DYNAMIC ADVISOR • FALL 2017 • EXPERT ADVICE TO HELP BUILD YOUR BUSINESS

ADVISOR

STRONGER TOGETHER

THREE BECOME ONE

Mike Tycoles, VP, Business Development at Dynamic Funds with Wendy Farch, VP and Portfolio Manager, Joe Scalise, VP and Portfolio Manager and Michael Serpico, VP and Portfolio Manager of The Quarry Group (TD Wealth)

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SPECIAL TAX PULL OUT

Dynamic Funds®
Invest with advice.

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AN INNOVATIVE, INDUSTRY FIRST

We're pleased to announce the launch of three new Dynamic iShares Active ETFs which bring together the trading flexibility many of you want as well as competitive fees and truly differentiated investment strategies.

The new Dynamic iShares Active ETFs have tactical bond, U.S. mid-cap and global financial services mandates. The tactical bond mandate provides broad exposure primarily to the North American fixed-income markets with active risk and tactical duration management. The U.S. mid-cap mandate focuses on equity securities of US-based companies with mid-capitalization. And the financial services mandate focuses primarily in equity securities of companies involved in the financial services or financial technology sectors primarily beyond Canada's borders.

The addition of these new products brings the total number of Dynamic iShares Active ETFs to eight. All are managed by BlackRock Canada with the underlying funds managed by Dynamic. The combination of BlackRock and Dynamic is an innovative, industry first and another way for us to bring Dynamic's Legitimately Active Management™ to market.

Global investment opportunities

Legitimately Active Management™ is on full display in this issue's Meet the Manager Q&A with veteran equity income investor Tom Dicker. Tom is the lead manager of five highly respected Dynamic Funds mandates and the new Dynamic iShares Active U.S. Mid-Cap ETF. In the Q&A starting on page 5, Tom identifies a range of global investment opportunities as well as gives you a behind-the-scenes look at the inner workings of Dynamic's Equity Income team.

Team is at the centre of our cover story documenting the growth of TD's Calgary-based The Quarry Group. It's a must-read for advisors who work in teams or who may be considering a team approach to practice management. The Quarry Group's instructive and insightful story starts on page 12, and it serves as a useful roadmap to shared success particularly if high-net-worth clients are on your radar.

PM Perspectives

New in this issue, we give a Dynamic portfolio manager free reign to share – in pictures and images – a point of view, an investment insight or opportunity of their choosing. Our debut submission by Dynamic global investor Eric Benner explains why his institutional investment background has led him to the global health care sector for opportunities.

You'll also find a *Year-End Tax-Planning Guide* insert, which is designed to give you a running start as we head into the final months of 2017. Created by noted tax authority Evelyn Jacks, the guide is filled with useful information, tips and strategies to help your clients pay less tax.

Regulatory watch on page 18 features a round-up of current Ontario Securities Commission priorities through June 2018. The overview includes next steps and possible implementation dates to help you navigate the increasingly complex regulatory world.

Active ETF course

We're also pleased to introduce a new course to Dynamic's Education Zone. *Getting ahead of the curve: Understanding active exchange-traded funds* provides you with a timely opportunity to find out more about active ETFs. And with ETF proficiency requirements now in place for MFDA reps, possessing greater knowledge of ETFs is no longer an option but an imperative.

Finally, our second new editorial item – *Contributing Advisor* – is your chance to get into *ADVISOR* magazine. We're accepting submissions from advisors who have something valuable to share with other advisors. Our first submission appears on page 20 featuring Kirk Polson who writes about succession in advance of his retirement in January. Talk to your wholesaler about your idea and you may just find yourself in an upcoming issue.

I wish all of you good luck over the final months of the year.

Sincerely,

Mark Brisley
Managing Director and Head of Dynamic Funds

Mark Brisley
Managing Director and Head of Dynamic Funds

To find out more about Dynamic iShares Active ETFs, go to **dynamic.ca/ActiveETF** or talk to your Dynamic Funds representative.

QUALITY MANAGEMENT
Q&A WITH TOM DICKER

Monetary tightening, U.S. stock valuations and real estate are hot topics of conversation these days.

So, we thought it might be a good time to get some perspective from respected Portfolio Manager Tom Dicker who's at the centre of it all. Tom, a senior member of the Dynamic Equity Income Team, manages five mandates that are directly or indirectly impacted by each of those topics. We sat down with him to talk about investment opportunities, the power of teams and the importance of quality when managing for the long term.

Q: Interest rates are on the rise in North America and poised to rise in other jurisdictions around the world. What does that mean for you and your funds?

Tom: I think it's more important to put aside the interest-rate call. Trying to figure out where rates are going is too tough. Nobody's good at it. You can have a view, but I think it's more important to be focused on companies that have a revenue tailwind, an opportunity to expand margins and are attractively priced – this applies to the real estate, small business and U.S. equity and yield funds. Those are the three big things we look for, but it's only the beginning. The next step is getting into the details. When we're looking at a company with a revenue tailwind that appears sustainable, we ask why? Is it because they have competitive advantages? When we're looking at real estate investment trusts (REITs), we're trying to understand supply/demand fundamentals, the mechanics of the business and whether there's a moat protecting it. When we're looking at a company with margin expansion opportunities, we want to know why. We also want to know whether the expansion is sustainable. Is it cyclical versus secular? Is the company doing better relative to its peers? If not, why not? If so, why so? Turning to the third element – valuation – you want to know if the company is attractively valued versus its peers, versus itself historically and versus other sectors in the market. Trying to answer the value question is really important. We're very disciplined on value.

Q: Speaking of value and valuation, how does the U.S. market look?

Tom: That's the question I get asked the most about the U.S. market. Is it in a bubble? It seems the S&P 500 is reaching all-time highs every week, so I understand why people are asking. At the end of July, it was trading around 17.5 times forward adjusted earnings. The long-run average is 15 times. The tech-bubble high was 24 times, so we're far from that but more expensive than average. Time will tell whether that's too high, too low or just right, but I think there are opportunities for growth pick-up in the U.S., which would


Tom Dicker

justify current valuations. Whether it's infrastructure spending, tax repatriation of earnings or comprehensive tax reform, these actions – if they come to pass – may put that question to bed.

Q: Where are the opportunities?

Tom: I'm very bullish on technology. We have tech exposure in our U.S. funds and a number of technology-focused REITs in the global real estate fund. There's going to be massive growth in data usage over the next decade due to cloud computing and the Internet of Things, which are very data-intensive trends. We own data centre stocks and we own cellphone towers because data needs to be transmitted. Companies that use, gather, hold and store data are expected to grow faster than any economy over the next couple of years.

Q: Historically, technology would not be an area for an equity-income investor. Is that true?

Tom: It's not an area that people typically think about because technology companies rarely paid dividends. But, in the mid 2000s, Microsoft initiated a dividend and it proved to be a tipping point. Now a number of large-cap technology companies – Cisco, Oracle and Western Digital – pay dividends so there's a large investable universe of dividend-paying technology companies. Keep in mind, their yields tend to be a bit lower than other sectors such as utility or mature consumer staples companies, but they typically have better dividend growth. That's something we're very big on. We're more focused on a company that can grow its dividend and cash flow over companies that have a high going-in dividend.

Q: What else makes you bullish?

Tom: I like health care and some subsectors of real estate.

Q: Can we talk health care first?

Tom: Sure. When I mention health care, I'm specifically talking pharmaceuticals. Pharma stocks got beaten up last year when U.S. presidential candidate Hillary Clinton tweeted about taking down drug pricing. That presented some really good opportunities to buy companies that were growing earnings in the high single- and double-digits with very low price-to-earnings ratios. We continue to hold many of them.

Q: And real estate subsectors?

Tom: I mentioned data centres that house cloud-computing computers. There's Digital Realty, which we own in the real estate fund and Equinix in the U.S. fund.

Q: These are REITs or stocks?

Tom: Cellphone towers are structured as a REIT, so American Tower is technically a REIT, and Crown Castle is technically structured as a REIT. These are some of the biggest REITs in the U.S. They have much better growth rates than many traditional commercial sectors such as retail.

Q: Anything else in terms of sectors and industries that you're feeling good about?

Tom: Restaurants. Especially large restaurants that are taking advantage of technology to speed up order fulfillment and remove labour from the process to increase attachment rate. If it's easier for you to self-order or use an app at McDonald's, it improves attachment rate. It might also improve ticket size because people find it harder to say "super-size it" in person versus on an app. Technology aside, there's strong job growth south of the border, and one of the first things newly employed people like to do is dine out. We own McDonald's, Starbucks and Dominos in the U.S. fund.

Q: Are millennials still a positive tailwind in your eyes?

Tom: Definitely. Millennials are showing up in the U.S. housing market now. They matter an awful lot to the bottom lines of U.S. homebuilders, which are doing well. The way we play that is through Home Depot and PPG, a paint company, in the U.S. fund.

Q: Is there a time in the cycle when your approach works best?

Tom: The whole point of what we do is to try to keep people invested through an entire cycle. In between recession A and recession B, there will be a bunch of years that are phenomenal, in aggregate, and an individual one or two that may be disappointing. What we're trying to do is minimize the disappointments so you remain invested throughout the cycle instead of selling part way through. That's one of the big advantages of owning quality. It lets you sleep at night so you stay invested. You might not go up the most, but you won't go down the most either. That's how you get from recession A to recession B and all the way through to recession C and still compound at attractive rates of potential return.

Q: You're a senior leader on one of the country's largest equity-income teams. How do you work with the rest of the team?

Tom: Historically, the mutual fund business has been defined by star managers who work alone. I think that that era is over. I think there's still room for a star manager in certain areas – such as growth – where it takes a special, individual talent to see around corners. When you're in the value business and you cherish quality as I do, a team is absolutely critical. We have all 11 GICS sectors covered by analysts and/or portfolio managers. I think that's really, really important. When someone asks me, "You do real estate, you do U.S., you do small cap, how do you do all that?" The answer is, I don't. I don't do all that. I focus on real estate, where I need to, but I have help. I focus on small caps, but I have a lot of help. I focus on the U.S., but I have a lot of help. I split my time about a third, a third, a third, between the three while the team fills in the gaps.

Q: What does that look like?

Tom: Although the lead portfolio manager sets the compass and has final say, the really important work is being done at the sector level. It's impossible for one person to cover the S&P 500 on their own or even the real estate sector, so we have recommendation lists for each client – we call lead portfolio managers clients. So, for a U.S. client, which would be me, I receive recommendations from sector analysts. I, in turn, produce recommendations for others. So, I produce a recommendation list for Portfolio Manager Jason Gibbs for his Canadian-only fund. I also produce a recommended list for a North American fund… different client, different list. Global fund, different client, different list. We produce recommendations for all those different funds at the analyst level.

Q: Any advice for investors?

Tom: Turn off the news. And don't try to change your portfolio based on the latest headlines about Trump or the Bank of Canada or the ECB. What we know about these things, when we look back, is that they all pass. The biggest mistake most people make is selling. If you own a diverse portfolio of high-quality companies and hold them for the long term, you should do fine. If you want to improve your outcome, don't read the news and let us do the work.

Tom Dicker, Hons. BCom, CFA
Vice President and Portfolio Manager

Tom Dicker joined Dynamic in 2011 as a portfolio manager and is co-manager of several funds. Tom has over 13 years of investment industry experience, initially as an analyst and then portfolio manager. As an analyst, he performed fundamental analysis focused on diversified Canadian equities. As a portfolio manager, he was responsible for the management of equity- and income-oriented funds. Tom received an Honours Bachelor of Commerce Degree from the University of Ottawa and holds the Chartered Financial Analyst designation.

Funds managed
Dynamic Global Real Estate Fund
Dynamic Real Estate & Infrastructure Fund
Dynamic Small Business Fund
Dynamic U.S. Equity Income Fund
Dynamic U.S. Strategic Yield Fund

INTRODUCING DYNAMIC iSHARES ACTIVE U.S. MID-CAP ETF

The fund underlying the new Dynamic iShares Active U.S. Mid-Cap ETF is co-managed by Tom Dicker and fellow Equity Income Portfolio Manager Steven Hall. The following are edited excerpts from a videotaped interview with Tom and Steven, which you can watch at **dynamic.ca/ETF**.

What makes the U.S. mid-cap space attractive?

"Mid-caps are 'under' covered relative to large-cap stocks creating tremendous opportunity to identify ideas that others might have missed."

How will the underlying fund be managed?

"We use the Dynamic Equity Income team's proprietary quality-at-a-reasonable-price philosophy, which is a bottom-up approach that seeks out companies with best-in-class management teams that are dominant in their industry, with strong balance sheets, growing free cash flow, and durable competitive advantages."

Where did the product idea come from?

"We are both co-managers on Dynamic Small Business Fund and as we've broadened our coverage over the years, we've come across a lot of great U.S mid-cap companies that are just too big to fit in a Canadian-focused small-cap fund and might not fit in any of our large-cap core mandates."

Why should investors consider this fund?

"We see this as an opportunity for investors to add exposure to a potentially higher return, higher risk segment of the market but with lower volatility due to our more conservative approach to stock selection."

To find out more about the Dynamic iShares Active U.S. Mid-Cap ETF and the rest of the active ETF suite including this and other videotaped manager interviews, go to **dynamic.ca/ETF**.

To find out more about Tom and the Funds he manages, go to **advisor.dynamic.ca**

GLOBAL INVESTING, THE INSTITUTIONAL APPROACH AND THE HEALTH CARE OPPORTUNITY

Eric Benner

I've been fortunate to manage global equity portfolios for most of my career.

Prior to joining Dynamic, I did so on behalf of institutional investors. I'm often asked why I'm drawn to global investing and how my institutional background meshes with the quality-at-a-reasonable-price (QUARP®) investment approach of Dynamic's Equity Income team. I'll address both questions in the following charts and images and explain how these processes led me to the global health care sector.

WHY AM I DRAWN TO GLOBAL INVESTING?

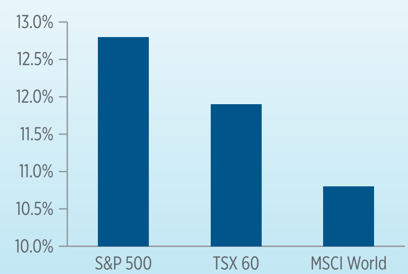
It offers a wider opportunity set...

Number of Quality Investment Candidates by Index
as of June 30, 2017

Source: Dynamic Funds (proprietary screen)

...with less volatility.

Realized Price Volatility by Index
Five year through December 31, 2016

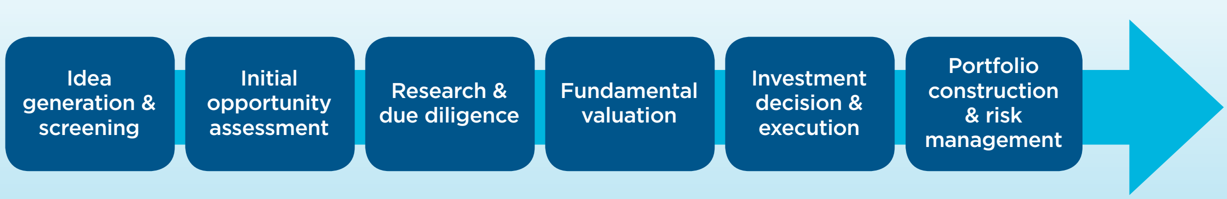


Source: Bloomberg Data

HOW DOES MY INSTITUTIONAL BACKGROUND MESH WITH THE QUARP® INVESTMENT APPROACH?

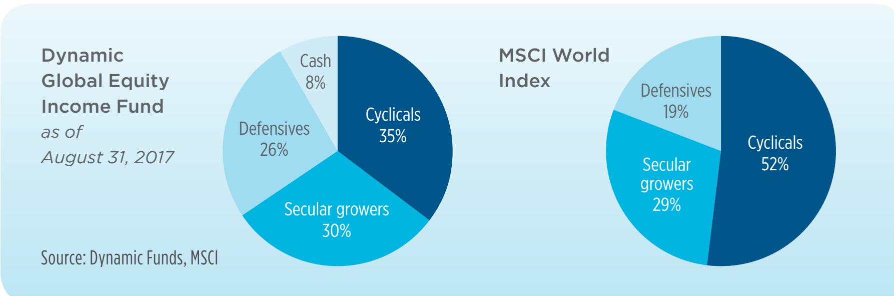
The Equity Income team's approach is in many ways similar to that employed by institutional investors, including my own. Both focus on risk as much as return, with a focus on attractively valued, high-quality businesses and downside protection.

Institutional investors must also apply a consistent, repeatable process when investing. The process illustrated below, which I employed at OMERS Capital Markets as well as at the CPP Investment Board, is not only consistent and repeatable but very similar to the process used by Dynamic's Equity Income team.



ANY OTHER SIMILARITIES?

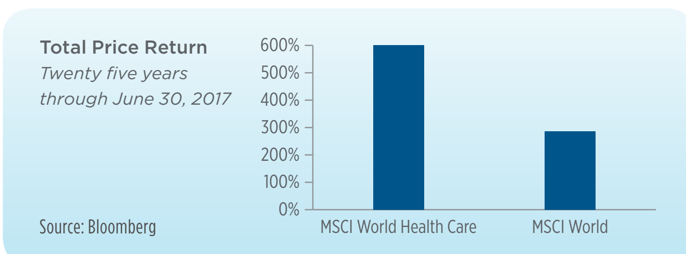
I take a probabilistic view of the world, a view shared by the Dynamic Equity Income team. Both approaches accept the idea that more things can happen than will happen, which necessitates diversified exposures to sectors, countries and style factors. You can see this in action when comparing the more balanced sector allocations of Dynamic Global Equity Income Fund to the cyclical tilt of the MSCI World Index.



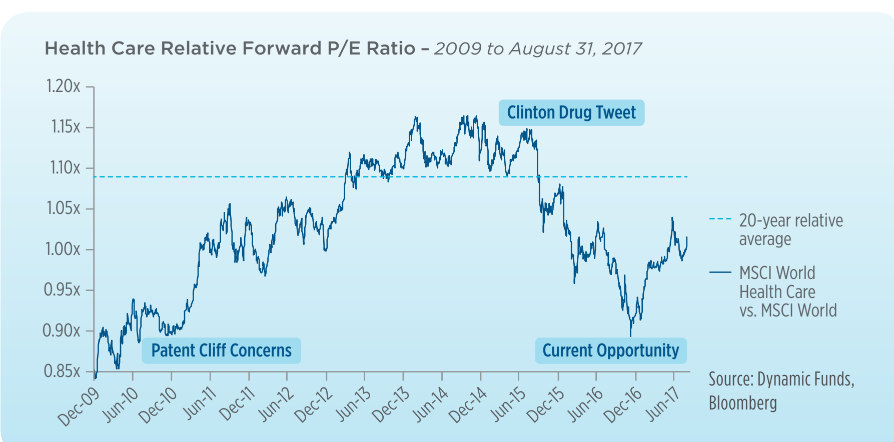
WHAT OPPORTUNITY HAS THE DYNAMIC EQUITY INCOME TEAM'S INVESTMENT APPROACH UNCOVERED?

Applying QUARP® has led my partner, associate portfolio manager Ryan Nicholl, and I to the global health care sector in 2017, the same sector we would've highlighted for institutional investors using similar approaches and processes. Here's why.

Health care is a high-quality, defensive, and growing sector that has been a consistent long-term outperformer...



...but currently trades at a discounted valuation, which presents us with attractive opportunities in a number of great businesses in the sector.



Eric Benner,
BCom, MFE, CFA
Vice President and Portfolio Manager

- Joined the Equity Income team in 2016
- Global equity portfolio manager with over 15 years of experience and an institutional approach honed at three of Canada's largest pension plans
- Most recently, was Managing Director and Co-Head of Equities at OMERS Capital Markets, where he was lead manager of a multi-billion dollar global equity income portfolio
- ***Eric is co-manager on:***
  Dynamic Global Equity Income Fund
  Dynamic Global Strategic Yield Fund

  Dynamic Global Equity Private Pool Class
  Dynamic Global Yield Private Pool/Class

Ryan Nicholl,
Hons. BCom, CFA
Associate Portfolio Manager

- Joined the Equity Income team with Eric in mid-2016
- Over 10 years of investment experience most recently as Principal at OMERS
- Recently named co-manager on Dynamic Global Equity Income Fund and now responsible for global health care coverage across the Equity Income team

To find out more about Eric and Ryan, the funds managed and the Dynamic Equity Income investment team, visit **dynamic.advisor.ca**

FOOL ME ONCE, SHAME ON YOU; FOOL ME TWICE...

Financial experts have access to enormous quantities of data and, with the progress of technology, can quickly plow through a huge number of relationships to find patterns that might otherwise go unnoticed.

Myles Zyblock, B.A. (Hons.), M.A., CFA
Chief Investment Strategist

The upside of this data mining exercise for, say, an automobile manufacturer is the ability to identify and fix a component malfunction that occurs at an unacceptably high rate. The downside is that these models can be designed to pick and choose from a large data set to explain a small one, thereby generating ridiculous results. Backed by a powerful external narrative and our embedded predispositions, some results can sound incredibly plausible.

One investment study that struck my eye was written by two academics who claimed, using elaborate statistical techniques and argumentation, that the proportion of nine-year-olds in the U.S. population was an "exact predictor" of future U.S. stock market returns.[1] When the model's explanatory value fell apart out of sample, the authors' rebuttal turned towards problems with the way the U.S. census began to tally the population rather than to errors with their own modelling process.

Hemlines, Super Bowls and lunar phases

George Taylor's Hemline Index, Leonard Koppett's Super Bowl indicator and, one of my personal favourites, the "Lunar Phase" model of stock price dynamics offer a few more examples of coincidences being used to identify meaningful relationships where none exist. We value expert opinion and trust these people to get their facts right since we have limited time or resources to do our own work. Unfortunately, using this reputational heuristic can sometimes lead us badly astray.

A timely investment narrative recently hit my desk expressing concern about the performance of the stock market in years that end in "seven." The stock market in 2017 is currently tracking the typical price path for all past years ending in "seven" rather closely and, as the story goes, investors will need to fasten their seatbelts from here into year's end (**Chart 1**).

I am no more certain what the number "seven" has to do with stock performance than the sheep population in Bangladesh. But Dr. David Leinweber, co-founder of Berkeley Lab's Center for Innovative Financial Technology, was able to show that the sheep populations in Bangladesh and America, butter production in Bangladesh, and U.S. cheese production almost perfectly explained the behaviour of the S&P 500 over a thirteen-year period with an R^2=0.99.[2]

Sheep and dairy

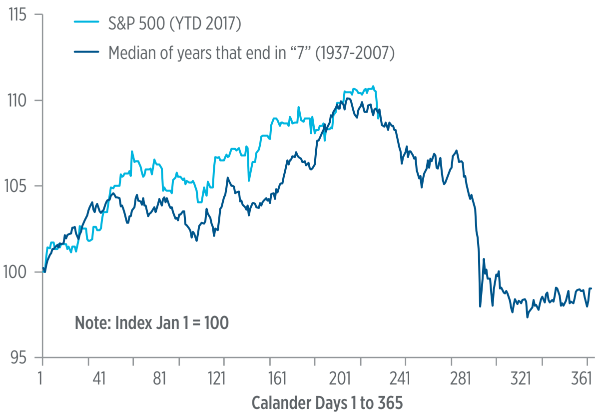
We can do 0.01 better than Dr. Leinweber. Our model, let's give it the fancy name *deep learning Dynamic non-linear S&P model*, has explained the annual return for the S&P 500 over the decade ending in 2015 to perfection; that's right, an R^2=1.0 (**Chart 2**). As described by Leinweber, based on his bogus "sheep and dairy model," the 100% accuracy in sample proves to be 100% baloney out of sample.[3] Our "flawless" model estimated a year-end S&P 500 value of 9,336 versus the 2,238 that was realized for 2016. I would no more likely use these models than the one based on years ending in "seven" in an attempt to predict how 2017 is likely to pan out for investors.

While our S&P 500 model was completely contrived, it is just as easy to fool yourself into plausible sounding, but no more valid, explanations based on other modelling approaches. If you look at 100,000 relationships – an easy task in the era of big data – and find them all to be statistically valid at a 95% level of confidence, this still means 5,000 of those are there just by chance alone.

Illusory pattern perception

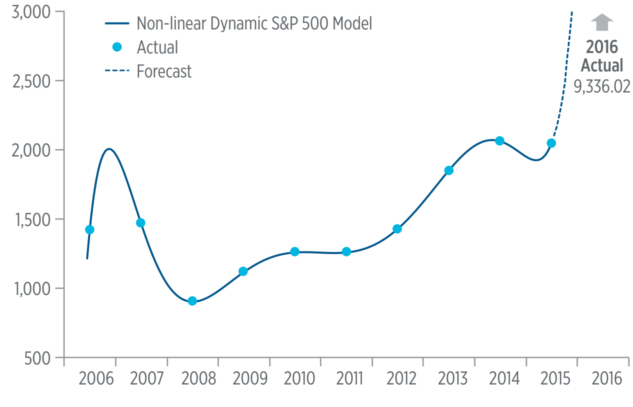
The complexity and uncertainty associated with financial markets is what helps to make some of these completely foolish narratives so believable. We can quite easily fall into a cognitive trap that researchers call "illusory pattern perception," or

① **Rule of seven?**



Source: Dynamic Funds, Bloomberg

② **Too good to be true**



Source: Dynamic Funds

the identification of meaningful relationships among a set of unrelated factors. This behaviour seems to surface in most real life situations where one feels a lack of control. Our desire for "patternicity" helps to restore the feeling of control. A study by Whitson and Galisky published in *Science* discovered that people who lacked control "…were more likely to perceive a variety of illusory patterns, including seeing images in noise (**Chart 3**), forming illusory correlations in stock market information, perceiving conspiracies and developing superstitions"[4].

We often fall victim to fitting facts to our own preconceptions rather than theorizing on the basis of the data. In order to avoid falling into the trappings of a convincing, but false, narrative, we encourage people to think about the following three ideas when they are presented with a particular investment hypothesis:

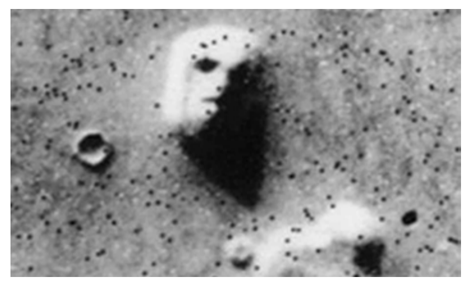
1. Does the model make intuitive sense? The number "seven" and the phase of the moon are likely to be much less important than interest rates, earnings, GDP or inflation in understanding the behaviour of financial markets.

2. How robust is the proposed relationship? For this, we would like to see the relationship broken down into smaller pieces (e.g., rolling one-, three-, five- and/or 10-year histories) to determine if it still holds.

3. Assuming the first two steps are met, then we have to look at how realistic the assumptions of the model are, and this can include considerations for trading costs, management fees and taxes.

When it comes to investing, if something seems to be too good to be true, then it probably is.

③ **Face on Mars: Real or illusory?**



Source: Pareidolia: The Face on Mars

Models are at bottom tools for approximate thinking; they serve to transform your intuition about the future into a price for a security today… Our experience in the financial arena has taught us to be very humble in applying mathematics to markets, and to be extremely wary of ambitious theories, which are in the end trying to model human behavior. We like simplicity, but we like to remember that it is our models that are simple, not the world.

Excerpt from "The Financial Modeler's Manifesto" by Emanuel Derman and Paul Wilmott

[1] Please refer to this link for the full paper: *https://arxiv.org/ftp/arxiv/papers/0811/0811.0376.pdf*
[2] Dr. Leinweber's entertaining paper can be found here: *https://www.researchgate.net/publication/247907373_Stupid_Data_Miner_Tricks_Overfitting_the_SP_500*
[3] Our "secret sauce" was to estimate a nine-degree polynomial in time for the 10 years of historical S&P 500 data that we examined. For N years of S&P 500 data, we can use an N-1 degree polynomial model to the same effect.
[4] The complete study is located here: *http://science.sciencemag.org/content/322/5898/115.full*

STRONGER TOGETHER: THREE BECOME ONE

Michael Serpico, Wendy Farch, Joe Scalise

It was the last piece of the puzzle.

Joe Scalise, Michael Serpico and Wendy Farch had known each other for years. The three advisors had worked separately – running their own practices – at TD Wealth Financial Planning since the early 2000s but kept up with one another over breakfast at least quarterly. Over the years, they came to a shared realization.

"We thought it would be best for our clients and our practices if we joined forces," says Joe who – along with Michael and Wendy – now manages the Calgary-based The Quarry Group on behalf of TD Wealth Private Investment Advice.

Joe, Vice President and Portfolio Manager, merged his practice with Michael, Vice President and Portfolio Manager, in 2008. In 2016, Wendy Farch, Vice President and Portfolio Manager, added her name to the letterhead. That was the last piece of the puzzle as Wendy's arrival added an estate-planning dimension to the practice. That complemented Joe's focus on financial planning and Michael's concentration on investing.

Impressive growth rates

With three pillars of advice under one roof, the triumvirate has put the finishing touches on a practice that decided to target high-net-worth clients over five years ago. At the time, the average client at The Quarry Group had about $500,000 in investable assets. Today, that figure stands at over $1 million.

Perhaps more impressive is the practice's growth rate. They've been attracting almost $15 million of new assets every year since 2015 and with Wendy onboard, that's increased to about $40 million.

"I couldn't have done it alone," says Michael who points to a number of emerging trends in the industry that have increased the appeal of collaboration. The first would be "complexity": complexity in financial products, complexity in planning and complexity in clients' lives.

"At one time, there used to be stocks, bonds and mutual funds. Now there are index funds, active ETFs, volatility products, leveraged products, alternatives and more," says Michael.

Concurrent with the increasing number and complexity of products, is the increasing complexity of families.

"There used to be a mom, a dad, children and a house," says Wendy. "Now, there may be a mom, a stepmom or stepdad and children from different marriages, two houses, and vacation properties."

Other areas that have risen in complexity relate to tax, income and estate planning, as well as oft-changing rules and regulations underpinning all three.

"The increased sophistication in products, taxes and family situations is magnified when it comes to high-net-worth clients," says Wendy.

All of which makes it difficult to run a one-man show when it comes to the advice business.

Mike Tycoles, Vice President, Business Development at Dynamic Funds goes a step further.

"I think we're witnessing the beginning of the end when it comes to the lone advisor," says Mike Tycoles.

Mike has been working with The Quarry Group for four years. According to Mike, The Quarry Group has been good at asset-gathering because they've been good at knowledge-gathering.

"They understand what clients need in the high-net-worth space, and that's a breadth of knowledge across a variety of disciplines. That's the power of a team," he says.

Aside from keeping pace with complexity, a team of professionals delivers a variety of other benefits.

"In addition to being able to keep up with and deliver a better customer experience, we're also able to focus on what interests each of us," says Michael.

As mentioned, Michael devotes his time to investments and due diligence, Joe oversees financial planning and Wendy is able to roll up her sleeves and dig into estate planning and legacy issues. All three are Chartered Investment Managers and Certified Financial Planners with Wendy having the additional designation of Elder Planning Counselor.

"The ability to concentrate on what they like – rather than stretching themselves across a variety of disciplines – adds to job satisfaction," says Michael.

It has also proven to be an excellent way to generate ideas, solve problems and dispel uncertainty when it arises.

"Michael and Wendy are excellent sounding boards, and with others to bounce ideas off, it takes a lot of stress out of decision-making," says Joe who remembers working alone.

From a business perspective, a team – and teammates with complementary skills – allows the The Quarry Group to deliver a range of services and heighten the expertise of their practice so they can cater to the well-heeled crowd.

Immediate pay-off

When Wendy came aboard, for instance, the pay-off was almost immediate. For years, she had held workshops in concert with TD Wealth Financial Planning devoted to estate and legacy issues. With financial planning and investment experts at her side, she decided to expand the workshop idea and include the three focus areas to help the practice prospect for high-net-worth clients in Calgary.

Her first step was obtaining a postal code to one of the city's affluent neighbourhoods. The next step was sifting through addresses and names to compile a list of people to invite to a complimentary, three-session workshop on financial planning, investing and estate planning.

"The workshops have proven to be a great way to attract high-net-worth clients," says Wendy.

Wendy also rents a facility inside or very near the neighbourhood she's targeted to make it as easy as possible for people to get there.

Generally, the The Quarry Group receives about 20 registrations among the invitations sent out. The workshops are held over three evenings with each lasting about two hours. Along the way, each attendee shares their financial life and then plays witness to The Quarry Group, who put together a financial roadmap that takes shape in the form of a high-level financial and/or estate plan and possible investment portfolio.

"We address some pretty sophisticated situations over the three days, which leaves attendees impressed," she says.

They must be impressed as an average of three to five of the 20 attendees become clients. Each is asked to meet a minimum $750,000 threshold in investable assets with most having more than that. Attendees unable to meet the investable asset threshold are assisted by TD Wealth Financial Planning staff from neighbourhood branches who also participate. With workshops held quarterly, the The Quarry Group is able to acquire 20 to 25 new clients annually, which works out to about $20 to $30 million in new assets every year from the workshops alone.

Another advantage stemming from Wendy's arrival was the welcome addition of female clients and the many referrals she receives from them.

"This was something we didn't anticipate," admits Joe, "but it's been a real plus having a woman part of our practice."

As immediate as the impact was when Wendy joined the team, there were many steps and decisions made prior to her arrival that have helped position The Quarry Group for success. The first was deciding what kind of practice and type of client Michael and Joe wanted when the principals first merged in 2008.

Both identified an opportunity to offer richer planning services, which sprung from their many years at TD Wealth Financial Planning where Michael and Joe started in 2001 and 2002, respectively. They also believed higher-end clients would be most receptive to higher levels of advice, so that sent them down the path they continue to follow today.

With a vision in mind, Michael and Joe began to equip the practice for the journey ahead. The first step was to embrace a fee-based model in 2010 (90% of client assets are now fee-based), which allowed them to openly discuss fees well in advance of point-of-sale and CRM2 regulatory changes.

"Transparency and openness with clients is a hallmark of The Quarry Group," says Mike Tycoles.

Dynamic's Systemized Solutions Team

With a new compensation model in place, the two began to look inward at their practice to see if there were any opportunities for operational and administrative improvements. The inward look led them to Dynamic's Systemized Solutions Team (SST) in 2015. The team

Michael Serpico, Cynthia Bour, Wendy Farch, Jigna Mandalia, Joe Scalise, Cydney Hope

works one-on-one with advisors across Canada advising them on, among other things, Investment Management Systems (IMS) for their practices. A key part of IMS is streamlining shelf and simplifying portfolio solutions.

In terms of shelf, SST, VP, Erin Wilson, Chartered Investment Manager, provided Michael and Joe with a standardized questionnaire for current fund providers that analyzed each product offering. Some of the questions asked would relate to fund philosophy, investment approach, buy-sell criteria and performance. In total, Michael and Joe received feedback on the 51 funds they used, which was mapped back to their own clients' needs. The outcome was a reduction in number of fund providers from 10 to 4 and a drop in the number of funds offered to 12.

"This simplified things for us," recalls Michael.

Running concurrently with their investment due diligence was the creation of model portfolios, which would house their slimmed-down shelf. Michael and Joe wound up with seven portfolios with various asset mixes and global exposures across the risk/return spectrum. Portfolios are then customized for each client with some – depending upon individual client circumstances – having Canadian and U.S stocks or a mix of both as well as some corporate and high-yield bonds and alternative strategies.

In terms of products that form the foundations of the portfolios, it's a mix of traditional mutual funds, ETFs and, most recently, an active ETF. It came in the form of Dynamic iShares Active Crossover Bond ETF (DXO).

"ETFs, or more to the point, active ETFs, have become so creative, it's a space we can't ignore," says Wendy.

Wendy likes accessing a professional manager in an ETF structure. She also likes the flexibility of the strategy behind DXO, which is able to "crossover" and invest in either high-yield or corporate debt markets and both simultaneously depending on market outlook.

Other Dynamic products in the model portfolios are Dynamic Strategic Yield, Dynamic U.S. Dividend Advantage and Dynamic Credit Absolute Return Funds.

"Mike Tycoles has been a big help when it comes to product due diligence and providing up-to-date information in terms of portfolio manager outlooks, fund positioning and commentaries. He's also helped us with client seminars, which were of great value," says Joe.

Portfolio Manager designations

In addition to the changes The Quarry Group has made to its investment shelf and the addition of model portfolios, the team has also prioritized designations. Michael and Joe became licensed Portfolio Managers a year ago, while Wendy was PM-licensed two years prior to joining the team.

That opened the door to discretionary account management, which was something all three were keen to offer clients.

"We went the discretionary route so we could spend more time talking to our clients about other things. We found a much higher level of interest in planning issues than stock buy-and-sell decisions," says Wendy.

It also enabled The Quarry Group to further scale its practice and streamline its investment processes.

"Instead of spending days calling clients and getting different pricing on trades, we can make a change across all client accounts in about a half hour," says Wendy.

Going discretionary – along with the other changes enacted at The Quarry Group – is the way of the future according to Michael who says he's seeing this trend across the industry.

"If you want to give clients a high-net-worth experience, it's very difficult to do it yourself individually and grow your book at the same time," says Wendy.

Joe agrees. He says he could see the seeds of change as long ago as 20 years, but it's really picked up speed in the last five.

His advice to others?

"Having a team of people with different, complementary skills is certainly working for us. It's something others may want to consider if their goal is to deliver all-encompassing planning services," he says.

With a team of experts in place, designations obtained and a highly efficient, planning-based practice humming along, there's only one box left to tick for The Quarry Group.

And that's growth. The three principals believe they can continue to grow at a 10% to 20% annual clip, which would put assets under management at about $600 million in five years.

Any plans for additional team members?

"Perhaps in support or operational areas," he says, "but no immediate plans right now."

In short, the puzzle is complete.

AT A GLANCE

The Quarry Group
TD Wealth Private Investment Advice
Calgary, Alberta

Assets Under Management (as of July 2017): $430 million

Clients: 400

Joe Scalise, CFP®, CIM®
Partner

Michael Serpico, CFP®, CIM®
Partner

Wendy Farch, CIM®, CFP®, FCSI®, FMA
Partner

Jigna Mandalia
Client Service & Relationship Associate

Cydney Hope, B. Econ.
Client Service & Relationship Associate

Cynthia Bour
Administrative Associate

Suzie Obad
Assistant Branch Administrator

The Quarry Group consists of Michael Serpico, Vice President and Portfolio Manager; Joe Scalise, Vice President and Portfolio Manager; Wendy Farch, Vice President and Portfolio Manager; Cydney Hope, Client Service Associate; and Jigna Mandalia, Client Relationship Associate. The Quarry Group is part of TD Wealth Private Investment Advice, a division of TD Waterhouse Canada Inc. TD Waterhouse Canada Inc. is a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. – Member of the Canadian Investor Protection Fund.

Visit **advisor.dynamic.ca** > **Your Practice** for articles on growing and managing your business.

ACTIVE ETFs: TRADING BEST PRACTICES

Exchange-traded funds (ETFs) are becoming increasingly popular among investors, and due to their wide-ranging benefits, you may have clients asking about them.

You can play an important role in the client-education process by helping them understand the basics and mechanics behind active ETF investing.

And with licensed mutual fund representatives now able to advise on and sell with greater ease all manner of ETFs – including actively managed ones – it may become essential for advisors to have a greater knowledge of ETF investing.

One key learning area is how active ETFs are traded. Depending on a variety of factors, the manner in which you trade may deliver advantageous pricing that can build on one of the investment vehicle's key benefits – low cost. Because active ETFs are traded throughout the day on an exchange – unlike a mutual fund, which is priced after market close at NAV – advisors can help maximize client returns by being choiceful when buying and selling. Here's what you need to know.

Use limit orders not market orders

Unlike a market order, which is normally used to trade stocks at current prices, a limit order sets a specific price. In setting a limit order, the closer your price is to the posted bid (if selling) or ask (if buying), the greater the chance your trade will be executed. Doing so provides certainty on price and helps protect clients from overpaying or selling too low. Take note, the one risk to using a limit order is that the trade may not be filled at the stated price due to a lack of a match. This may result in your missing the trade.

Trade at advantageous times

As a general rule, it's better to avoid trading active ETFs at the beginning and at the end of the day. Right after an exchange opens – say the first 15 to 20 minutes – market-makers may not have been able to determine the active ETFs NAV and thus price the ETF accurately. Similarly, as exchanges near the end of the day, there may be fewer active ETF market-makers posting prices. This may result in a widening of the bid and ask spread, making it more difficult to obtain a more attractive price.

Avoid volatile days

When possible, it's best to trade when markets are relatively tranquil. During volatile times, the number of trades can dramatically rise or fall, which can lead to higher bid/ask spreads reducing returns for clients as a result of inefficient pricing.

Focus on spreads

When it comes to liquidity, volume is not the best gauge. Focus instead on the bid/ask spread with special attention paid to narrowness between the two. The narrower the spread, the greater the liquidity.

Trade globally when home markets are open

Trading active ETFs that invest globally or in the U.S. is best done when their respective markets are open at the same time as the Canadian market. Although this will not always be possible, it's in your favour to do so as the prices of global active ETFs tend to be closer to the value of their underlying securities with narrower bid/ask spreads.

ETF LICENSING REQUIREMENTS: WHO CAN SELL?

At time of writing, ETFs may be sold by licensed mutual fund representatives who meet proficiency requirements and by advisors who are securities-licensed. To become securities-licensed, the Canadian Securities Course must be successfully completed along with a 90-day training program. The Conduct and Practices Handbook Course must also be completed. Continuing education (CE) must be maintained as specified for each CE cycle. Registration is required with the Investment Industry Regulatory Organization of Canada (IIROC). Dual licensing is permitted for securities advisors and life insurance agents. All requirements for life-licensing must be satisfied.

WHERE WE ARE, WHERE WE MIGHT GO AND WHEN

Best interest standard? Embedded commissions? Seniors' initiatives? Fintechs?

These are just some of the upcoming agenda items for Ontario Securities Commission (OSC) officials for the current financial year ending June 30, 2018. Although the commission's jurisdiction ends at Ontario's borders, it is considered a leader among the 10 provincial and three territorial regulators, so its priorities are influential. Here's a rundown of some of the OSC's most important priorities, where they stand in terms of next steps and potential timing.

Best Interest Standard

The introduction of Best Interest Standard is a primary focus for the OSC. A number of comments have been provided but commenters – industry participants, individual investors and other stakeholders – remain divided on the issue and have set out positions for and against the introduction of a best interest standard.

Next steps: The Canadian Securities Administrators (CSA), the umbrella group with representation from each of Canada's provincial and territorial regulators, is united on moving forward with targeted reforms to improve the client-registrant relationship. This may or may not end with a best interest standard. Meantime, the Ontario commission is committed to further work to articulate a regulatory best interest standard and will carry out further consultation with stakeholders and self-regulatory organizations to comments made on this proposal during the consultation process. The OSC will also be examining the impact that advisor titles and proficiency standards have on investor protection as part of this priority.

Timing: Policy announcement may come in 2018.

Embedded commissions

The possible banning of embedded commissions remains a hot, undecided topic at the OSC primarily due to the lack of clear commentator consensus on the issue. The OSC believes that investors must be able to understand the true costs of their investments, the costs of buying and holding their investments, and the cost of the advice they receive. The current embedded fee model is not well understood by investors and embedded fees raise conflicts that could incent advisors to recommend funds that benefit the advisor ahead of the investor. On balance, investor advocates supported measures to discontinue embedded commissions and other forms of compensation. Other commenters cited negative outcomes, such as reduced access to advice, which have been documented in other jurisdictions where embedded compensation arrangements were no longer allowed.

Next step: The OSC remains committed to achieving an evidence-based resolution to the use of embedded compensation structures. Further dialogue with stakeholders and the OSC is planned with a roundtable discussion of industry participants and other stakeholders to be held September 18.

Timing: Policy options and recommendations will be presented to the commission and CSA Chairs later this year.

Seniors' Issues

The OSC believes seniors and vulnerable investors are important groups that require attention. This belief was supported by commenters who continued to highlight seniors' issues as a growing area of risk requiring more focus.

Next step: The OSC recently established a new external Seniors Expert Advisory Committee to increase focus on this group of investors. The committee's mandate is to provide expert opinion and input on various policy, operational, educational and outreach activities of the OSC. The OSC Investor Office has planned a number of initiatives to address these and other key investor protection issues, including developing a focused seniors' strategy to identify opportunities and provide a framework to focus its efforts on the particular needs of seniors.

Timing: Committee expected to provide input in 2018.

Fintech entities

The OSC is determined to help Fintech entities. The commission will continue to strive to foster an innovation-friendly market where entrepreneurs can flourish in a regulated industry where essential investor protections are in place. Commenters commended the commission for their approach thus far with one suggesting the OSC should broaden the use of this type of collaborative, supportive approach to other market participants.

Next step: The OSC will examine opportunities to apply the learnings gained through this approach in its dealings with other market participants. The OSC believes that regulatory rules must protect investors – but they must also make sense for all businesses, including emerging ones.

Timing: Ongoing

Cybersecurity threats

Commenters were consistent in their support for the need for cybersecurity measures. Specifically, some commenters suggested that more specific guidance would be useful to allow them to better understand what they need to do to meet compliance expectations in this area.

Next step: The OSC will continue to provide guidance to market participants including reporting on the results of the cybersecurity roundtable and registrant survey.

Timing: Ongoing

Other issues of relevance to the commission include the number of women on boards and executive positions, increased disclosure of environmental, social and governance factors as well as shareholder democracy on issues such as "say on pay." To find out more about the OSC's priorities, visit their website **www.osc.gov.on.ca** or any one of the other provincial/territorial regulators.

DELIVERING STRONG INVESTOR PROTECTION

Times change.

As they do, the OSC has responded. The commission's mandate is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in the capital markets. Historically, that put the commission in the position of a policeman to protect against "unfair, improper or fraudulent practices."

Over the past two or so decades, there's been a slow but steady shift to emphasize the first part of its mandate "to provide protection to investors." Some of the factors that have precipitated this shift lie in demographics (aging populations), the erosion of defined benefits plans (reduced retirement savings) and the resulting sharp increase in the number of people who are directly invested in capital markets. Concurrent with these changes is the rise of an increasingly complex and diverse world of investment products. As a result, the commission is championing investor protection, especially for retail investors.

This feeling is shared by the CSA, which brings provincial and territorial securities regulators together and is primarily responsible for developing a harmonized approach to securities regulation across the country.

To find out more about the potential banning of embedded commissions and the best interest standard, visit Dynamic's Stand Up for Advice page at **advisor.dynamic.ca**.

IT'S NEVER TOO EARLY:
STEPS TO SUCCESSFUL BUSINESS SUCCESSION

Twenty years ago when Paul Bourbonniere and I formed Polson Bourbonniere Financial Planning Group (PBF) – now Polson Bourbonniere Derby Wealth Management (PBDWM)* – we had a "contingency" plan in the event one of us died prematurely or was disabled, but we didn't put a formal succession plan in place.

Kirk Polson, CFP®, CLU, CH.F.C., CEA
CERTIFIED FINANCIAL PLANNER®
Polson Bourbonniere Derby
Wealth Management
Investment Advisor
HollisWealth®, a division of Industrial Alliance Securities Inc.

We had the start of our practice in mind, not the end. But something happened – straight out of the blue – that brought home the importance of succession planning.

Six months after forming PBF, we were approached by an advisor with a $50 million book. He was terminally ill and needed to sell his practice within a few months. Paul and I recognized the tremendous stress this person was under at the worst possible time, and after some discussion, we ended up saying yes. Although, the transition proved quite challenging at first, it was ultimately successful with over 90% retention. And, it was a wake-up call to us personally that anything could happen – it was never too early to talk about business succession – planned or otherwise.

Thankfully, nothing happened to either of us over the ensuing years, but the early experience of buying a book and developing our own succession plan – plus with my own retirement coming in January 2018 – provided us with some lessons on succession that may be of interest to other advisors.

Recognize the need

We all hope to have long, successful careers and sail off into the sunset, some sooner than others. We learned that the worst can – and does – happen. Sketch out a "what-if" succession plan early in the life of your practice whether you're working alone or with other partners, and get the right kind of insurance to protect the business and those closest to you.

Introduce and integrate early

Paul and I were both fortunate to have family members interested in our practice. That gave us a head start, but it still didn't mean the transition was quick. My son Derek joined the practice 12 years ago, and we began a mentoring process. Paul's son-in-law Michael Derby came on board six years ago. Both have demonstrated to clients and employees alike that they are bright, mature, hard-working individuals who are capable of managing and growing

*HollisWealth, a division of Industrial Alliance Securities Inc.

a business whether it be organically or by buying a book. Along the way, Derek and Michael advanced themselves through licensing with Derek earning the CFP® and CEA designations and Michael achieving CIM® and CEA designations. Today, my son Derek takes the lead in investment and insurance planning for my clients, and we're putting the final touches on legal succession agreements. In January 2018, Derek will buy my book of securities business and my insurance agency, and the change will be virtually seamless. The lesson here is simple – if you're selling your book, bring the purchaser in as early as possible.

Communicate with clients

As part of the purchase from the selling advisor 20 years ago, I went to great lengths to explain our business model to my clients and to make them comfortable that their investments and insurance would now be handled by the "team" at PBF. That was key in terms of retention. We've taken the same approach with Derek and Michael. Both started working with clients long ago, and because we've been very transparent about our plans, clients have been very supportive.

Stay involved

Although I'll retire from my full-time role at the practice in January, I'll stay involved to a limited extent through some joint client work, as well as by writing The Polson Blog, and contributing to the firm's newsletter, LinkedIn and external media. Don't be surprised if the purchaser needs you to be involved on a part-time basis for some time after your practice changes hands.

Be flexible

When Michael joined the firm, the plan was for him to eventually succeed Paul – and that's still the case. But after Michael completed his mentorship under Paul, he wound up purchasing a book of business from a retiring PBF associate in 2015. Recognizing Michael's increasing importance to the firm, and the value-added that he brings to his client base, the firm has recently received both regulatory and compliance approval to operate as Polson Bourbonniere Derby Wealth Management of HollisWealth, Industrial Alliance Securities Inc.

While Michael is still available to assist Paul with joint work and has executed a contingency/succession plan with Paul, Paul continues to be very involved in the business and has no plans to retire at this time. In fact, he has recently hired a CFP®/future CFA, to assist him with managing his clients and the growth of his business.

On a final note, you owe it to your clients and other team members – and of course yourself and your family – to ensure that an orderly transition takes place. It takes time to grow a practice like ours – now $420 million in assets under management with seven planners supported by a team of eight – and everyone involved deserves a well-thought out succession plan.

About the author

Kirk Polson has been an advisor for over 35 years and is looking forward to retirement in January 2018.

AT A GLANCE

Polson Bourbonniere Derby Wealth Management
HollisWealth, a division of Industrial Alliance Securities Inc.
Markham, Ontario

Assets Under Management (as of August 2017): $420 million

Planners: 7

Support Staff: 8

20 YEAR ANNIVERSARY

Polson Bourbonniere Derby WEALTH MANAGEMENT

HollisWealth®

This information has been prepared by Kirk Polson who is an Investment Advisor or Portfolio Manager for HollisWealth®. The opinions expressed in this article are those of the Investment Advisor only and do not necessarily reflect those of HollisWealth. HollisWealth® is a division of Industrial Alliance Securities Inc., a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.

Polson Bourbonniere Derby Wealth Management is a personal trade name of Kirk Polson.

Visit **advisor.dynamic.ca** > **Snapshots** > **Buying or Selling a Book of Business** for more information on succession planning.

A MATTER OF LIFE AND DEBT

Paying the debts of someone who has died is one of the primary responsibilities of the executor/executrix/estate trustee/liquidator (hereafter just 'executor'), but it can also be one of the most precarious in terms of personal liability.

Mark O'Farrell, BA, CLU, CHFC, TEP, CEA
President of the Canadian Institute of Certified Executor Advisors

Executors often ask when they should pay debts, but it's a lot more complicated than they might realize, and mistakes could result in serious trouble from creditors, the Canada Revenue Agency, potential litigators, even charities in some cases and, of course, any and all potential beneficiaries. Vigilance is essential.

Executors have a fiduciary responsibility to protect assets to ensure the maximum size of the estate for the beneficiaries. They have no responsibility to pay debts of the estate personally, but carelessness, such as making distributions to beneficiaries before paying debts, could have the same effect, making them liable.

Any act, or even omission to act, that unreasonably diminishes the estate is a violation of their duties.

Understand the debts

The first consideration for debt repayment is locating and fully understanding each debt. One form of insurance is to advertise for creditors, at least three times in the vicinity the deceased resided, providing at least 30 days for creditors to provide notification (and proof). It certainly doesn't provide the level of insurance an actual executor insurance does, but the executor is rarely held accountable for debts discovered outside the date notified. (Scot Dalton, CEA, President of ERAssure Executor Insurance and a member of the CICEA Board of Advisors, notes there are 18 areas with supporting case law where executors could be at risk personally.)

Next, the executor will want to know the sources of funds available. If there are insufficient funds to pay the debts, Carl Rumanek, CPA, CA, CEA, CIRP, LIT of Rumanek and Company and also a CICEA board member, suggests putting the insolvent estate into bankruptcy. "This provides protection to the executor as the bankruptcy process is very transparent to the creditors and the beneficiaries," he notes, adding "the Bankruptcy and Insolvency Act gives priority for the payment of all funeral and testamentary costs before the payment of any debts."

However, according to Craig Ross, BA, LLB, a partner with Pallett Valo LLP, "where a deceased dies *following* an assignment into bankruptcy, his or her funeral expenses will not be paid as a preferred claim in priority to creditors" so it's important to determine solvency early on.

Follow the sequence

Where the deceased wasn't already bankrupt, there is a specific sequence for debt payments and any deviation could cause the executor problems personally. The first priority is the funeral and any testamentary costs (legal, etc.), but these must be prudent relative to the size of the estate. Grieving family members may have grandiose ideas or expectations, but the executor has the final say on all arrangements and expenses, due to their fiduciary accountability.

Next in line for payment are all secured debts, which is any debt backed by collateral, such as mortgages, secured lines of credit, car loans, etc. If there are insufficient funds to pay all secured debts, each is entitled to the same amount regardless of the debt owed. An executor who depletes all funds repaying a mortgage could, for example, be challenged legally by a lender with debt secured against a boat. The debt could end up becoming their own.

Before repaying any debts, secured in particular, it's important to check that the debt was life insured, and to notify the debtor promptly as any payments made following death but prior to the claim won't be refunded. Any substantial erosion of the estate due to delay could cause actions by the affected creditors or beneficiaries.

The last debts to be repaid are unsecured; those not backed by collateral, such as credit cards, unsecured lines of credit or personal debts, being sure to determine that debts are legitimate before paying. Though these are the last to be paid, any delay could again adversely affect the size of the remaining estate, since these generally have the highest interest rates. Complicating matters further is that the Canada Revenue Agency (CRA) falls into this category, yet their powerful federal status gives them the authority to place liens against personal property, thus turning unsecured debt into secured debt, and heightening their priority class for payment.

Professional fees can be a bargain

Final income taxes are also complex and time-consuming. Executors should consider filing up to six tax returns for example, and many executors, unaware of the rules of deemed disposition and other tax regulations, could easily find they significantly underestimated the amount owing. To avoid this precarious situation, executors could withhold payments to beneficiaries until they receive the Clearance Certificate from CRA to confirm all taxes owing have been paid. Failing this, they could obtain indemnities from any beneficiaries receiving advance distributions, confirming they'll repay funds if unexpected debts or taxes should later arise.

This is a summary of debt repayment in Canada, but many estates will be further confounded by property in other jurisdictions. For example, while most Canadian estates can avoid estate taxes on their U.S. property by claiming the prorated unified credit, failure to file on time can eliminate this option. The IRS is clear that, in such cases, the responsibility for any taxes owing is entirely on the executor. Professional advice is highly recommended and professional fees, a valid estate expense, can often turn out to be a bargain.

Visit **advisor.dynamic.ca** > **Education Zone** for courses about the roles and responsibilities of today's executor/executrix.

SNAPSHOTS LIFE EVENT: AILING PARENT

CAREGIVING: THE PERSONAL AND FINANCIAL COSTS

As an advisor, your hard work and dedication to clients have been key factors contributing to the success of your business.

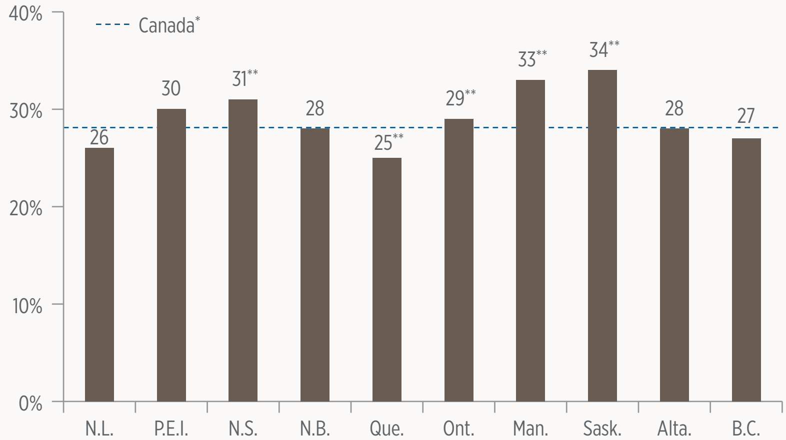
One of the best ways to demonstrate your value to clients is to build strong relationships that acknowledge life transitions and to prepare them for the future. One area that is sure to be of interest to some clients is caring for an ailing parent or loved one.

To help you offer assistance in this area, we've created a new section in the Ailing Parent Life Event dedicated to the personal and financial costs of care. The section includes client-friendly articles related to tax issues, the stages of caregiving and palliative care. There's also a comprehensive guide entitled *Caregiver's Handbook*, which provides a step-by-step approach to caregiving with an emphasis on strategies to help those both giving and receiving care.

CLIENTS AS CAREGIVERS

According to Statistics Canada, nearly half (46%) of all Canadians have provided care to a family member or friend with a long-term health condition, disability or aging need at some point in their lives. Many of them could be your clients as approximately 8 million people or 28% of the population did so in 2012 alone – the last year surveyed. That number is expected to increase over the next decade, as the share of Canadians aged 65 and older grows from its current level of 17% to roughly 22%.[1]

Percentage of Canadians providing care, by province, 2012



*reference category
**significantly different from reference category ($p < 0.05$)
Source: Statistics Canada, General Social Survey, 2012

The many faces of caregiving

Caregiving can be varied and complex with the type, nature and duration shaped by the unique circumstances of the individual requiring care (see table[2]). Caregiving events can be short-term and episodic – a broken leg or hip from a fall – or they can be long-term and intensive – a terminal illness in a palliative care centre.[2] As varied as the caregiver role may be, two things are certain: there will be time off work and expenses. In fact, elder care costs Canadians $33 billion a year in direct out-of-pocket expenses and time off work[1], which means current and future cash flows may be impacted.

Continuum of Care: Intensity, predictability and controllability

	Occasional daily care	Episodic care	Continuous/ long-term care	Palliative/ end-of-life care	Recuperative care	Home care
Caregiver involvement	Moderate to intense	Moderate to intense	Moderate to intense	Intense	Moderate to intense	Moderate to intense
Duration	Long-term *May span years*	Short- to mid-term *May span days, weeks, months*	Mid- to long-term *May span months, years*	Unpredictable *Typically three to six weeks but could last months, years*	Short- to long-term *May span days to years depending on condition*	Short- to long-term *May span days to years depending on condition*
Degree of control	High and predictable *Easy to plan in advance for changes to work and life responsibilities*	Limited and unpredictable *Impossible to plan in advance*	Mid to high *Periods of high control can be disrupted with periods of mid-level control*	None	None to high *Depends on condition, e.g. pulled muscle vs. hip replacement after an unexpected fall*	High and predictable *Easy to plan in advance for changes to work and life responsibilities*
Example(s)	Groceries, yardwork, transportation	Treatment-related care *e.g. appointment in response to arthritis flare-up*	Chronic and/or progressive illness or disability *e.g. Parkinson's, Alzheimer's*	Care in hospital, palliative care facility, community or home environments	Recover following surgery, pneumonia, stroke	Supported independent living *e.g. support service coordination, safety and security assistance*

SNAPSHOTS AILING PARENT LIFE EVENT

Investor resources at a glance

To help reinforce your role as a valued advisor to your clients, we've created plain language, highly accessible articles filled with valuable information and "how-to" strategies that increase your service value and set you apart from other advisors.

Caregiving Tax Considerations
Highlights tax issues that may arise when providing care to a loved one with a long-term medical issue and explains how the federal government can help. Caregiving is not only exhausting but can also have significant economic consequences.

Stages of Caregiving
Describes in detail the role of the caregiver and the different stages of care. This article provides a framework to help caregivers determine the level of care required for an ailing parent or loved one.

Palliative Care
An overview of this important – sometimes misunderstood – care option as well as other types of care loved ones may need at various stages of an illness. Being well-informed about care options is an essential part of the care journey.

Caregiver's Handbook
An invaluable resource you'll want to share with clients who may be caring for a loved one. The handbook takes a step-by-step approach to caregiving with an emphasis on strategies to help those both giving and receiving care.

Snapshots eNewsletter builder

Build your brand while you build your business

You can email your clients the articles directly or via the **Snapshots eNewsletter Builder**. The tool allows you to simply click and drag articles into a predesigned template to create a high-quality, professional-looking newsletter in a snap. And because it's fully customizable, you can add your practice name, logo and contact information to build your brand while you build your business.

CE courses

Enhance your knowledge, enhance your relationships

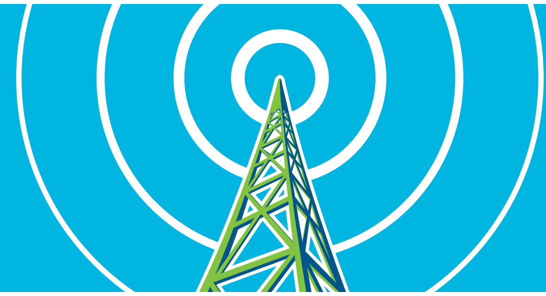
Caring for ailing parents is a critical, growing issue for many people; some of whom may be your clients. Our three CE courses: *Preparing for Incapacity in an Elder Client*, *Helping Clients Help their Parents* and *Diminishing Capacity: Illness of a Parent* are presented by an industry expert in estate-planning and succession tax-planning. These courses offer valuable information you can share with clients who have parents or loved ones with failing health. Taking these courses will allow you to enhance relationships with your clients by helping them deal with the needs of their aging parents. Earn a total of 4 CE credits upon completing and successfully passing the Snapshots Ailing Parent CE courses. Register today at **advisor.dynamic.ca**.

4CE Credits

[1] CIBC March 2017 Online Survey
[2] The Vanier Institute of the Family: Family Caregiving in Canada

To help your clients who may be caring for an ailing parent or loved one, visit the Snapshots Ailing Parent Life Event at **advisor.dynamic.ca/snapshots**.

UPDATES FROM DYNAMIC FUNDS



PRODUCT

Dynamic Launches 3 NEW Active ETFs

Dynamic and BlackRock Canada's iShares will be launching three additional active ETFS at the end of September bringing the total to eight.

NEW Dynamic iShares Active Tactical Bond ETF
NEW Dynamic iShares Active U.S. Mid-Cap ETF
NEW Dynamic iShares Active Global Financial ETF
Dynamic iShares Active Canadian Dividend ETF
Dynamic iShares Active U.S. Dividend ETF
Dynamic iShares Active Global Dividend ETF
Dynamic iShares Active Preferred Shares ETF
Dynamic iShares Active Crossover Bond ETF

We invite you to discover our entire suite of Dynamic iShares Active ETFs as we continue to meet the needs of Canadian investors by uncovering unique opportunities beyond the benchmark. Visit **advisor.dynamic.ca** for more information.

NEWS

Launch of Money Matter$

We've recently launched Money Matter$ on Dynamic's investor site at **www.dynamic.ca**. It features a range of insightful articles on personal finance for investors sourced from respected newsgroups and well-known thought leaders on saving, borrowing and more. Money Matter$ isn't just for your clients. It can also be a great resource for advisors, and content can be leveraged to assist your social media strategies. Visit **www.dynamic.ca > Learning Centre > Money Matter$**

Dynamic Funds is #1 for mutual funds statements

For the fifth time, Dynamic Funds has been recognized by DALBAR Canada for having the best mutual funds investor statements. Statements are a critical line of communication between financial services firms and their clients, and DALBAR's annual rankings indicate which firms are the most effective and efficient in their use of these statements.

EDUCATION ZONE

NEW Active ETF CE Course

Getting ahead of the curve: Understanding active exchange-traded funds

Advisors can play an important role in the client-education process by helping their clients understand the basics and mechanics of active ETFs. That knowledge may become a practice differentiator as the active ETF market continues to expand and calls for greater fee transparency from regulators rise. And with ETF education and proficiency requirements in place for mutual fund representatives, they'll now be able to advise on and sell with greater ease all manner of ETFs – including actively managed ones. This may make it essential for advisors to have a greater knowledge of ETF investing to get ahead of the curve. Earn up to **3 CE Credits** upon satisfactory completion of an online test.

NEW Insurance CE Course

Do your best: Professional standards, ethical proficiency and principles for conduct

Providing financial advice to clients brings many challenges. This course identifies specific challenges when conflicts arise and principles are tested. *Do your best* provides **1 CE Credit** upon satisfactory completion of an online test.

End-of-year CE requirements

With so many memberships, life insurance and securities licences, and professional designations renewals looming, it can be confusing to keep track of different licencing periods and the number of CE credits needed. We've created a handy CE requirements one-pager for your convenience, ask your Sales Representative to send you a copy. You can also access this information on our updated CE Association Guidelines page on our website.

SNAPSHOTS

Snapshots: Caregiving Tax Considerations

We've just added a new investor article to our recently launched Caregiving section in Snapshots Ailing Parent Life Event. The article deals with tax issues your client may face when giving care to a loved one with a long-term medical issue. Caregiving is not only exhausting but can also have significant economic consequences.

If you have any questions about Dynamic products, please contact your Dynamic Funds Sales Representative.

LEADERSHIP DEMANDS

ACTIVE

Active in the midst of uncertain markets, active in the face of unexpected events and active in the pursuit of investment excellence for you and your clients.

ACTIVE MANAGEMENT IN ACTION

SERIES F	1 YR	2 YR	3 YR	5 YR	10 YR	INCEPTION
Dynamic Canadian Dividend Fund	9.6	11.3	6.5	9.2	3.4	7.2
Dynamic Equity Income Fund	10.6	12.0	7.2	9.4	8.7	11.6
Dynamic European Value Fund	24.6	11.3	9.6	17.9	3.8	5.0
Dynamic Global Dividend Fund*	18.3	13.4	16.2	16.1	7.7	8.1
Dynamic Global Equity Fund	9.8	9.6	10.1	–	–	10.8
Dynamic Power Global Growth Class	28.9	15.9	18.2	20.2	11.2	10.9
Dynamic Preferred Yield Class	17.6	12.0	3.8	–	–	4.0

THIS IS DYNAMIC LEADERSHIP™

dynamic.ca/active

Dynamic Funds®
Invest with advice.

Series F units are only available to investors who participate in eligible fee-based or wrap programs with their registered dealer. *Corporate class versions of these funds are also available. Performance for the class version and a trust version of a fund may differ due to differences in inception dates, and there is no guarantee that the funds will deliver similar returns. Performance as at August 31, 2017. Inception date for Series F of Dynamic Canadian Dividend Fund is April 2002. Inception date for Series F of Dynamic Equity Income Fund, Dynamic European Value Fund, and Dynamic Power Global Growth Class is March 2002. Inception date for Series F of Dynamic Global Dividend Fund is March 2006. Inception date for Series F of Dynamic Global Equity Fund is November 2013. Inception date for Series F of Dynamic Preferred Yield Class is April 2013. Commissions and trailing commissions are not payable on Series F units of the Fund but management fees and expenses may be associated with these investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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