The David Miner

Communiqué

Summer 2018

"The only way to coast is downhill."

- Zig Ziglar

Welcome Kiran Naidoo!

Kiran Naidoo, BComm. (Hons), CPA, CA has joined David Miner and Associates after working over a decade in a global corporate environment and public accounting.

Prior to joining David Miner and Associates, Kiran spent several years with Magna International working closely with teams in Canada and around the globe.

During that time, he advanced through several progressive roles in different parts of the organization – taking responsibility for financial reporting, audit, intellectual property management, transfer pricing and taxation, foreign exchange and currency hedging as well as providing financial leadership for his product group's global innovation and design execution strategy.

Kiran graduated in 2008 from York University with a Bachelor of Commerce (Honours) specializing in Accounting and immediately began his career in public accounting. Having articled with Ernst & Young (EY) in Toronto, Kiran was fortunate to work with companies, both public and private, across many industries such as manufacturing, real estate, consumer goods, medicine, gaming and security in addition to academic institutions and non-profits such as municipal governments and charities.

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Maya and Nalina Naidoo in February, 2018.

Kiran is proud father to his daughters Nalina (born 2016) and Maya (born 2018) and is a dedicated partner (both professionally and personally) to his wife Amelia. In his spare time, he enjoys playing hockey, softball, strategy games, and of late has picked up on the Miner family traditions of skiing and running. Not to be outdone by his father-in-law, Kiran holds a black belt in the Shotokan style of Karate and has ambitions to further expand his knowledge and credentials as they apply in the financial services sector.

Market Commentary

As the United States has implemented tariffs on goods imported from many of its trading partners; Canada, the EU, and China are responding (as expected) by adding tariffs of their own to US imports. It is no surprise that we have witnessed the increased volatility of global stock markets in response to these trade disputes. That being said, a review of client portfolio performance at the end of June shows that the first half of 2018 has been reasonably solid. According to Morningstar reports for the first six months of this year, the US market in Canadian dollar terms (S&P TR CAD) is up 7.77%. World markets (MSCI World GR CAD) are up 5.78%. Note that the returns of non-domestic markets have been boosted by the relative strength of international currencies over the Canadian dollar.

Domestically, the Canadian stock market (S&P TSX Capped Composite TR CAD) is up only 1.95% year to date and the Canadian bond market (FTSE TMX Canada Universe Bond Index) is up less than 1%. As investors, we have benefited from global exposure in portfolios.

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Estate Preservation

Maya Naidoo and Amelia enjoy a family outing in Mississauga.

The focus of this newsletter is most often on saving and investment. Our investment focus is as much about risk management (i.e. wealth preservation) as it is about achieving good investment return. A well-managed investment plan requires patience and discipline over a long period of time. And the financial peace of mind is wonderful!

Risk management, as a concept, is applicable beyond our investment portfolios and while we often do not put a value on it, our greatest asset during our working years is our ability to earn income. It is with that income that we establish homes, raise families, and build wealth; as such it is wise to minimize any risk to our ability to earn.

On the one end of the spectrum, we strive for healthy and uninterrupted career years to support our lifestyle and wealth accumulation goals. Loss of life, at the opposite end of this spectrum, is a total disruption to earning income and financially it is the spouse or dependents who may suffer as a result. Life insurance is an obvious solution. In most instances, term insurance can cost-effectively offset the loss of income caused by the death of a family "breadwinner". Families are better off if the surviving spouse and children can remain in the family home, put food on the table, provide for children's care and education and eliminate outstanding debt.

Between the two extremes of perfect health and loss of life; accident and sickness, can result in varying degrees of lost earning ability. If a person is physically not able to work, a complete loss of income can be the most financially devastating. The insurance industry offers two solutions to minimize this risk: Critical Illness (CI) and Disability Income (DI) Insurance. In our opinion, Disability Insurance more effectively manages risk surrounding one's ability to earn when compared to Critical Illness.

Critical Illness ("CI") is a form of insurance that has been around since the 1990s. Very simply, in the event of certain illnesses such as cancer and heart disease, a lump sum is paid to the beneficiary. The underwriting approval process can be more onerous for CI than for basic life insurance. People who qualify for CI Insurance go through rigourous medical evaluation which suggests that, if approved, they are unlikely to ever make a claim. Such a policy, clearly defines the symptoms and criteria that must be present or met to qualify for claim.

David, Kiran and Amelia celebrate with a little "Welcome Kiran" cake.

For instance, Stage 1 prostate cancer may not be covered under the policy and no payment is issued to the beneficiary upon surviving the 30 day period from diagnosis. A fatal heart attack will not warrant a CI claim.

Disability Income ("DI") Insurance, on the other hand, covers disability for any reason – accident or sickness. It is designed for income replacement. Very simply, the insured receives a monthly income while unable to work. Some employer sponsored group long-term disability plans provide excellent coverage. Some group plans may need to be supplemented by private coverage. We strongly recommend that all self-employed people – business owners and professionals – consider a Disability Income insurance plan.

We never say "never". We can cite instances of people who have successfully made claims under CI and other people whose CI claims have been denied. Here are a few reasons why we are reluctant to recommend CI insurance in addition to, or instead of, DI insurance:

1. CI insurance does not necessarily payout in the case of accident or specific diseases and does not, therefore, provide comprehensive coverage.

2. We do not like to recommend insurance if there is not a clear risk of financial hardship we are insuring against. In many instances, a diagnosis of heart attack, stroke, or cancer may not result in prolonged disruption of income. Moreover, at the time the policy is taken out, it would be practically impossible to quantify how much coverage would be required to offset expenses if the need did arise.

3. The industry standard requires the policy holder to survive 30 days after diagnosis before a claim is paid. Despite having paid insurance premiums for years, claims will not be paid if the insured does not survive the 30-day period after diagnosis.

4. CI insurance premiums are expensive. Many people would be better off simply saving and investing that amount monthly. After several years, the accumulated funds will be there to enjoy – hopefully in good health!

Everyone's situation is unique. Contact us to discuss.