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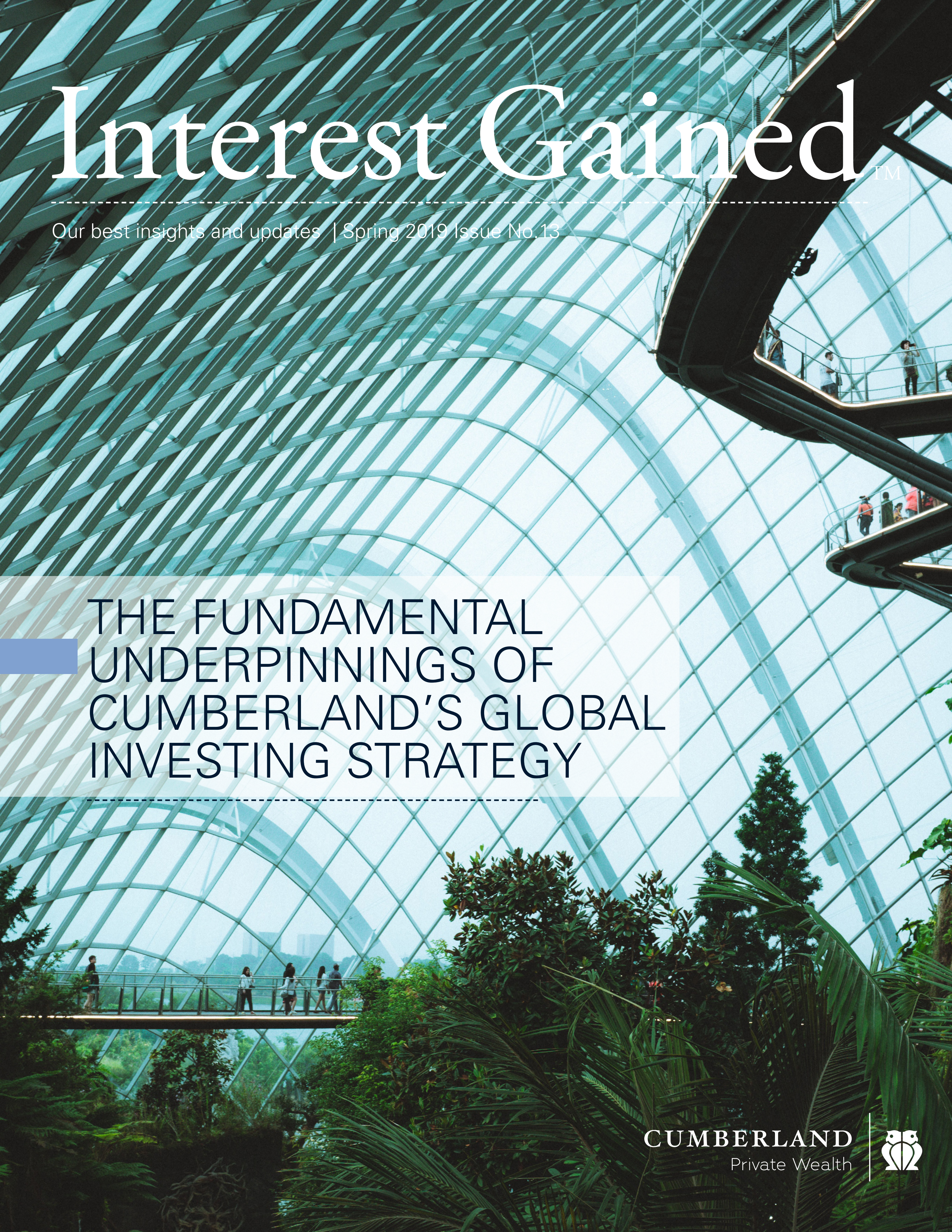
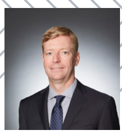


THE FUNDAMENTAL UNDERPINNINGS OF CUMBERLAND'S GLOBAL INVESTING STRATEGY

CUMBERLAND
Private Wealth

Contents



Cumberland Global and International Fund Strategies

By Craig Millar, CFA
President, Chief Investment Officer &
Lead Manager, Global Equities*

We thought we would open our Newsletter with an overview of the fundamental underpinnings of the global investment strategy which has remained consistent over the past ten years or more. Regardless of the stage of economic and market cycles, we continue to emphasize high quality companies at attractive valuations when investing in global businesses on your behalf, and we feel very strongly that this is the best way to successfully invest your global equity assets over the coming decade and time.

How do you define high quality? Obviously, there is no singular definition. However, generally, high quality businesses share many of the same attributes. Quality businesses tend to have strong growth prospects (in excess of global GDP growth), strong brands, high margins and profitability, strong cash generation, earnings stability, operating efficiency, high barriers to entry, and lower share price volatility.

This is our global investment style, and we think that this focus on quality is extremely important when investing globally. It makes sure you invest in the best of the best business opportunities on a global basis, and these businesses will often have the ability to enable the compounding of your money over time. Investing is a marathon, not a sprint, and we think that investors are best served by investing in and maintaining a portfolio that is built to thrive over the long term, rather than chasing short term trends.

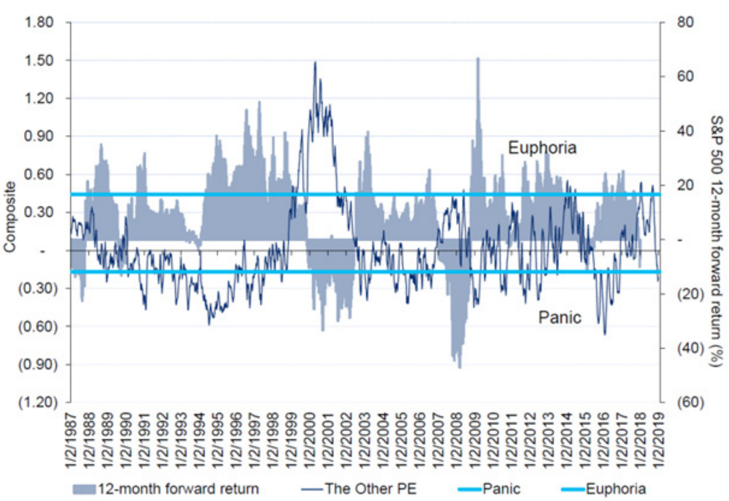
* Cumberland Investment Counsel Inc., an affiliate of Cumberland Private Wealth Management Inc.

Market Review

Of course, just because you have a great portfolio of high quality investments, it doesn't mean that the portfolio will never suffer a decline in value over short time periods. As we all experienced, the fourth quarter of 2018 was a very tough stock market environment. Stock markets declined significantly during the quarter, as investor fears regarding slowing growth and central bank interest rate hikes intensified. The S&P 500 declined nearly 20% from peak to trough, and many other markets were down even more.

However, by the end of December numerous investor sentiment indicators, such as Citi Research's Panic/Euphoria model, suggested that global stock markets had been punished too severely, and a rebound was likely to occur.

Citi Research's Panic/ Euphoria Model



Source: Citi Research December 31st, 2018

Simply put, according to Citi, when this investor sentiment indicator (the dark blue line in the chart above) goes into panic territory, there is a 97% chance that the U.S. stock market is higher 12 months later. No model works 100% of the time of course, but we have used this panic/euphoria model successfully for many years, so we began 2019 feeling pretty good about the stock market return prospects for the year.

As we now know, 2019 has overall been much better so far. Growth estimates have been reduced, but not by as much as investors once feared. Central banks such as the U.S. Federal Reserve have signaled to the market that they will not hike interest rates as fast as investors expected. Investor fears have largely subsided, and global stock markets have responded positively.

Due to the nature of high quality portfolios, these short term selloffs can truly be looked at as opportunities, not threats. The current volatility is no different. If you have a cheap but very low-quality portfolio, significant market selloffs can leave you with many more questions than answers.

Why? Let's think of an example. During the fourth quarter selloff, investors could be pretty sure that Nike, a very high-quality, innovative company, would be selling more shoes and apparel in 3 to 5 years than they were at that time. Nike is the world's number one brand in apparel and footwear with a strong track record of growth. Very few brands can challenge its intrenched market position.   In contrast, what about a very volatile, low-quality steel producer? How much steel would they be producing in 3 years? Unlike Nike shoes, steel is a commodity, so what about competition from steel producers in low cost countries? What about volatile input costs? Transportation costs? What will volumes and profit margins be in 3 years? Nike investors ask themselves these questions too, but the answers are much easier to estimate for Nike than they are for a steel producer. This is one of the reasons why a steel producer will never be valued by investors anywhere near as highly as Nike.

Keep this in mind for the future: With high quality investment portfolios, short term market corrections can be viewed as an opportunity for the future, rather than a threat.

Portfolio Review

A number of new businesses have been added to the Cumberland global and international portfolios in the first quarter of 2019. The vast majority of these additions are investments in companies that we have successfully invested in for years. We thought it would be helpful to profile several of them to give you an indication of what we look for in a business. Below is a brief description of three of the businesses that we have added in the first quarter of 2019.

First Republic is a bank in the United States, based in San Francisco. In our view, this is an extraordinary bank with a great track record of success. They have a very high touch, differentiated service model, and each customer has only one person as their point of contact at the bank. They have grown loans and deposits at nearly 20% per year for over 20 years. Credit quality is pristine, among the very best in U.S. banking. In addition, they have a wealth management business that has been growing very strongly as well. Roughly half of First Republic's business is in San Francisco, so the bank also benefits from the wealth creation that is occurring in Silicon Valley. Overall, it is an excellent bank with high growth prospects, a differentiated service model, and a great future.

DSV is a transportation business based in Denmark. They are what is known as a freight forwarder, meaning they arrange the shipment of goods by road (truck), air, and sea. The freight forwarding industry grows faster than global GDP, as business is generally becoming more and more global. Goods are increasingly being produced in one location, then consumed in another (your iPhone was designed in the U.S., manufactured in Asia, then shipped to Canada in order for you to buy it). Someone has to arrange these shipments, and DSV is among the best in the world at making these arrangements. Freight forwarding is also a fragmented industry that is being consolidated. DSV is an excellent acquirer, and in 2019 will likely close on its latest acquisition, a peer named Panalpina. Returns to DSV shareholders have been outstanding over many years, and we think the future is very bright for this company.

Bank Central Asia is a large bank based in Jakarta, Indonesia. This is another extraordinary bank, in a very strong position locally in Indonesia. Indonesia has a population 264 million people, a growing middle class, and less than half of the population has a bank account. There is ample growth ahead in the banking business there. GDP growth in Indonesia is typically 5% to 6% per year, roughly twice that of Canada or the U.S. Loans and deposits generally grow in the mid-teens at BCA, costs are very low, and margins are high. It is a very profitable bank, with a return on equity of over 18% in 2019. With a large and growing population, strong economic growth, low costs, and a large number of unbanked customers to acquire, we continue to think that the prospects for this bank are very strong.

Outlook

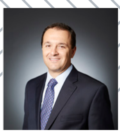
Global stock markets have been strong so far in 2019. U.S. stocks moved higher in each of January, February, March and April of this year. It seems that many investors are now wondering: "Is this it? Where do we go from here? Have we seen all the gains for 2019 and are now set to see our gains fall away?" Bloomberg recently published some interesting data on stock market returns. It turns out that the first quarter of 2019 was the 20th time that the S&P 500 index rose in all 3 months since 1950. Importantly, gains for April through December followed in all of these years except 1987, when stocks crashed in October. The average advance in the subsequent 9-month period has been +9.5%.

Yes, we have had a strong first quarter in 2019, but history suggests that there are still good things to come for the balance of the year.

Cumberland's global and international portfolios are comprised of numerous high quality, leading global companies with strong growth prospects and proven track records of success. Despite strong gains in global stock markets so far in 2019 notwithstanding recent ups and downs, we continue to have an optimistic outlook. With our emphasis on quality, we feel that our global and international portfolios will continue to provide you with attractive long-term growth prospects.

Just Getting Started

Source: Bloomberg



The US Market in 2019 - Where are We Now?

By Phil D'Iorio, MBA, CFA
Portfolio Manager, US Equities*

Global stock markets have had an excellent start to the year. The US markets have been especially strong with the S&P 500 posting its best first quarter performance in nearly a decade. Before discussing our thoughts on 2019, we will briefly recap what happened in 2018 in order to put everything into perspective.

As we all know, 2018 was a difficult year for investors with most asset classes and the vast majority of global market indices generating negative returns. The market weakness was caused by several factors including concerns over rising interest rates, slowing economic growth, and a growing chorus of commentators calling for a recession. A strong U.S. dollar and the ongoing trade war rhetoric between the United States and China only added fuel to the fire. By the end of 2018, the S&P 500 had declined by nearly 20% from peak to trough. At that point several market sentiment indicators had reached panic levels. As 2018 came to a close, we strongly believed that the market was oversold and were excited about the various potential investment opportunities that had been created.

That said, as 2019 got underway, we had a cautiously optimistic view. The U.S. economy was still growing, inflation was in a comfortable range, and corporate earnings were still expected to grow. Importantly, the 'Fed' had signaled a more dovish tone towards its stance on interest rates, which alleviated fears that the U.S. central bank would keep hiking interest rates at every meeting in 2019. Furthermore, for the first time in many years the valuation for the S&P 500 was reset to a level that was below the long-term average. This opened the door to a number of compelling investment opportunities. We took advantage of this and invested in several new businesses, some of which we will highlight at the end of this update.

As we look ahead to the second half of 2019, we continue to have a cautiously optimistic outlook.

* Cumberland Investment Counsel Inc., an affiliate of Cumberland Private Wealth Management Inc.

While the backdrop remains favourable for equities, we are monitoring a number of important developments. These developments include the ongoing trade war between the United States and China as well as various issues related to the U.S. Presidential elections that will take place in 2020. While it is still early, it is apparent that many of the U.S. election platforms are targeting the technology and healthcare sectors. We are very mindful of this and we trying to determine the potential impact this could have on some of the businesses we own in our portfolio.

With regards to the trade war, many believed that the U.S. and China were on the cusp of announcing a new trade deal. However, on May 10th President Trump announced his intention to increase tariffs on $200 billion worth of goods imported from China. While the Trump administration has downplayed the effect of the tariffs, studies have shown that the brunt of the cost of the tariffs will be borne by US businesses and consumers. While this recent development could mark the start of a significant escalation in the trade dispute, we are more inclined to believe that it will prove to be a negotiating tactic that will lead to a finalized trade deal.

In terms of the U.S. Presidential election in 2020, we are paying close attention to and monitoring what the Presidential candidates are saying as part of their election platforms. The proposed break-up of Big Tech and the implementation of Medicare for All have become popular election issues, especially with some of the Democratic candidates. These election platform topics are particularly important for our North American and US Equity mandates given our meaningful exposure to the technology and healthcare sectors.

In our opinion, it won't be easy for the US government to break-up Big Tech, but if they do, we believe that this will end up being a positive development for shareholders. History has shown that breaking up dominant companies can lead to positive outcomes for shareholders. When the US forced Standard Oil to split-up due to anti-trust litigation, it created 34 separate companies. The break-up created enormous wealth for the Rockefeller family as many of those new companies grew into very large companies. The value of the equity owned by the Rockefellers in all of the newly created individual companies increased to many times that of the value of the equity in Standard Oil before the break-up. Another example would be the break-up of AT&T (also known as Ma Bell) in 1984. On January 1, 1984, more than 3 million AT&T shareholders were given new shares in each of seven new regional phone companies or "Baby Bells." More than a decade later if those shareholders had held on to their shares, their investment would have grown by more than 600% or as much as 900% for those that reinvested their quarterly dividends. These returns were well above the returns generated by the S&P 500.

With regards to Medicare for All, we believe that this is highly unlikely to become a reality. While Medicare for All might sound appealing to some Americans, they will probably find it much less attractive when they find out that it will add $33 trillion to the U.S. deficit during the first 10 years of implementation. Furthermore, Medicare for All will probably face backlash once Americans realize that they will be forced to give up their existing medical coverage.

As the saying goes, "bull markets climb the wall of worry".

In summary, we continue to have a cautiously optimistic outlook for the equity markets. Positive economic growth, low rates of inflation and respectable growth in corporate earnings provide a good backdrop for equity markets. While we are carefully monitoring the trade war developments, the potential for Big Tech break-ups and Medicare for All, we believe that these issues are manageable and will get resolved.

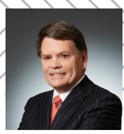
New holdings added during Q1 2019:

TJX Companies is the largest company in the off-price retail industry with more than 4,300 stores that operate under various banners including Winners, Marshalls, HomeSense and T.J. Maxx. The Off-price retail industry provides a significant value proposition to consumers by offering a broad assortment of high quality, brand name, and designer merchandise at prices that are generally 20% to 60% below department store prices. This value proposition has enabled the off-price retail industry to gain 5% of market share within the U.S. apparel industry over the last decade. TJX has been a key beneficiary of this trend, which has allowed the company to grow its sales and earnings per share by 7% and 17%, respectively, over the last decade. We believe that TJX has a long runway of growth as it continues to be a disrupter within retail and given its store expansion opportunities in the United States, Europe, Australia and Canada.

Nike owns the best-in-class athletic footwear brand in the world and the company is a very well positioned to benefit from the structural shift towards health and wellness. Nike is a highly innovative company and has a strong track record of growing its business with a compounded annual growth rate of 7% for its revenue over the last 10 years. The company is in the process of transitioning its business towards a Direct-to-Consumer model which will have positive implications for sales, margins and returns on invested capital. Nike also has a strong presence in emerging markets with more than 30% of its sales currently generated in developing economies. China alone generates more than $5 billion in annual sales and it has more than doubled in size over the last 5 years. With a strong innovation pipeline, exposure to the growing athletic category, and a margin enhancing Direct-to-Consumer model, Nike is very well positioned to grow its business for the next decade and beyond.

Thermo Fisher Scientific is the world leader in serving science. The company's mission is to enable its customers to make the world healthier, cleaner, and safer. Thermo Fisher has approximately 70,000 employees and serves more than 400,000 customers across various end markets including pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental, industrial quality and process control settings. The company sells a wide range of products including high-end analytical instruments, laboratory equipment, software, services, consumables and reagents. In our view, Thermo Fisher is the arms dealer to the Life Sciences industry. The Company sells the picks and shovels that will be needed for years as companies and governments seek to advance medical science and make the world healthier, cleaner and safer.

All three of these companies possess the characteristics that we look for when we are researching new ideas for our portfolio. They are high quality, have attractive growth prospects, robust free cash flow generation, earnings stability, and high barriers to entry. It is the companies with these business characteristics that are typically best positioned to compound the value of their businesses over the long term.



Our Three Principles for Staying a Step Ahead of the Market

By Gerald Connor
Founder & Chairman*

Peter Jackson, HBSc, MBA, CFA
Chief Investment Officer*

The stock market volatility last fall was scary.

So was the 2011 European crisis, the 2008 financial crisis, the 2000 tech collapse, the 1987 market crash and the 1974 recession. Each time, media pundits warned that the markets may not recover any time soon. Fearful investors ran for the exits. Yet, in each case, markets eventually regained their equilibrium in relatively short order, producing stellar gains along the way.

The question is: Why do some investors sell at the bottom while others get into position for a recovery? And why do most sit on the sidelines while a select few profit from historic rebounds?

We believe successful investors have sound investment principles to guide their decisions and the experience to act with confidence.

At Cumberland Private Wealth, we've been refining our investment principles through more than two decades, five major economic cycles and countless ups and downs in the market. These principles have given us the courage to seek to capitalize even while others are afraid and keep our clients a step or two ahead of the market over long periods of time.*

Here are three of those principles.

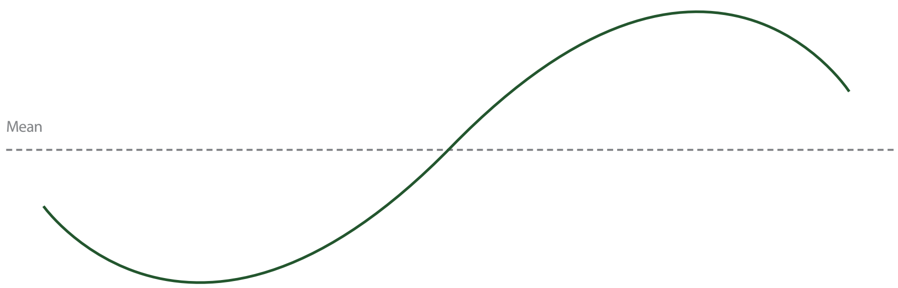
* Cumberland Private Wealth Management Inc.

Principle #1
Values revert to the mean.

Greed can push market values to record highs and fear can drive them to new lows. But eventually, these trends change direction and market values revert to their long-term average or mean.

The chart below illustrates the long, arching trends of stocks, bonds, gold and real estate over the past few decades. They have all seen highs and lows at different times. Astute investors sell when prices are above the mean and buy when they are below the mean.

Eventually, trends change direction and market values revert to their long-term average.



Asset class	Current bull market
Bonds	39 years
Real Estate	24 years
Gold	4 years
Stocks	10 years

Asset class	Previous bottom
Stocks	2009
Gold	2015
Real Estate	1995
Bonds	1980

Let's look at a good example of this. In 2009, in the wake of the financial crisis, nobody wanted to take any risk, so investors sold stocks and bought bonds in droves.

This pushed bond values so high that the yield on a 10-year Treasury bond dropped below 2%. Meanwhile, the earnings yield of the equity market was in the 7%-8% range, which meant that corporate earnings as a percentage of stock prices were near the highest level since the late 1980s.

Historically, we knew that treasury bond yields and corporate earnings yields should be roughly the same. At the time, we saw that this set the stage for a significant reversion to the mean.

We continue to watch for the trend that will reverse next.

A reversion to the mean would see one asset class fall in value while others rise.

Principle #2
Negativity reduces risk.

Investors buy or sell stocks based on how they predict the world will unfold over the next 6-12 months. The investment paradox is that when risk or opportunity is perceived to be the greatest, it is often the least.

Current market prices reflect the predictions of millions of investors and market forecasters. Some of the greatest opportunities can be seized (and disasters avoided) because a "herd mentality" leads to highly correlated beliefs that are often dead wrong.

For example, going back to 2009 again, stocks were priced as though everyone believed capitalism was over and done. With so much negative sentiment and investors expecting bad news, the market was already at rock bottom, so stocks had nowhere to go but up.

This table explains why:

	When bad news does come true	When bad news does not come true
Impact on the market	Neutral The market stays flat, as the bad news was already reflected in current prices	Positive The market can now rise, as the expectation of a negative outcome has been removed

This phenomenon explains why, when the US government did not fall off a fiscal cliff after 2009, Europe did not implode in 2012, and the US economy gradually came into line with the support of the Federal Reserve, and world economies recovered, the US stock market was able to climb more than 350% from its low in March 2009 to the end of 2018.

Correlated beliefs can create risk or opportunity when they deviate from reality.

Principle #3

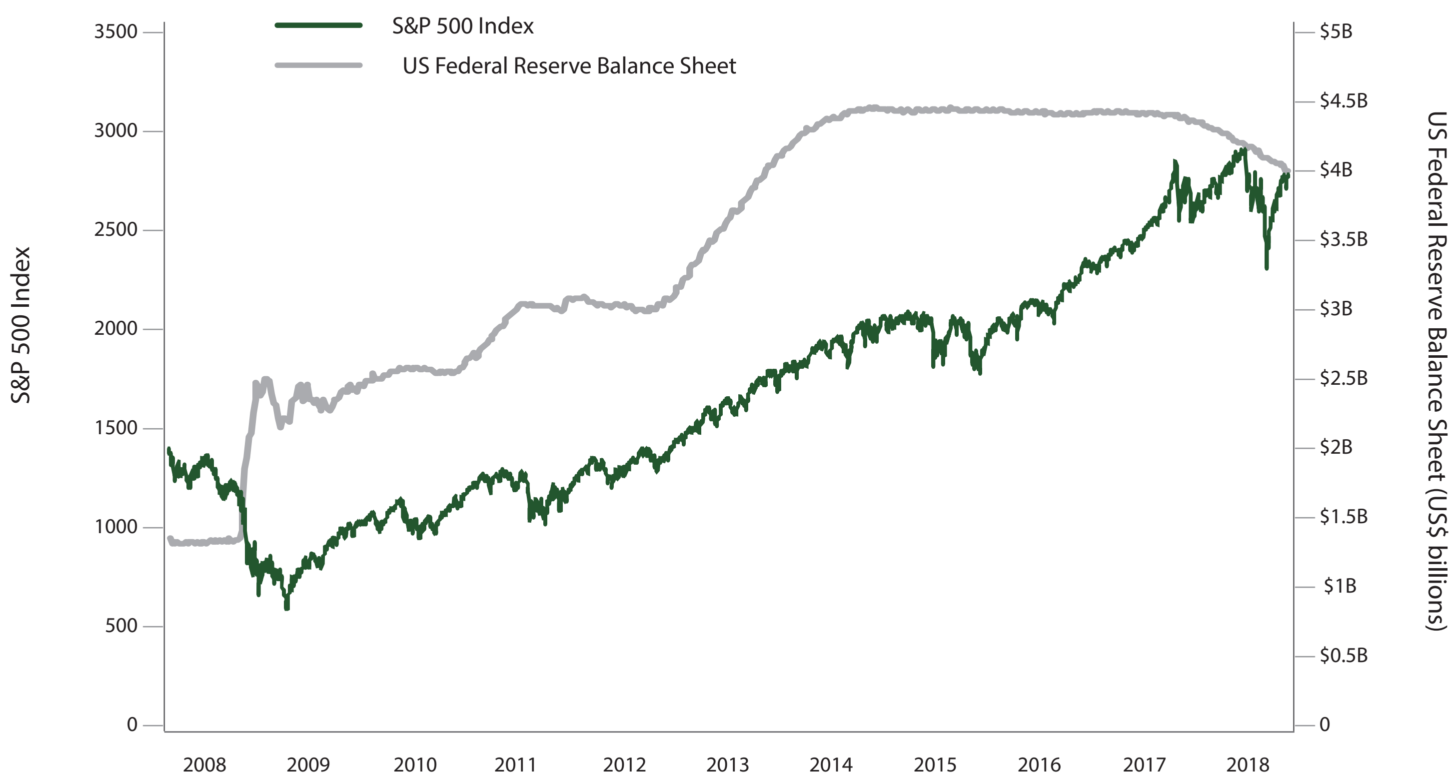
Liquidity trumps economics.

The flow of money in and out of the market has a much greater impact on the direction of the market than traditional economic statistics such as GDP and manufacturing. This is why economists tend to make such poor investors.

Trying to invest based on the latest economic headlines is dangerous. In fact, there is evidence of an inverse relationship between the performance of the economy and the performance of the markets, especially at their extremes. Markets tend to hit bottom and turn higher while the economy is still in recession. Markets tend to reach a peak and go down while economic growth is at its highest, as we have already seen.

In times of economic weakness, excess liquidity provided by central bankers tends to flow into the market, pushing up financial instruments such as stocks and bonds. When the economy strengthens, those funds tend to flow out of the market as businesses use them to buy inventory, plants and equipment.

Central bank monetary policy is a strong driver of S&P 500 growth.



The S&P 500 (green) rises along with the US Federal Reserve balance sheet (grey) Bloomberg L.P., January 1, 2008 to March 1, 2019

The direction of the market is driven more by central bank monetary policy than by economic growth.

If you have been a long time Cumberland client, you have seen our principles in action. If not, experience Cumberland for yourself.

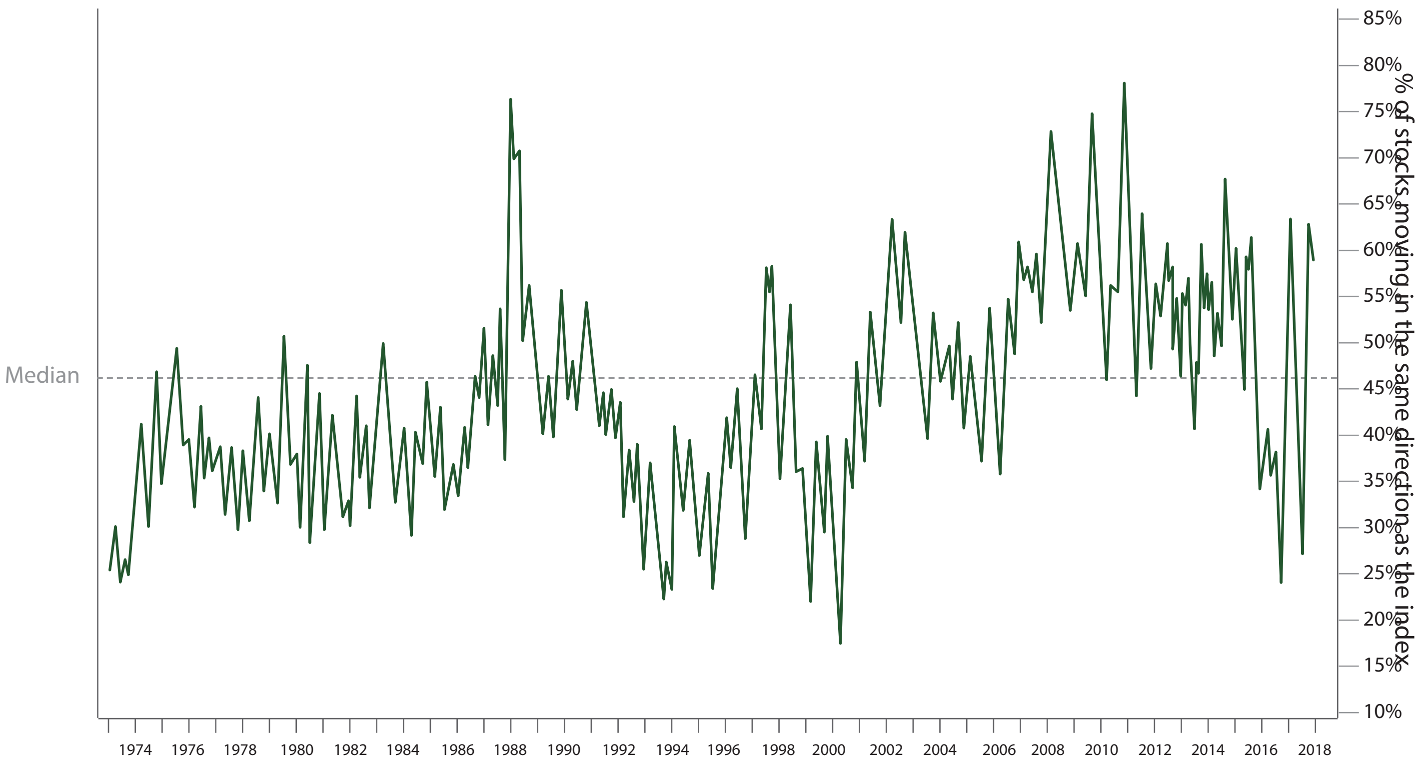
Our investment principles have allowed us to anticipate some of the most crucial market cycles of the past two decades and have helped our clients successfully protect and grow their capital.

As active portfolio managers, our first priority is to recognize and respond to changing market cycles. For example, we made a critical asset allocation decision when we traded out of stocks and into real estate in the late 1990s. In 1999, we traded down our U.S. equities ahead of the Tech Bubble bursting, allocating significant capital to Canadian equities, which were deeply out of favour at that time and subsequently surged.

After asset class decisions, our next priority is to select the right securities or vehicles within each asset class.

The chart below shows that less than half of the stocks in the S&P 500 move in the same direction as the overall index on any given day. This highlights that over time it is easy to underperform the market if you don't select the right stocks.

Stock selection is key: On an average day, less than 50% of S&P stocks move in the same direction as the Index.



Median 63-day correlation of S&P 500 stocks to the S&P 500 Index. Source: Ned Davis Research Inc.

When investors follow a pre-set asset allocation strategy, they cannot react to major market shifts. And when they diversify very broadly or choose passive investment vehicles, they tend to get mediocre results. We believe truly hands-on portfolio management guided by experience is essential for investment success.

If you have not had a chance to do so yet, we invite you to meet our senior team and learn more about the investment principles that have helped our clients grow their capital with less risk than the market since 2000*.

* Measured by the standard deviation of CPW's North American Equity mandate vs. that of its Benchmark (50/50 TSX/S&P500 indices in C$)

TFSAs and the Value of Compounding

Tax-Free Savings Account: Understand the potential for your long-term retirement plans

By David Harris, CFP
Investment Advisor*

Over the past 10 years, advisors and financial planners across the country have been pushing clients to open and invest in one of the greatest tax-strategies Canadians have at their disposal, the Tax-Free Savings Account ("TFSA"). Many have followed this advice, but recent studies have shown that 39% of Canadians plan to use their TFSA as an emergency fund.[1] While the TFSA is well suited for this purpose, we want to outline why you should consider including the TFSA as a larger part of your financial picture.

About the TFSA

The TFSA program began in 2009, establishing a way to set money aside tax-free throughout an individual's lifetime. Contribution room is accumulated each year for individuals 18 and older, who have a valid social insurance number. Unlike an RRSP, contributions to a TFSA are not deductible for income tax purposes. However, any amount contributed, as well as any income earned in the account (for example, investment income and capital gains) is tax-free, even when it is withdrawn!

* Cumberland Private Wealth Management Inc.

To illustrate the TFSA's long-term potential, let's look at a quick case study.

John is a 50-year-old entrepreneur, who has built up a sizable RRSP. However, John has never opened a TFSA, despite having more than $200,000 in a personal savings account. John has accumulated TFSA contribution room each year since 2009, giving him a lifetime contribution limit of $63,500. We'll assume that John made a full $63,500 contribution in January 2019 and contributes $6,000 (the 2019 contribution limit) to his TFSA each year until turning 80.

As you can see in the chart on the right, the compounding potential of the TFSA is remarkable, with the account growing to almost $1.6 million by age 90. Another point to note is that John's family could double this tax-free amount if his spouse makes these same savings in her own TFSA.

Estate and Retirement Planning Benefits
The immediate benefit of having such a large TFSA would be the ability to earn tax-free growth on the account (imagine earning tax-free growth on $1.6 million!). However, there are several estate and retirement planning benefits as well:

> **1) Elect a beneficiary to avoid probate.** If a beneficiary is designated for your TFSA, the value of the account at the time of death can be paid to the beneficiary tax-free. Importantly, the TFSA would not pass through your estate, meaning no probate would be payable on death. If at age 90, John (in the example above) passed away while a resident of Ontario, his estate could save $23,500 in probate fees if the $1.6 million were in a TFSA as opposed to a non-registered account.[2]
>
> **2) Elect your spouse as a successor holder so they can inherit your TFSA at the time of your death.** A successor holder is a type of beneficiary designation available for a TFSA. If your spouse is designated as a successor holder, any income earned in a TFSA after your death remains tax-free and can be invested in the spouse's TFSA as well! Without a successor holder designation, CRA legislation requires that income earned in your TFSA after death be reported for tax purposes.

TFSA Projection - 6% p.a. Net Return

Age	Year	Contribution	End of Year Value
50	1	$63,500.00	$67,310.00
51	2	$6,000.00	$77,708.60
52	3	$6,000.00	$88,731.12
53	4	$6,000.00	$100,414.98
54	5	$6,000.00	$112,799.88
55	6	$6,000.00	$125,927.87
56	7	$6,000.00	$139,843.55
57	8	$6,000.00	$154,594.16
58	9	$6,000.00	$170,229.81
59	10	$6,000.00	$186,803.60
60	11	$6,000.00	$204,371.81
61	12	$6,000.00	$222,994.12
62	13	$6,000.00	$242,733.77
63	14	$6,000.00	$263,657.80
64	15	$6,000.00	$285,837.26
65	16	$6,000.00	$309,347.50
66	17	$6,000.00	$334,268.35
67	18	$6,000.00	$360,684.45
68	19	$6,000.00	$388,685.52
69	20	$6,000.00	$418,366.65
70	21	$6,000.00	$449,828.65
71	22	$6,000.00	$483,178.37
72	23	$6,000.00	$518,529.07
73	24	$6,000.00	$556,000.81
74	25	$6,000.00	$595,720.86
75	26	$6,000.00	$637,824.11
76	27	$6,000.00	$682,453.56
77	28	$6,000.00	$729,760.77
78	29	$6,000.00	$779,906.42
79	30	$6,000.00	$833,060.81
80	31	$6,000.00	$889,404.46
81	32		$942,768.72
82	33		$999,334.85
83	34		$1,059,294.94
84	35		$1,122,852.63
85	36		$1,190,223.79
86	37		$1,261,637.22
87	38		$1,337,335.45
88	39		$1,417,575.58
89	40		$1,502,630.11
90	41		**$1,592,787.92**

3) Income Splitting Benefits. You can split income with your spouse or children above the age of 18 by gifting them funds to use for their annual TFSA contributions. As we saw in the case-study, these annual contributions can make a substantial difference in a person's future net worth. In the case of children, this income splitting strategy could provide a tax-efficient nest egg for a down payment on a new home. Regardless of how the funds are used, the TFSA provides another potential vehicle to transfer assets to family members and lets them compound these funds tax-free as well.

Your TFSA can make a significant impact on your retirement if used properly and the benefits of avoiding probate, ensuring proper account succession and income splitting show some of its potential in addition to the TFSA' s tax-free compounding. If you have yet to fully contribute to your TFSA in 2019, we encourage you to speak with your Portfolio Manager.

1. https://www.moneysense.ca/save/investing/tfsa/what-canadians-know-about-tfsas-and-how-they-use-them/
2. Probate fees in Ontario are $250 for the first $50,000 of your estate and $15 for each additional $1,000 with no upper limit. A non-registered account of $1,600,000 would face probate fees of $23,500. (250 + ($1,550,000/$1,000 * $15) = $23,500).

Proper Planning for the Trillion Dollar Inter-Generational Wealth Transfer

By Michael Orlando CIM
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We are at the beginning of the largest inter-generational wealth transfer that we have ever seen. Over a trillion (yes, with a "t") dollars will be changing hands in many Canadian families over the next twenty-five years. Thanks largely in part to this 10-year equity bull market, the Baby-Boomer generation holds the largest chunk of this wealth being transferred - and over the next few decades, these wealthy families will need to decide how and when to efficiently pass down their financial legacies.

Proper planning for the transfer of an estate is critical to ensuring that it all goes smoothly. In addition, appointing a proper executor to manage your Will and estate plans is also very important. Recent studies have shown that only 30% of Canadian estate transfers are considered successful[1]. On top of that, more than half of Canadians don't have a signed Will in place and three quarters don't have an up-to-date Will either [2,3]. Fortunately, if you're reading this article you still have time to plan for your estate transfer, if you haven't done so already.

For many, talking about a wealth transfer can be awkward, stressful, or daunting. Perhaps it's because many find it difficult to discuss death and ultimately plan for it, that so few estate transfers end up being successful. Or, maybe it's because we've all heard stories of conflicts arising among family members.

Regardless, failing to properly plan for what happens to your assets can end up doing exactly what you are trying to avoid – increasing fees/taxes and creating conflict.

Depending on your wishes and unique family circumstances, you'll want to have a structured estate plan in place that fulfills your intentions effectively. Whether it's gifting to charity or your heirs inter-vivos (while alive) or bequeathing to charity or your heirs (at death), you'll want to consider the options available in either scenario, choosing a plan that best addresses the goals of your estate transfer. Some common estate goals include minimizing taxes and probate fees, maintaining some control of your assets (using a trust) or seeing your loved ones benefit by being generous while you are still alive.

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If part of your estate will be passed down to the younger generation, consider getting your younger heirs accustomed to professional wealth management early on. Odds are, your beneficiaries will be comfortable with technology, so a digital platform for investing might resonate more than traditional means – and Cumberland's Portfolio Advisor Tool (PAT) could be the right solution.

A few strategies and associated benefits of different estate transfer plans include the following:

Passing Down Wealth during Your Lifetime

- See the benefits of your gifts while you are alive
- Decrease the value of your estate – which will reduce probate or estate administration fees (~1.5% of estate in Ontario)
- Take advantage of no gift tax in Canada
- Capitalize on potential tax advantages for changing ownership of investment assets to your child (assuming they are in a lower tax bracket and have no debt)
- Improve the financial literacy of your heirs

Using a Will

- Most common way to handle one's estate
- Ensures you don't die "intestate" (where provincial laws determine how your estate will be settled)
- Allows for the ability to plan how your estate is distributed (which can minimize taxes)
- Documents your wishes exactly but needs to be kept current over time

Joint Ownership (with right of survivorship)

- Simplifies administration of the estate when assets roll over to surviving spouse (typically without tax implications)
- Avoids probate until the death of the last surviving spouse
- Requires advice to be sure to fully understand the implications and tax filing requirements

Trusts – Transferring assets (investments, real property etc.) to a trustee, who is responsible for administering the assets on behalf of the beneficiaries.

Inter-vivos Trust – Established during one's lifetime

- Can allow for the control and flexibility over timing and amount of assets distributed to the beneficiaries (which can be your children or spouse)
- Potential for creditor protection
- Probate fees may be avoided

Testamentary Trust – established at one's death

- Can provide control over timing for distribution of assets to beneficiaries
- Advice is required to be certain that this is appropriate.
- May be useful in situations concerning beneficiaries who have tendencies for reckless spending

Planning for your family: The importance of open communication

A well-thought out and constructed estate plan will have a much better chance at being successful if it is properly communicated to the parties involved. Communication leads to better understanding behind the choices made, eliminates any surprises in the reading of a Will and allows children to express their interests and concerns, which may improve decision making or provide perspectives that you might otherwise be unaware of.

Communication also leads to improved financial literacy for your heirs, the younger generation. Discussing topics such as trusts, investments, deemed dispositions and taxes will strengthen your heirs' financial knowledge and will improve their confidence and ability to manage their wealth prudently.

We can help educate and start investing early: Consider Cumberland's innovative PAT solution

As mentioned above, another effective way to expand the financial knowledge/experience of your heirs is to get them used to saving for the future and managing their own money by setting up their own investment account. This is especially applicable if your intention is to gift some of your estate while you are alive. Getting the younger generation accustomed to professional investment management early on will further their understanding of what it takes to protect and build wealth. This should improve the chances of being responsible with money.

As referenced earlier, if part of your estate is being transferred to a tech-savvy individual,or if your heirs have been diligently saving their earned income, introducing them to a digital investment platform, such as Cumberland's Portfolio Advisor Tool (PAT), enables them to manage their investment account in a similar fashion to online banking tools they already use. When your heirs have an opportunity to invest in an environment where they are already comfortable, it will likely increase their engagement, boost their understanding of wealth management, and could also ultimately increase the odds of a successful estate transfer.

If you'd like to learn more about Cumberland's Portfolio Advisor Tool, please call me (416-413-4214) or visit our website www.cumberlandpat.com

1. https://www.advisor.ca/sun-life-retirement/practice-advice/how-intergenerational-wealth-planning-is-critical-to-your-clients-success-and-yours/
2. https://retirehappy.ca/too-many-canadians-have-no-will/
3. https://www.legalwills.ca/blog/canadians-without-wills/

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