

# Taking Stock with Steele

Your Monthly Newsletter

*The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations.*

*We believe Knowledge Pays and we want our knowledge to help pay for you.*

## EXECUTOR COMPENSATION HOW MUCH TO PAY AND HOW TO PAY?

Anyone who has been an executor can attest to the sheer amount of time and effort that is required. Whether you are a will writer, future executor or beneficiary of an estate, it is important to acknowledge that the job of an executor is difficult and executors are legally entitled to be paid, even if she is a family member or friend. To avoid disappointment among executors and beneficiaries, it is useful to outline executor compensation in the will or before the execution of the will at the very least.

### How Much Compensation is Fair?

Courts generally rule that 3-5% of the estate's value plus an ongoing administration fee of 0.4% is a fair level of compensation but this may change depending on the size and complexity of the estate. Courts would consider the following five factors when deciding on fair compensation: Estate Size, Responsibility/Complexity, Time Spent, Skill and Ability (required to complete the task) and Results (does the executor add value). You may want to recommend pegging executor compensation close to this marker, if the estate is close to average size, in order to avoid any potential legal challenges.

### How to Pay the Executor?

In its simplest form, a will has a common beneficiary and executor. The executor could forgo executor fees (which are taxable) and instead opt to receive more on a tax-adjusted basis as the beneficiary. This is more difficult to do, legally, as the number of beneficiaries and executors increase. Many executors/testators try to pay the executor through a gift but if there is any mention that this gift is related to executorial duties, the full amount could be taxed. Please consult a lawyer for further advice on this topic.

## RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

### AGF Total Return Bond Fund (AGF792)

- AGF TRBF invests primarily in global corporate and emerging market (EM) bonds
- A tilt towards EM debt has helped it outperform most other bond funds in 2014
- As of 04/30/2014, the fund has a yield-to-maturity of ~3.9% and duration of 3.8 yrs

### Brookfield AM Preferred Z (BAM.PR.Z)

- Brookfield is a global asset manager with \$175+ billion in assets under management
- The shares are callable or reset at 2.96% + the 5-year GofC bond on Dec 31<sup>st</sup>, 2017
- At \$25.69, the issue has a yield-to-call (soft) of 4.26% and is rated Pfd-2L

### Current Rates & Data

#### Govt of Canada

90 day	0.91%
1 year	0.98%
2 year	1.07%
5 year	1.60%
10 year	2.34%
30 year	2.86%

#### U.S. Treasury

90 day	0.03%
1 year	0.10%
2 year	0.43%
5 year	1.69%
10 year	2.62%
30 year	3.46%

#### Canada Prime Rate

3.00%

#### U.S. Prime Rate

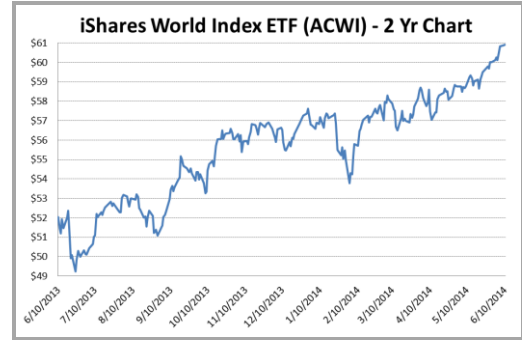
3.25%

#### Exchange Rates

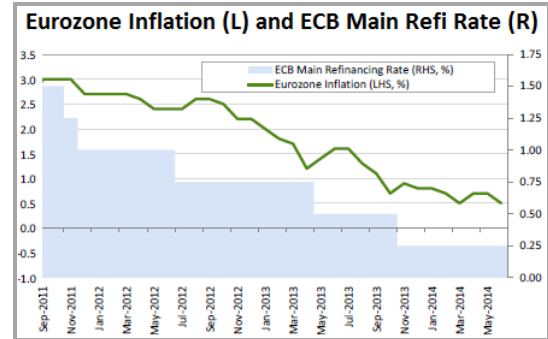
CAD/USD	0.917
USD/EUR	1.355
JPY/USD	102.3

ECONOMIC TIDBITS *STIMULUS TRUMPS “SELL IN MAY” AGAIN & THE ECB HITS THE LOWER BOUND*

- The **“Sell in May and Go Away”** strategy has historically been successful due to the tendency of equity markets to do poorly in the months of May, September and October. It is too early to declare that the strategy will be unsuccessful this year despite a strong May. It is likely that ongoing stimulus from the U.S., Japan, EU and China is supporting markets and disrupting patterns.



- In early June, the ECB lowered the main interest rate to 0.15% and deposit rate to -0.1%, **effectively charging banks to deposit money at the ECB**. ECB President Draghi stated that it has reached the lower bound on rates and that other measures (hint: quantitative easing) will likely follow if needed. Europe is looking more and more like Japan every day. Deflation may be looming.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

**Value Be Damned! The Momentum is Momentous!**

- **First Asset Morningstar Canadian Momentum Index ETF (WXM)** and **First Asset Morningstar U.S. Momentum Index ETF (YXM)** are two investment ideas related to this theme. We believe these ETFs can provide an additional layer of strategy and security diversification to a typical value portfolio.
- **First Asset WXM** has been one of Canada’s fastest growing and best performing ETFs over the past two years. WXM invests in the highest momentum stocks on the TSX based on the following factors: Trailing Return on Equity (20%), 3-Month EPS Estimate Revisions (30%), Latest Quarterly Earnings Surprise (10%), Price Change from Month-End 3 Months Ago (10%), Price Change from Month-End 9 Months Ago (10%) and Percent Change in Price from 12-Month High (20%). WXM has a heavy weight toward price momentum and thus tends to own the stocks that perform well not just those companies that operate well. This ETF tends to hold heavy weights in companies that are considered rather speculative with the top 5 holdings as of 06/06/2014 being Birchcliff Energy, Raging River Exploration, Shawcor, Bankers Petroleum and Home Capital Group.
- **First Asset YXM** is the U.S. version of First Asset WXM and invests in securities based on identical criteria but in the U.S. stock market. As of 06/06/2014, YXM’s top 5 holdings are Amkor Technology, Sanderson Farms, Meritor, HealthSouth Corp and United Rentals.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE’S TIP O’ THE MONTH *SHAMELESS SELF-PROMOTION*

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**This newsletter has been brought to you by Steele Wealth Management**

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