-term bondholder is compensated more than a long-term bondholder. One year ago, the yield on 10-year government bonds was 0.91%, or 91 basis points, above the rate for 3-month treasury bills. In August, the yield was 0.4%, or 40 basis points, *below* the T-bill rate (see chart).

IS A RECESSION IN SIGHT?

There's an old joke that says that the markets predicted nine of the last five recessions. The point is that predictions can be overly pessimistic.

Select Yields for Canadian Bonds: 2019 versus 2018[2]

BOND	AUGUST 2018	AUGUST 2019
10-Year Gov't Bond	2.36%	1.24%
3-Month T-Bill	1.45%	1.64%
Difference	**0.91%**	**-0.40%**

As long as we have a business cycle, every recession prediction will eventually be correct, just the timing is usually wrong.

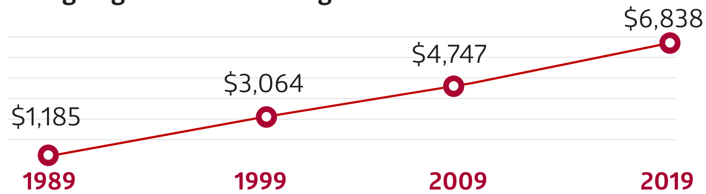
Will the economy slow to recession? These are unprecedented times. Never before have interest rates been held at low levels for extended periods. There continue to be bright spots for the Canadian economy: many businesses have posted solid earnings growth, employment remains at historical highs and the housing market continues to be stable. Over the summer, GDP growth exceeded expectations and there was an unexpected trade surplus. However, trade tensions and growing global indebtedness continue to be threats and it will be interesting to see how they affect economic growth going forward.

1. bnnbloomberg.ca/canada-s-inverted-yield-curve-signals-holding-pattern-for-poloz-1.1234160; 2. https://www.bankofcanada.ca/rates on August 1, 2018 and August 8, 2019.

BACK TO SCHOOL: FUNDING A GRANDCHILD'S EDUCATION

Youngsters looking to get a university degree these days will pay, on average, 477% more than 30 years ago. So, it's not surprising that one-third of students are graduating with student debt of at least $10,000.[1] But this pales in comparison to the U.S., where the average student debt is over $50,000 (US $38,390). In fact, an estimated $1.5 trillion of U.S. student loan debt remains outstanding, more than total U.S. credit card debt outstanding![2] Of course, one reason is because tuition in the U.S. is higher: if you're lucky enough to get into Harvard, annual undergraduate tuition costs a whopping $64,000 (US $47,730).[3] At home, average annual Canadian tuition is around $6,800.

Rising Avg. Canadian Undergraduate Tuition Cost: 30 Years[4]



Should I open an RESP for a grandchild?

With the rising cost of education, we are often asked about ways to help fund a grandchild's education. As a grandparent, you are able to open a Registered Education Savings Plan (RESP) and name a grandchild as the beneficiary. An RESP is a great way to grow funds on a tax-deferred basis and potentially obtain the Canada Education Savings Grant (CESG), which can total up to $7,200 in a beneficiary's lifetime.

However, it's important to exercise caution for two reasons. First, if multiple RESPs exist for the same beneficiary, total contributions need to be monitored so they don't exceed the maximum of $50,000 per beneficiary, as penalties will apply. CESGs are based on total contributions to all RESPs for a beneficiary in a given year. Second, if the beneficiary doesn't pursue post-secondary education, under certain circumstances RESP income and growth may be transferred to the RESP contributor's Registered Retirement Savings Plan (RRSP). However, grandparents beyond age 71 cannot transfer funds to an RRSP. Taxes and penalty taxes would generally apply to earnings paid to the subscriber. So it may be better to gift funds to parents to make an RESP contribution.

Are there other funding alternatives?

Setting up a formal trust may be one alternative solution. There are no contribution limits, but unlike an RESP there are no tax deferral or CESG benefits. If set up and administered correctly, it may be possible to have earnings on trust assets taxed in the hands of a beneficiary of the trust, which may be beneficial if (s)he has a lower tax rate. However, once funds have been paid to the beneficiary, they can be used for any purpose, not just education.

To discuss more about these or other options, please call the office.

1. financialplanningforcanadians.ca/financial-planning/student-debt-survey; 2. forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#1a1b637b133f; 3. Harvard University; 4. Statistics Canada, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710000301

FIVE WAYS TO "MARIE KONDO" YOUR FINANCIAL LIFE

A simplified life can bring much joy. This is one of the messages that organizational consultant Marie Kondo has used to transform lives through her art of decluttering. Chances are you may know someone who has been inspired by Kondo to reorganize their closet. As it turns out, the practices of simplification and decluttering may benefit other areas of our lives including the administration of our day-to-day finances. Here are five ideas:

1. Consolidate accounts — Consider the potential benefits of consolidating multiple bank or investment accounts where possible, which may facilitate better asset allocation and easier administration or help to prevent accounts from being forgotten over time.

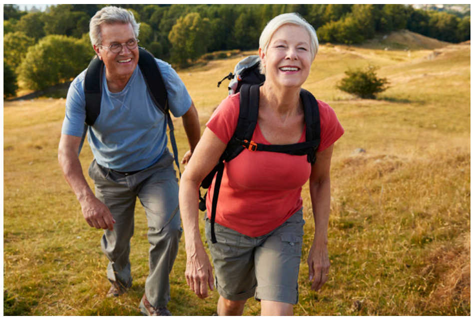
2. Maintain a simple organizing system — Paper clutter has evolved into electronic clutter. If you haven't already done so, set up a filing system for digital documents. A good system should achieve three goals for your documents: i) easy to file, ii) easy to find; and iii) consistency in naming conventions (e.g., "Account_YY_MM_DD"). If documents are organized first by year and then by category, they can easily be archived. Get into the habit of filing electronic documents shortly after they are received and checked for accuracy.

3. Purge — Purge older and unnecessary paper documents on a regular basis by shredding them to prevent identity theft. Keep tax-related documents in the event of an audit, generally six years from the end of the last taxation year to which the documents relate. Similarly, purge or archive older digital files to free up disk space.

4. Organize the way you transact — Be systematic about the way you make payments. Automate where possible to help avoid late payments. Coordinate payment dates to prevent missed payments: you can request a change in credit card payment due dates to harmonize across different cards. Consider dedicating credit cards to different types of purchases, such as one solely for online shopping. This can help to simplify cancellations in the event a card is compromised due to fraud.

5. Handle email more efficiently — Most people receive hundreds of emails per week (or day!) and it isn't uncommon for important emails to be missed. Minimize the clutter in your inbox. Unsubscribe to marketing emails that you don't read. Set up email filters to automatically filter out marketing material to read at a later time or less important emails that you may be copied on. Consider having an email account dedicated to finances that is separate from one used to communicate with friends and family. This may help to free up a personal inbox and improve security.

IN THE PURSUIT OF HAPPINESS



This past spring, Magic Johnson stunned the basketball world by stepping down from his role as President of the Los Angeles Lakers. While fighting back tears, he announced his resignation, stating that he wanted to go back to being who he was before taking on the job. It might seem absurd to some — how could anyone earning millions of dollars, along with the title and prestige of running the organization that made him a star, not be satisfied or happy?

It is a question that researchers continue to investigate: what drives our happiness?

Despite the oft-repeated adage suggesting otherwise, there is indeed an intrinsic link between money and happiness, but the research might surprise you. Will you be happier if you make $1,000,000 instead of $100,000? Research would argue: not really. However, studies have suggested that there is a measurable amount of money at which point happiness "maxes out", but it may be quite a bit lower than you think. In 2010, Nobel Prize winning behavioural economist Daniel Kahneman suggested that the magic number was around US$75,000 of annual income. Beyond this amount, people didn't report any greater degree of happiness.[1]

Another study published this year in the Harvard Business Review showed that after achieving a certain level of income, "time affluence" — having enough time to do the things you want — has become the new secret to happiness. Today, people who are willing to give up earning more money in favour of regaining time reported higher rates of general life satisfaction.[2]

Of course, it is our job as wealth managers to help improve your financial position. We also hope to free up time that would otherwise be spent managing your finances to give you the freedom to pursue your happiness. But this extends beyond managing your investments, and here are some questions we ask to uncover additional areas in which we can provide support for you or your family:

Family — Are you planning on helping family members, such as a student pursuing post-secondary education or a (grand)child purchasing a home? How will you support parents as they age? Will you need to protect your assets for your family?

Work — Have you planned for unexpected changes to employment? How will illness or disability affect your needs? Do you need to finance a small business and how can it grow?

Lifestyle — How will you protect yourself and your family in the event of unexpected illness? How do you envision your retirement? Have you planned for extended longevity?

Legacy — How will you be remembered? Do you wish to give back through charitable donations? How will you transfer your wealth in a way that is fair to those you leave behind?

As you think about your own wealth and financial plan, perhaps there are areas where we can further assist.

At the end of the day, money isn't everything — the Beatles would remind you it can't buy you love, after all! But, having "enough" money can enable you to define what happiness means to you. And we look forward to continuing to support you along the journey in your pursuit of happiness.

1. https://www.pnas.org/content/107/38/16489; 2. https://hbr.org/cover-story/2019/01/time-for-happiness

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