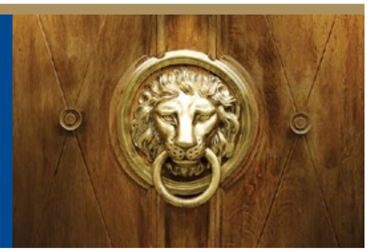
T·E·WEALTH

VOLUME 25, ISSUE 1

STRATEGIES



President's message

We customarily reserve the March edition of *Strategies* to explore themes of change, growth and renewal. Spring is a perfect time to reflect on these ideas as milder weather brings dramatic change to landscapes across the country. From the stark whites and greys of winter to pink and red blossoms, and the bright greens of new growth.

As part of our seasonal meditation on change two years ago, we highlighted the increasing influence of Environmental, Social and Governance (ESG) factors in portfolio management. Scott Blair, our Chief Investment Officer, anticipated the trend was here to stay. Last year at this time, we confirmed that ESG considerations continued to be a key factor shaping global capital flows through the pandemic. Now we are moving from observation to action.

As Scott covers in his piece, *The what and why of PRI*, we are pleased to now be an official signatory to the United Nations Principles for Responsible Investment. The PRI framework is grounded in a more inclusive concept of value creation, which incorporates the interests of customers and society at large, alongside the interests of shareholders. As Scott makes clear, this is not a reset of our investment management process. It is simply a formal reflection of our longstanding commitment to performance factors which drive sustainable profitability in the companies we own.

Scott's piece is a fitting cornerstone for this issue of *Strategies*. We've taken "*The Power of Inclusion*" as our theme this quarter, and on March 8, we recognize International Women's Day (IWD). IWD is a global event to celebrate the social, economic, cultural, and political achievements of women. In *Starting Over*, Marie Machado addresses financial planning considerations for couples experiencing separation or divorce. Of course, uncoupling affects both parties, but statistically women continue to represent a higher proportion of non-income earning spouses in single-income couples without children, and women represent 80 – 90% of stay-at-home parents. On the latter point, in *The value of stay-at-home labour*, Kim Stevens applies a risk management lens to address the frequently underestimated economic contributions to household prosperity from stay-at-home parents. Finally, in *Turning passion into profit*, Jason Kinnear shares the story of a female founder embarking on her journey as an entrepreneur.

This brings us full circle, back to *The what and why of PRI*. Scott points out that firms with more gender diversity in management tend to outperform less diverse firms. We see the value of diversity in our firm every day with women in leadership and diverse talent creating value for our clients across Canada. As a case in point, we were extremely proud when five members of our team were recently recognized as finalists for the 5-Star Leading Women in Wealth award sponsored by Wealth Professional Canada Magazine.

The power of inclusion comes from responding to diverse points of view. For us, this includes listening to our clients. To those of you who participated in our recent client survey, please accept my sincere thanks for your time and insight. We value your candid feedback, and we are grateful for your stories of the powerful connections forged with your advisors. You strongly reinforced that your trusted advisor relationship is the single most important factor in the quality of your experience with us. We remain committed to preserving the quality of these personal, high-touch relationships as we invest to meet the evolving needs of our client families.

As an expression of gratitude, we will make $2,000 donations to the following charities nominated by survey respondents: SickKids Foundation, National Music Centre, The Depot Community Food Centre, The Alex, and the Canadian Red Cross.

Our seasonal message on change is always optimistic. With change, comes renewal, growth and opportunity. We continue to adapt to a rapidly changing world through inclusive team effort reflecting diverse points of view. At the same time, we remain committed to preserving our client-centric culture and prioritizing the quality of our personal relationships. Our enduring commitment is to provide you with thoughtful advice, sound planning and professional investment management customized to meet your family's needs.

We trust this commitment is reflected in these pages – please enjoy this issue of *Strategies*.

Sincerely,

Matt Evans, CFA
President & CEO
CWB Wealth Management

INSIDE

The what and why of PRI – p2

Starting over – p4

The value of stay-at-home labour – p6

Turning passion into profit – p8

The what and why of PRI

In January 2022, CWB Wealth Management achieved a significant milestone in becoming a signatory to the Principles for Responsible Investment (PRI). The PRI is a United Nations supported organization committed to working with signatories to put responsible or sustainable investing principles into practice. As a signatory, we are committed to incorporating Environmental, Social and Governance (ESG) issues into our decision-making processes, and to reporting annually on our implementation of the Principles.

What's fuelling the rise of PRI signatories?

An increasing number of investors see responsible investing as table stakes for their investment manager. As we can see from Figure 1, the total number of PRI signatories (the gold line) has risen dramatically over the years. Most of the recent growth has been from investment managers like us signing on. Asset owners, such as pension funds, were early leaders in establishing PRI and adopting ESG investing. These are represented by the blue line.

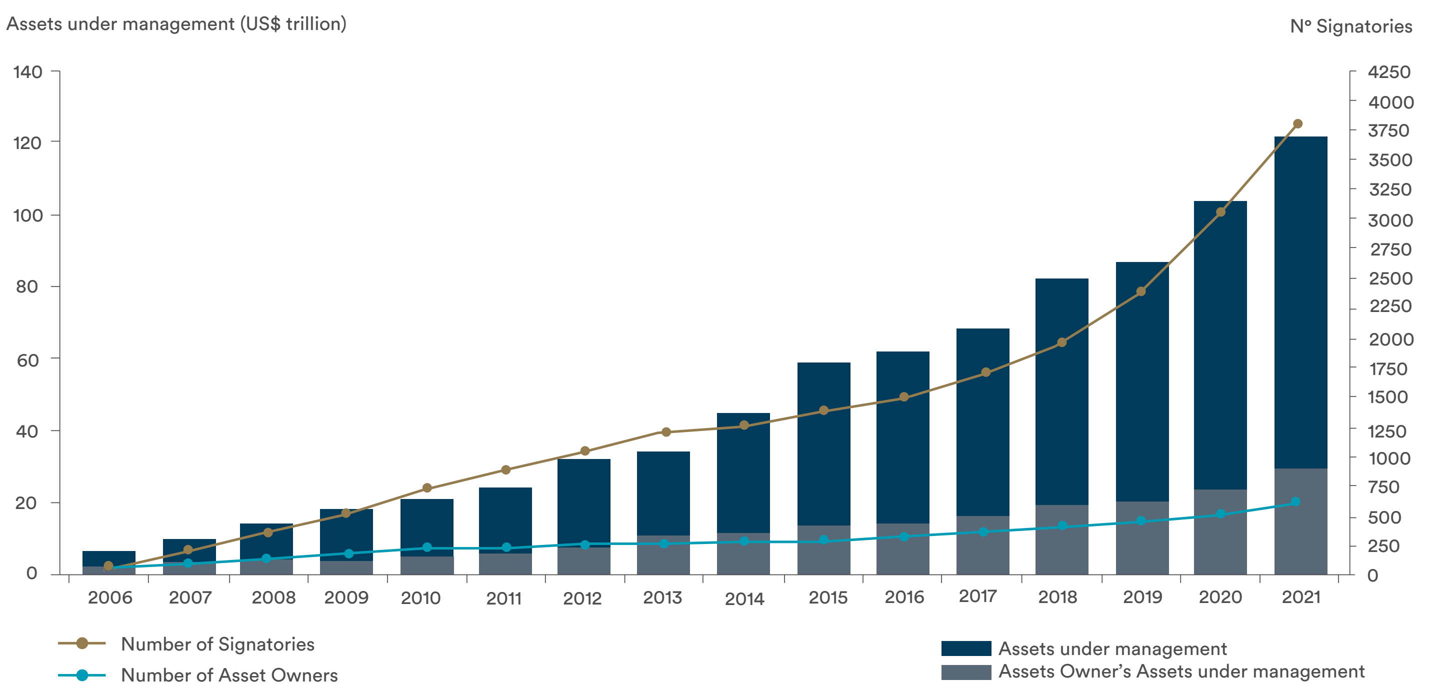
If you want to really understand the spike in PRI signatories, just follow the money. In 2021, according to Morningstar, Canadians' investments in sustainable funds doubled to $34B, while over 75% of new money invested in equity funds went to sustainable funds.

Of course, It's not just a domestic phenomenon. According to Reuters, last year almost $650B poured into ESG funds to November 2021. That followed on from $542B in 2020 and $285B in 2019. ESG funds are now 10% of worldwide fund assets according to Reuters but other sources, such as the Global Sustainable Investment Alliance, estimate that more than a third of investment assets managed globally were classified as sustainable. Responsible investing continues to be the hottest trend in money management, with the concern over climate change largely fuelling the growth.

Why does ESG matter?

The increased focus on ESG issues has not only impacted fund managers, but also the companies they invest in whether they be public or private. It's now an increasingly common practice for firms to produce

Figure 1: PRI signatory growth



Source: Principles for Responsible Investment an annual sustainability report no matter what industry they operate in. Investors are demanding it and, increasingly, regulators are looking to mandate it.

Figure 2 shows an excerpt from Suncor's Report on Sustainability 2021, in which they outline their strategy to "create value for our shareholders, customers and wider society" and highlight their six strategic objectives.

> "Responsible investing continues to be the hottest trend in money management, with the concern over climate change largely fuelling the growth."

Figure 2: Suncor's 6 strategic objectives

OUR SIX STRATEGIC OBJECTIVES					
Grow returns on capital	Be net-zero by 2050	Optimize our base business	Expand low emissions businesses	Grow our customer connection	Achieve world-class ESG performance

Source: Suncor

As investors, we view more information as a positive. Increased disclosures on issues such as a firm's environmental impact, supply chain and labour relations, gives us a fuller picture of how a company operates. These reports also do a deeper dive on the role of diversity and inclusion at corporations, which is a key focus for firms today.

In a nod to International Women's Day, it's interesting to note many studies show that firms with higher female participation in management tend to outperform firms which are less gender diverse. Job seekers are also looking for diversity in employers. A recent study commissioned by Jobvite noted that 42% of workers said they would turn down a job offer from a company that lacked diversity.

What are the downsides?

What are the downsides to the ESG movement? First off, there are no real universal ESG measurement standards. As investor demand is high, some funds are being marketed under an ESG banner when, in fact, they may not meet what the investor is looking for. Many investors equate ESG investing with fossil fuel divestment or investment in clean energy, when this isn't necessarily the case.

The industry is also rife with contradictions. For instance, large tech companies tend to score well on ESG factors yet the batteries that power their products are huge consumers of lithium and cobalt. Lithium production tends to be very water intensive, while the bulk of the world's cobalt production comes from the Democratic Republic of the Congo where child labour is utilized. As a result, the ESG fund you purchased that's claiming to make the world better may not invest in the miner, but it likely is invested in companies that keep the miner in business.

The responsible investing movement has undoubtedly had a positive impact, but don't expect it to solve all of the world's problems. After all, public companies exist to create jobs, generate profits and to grow those profits and the value of the firms. Otherwise, why would we invest in them? Ultimately, governments, rather than public companies, dictate policy. Those policy decisions will be much more impactful in solving issues like climate change than what investors hold in their portfolios.

What does this mean for our investment process?

For our part, we're excited to become a PRI signatory. Many investment managers, including us, have been incorporating ESG factors into their due diligence process long before responsible investing was a well-known term. Working with PRI helps us better articulate our strategy and catch potential blind spots in our process. For our clients, the partnership should underline how seriously we continue to take these issues.

Overall, we don't anticipate any major changes to our investment process. For instance, we don't expect to adopt a policy of divestment for energy companies. Instead, we'll continue to look at the risk/reward of investing in these companies through many different lenses, including ESG.

Scott Blair, CFA
Chief Investment Officer
CWB Wealth Management

Sources: Bloomberg, Factcheck, Morningstar, Reuters, Suncor, Jobvite, PRI

Starting over

There are times when we experience significant life changes, good or bad, that force us to re-examine our life choices, including those set out in our financial plan. One of those times is when experiencing a separation or divorce from our spouse or partner. Keeping your financial plan up to date to reflect major changes in your situation helps ensure that your goals and objectives continue to be aligned with your best interests.

No matter what side of the uncoupling you're on, you're going to be starting over. Some goals and objectives may remain the same, but the available assets and ability to save for your future will undoubtedly be different.

There are different emotional stages when going through a separation or divorce, and each partner goes through them at different times. People often make the mistake of feeling they need to change everything right away – especially with their homes. Rome wasn't built in a day, and you don't have to make all your decisions in one day either. Take your time and make the right choices for you.

Here are a few things to keep in mind:

Co-mingling assets

Understand that there's a difference between common-law and legally married spouses, particularly when it comes to Family Law and division of assets upon separation. Not only does the definition of common-law differ depending on the province of residence, but the guidelines on the division of assets can also vary.

For instance, in Ontario, common law couples aren't legally required to split property. Equalization of net family property only applies to married couples. Generally, when common-law spouses separate, they're entitled to keep their own property while any jointly owned property is split. Unfortunately, in longer relationships this may result in an unfair disadvantage to one of the parties.

For example, in a situation where the home isn't jointly registered but the non-owner spouse has contributed to mortgage payments, renovations, etc., it's become common to make a claim under "unjust enrichment" in order to be fairly compensated.

The concept of "joint family venture" is also becoming more common in courts. This essentially approaches equalization in common-law situations similar to that of married spouses. The bottom line is that what may seem a fair split may not be an automatic outcome, so the best course of action is to have a legal document (e.g., cohabitation agreement) that will protect your interests in the event of separation.

Budgeting and retirement planning

You'll quite likely need to rethink your retirement and cashflow plan. Take inventory of all your assets, liabilities, and income sources to get the big picture of your situation. The number one rule with budgeting is to live within your means. When you no longer have a partner's income to contribute to expenses, budgeting becomes even more important.

Determine all your income sources (net of taxes and other deductions). Then, look at your anticipated expenses, fixed vs. variable. If your expenses exceed your net income, you'll need to review your investment assets and determine what accounts you may have to begin drawing from to meet the shortfall.

Some of your goals as a single person may differ from your original goals discussed as a couple (particularly, retirement goals). Increased savings may be required if you're now further behind in terms of total assets. You may have to revisit your budget and reduce expenses to allow for some savings to achieve future goals.

Investment decisions

Who looked after the investments in your relationship? It's seldom the case that both partners contribute equally to investment decisions. One is usually more than happy to let the other look after the finances. Traditionally, it's more often been the case that women are in the weaker financial situation, have less financial knowledge, and may not have a relationship with a financial advisor of their own that they can trust following a separation.

> **"Take a deep breath, know your options, and speak with trusted experts who can guide you on financial matters to put a plan in place."**

Amongst everything else you're dealing with, you may suddenly feel the need to educate yourself. Did you fully understand the questions about risk capacity and risk tolerance that you agreed to together with your partner? Does your current asset mix reflect your personal risk level or that of your partner who was the primary decision maker or controlled the investments?

Starting over will require a review of your new goals and objectives with your advisor, and a discussion about your personal comfort with risk. Changes to your portfolio can then be made accordingly to reflect your wishes, and it may look very different from previously.

Considerations when seeking professional advice

As mentioned above, the definition of common-law can differ from province-to-province, but it also varies depending on whether it's in reference to tax or estate planning. Whether it's a will, a cohabitation agreement, or agreeing on a settlement upon separation, be sure to seek proper professional advice to help sort through it all.

Don't limit yourself to just one type of professional. Lawyers are generally not tax specialists and can sometimes take a very basic approach to determining contingent tax liabilities when calculating net family property. It's good to get a second opinion from your financial advisor, who may be more familiar with the ins and outs of your various holdings and tax situation.

For example, lawyers may use an average 25% tax rate on the equalization calculation when, in fact, your marginal tax rate is much higher. Your financial advisor can also ensure the calculations properly reflect items such as tax on unrealized gains and loss carryforward items.

Every uncoupling situation is unique. Just because one person's scenario went a certain way, it doesn't mean that's a hard and fast rule for all. The agreements you have in place and whether you have sufficient proof to make a claim otherwise will affect your outcomes. Take a deep breath, know your options, and speak with trusted experts who can guide you on financial matters to put a plan in place. You've got this.

Marie Machado, CIM, CFP®, R.F.P., CFDS
Vice President & Financial Consultant
T.E. Wealth

The value of stay-at-home labour

Why you should insure your stay-at-home spouse

As a career insurance specialist with a stay-at-home spouse, I've always carried adequate life insurance on my life to protect my family's financial future against the possibility of my untimely death. This should be a given for people who are the single income source in a family. What's often overlooked though, is the financial impact of losing a non-income earning spouse and the need for them to have adequate life insurance as well.

Together, my wife, Maril, and I decided to obtain life insurance for her because of the financial loss that her early death would befall me. Let me shed some light on where that would be felt.

The price of unpaid labour

While our children were young, Maril stayed home to care for them. She also maintained our home. At the time, I was travelling regularly for work which would have been impossible to do if she were to have died prematurely. The cost of childcare and labour to maintain the house in Maril's absence would have been substantial.

Today, even though we're empty nesters she continues to oversee the care of our home. As general contractor, organizing trades and materials for a sizeable home renovation project, Maril's added significant value to our home. It's a source of annoyance for us, and especially for her, when people ask her, "Do you work?" She works very hard but doesn't get paid. It would cost thousands of dollars to hire someone to do her work.

The amount of coverage we purchased was determined by estimating what it would cost to hire someone for the many things Maril was doing to care for our children and our home. In retrospect, she was probably under-insured because I'm certain that her passing would have resulted in a period of lower income for me, as I would have redirected my focus to care for our children during a difficult time in all of our lives. In that scenario, we would rely on our insurance coverage to replace part of my income.

Insurance on the spouse in the family business or farm

Often, we see one spouse performing valuable unpaid labour to help in a family business or farm situation. The death of the spouse performing that unpaid labour may strike a serious blow to the enterprise. It may flounder due to the emotional loss felt by the surviving spouse, and the formerly unpaid labour will likely have to be hired and paid for. Life insurance on both spouses is necessary to address the risks that are present in this scenario.

Considerations for spousal life insurance

When moving forward with life insurance coverage for a non-income earning spouse, there are a few high-level considerations that you may want to discuss further with an insurance specialist.

- Women pay less than men for life insurance because women tend to outlive men. Conversely, women pay more for disability insurance than men because women have a higher incidence of claim.[1] Consider buying disability insurance to protect income, and critical illness insurance to cover the lump sum extraordinary costs associated with becoming seriously ill.
- Group Life insurance is almost always not enough coverage, and it's not portable. Buy an individually-owned policy and use the group plan as a supplement.
- Term life insurance lets you obtain high coverage for an initially low price, but at the end of the term (usually 10 or 20 years) the policy renews at a significantly higher price. For this reason, only 2-3% of term policies ever result in a claim because people let them go before the die. Most term policies allow for conversion to permanent life insurance, and it's prudent to exercise that option early on for some of your coverage.
- You can apply for life insurance during pregnancy, but it's best to do so before.
- It's possible to obtain life insurance for your spouse, even if they have history of serious health issues.
- Each spouse should own their own policy. Do not buy a joint-first-to-die policy with your spouse as there's only one death benefit. Should one spouse die, the other is left without coverage. If there's a divorce, a joint-first-to-die policy can be divided, but each life is left with half the coverage.

> **"What's often overlooked though, is the financial impact of losing a non-income earning spouse and the need for them to have adequate life insurance as well."**

While price is a factor, other important things to consider when purchasing life insurance are policy features, the carrier's underwriting experience, customer service and financial strength. A good agent can help you choose the right carrier and product based on your personal situation. Look for a broker with experience, relevant designations (CFP, CLU) and access to multiple carriers. As always, our Wealth Preservation Advisors are happy to answer your questions, and help you explore your options further.

Kim Stevens, CFP, CLU, CHS
Wealth Preservation Advisor
CWB Insurance Solutions

[1] Statistics Canada Canadian Survey on Disability Reports, *A demographic, employment and income profile of Canadians with disabilities aged 15 years and over,* 2017; by Stuart Morris, Gail Fawcett, Laurent Brisebois, Jeffery Hughes; released Nov 28, 2018. Highlights: One in five were disabled. Women (24%) were more likely to have a disability than men (20%).

Turning passion into profit

If you've been questioning your relationships, career, and life goals over the past two years – you're not alone. In fact, you're probably in the minority if you haven't. As we know, many careers were hit hard during the pandemic, and for some, shifting to entrepreneurialism is an attractive option. But where to begin?

photo credit: Gabby Frank

Photographer, Shannon Laliberté, and Filmmaker, Kelsey Blake parlayed their passions into profit when they began Found Her Productions in 2019. Through photography and video, they help self-employed women illustrate what makes their business unique. Having built a relationship with Shannon's family over the past 25 years, we were happy to be part of her creative journey and have asked her to share a few words on her successes, struggles and raison d'être.

How did you turn your passion for photography into a business?

Turning my passion for photography into a business was a gradual process. Once I decided to pursue photography as my career, I went the formal education route and got a degree in Commercial Photography. After graduating, I landed a sales job at a well-known camera store which allowed me to expand my photographic knowledge, network and learn a thing or two about selling.

I worked full-time at the camera store and took on pretty much any gig that was offered to me as a "side-hustle" for about seven years. After gaining some experience and establishing some connections in the industry, I decided to leave my sales job to focus on my photography career full time.

Trying many different types of photography jobs was crucial in finding the niche I am most passionate about. I started to notice momentum picking up in my business once I committed to making portraiture my niche. Shortly thereafter, I met a videographer who shares the same passion for elevating women and boom – Found Her Productions was born!

What financial considerations did you face as a first-time entrepreneur?

I had become used to receiving a bi-weekly paycheck as an employee at the camera store, so I had to shift my money mindset and embrace the fact that my income might not be as regimented anymore. I did some mindset work to frame this as an advantage rather than a disadvantage.

Also, saving receipts and tracking expenses for tax purposes was something new to me that I appreciated I would need to get used to.

Your company, Found Her Productions, focuses on photography and film content for female entrepreneurs and artists. How did you decide on this niche demographic?

In 2018, I joined a women's mindset coaching program to help me find my footing as a full-time freelancer. Within that group were dozens of incredible women, glowing with curiosity and ambition. Being surrounded by a crowd of upbeat, growth-oriented women is what inspired me to create a portrait business that was dedicated to helping women like them reach their goals. I find it so inspiring to be a part of a project that helps business owners express themselves authentically and attract their dream clients.

> "Become an entrepreneur doing something that you truly love. That will make all the challenges feel worth overcoming."

In your experience, are there unique challenges/opportunities facing female entrepreneurs?

For me, a challenge was understanding my worth as an artist. In the early stages, I was severely undercharging, and I think it's at least partly because I grew up at a time when women weren't commonly socialized to understand their worth in a business context.

In terms of opportunity, yes! One of my favorite experiences to date was photographing a women's retreat in Mexico. It was important for the dynamic of the group that the photographer was another woman. I've also noticed grants and other government funding opportunities specifically for female entrepreneurs. I haven't had the pleasure of receiving any of these funds yet myself, but I love seeing that opportunities like that exist to support women in business.

Why do your clients choose to work with you and your firm?

As Simon Sinek says, "Consumers don't buy what you do, they buy why you do it". I think our clients are attracted to us because we're so forward about the fact that we're in business to elevate women. I also like to think it's because we've established a style and a workflow that provides our clients with not only beautiful bespoke visuals, but with a transformational experience to boot!

What obstacles have you had to deal with?

In the early stages of being an entrepreneur, I didn't know how to track or project my earnings. I had no concrete financial information to work with. Everything was a projection, a guess. This made budgeting tricky and influenced lack-based decision-making. Getting organized was a game changer (shout out to T.E. Wealth for helping me in that department!). I started by using a free spreadsheet to track income and expenses, and now I invest in more robust accounting software that can do fancy things like create invoices and generate reports.

What are the best and worst parts of running your own business?

The best AND worst part is that I'm responsible for it. This has been daunting and overwhelming at times but, ultimately, I am so grateful to be in a position where I have full authority over how I go about serving my clients.

What do you value most in a financial advisor?

I appreciate working with someone who is patient and meets me where I'm at when it comes to financial lingo. I also value working with a team that genuinely has my best interest at heart.

What one piece of advice would you give to people who are thinking of going the entrepreneur route?

Become an entrepreneur doing something that you truly love. That will make all the challenges feel worth overcoming. And as cliché as it sounds, BELIEVE IN YOURSELF!

Jason Kinnear, CPA, CA, CBV
Manager, Family office Services
T.E. Wealth

Vancouver · Calgary · Mississauga · Toronto · Montreal · Quebec City · St. John's

1-888-505-8608 www.tewealth.com info@tewealth.com Twitter : @TE_Wealth