

The Francis Forum

Spring Edition 2021

One Year Later, What Now?

It's been one year since the COVID-19 pandemic has altered our world. Pat yourselves on the back, take the time to give yourself recognition for all of the obstacles that have been thrown your way and how you were resilient and able to adapt. A bit more than a year ago, we never would have known all of the physical, mental, emotional, and social tolls that this virus would have on lives. Now, let's gain some insights into the ways in which we have adapted and incorporated them into our everyday lives.

Ways to Stay Connected

In our virtual world, it's all about finding ways to stay connected with your loved ones and your colleagues. Some of the notable platforms that people have embraced this past year are Zoom, Google Meet, Skype, and Facetime. No matter your preference of platform, these have become valuable tools when reaching out and checking up on your pals. Now more than ever, virtual communication is an undeniable asset both within the professional and personal landscape. To keep busy, many have found online activities to keep the friendly competition going, even if it is at a distance. For your next virtual game night, perhaps code names, trivia, or scrabble might pique your interest.

There is no doubt that this past year we have recognized the power of communication and the importance of reaching out to your loved ones. Between chatting and playing online games, it is important to remind yourself that it is okay to not be okay and to seek help whenever you need it. Reach out to your Employee Assistance

Support Small Businesses

Small businesses have unfortunately suffered immense losses this year due to public health regulations and stay at home orders. This reinforces the need to support local, and thankfully, there is more than one way to do so. In addition to the local food businesses, reach out to your local clothing store, cosmetic store, bookstore and just about any of your favorite shops. If you know that you'll be going to your favorite store when the pandemic subsides, buy a gift card. A gift card is a timeless gift, and it gives you a reason to go back and shop. Another great way to support local without leaving your house (a win-win) is to write a review about the business. Not only will this help businesses, but it might encourage others to support them. Something you always need to remember is that the store owners and their employees are community members, and they deserve to be supported.

INSIDE THIS ISSUE

1. One Year Later - What Now?
2. Around the Branch
3. Who Needs a Cash Wedge!
4. Estate Planning for Special Needs Families
6. Quantitative Easing – What is it and how does it Work?
7. Hardest Home Workout Moves
8. Upcoming Activities

Duane Francis CFP, CIM, CPCA
FCSI, CIWM
Portfolio Manager/Senior Financial
Advisor
Life Insurance Advisor

Capital Wealth Partners/Mandeville
Private Client Inc.
1565 Carling Avenue, Suite 610
Ottawa, ON K1Z 8R1
Telephone: (613) 728-0101
Fax: (613) 728-4075
Email: dfrancis@mandevillepc.com

Natalie Nunn
Executive Assistant
Telephone: (613) 728-0101 ext. 221
Email: nunn@mandevillepc.com



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Save! Save! Save!

Have you found that your spending decreased this year? Without daily coffee runs, after work drinks with coworkers, and an OC Transpo pass, this provides a great opportunity to save money. Maybe we've spent a little more on hand sanitizer or masks than we probably ever would, but if it keeps us safe - it's worth every penny. This does not apply to everyone, but if you have some disposable income available, put it aside. If you've always dreamed of owning that car, paying off your mortgage, saving for retirement, or sending your kids to school - this is your chance to save for milestone expenses.

This has been a hectic, challenging, and transformational year for sure, but hey, we did it! With the vaccines rolling out slowly but surely, this gives us a glimpse of hope for the future, a world where we can be in the same room as our loved ones and squeeze them for a year-long hug. Keep smiling under your mask, wash your hands and keep your head up to tackle the upcoming year.

Written by Catherine Hansen in conjunction with Duane Francis, Portfolio Manager, CFP, CIM, CPCA, FCSI, CIWM

Around the Branch

We are excited about Natalie Nunn's upcoming marriage on May 8th. Originally planned for late April 2020, both Natalie and fiancé Corey have had to delay this event several times due to changing COVID 19 restrictions. Regardless of the order of the day on May 8th, 2021, their marriage will take place at Notre Dame Basilica on Sussex Drive. Immediate family including proud mother Janet Nunn will be able to attend....and perhaps even some close friends. Join us in congratulating Natalie and wishing them a great future together when you are next speaking with her.

Tax preparation is considered "essential" and we are open to handle the drop off of tax papers along with the preparation and processing of client 2020 tax returns. Please contact the branch for assistance. A team member will meet you at the building entrance to retrieve your papers and the signed Letter of Engagement....and provide you with your complimentary 500ml bottle of delicious Highlands Maple Syrup to sweeten the process for our tax clients.

Lastly, we continue to grow! We are pleased to also announce a new advisory team with a number of years experience is joining us here at Mandeville Private Client/Capital Wealth Partners on or about June 1st.



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Who Needs a Cash Wedge!

When preparing for an income stream at time of converting your Registered Retirement Savings Plan to a Registered Retirement Income Fund (RRIF) or taking a systematic income from a non-registered investment account, having a cash or income wedge is very important. What is a cash wedge? Well, it is not related to the game of golf, however it can definitely improve the sustainability of your income stream. This is because, when looking at any sustainable income stream from an investment portfolio, the *sequence* of returns is very important.

If you analyze two balanced investment funds and both have a 7% average rate of return over a 20-year time frame, this is just fine in the accumulation stage (while saving) even if the sequence of returns differs. However, in the income stage, when you are redeeming shares and the early years are punctuated with losses (circa 2008-09) or any other examples that come to mind, then you are exposed. This is because each income payment requires a sell and when markets fall you need to sell a greater number of units or shares to raise the cash required for your desired lifestyle or the minimum required RRIF withdrawal. If the economy sours and markets fall in the early years of your withdrawal program, then you will need to sell a great number of shares than if the market was rising during this time. Depleting your share balance at a faster rate is not a good strategy for sustainability and the end result is *not* the same when compared to period of time when the early years are punctuated with good returns.

Enter the Cash/Income Wedge! While history has proven equities create wealth over time, offset inflation and lower tax liabilities in a non-registered account, I suggest you set aside at least five years of income needs in a carefully constructed wedge of short-term cash equivalents for immediate cash flow needs, and follow that with perhaps some private income funds, commercial mortgage pools, preferred shares etc to create a relative safe wedge of capital that can be drawn upon in tough times. By separating the typical balanced fund in to its components, and enhancing the income strategy to bring about better yields, you can avoid selling equities during tough economic times when prices have fallen and rely on the income wedge which is generally unaffected – thus preserving your capital.

A well constructed portfolio can bring about lower costs, better diversification and yields from fixed income than the typical balanced mutual fund – especially when it comes to systematic withdrawals in retirement. The income wedge helps protect against systematic equity value erosion during market pullbacks. Utilizing public and private income investments ensures liquidity while the equity portion of the account can still provide the long-term potential growth needed to sustain overall income and offset inflation in retirement.

For more information on how the sequence of returns can adversely affect your income needs or any other questions on investment management of financial planning, please give us a call.

Written by Michael Prittie, Portfolio Manager CFP, CIM, FCSI, CIWM



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Estate Planning for Special Needs Families

As of February 2020, there were approximately 379,000 Ontario Disability Support Plan (ODSP) members out of 4.5 million households in Ontario. Therefore, approximately one family in twelve is a parent or sibling household of a person with special needs. Most people who have a developmental disability live in the community in a variety of settings such as: with parents or other relatives, in group homes or in their own homes or apartment, with varying degrees of support.

Despite the wide range of supports offered in the developmental services sector, one of the keys to creating a sustainable service system is to engage in early planning with individuals and families through times of transition to make successful adjustments across life stages.

The RDSP is designed to assist a disabled individual in saving for their long-term financial needs. It offers tax-deferral on any investment growth, access to generous government grants and bonds, and an opportunity for family members to assist with the contributions. This article explains some of the intricacies of RDSPs including who can be the holder and how the government assistance works, as well as other important estate planning considerations.

Here are ODSP updates on benefits:

Tax Credit Recaptures and RDSP benefits increase from \$896 to \$1169. Disability and Caregiver tax credit 10-year recaptures are \$16,000 + \$9,000.

ODSP Qualification Criteria include: Inability to function in a competitive workplace or community or handle personal care.

Asset Limits & Monthly Benefits are \$896-\$1,169, plus drug and dental voluntary payments over a 12-month period are \$10,000. Asset limits are \$40,000 per individual plus \$10,000 to those benefit units with a spouse included.

Canada Recovery Caregiving Benefit (CRCB) is \$500 per week, for up to 26 weeks starting September 27th, 2020. These are subject to:

Note: If you were unable to work for at least 50% of your normally scheduled work week because you are caring for a dependent due to COVID/their usual care facility is unavailable. Alternatively, if facility or care is available but you are keeping your dependent home due to preference, you are NOT entitled to CRCB.

Disability Tax Credit (DTC). This can help you reduce taxes owing (for you or a supportive family member). This credit can be back filed by adjusting the clients tax returns for the last 10-year period resulting in recaptures up to \$20,000 (with an additional refund for up to \$8,000 if you are recapturing the Caregiver Tax Credit at the same time). Note that approval of the DTC means that an RDSP can then be opened. Even if you do not contribute any money – the government will contribute \$1,000 per year in bonds for 20 years. Additionally, if you contribute \$1500 per year the government will contribute an additional \$3500 per year in grants for 20 years. (depending on beneficiary's income & only until age 49)



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Here is an example:

\$30,000 in parental or personal contributions combined with an additional \$90,000 federal government contributions compounding at 5% during the first 20 years grows to about \$200,000. Compounding again at 5% from age 18 to age 60 equals about \$700,000. This lump sum of capital could provide an annual income close to \$30,000 for 25 years (age 85).

All RDSP payments paid to a plan holder (Lifetime Disability Payments) are “100% exempt” from the DSP income test – meaning that ODSP payments are NEVER reduced due to RDSP payments.

To understand how money can grow in an RDSP click this link to the RDSP savings calculator:

<http://www.esdc.gc.ca/cgi-bin/RdspCalculator-CalculatriceReei/calc.aspx?lang=en>

Other planning considerations for a child with a disability may include:

- Power of Attorney for personal care and property
- Substitute Decision Maker (SDM)
- and Guardian.

Special trusts can be set up including Henson Trusts. Henson Trust wording within a legal will must include “absolute and unfettered discretion” and “shall not vest”. Reversal of “Even handed” rule, size of trust is unlimited and disbursements unlimited (no \$10,000 limit).

Finally, if a disabled child outlives the parents and continues to be totally dependant, then one should consider purchasing permanent life insurance. The following is an example:

- Female, age 50, non-smoker with life expectancy of 35 years.
- \$100,000 Universal Life plan with a monthly cost of \$115.40
- To save \$100,000 after tax with \$1,384.80 per year at 4% it would take 41 years.

In conclusion, the RDSP is designed to assist persons with disabilities in saving for their long-term financial needs. With 1 in 12 households affected by this and the many recent government and tax changes, this type of planning along with special life and estate planning requires particular attention and should include the help of a qualified professional who specializes in this type of planning. For any questions or to obtain more information, please call us at the branch.

Written by Shawn Ryan, Insurance and Estate Planning Specialist, CFP, TEP



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Quantitative Easing - What is it and how does it work?

The intended purpose of Quantitative Easing (QE) is to help fight deflation, spur lending and spur investment and economic growth.

Central Banks do this by trading settlement balances (reserves) for treasury bonds from the commercial banks. These settlement balances technically are not new printed money despite appearing so. The commercial banks can lend against settlement balances or trade these balances amongst each other to settle payments. These are only used between the central bank and commercial banks.

Now as the central bank buys these bonds, in excess of regular market volume, they increase the price of these bonds and in turn, lower the yields on them. The lower yields lower the cost to borrow, which incentivizes people to spend, companies to invest into expanding/taking on new projects and these activities help grow the economy. This is the basic principle of QE.

However, since QE is still a relatively new concept, with the first case of QE being in Japan in the early 2000s, there may be some unforeseen consequences. For example, what happens if banks have tightened lending standards because we are in the middle of a recession and the interest rate premium isn't worth the risk of default?

Generally, if an individual or company is riskier to lend to, then interest rate premium needs to be adjusted upwards to compensate for the risk of default. However, just because central banks encourage low rate borrowing it does not mean banks are forced to lend as banks don't want to expose themselves to bad credit. According to the US Fed total revolving credit is down almost 13% YoY or 200 billion, which is back down to what it was in 2017.

Another question is; Does QE really increase liquidity in the market?

How do reserves or settlement balances help the banks? Inventory of highly liquid bonds are used by banks that can be sold at a moment's notice to essentially anyone. Those bonds were replaced by settlement balances or reserves, and these have limited transactional usage.

According to the US Federal Reserve, the collateral multiplier for US treasuries fluctuates anywhere from 6-9 times. Since central banks take bonds off the market and essentially lock them up, any bond taken off the market has no multiplier effect. It is the opinion of some economists that the liquidity provided by the collateral multiplier effect is greater than the settlement balances they receive.

Western governments are incentivized to use QE since it makes it cheaper for them to borrow to cover budget deficits during times when the tax base can't handle the load. Developing nations call it competitive devaluation. Lower bond rates force pension funds to take on higher risk to meet obligations related to pension payouts. With that being said, there isn't a consensus among academics on the positives and negatives aspects of QE.

Written by Dusan Surla



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Hardest Home Workout Moves (No equipment needed)

You don't need equipment to get a great full body workout— these moves will prove it.

Doing the right no-equipment exercises will let you target muscles you don't regularly use when working with barbells, resistance bands and machines. If you're looking for a challenge, here are some of the toughest body-weight exercises put together in a sequence.

1. Pistol squat

Let's start with the hardest. The pistol squat is a single-leg squat that calls on your flexibility as well as stability and balance. Here's how to do it

- Begin standing with your feet together and parallel.
- Extend one leg straight in front of you, with your heel hovering off the floor. Raise your arms straight out in front of you.
- Keeping your core tight and your spine straight, bend your standing leg and lower your body, keep your other leg extended in front of you. Keep standing foot flat on the floor.
- Bend your standing knee as far as you can. The aim is to get your extended leg parallel to the floor. Straighten your standing leg to return upright, keeping your extended leg straight. Switch legs and repeat.

2. Burpees

You probably guessed that burpees would make the list. They're hard and I've yet to meet someone who likes doing them. However, they're a great cardio exercise and they work every muscle in your body, strengthening your arms, legs, booty, glutes, abs, and more. Here's how to do it:

- Stand with your feet shoulder-width apart, weight in your heels, and your arms at your sides.
- Push your hips back, bend your knees, and lower your body into a squat.
- Place your hands on the floor directly in front of your feet. Shift your weight onto your hands.
- Jump your feet back into a plank position. Your body should form a straight line from your head to heels. Don't let your back sag or your butt stick up in the air, these will disengage your core.
- Jump your feet forward so that they land just outside of your hands.
- Reach your arms overhead and jump up into the air.
- Land and right away lower back into a squat for your next rep.

3. Mountain climbers

It doesn't take long to feel the burn when doing mountain climbers. They provide upper and lower-body strengthening with a hit of cardio. Here's how:

- Start in a plank position with arms and legs long. Keep your abs tight.
- Pull your right knee into your chest and squeeze your abs while keeping your plank in good form.
- Quickly switch and pull the left knee in. At the same time, push your right leg back into plank position.
- Continue to switch knees using a "running" motion.



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

4. Broad jumps

Remember long jump from track? That's essentially what you're doing – jumping forward as far as possible, starting in a standing position. How to get started:

Stand with your feet shoulder-width apart. Arms in the air.

Begin by swinging your arms back behind your body as you bend your knees and push your hips back.

Swing arms forward as you drive your feet into the ground, push hips forward, and explode forward off the ground.

Land on your feet and drop back down into the starting position. Repeat.

5. Jump squats

Jump squats offer lower-body and cardio in one. You don't need to do a ton of them to get the job done. In fact, you can add them between reps of other exercises. Here's how to do them:

- Stand with your feet shoulder-width apart.
- Start by doing a regular [squat](#), engage your core, and jump up.
- When you land, lower your body back into the squat position to complete one rep. Make sure you land with your entire foot on the ground. Be sure to land as quietly as possible, which requires control.
- Do 10 reps.

Written by Mia St. Aubin who was a guest speaker at our March client Zoom seminar.



The Francis Forum

Create Wealth, Achieve Freedom

Spring Edition 2021

Client Seminars and Upcoming Event

- Due to Covid-19 we have postponed our in-person seminars and client events until further notice as the safety of our clients and staff is always our first priority. We will continue to host our monthly ZOOM seminars.
- The new provincial COVID-19 restrictions prohibit us from having clients in the building and these rules change frequently. We will announce when client visits to the branch are again permitted. However, please note our services are considered essential (taxes/securities trading etc) and therefore some staff will always be present to handle any inquiries and business needs. We are continuing to do reviews via ZOOM and telephone depending on your preference.

Upcoming Events:

May 15th – The 2nd Annual “Let’s Take a Drive at Cancer” Fundraiser in Support of the Ottawa Regional Cancer Foundation

Sincerely,

Duane

Mandeville Private Client Inc. is a Member of the Investment Industry Regulatory Organization of Canada and Member of the Canadian Investor Protection Fund.

Duane Francis and Mandeville Private Client Inc. do not make any representation that the information in any linked site is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites. Any opinion or advice expressed in a linked site should not be construed as the opinion or advice of Duane Francis or Mandeville Private Client Inc. The information in this communication is subject to change without notice.

Insurance products and services are offered by licensed representatives operating through Mandeville Insurance Services Inc. (a licensed life insurance agency and affiliate of HUB Financial)

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Mutual funds, stocks, bonds, and financial planning are offered through Mandeville Private Client Inc.