CI ASSANTE WEALTH MANAGEMENT

WELL-ADVISED

SPRING 2022

CONCERNED ABOUT INFLATION?

Recently, Canada's inflation rate climbed to a 30-year high. While that affects our cost of living with goods and services getting pricier, rising inflation also impacts our investments. The good news is that inflation is already one of the potential investment risks that money managers and advisors monitor and respond to, as needed.

IMPACT ON INVESTMENTS

Generally, an inflationary environment affects fixed-income investments more than equities. Rising inflation that leads to increased interest rates can negatively impact bond yields, particularly longer-term bonds. So, money managers will often move toward shorter-term bonds to manage risk. Conservative investors who focus heavily on fixed income may require portfolio changes or increased savings to keep their financial objectives on track.

In equities, certain sectors typically perform well when inflation is higher, which may include energy, financial services and commodities. These sectors could be overweighted by money managers or may already be held in a fully diversified portfolio.

KEEPING YOUR WEALTH PLAN ON TRACK

When we project how much you need for retirement and help you determine when you can retire, we account for an inflationary impact. One element of the calculation typically involves an estimate of your required annual retirement income. That estimate begins with an amount in today's dollars, which we convert to a higher amount based on the number of years to retirement and an annual assumed inflation rate. Your financial objective is always based on the dollar's purchasing power at the time you need it. We can run different inflation rates and discuss building an inflation cushion to protect against a higher-than-expected rate.

Economists are divided as to whether higher inflation will be temporary or ongoing. However long it lasts, connect with us to discuss how your wealth plan is positioned to manage the impact of inflation. ■

DEAN FALKENBERG
Financial Advisor

ASSANTE FINANCIAL MANAGEMENT LTD.
DEAN FALKENBERG CORPORATE LIFE INSURANCE AND ESTATE SERVICES LTD.
#2-11116 100 Avenue
Fort St John, BC, V1J 1Z8
Tel: 250-785-9603
Toll Free: 1-877-461-5140
Email: dfalkenberg@assante.com

Expecting a tax refund?

When a tax refund arrives, many people get the urge to splurge. But it's important to remember that this isn't really free money. The government is giving you back your own hard-earned dollars that it's been holding as tax – and you can turn those dollars into a financial gain in a variety of ways. Pay off credit card debt. Add to your emergency fund – or get one started. Apply the funds to education savings, retirement savings or another financial goal. And if you absolutely must treat yourself, what about doing both? Buy the espresso machine and invest the rest.

IS CRYPTOCURRENCY FOR INVESTORS OR SPECULATORS?

Can you name three things you can pay for with cryptocurrency in Canada? If you're like most Canadians, you're probably struggling for an answer, and this illustrates what makes cryptocurrency so unusual. Without fulfilling its purpose as a viable currency, it has become a worldwide investment phenomenon.

If you want to know three things cryptocurrency can pay for, here are some examples. You can use Bitcoin to pay for a bed or mattress at a store in Winnipeg, to buy a car from a Quebec dealership or pay property tax in Ontario.

HOW WE GOT HERE

It all began in 2008 when Satoshi Nakamoto shared a document that introduced the concept of Bitcoin to the world. While the document went into detail, it included one sentence that clearly summed up the operation: "A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution." Interestingly, Satoshi Nakamoto may or may not exist and is widely suspected to be a pseudonym for one or more inventors.

The technology behind Bitcoin, known as blockchain, is largely open source. This made it easier for inspired software developers and entrepreneurs to launch their own cryptocurrencies. Today, there are thousands of cryptocurrencies in the market, referred to as altcoins – the term for any cryptocurrency that's not Bitcoin.

Rated by market capitalization, Bitcoin is the world's largest cryptocurrency. The second is Ethereum. Other popular altcoins include Cardano Dogecoin, Binance Coin, Tether and Ripple. The top 10 account for the majority of global cryptocurrency assets.

RISKS AND OPPORTUNITIES

Let's say that an investor bought $10,000 worth of Bitcoin on January 1, 2020. By the end of the year, their investment would have been worth over $30,000. Now, let's say another investor purchased $10,000 of Bitcoin in mid-April of 2021. Three months later, their investment would have been worth about $5,000. It's evident here that the story of cryptocurrency performance has been a wild ride.

So, is cryptocurrency for investors or speculators? The simple answer is that it may be purchased by both parties. Many speculators aim to take advantage of the extreme volatility through buying the dips and taking profits after a rebound – an aggressive market-timing approach. A speculator could also take a chance on a lesser-known cryptocurrency with the hope that it skyrockets or becomes mainstream. Some more traditional investors, perhaps saving for retirement, may choose cryptocurrency to buy and hold if they believe in its long-term growth potential. In this case, cryptocurrency would represent only a small percentage of their portfolio, and they would need the risk tolerance to withstand volatility that has been extreme in the past. It's not an asset class for every investor.

Anyone who does decide to acquire cryptocurrency has a few choices for buying or investing. In Canada, a variety of cryptocurrencies can be bought directly through an online cryptocurrency exchange or trading platform. To purchase Bitcoin, there's also the option to use a Bitcoin ATM. Another avenue is to invest through a cryptocurrency mutual fund or exchange-traded fund.

It's important to ensure that choosing this asset class suits an investor's financial objective and risk tolerance – and isn't only a reaction to a fear of missing out. Get in touch if you would like to learn more about cryptocurrency as a potential investment. ■

WHAT IS A BLOCKCHAIN?

Simply put, a blockchain is a digital record book that keeps track of cryptocurrency transactions. One block contains a group of transactions made within a one-time period. Each block is chained to the block before and the one after.

Security is a key feature of this technology. A sophisticated system involving thousands of computers around the world verifies the information and authenticity of each transaction. As part of this security, you remain anonymous. When you make a transaction, all the details are recorded, such as the payer, payee and the amount transferred. However, you're only identified by your cryptocurrency address, which is a series of alphanumeric characters.

Blockchain is decentralized, which means that no single person, group or entity has control. It's a shared system that can be used and viewed by anyone.

Although blockchain is currently recognized as the technology behind cryptocurrency, it can potentially be used for a wide variety of applications to process, record and track assets or transactions, publicly or privately.

WHAT TO DO WHEN RETIREMENT APPROACHES

When retirement arrives, you want to enjoy this new chapter in your life – not start off with a multitude of financial decisions and to-dos. You can have comfort instead of chores by taking care of a few financial matters as retirement is approaching.

ASSESS INSURANCE NEEDS

When your working years end and you no longer receive group benefits from your employer, you may want a private health insurance plan to cover dental, vision and other health services. It's a good idea to review the available choices in the marketplace and decide if you want to take this route or cover health expenses on your own.

You may also want to consider permanent life insurance, which can meet a variety of estate planning needs. For example, proceeds could offset the tax payable on estate assets or equalize inheritances among children if just one child takes over the family business or receives the vacation property. Purchasing life insurance at a younger age secures lower premiums.

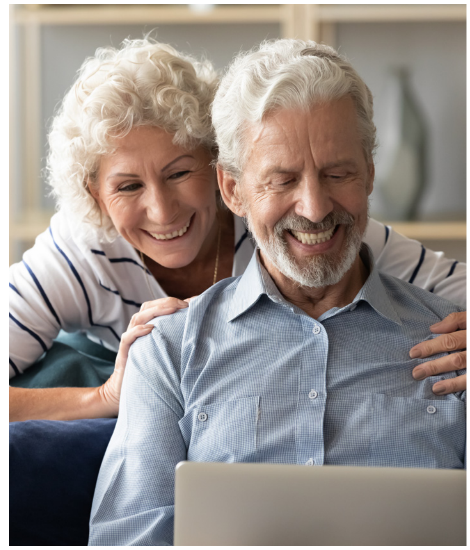
CONSIDER WHEN TO START GOVERNMENT BENEFITS

Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) and Old Age Security (OAS) benefits can potentially begin before or immediately upon retirement, so you'll want to consider your start date sooner rather than later. You can choose to collect a lesser monthly CPP or QPP benefit as early as age 60 or a greater benefit as late as 70. OAS benefits normally begin at 65, but you can defer benefits up until 70, resulting in a 36% increase.

Many factors go into the decision of when to begin receiving benefits, including your health, retirement date, tax situation and retirement income strategy. Please feel free to contact us for assistance when deciding on your CPP or QPP and OAS start dates.

ADJUST YOUR PORTFOLIO

If you're fortunate, the markets will perform well or at least hold their own during the years before you retire. However, you need to prepare for the possibility of a significant



market downturn – one that could drag down your portfolio value and jeopardize your retirement date. Typically, that means reducing your equities to reduce risk and increasing your fixed-income investments for protection. Such changes must be done carefully nowadays, since traditional fixed-income vehicles don't provide the solid earnings they once offered, and the investment growth of equities is needed to fund a retirement that may last 25 years, 30 years or longer.

The proper balance is customized for each investor and depends on several factors, including risk tolerance, retirement income sources, liquid net worth and your spouse's financial situation. Also, various investment strategies and solutions are available to prepare for drawing retirement income. For example, some investors are well served by establishing a cash reserve designed to fund the initial year or years of retirement. In the event of a market correction, this solution helps to allow more time for markets to recover.

MANAGE DEBT AND EXPENSES

It's more manageable to pay off debt when earning income than to pay it off while drawing income. Paying off any credit card debt or other high-interest debt is like saving every dollar you would have paid in interest. Also, home repairs and renovations may be easier to handle financially now, compared to budgeting for those expenses during retirement.

Please get in touch if you would like to discuss wealth planning measures in the years leading up to retirement. ■

ADVANCING OR DEFERRING CPP/QPP

For 2022, the maximum monthly CPP or QPP amount is $1,253.59 if you start at age 65, though the average is significantly lower.[1] This table uses a $1,000 monthly benefit at age 65 to illustrate the effect of advancing or deferring the benefit.

CPP/QPP INCOME		
AGE BENEFITS BEGIN	MONTHLY AMOUNT	ANNUAL AMOUNT
60	$640	$7,680
61	$712	$8,544
62	$784	$9,408
63	$856	$10,272
64	$928	$11,136
65	$1,000	$12,000
66	$1,084	$13,008
67	$1,168	$14,016
68	$1,252	$15,024
69	$1,336	$16,032
70	$1,420	$17,040

[1] The amount of your CPP or QPP retirement pension is based on several factors, including your average earnings throughout your working life and the amount and length of time you contributed to the plan.

SINGLE? ESTATE PLANNING IS STILL IMPORTANT

It's natural to think that estate planning for a single person would be less involved than for someone who's married with children. But that's not necessarily the case. Many estate planning measures that are made automatically by a married individual, such as leaving estate assets to their spouse, require more time and thought for a single person.

CHOOSING AN EXECUTOR

Depending on the province, an executor who administers an estate may be called a personal representative, liquidator or estate trustee. It's very common to name a spouse or adult child as executor, which makes things different if you're single and don't have children. Many singles name a sibling or friend who's willing and capable. If you don't have a suitable friend or relative, another option is naming a professional executor, such as a lawyer, accountant or trust company.

NAMING BENEFICIARIES

If you're single, who gets your estate assets? Some people base the beneficiary decision on who they feel closest to, others on who needs it most. Beneficiaries might be one or more close friends, a charity, siblings, nieces, nephews or other relatives – or a combination.

If you name a friend or relative as the beneficiary of your Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF), assets can't be rolled over or transferred to their registered plan as is the case with a spouse. Your beneficiary receives the value of your RRSP or RRIF, and your estate pays the plan's tax liability. It's the same when naming a friend or relative as the beneficiary of a Tax-Free Savings Account (TFSA). Your assets can't be transferred to their TFSA – though they may choose to contribute some funds to their TFSA if they have contribution room.

IDENTIFYING YOUR POWERS OF ATTORNEY

You should have powers of attorney documents in place in case you ever suffer a serious medical condition or cognitive impairment that leaves you unable to manage your financial or health needs. A power of attorney for property, or protection mandate in Quebec, appoints a person to take over your financial affairs. A power of attorney for personal care appoints an individual to look after your health care, and is known in some provinces as a personal directive, health care directive or representation agreement.

When it comes to preparing a power of attorney, once again a common appointee is either the spouse or an adult child. But the single person's task can be made easier in a couple of ways. You might be able to find one person to appoint for both powers of attorney. In some cases, the person you name as executor might also be suitable to take on the responsibilities of a power of attorney for property or personal care, or both.

This information covers singles without children. If you're a single parent, contact us to discuss additional estate planning issues and options. ■

TIME FOR A VACATION PROPERTY CHAT?

If you plan on passing down your cottage, cabin or chalet to your children, make sure they actually want to own the property. Finding out where everyone stands will prevent family conflicts down the road and help you with tax and estate planning.

GAUGE YOUR CHILDREN'S INTEREST

When you ask your child or children about eventually taking over the property, you may not get an answer right away. Depending on their age and life situation, they may need months or even years to reach a decision. Make sure they're considering the responsibilities of ownership and not only the enjoyment of roasting marshmallows over the campfire, lounging on the deck and boating on the lake. Are they prepared for the hours they'll spend on maintenance and upkeep? Do they understand the financial commitment of property tax, utilities, insurance and repairs?

If you have two or more children, you'll need a plan in case one child wants the property and another does not. Does one child prefer cash or other assets, if available? Will one child buy out the other's interest?

MAINTAIN OPEN COMMUNICATION

Even if a child says they want the property, ask them to keep you informed if that wish changes. They may consider moving out of province. Their spouse may have other ideas for getaways and vacations. Or your child may no longer want the responsibilities of owning a vacation property.

It's a good idea to keep us informed, too. Your children's decisions can affect your estate plans, tax strategies and retirement planning. ■
