NEW RRIF INCOME *RULES IN EFFECT*

BY FLOYD MURPHY, CFP, CLU, CHFC, THE NAKAMUN GROUP, VANCOUVER

On January 1, 2016, new lower minimum withdrawal amounts for Registered Retirement Income Funds (RRIFs) were fully implemented. Anyone withdrawing the required minimum amount based on their own age of 71 or older now receives between 15 and 25 percent less than in the past. Those younger than age 71 or basing their minimum RRIF withdrawal amount on the age of a spouse younger than 71 years old are not affected. The reduced minimum is highest for 71-year-olds, with the percentage decreasing as age increases. Those aged 85 or older are required to withdraw about 15 percent less than they did previously.

The biggest advantage of the lower RRIF withdrawal requirements is the increased flexibility to draw less income now to preserve more capital for future years.

Those who are withdrawing a fixed income that is more than the required minimum are not affected by the RRIF rule changes. However, withholding tax is slightly higher, since income tax is withheld on the difference between the minimum and the income withdrawn.

At any time, if you require more income from your RRIF, changes can be made. Simply contact your Nakamun Advisor. Call, too, if you have any questions about your RRIF withdrawals.

Nakamun

Good Advice | Well Given

AN INFORMATION SERVICE OF THE NAKAMUN FINANCIAL GROUP

Nakamun ADVISOR

WINTER 2015/2016

2015 ... A YEAR OF CHANGE

BY GREG FARRIES, BSC, THE NAKAMUN GROUP, CALGARY

When investing, the four most dangerous words are "it's different this time" (Sir John Templeton). Reflecting back on 2015, the number of significant changes that occurred might have led a person to believe that things are different. The price of most commodities, particularly oil and gas, continued their decline. This was accompanied by a significant devaluation of the Canadian dollar relative to the US dollar. We also had a change of federal government. Who would have believed that the province of Alberta would have elected an NDP government, or that Donald Trump would become one of the frontrunners for the Republican Party in the US?

Some will embrace change while others will be wary of the effect change and the pace of change will have on them. In investing, change is ongoing, but at the end of the day, markets have always been and likely will continue to be driven by fear and greed. Right now, we are probably just starting to see a very significant change that will affect investment decisions for years to come.

continued on page 2...

SHAUNA BLACKBURN-COOK
BCOM
shaunablackburn@nakamun.com

NAKAMUN GROUP EMPLOYEE BENEFITS INC.
3263 Parsons Road, 2nd Fl.
Edmonton, AB
T6N 1B4
Phone (780) 469-6067
Fax (780) 469-6068
Toll Free 1-888-469-6068
www.nakamun.com

A MEMBER OF THE NAKAMUN FINANCIAL GROUP

VANCOUVER
EDMONTON
CALGARY
WINNIPEG

Independent Advisors in Retirement, Financial and Estate Planning, Employee Benefits and Corporate Insurance.

...continued from page 1

INTEREST RATES

For thirty years, we have been experiencing a trend of steadily declining interest rates. That trend appears to be nearing an end. In the US, the first rate increases are about to occur, if they didn't already in December. In Canada, rates will likely remain unchanged for the near future, but as the US increases rates, Canada will more than likely follow suit.

The good news is that the global economy is expected to grow at a slow pace, despite the accommodative monetary policies of central banks around the world. The US likely has the strongest economic footing, attributable to a robust employment trend and positive housing dynamics. This means that interest rates, when they start to increase, will do so very gradually. We expect rates will stay low for longer than many others might think.

Interest rates are critical because they are a key component for determining the demand for equities. If interest rates were to suddenly rise to ten percent, for example, I suspect most discussions I would be having with clients would not be about equities, but more likely the best rate I can get on a Guaranteed Income Certificate. Since our current environment will support only very modest rate increases, investors will probably continue to be challenged to seek investments that will provide sufficient yield to meet their income needs. At the moment, the yield on ten-year Government of Canada bonds is still below two percent. For many investors that return is just not enough, and as a result, they are being forced into riskier investments in order to meet their income needs.

Since bonds have an inverse relationship to interest rates — that is, the price of a bond will drop when interest rates go up — investor reaction to negative returns on this perceived safe investment will be interesting.

EQUITY MARKETS

Equity markets remain attractive on an absolute basis and relative to fixed income markets. Companies continue to generate earnings, albeit at a moderate rate of growth, which has translated into healthy balance sheets with high cash levels and low debt-to-equity ratios. Many companies are buying back stock, which supports earnings-per-share growth, and they have been increasing dividends. Valuations and earnings ratios in many markets are near their long-term averages. Nevertheless, many markets require an earnings expansion to support further market appreciation, making earnings a key consideration.

US stock valuations should benefit from a modestly growing economy and strong employment numbers. A headwind for US multinational companies has been the steady appreciation of the US dollar, which negatively impacts US exports and offshore earnings when converted back into the dollar. With modestly rising US interest rates, demand for the US dollar is expected to continue, although both the rate and the amount of appreciation should also be very modest, going forward.

The European stock markets, while not experiencing the same growth as US markets, also look attractive because they have more reasonable equity valuations. As well, for the first time in years, we are seeing signs of positive growth in private sector loans.

In 2015, the world began in earnest to question the growth rate of China's economy. Many investors now believe the Chinese economy is growing much more slowly than the government is suggesting, and this created volatility in global equities. However, despite the slower growth rate, China is still clearly growing at a much more significant pace than most of the other developed economies around the world.

While things that concern us today may be different than in prior years, investors should be comforted by the fact that markets always "climb a wall of worry" and that right now, excess "irrational exuberance" does not appear in valuations. The only possible exception might be real estate valuations in Canada. On a rent-to-house-price basis, Canada would appear to have close to the most expensive real estate in the world.

SEEK PROFESSIONAL ADVICE

Right now, more than ever, investors should be looking for professional advice to ensure they understand exactly what they are investing in and the impact rising interest rates might have on their portfolio.

PLAN FOR YOUR DIGITAL ASSETS

BY R.A. (BOB) CHALLIS, CFP, RHU, TEP, THE NAKAMUN GROUP, WINNIPEG

Digital assets are Internet-accessible valuables that are carefully hidden behind usernames and passwords to prevent attack by cybercriminals. Whether or not you apply the label, you probably have digital assets. Some, such as online bank accounts, may have intrinsic financial value; others, such as online trading accounts, may access other assets that have financial value; and some, such as cloud-based photo storage, may have unique sentimental value. However, if you do not tell anyone about these assets, there's a possibility that if you die or become incapacitated, no one will know they exist. Assets you hold in digital form can easily be lost forever. Today's reality is that you need to catalogue these assets, provide information on where to find them and how to access them, and leave specific instructions about what you'd like done with them. Otherwise, you could leave a daunting digital mess that your survivors might never be able to unravel.

Common Digital Assets

Digital assets include electronic "possessions" such as email accounts; online bank, investment, and virtual money accounts; online sales, purchase, and storage accounts; web pages; domain names; and social media accounts.

Our daily activities increasingly have an online component — downloading music and books, accessing entertainment, accumulating loyalty points, paying bills, transferring money between bank accounts, arranging trips, and performing a myriad of routine tasks. These online activities result in digital assets.

Those who are more tech-savvy may make their living online, buying and selling products and services that range from tangible goods to intangible social media schemes. These businesses are built on digital assets.

Clearly the scope of digital assets is enormous and growing. Whether the owner accesses their digital property frequently during the day or so seldom they forget it exists; and whether they do so to manage financial value or simply entertain themselves, these assets must be considered and included in estate planning.

Identifying Digital Assets

Estate planning for digital assets is more complex than for traditional assets. Not only do digital assets need to be identified, but also their cyber location and access instructions must be provided and kept updated in a secure way. Often, access is protected by complicated usernames and passwords to prevent unauthorized viewing or hacking, so without the necessary information, executors might not be able to find digital assets.

A hardcopy list is the very least that should be provided for executors, but the information must be updated as often as username and passwords are added or changed. A word of caution not to include this list as part of the will because wills can potentially become public documents.

Online storage services are available, but those, too, need to be kept up to date, and the executor of the will must know where and how to access that account.

In addition to accessing digital assets, executors also need to be able to implement your wishes for the disposal or distribution of each item, and that could require step-by-step instructions.

The negative consequences of failing to provide executors with the needed information about digital assets range from complete loss of something valuable, to missed deadlines for important required actions, frustration amongst family members, and fraud or identity theft.

Accessing Digital Assets

With adequate knowledge, accessing digital assets might be as simple as using the deceased's computer, mobile phone, or other devices along with the provided usernames and passwords.

Not all digital assets can be accessed or controlled by an executor, beneficiary, or anyone else. Some are restricted by user or service agreements, contracts, copyrights, privacy laws, or even the criminal code. If your digital asset has significant value for beneficiaries, knowing and understanding the transferability are essential. If transfer to beneficiaries is not allowed, consider moving the asset.

Talk to your Nakamun Advisor

If reading this article triggers a realization that you have significant, valuable digital assets that you have not mentioned during your estate planning meetings, please contact your Nakamun Advisor. If you haven't catalogued these assets, do so immediately, and include access instructions.