



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors / Portfolio Manager

WEALTH MONITOR

THE VALUE OF TITLE INSURANCE

Title insurance is a form of insurance that is purchased at the time you buy a property or obtain a mortgage. There are two types of policies: one for the purchaser (Owner Policy) and one for the lender (Loan Policy). Title insurance can protect against losses from specific risks inherent to land ownership.

For Owners, title insurance protects your ownership interest (i.e., title) of your property from losses incurred as a result of unknown title defects or other covered matters that exist at the time of your purchase, but are unknown to you at that time.

It is different than a home warranty product or mortgage insurance. It protects against losses that can arise from title matters (like liens due to tax arrears, public utilities, and special assessments that may belong to a prior vendor such as the vacant homeowners tax. It also provides protection for off-title matters, such as the lack of legal access to the land, encroachments onto adjoining land, and noncompliance with zoning requirements.

For lenders who are seeking to protect their security interest in the land over which they have registered a mortgage, title insurance offers coverage that speaks to matters concerning priority, validity and enforceability of their mortgages, as well as recourse in the event of losses relating to some types of fraud or title defects.

Many MSC clients lend their children funds, by way of a mortgage, for a down payment on a home. Often, the parent does not know about the financial health of the child's partner. This type of lender insurance helps to protect against CRA-related super-priority liens, whereby governmental entities have the ability to claim a deemed trust that may have a super-priority status over registered mortgage. This, in essence, permits the governmental entity to collect from a mortgage lender the amounts owed by the borrower and reduce the equity in the property.

Real Estate Fraud Coverage

Criminals have become savvy as to the real estate process and fraudsters are keen to access built up equity. Protection for Owners includes coverage for losses resulting from fraud, forgery, duress, incapacity or impersonation and forgery after the Policy Date of an instrument by which someone else claims an interest in, or fraudulently places a mortgage on the Owner's title.

Protection for lenders includes coverage for losses arising from the invalidity or unenforceability of the insured mortgage on title, as well as from forgery after the Policy Date of any assignment, release, discharge, postponement or modification of the insured mortgage.

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FALL 2019



“One must maintain a little bit of summer, even in the middle of winter.”

– Henry David Thoreau

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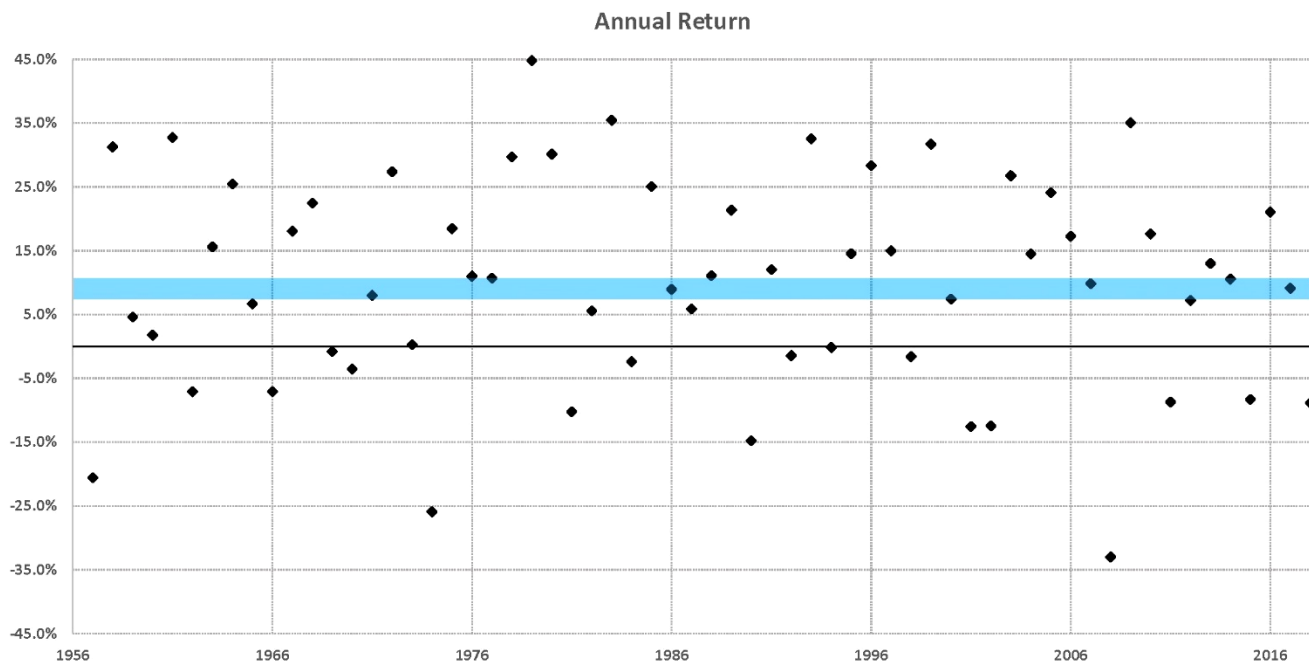
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THE UNCOMMON AVERAGE

The Canadian stock market has delivered an average annualized return of 8.74% since 1957. But short-term results may vary, and in any given period stock returns can be positive, negative, or flat. When setting expectations, it is helpful to see the range of outcomes experienced by investors historically. For example, how often have the stock market's annual returns actually aligned with its long-term average?

The chart shows calendar year returns for the TSX Composite since 1957. The shaded band marks the historical average of 8.74%, plus or minus 2 percentage points. The TSX Index had a return within this range in only eight of the past 51 calendar years. In most years, the index's return was outside of the range—often above or below by a wide margin—with no obvious pattern. For investors, the data highlights the importance of looking beyond average returns and being aware of the range of potential outcomes.

TSX Annual Returns - 1957–2018



Despite the year-to-year volatility, investors can potentially increase their chances of having a positive outcome by maintaining a long-term focus. For the broad TSX Composite, from 1957 to 2018, the worst 1-year return was -33.0%, although the best 1-year return was a whopping 44.8%. However, in that 50+ year range, there was no 10-year period with a negative return. The worst 10-year return was 2.83%. The period leading up to April of 1998 was the worst 20-year return in the period, at 6.12%.

While some investors might find it easy to stay the course in years with above average returns, periods of disappointing results may test an investor's faith in equity markets. Being aware of the range of potential outcomes can help investors remain disciplined, which in the long term can increase the odds of a successful investment experience. What can help investors endure the ups and downs? While there is no silver bullet, understanding how markets work and trusting market prices are good starting points. An asset allocation that aligns with personal risk tolerances and investment goals is also valuable. By thoughtfully considering these and other issues, investors may be better prepared to stay focused on their long-term goals during different market environments.

MSC NEWS

Staff Updates:

Our front desk administrative assistant, Mary Habachi is expecting her second child in December and will be leaving on maternity leave shortly. All the best to Mary (and Tony) in adding to their family. As a result, Camila Santos has joined the firm, covering administrative duties while Mary is away tending to her little one. Camila has a strong client service background, most recently at Marriott Hotels.

Alvine Trinidad has also joined the firm in a new position as Portfolio Administrator. Alvine has a background in systems and securities administration and he will be assisting in portfolio reconciliation and reporting.

Welcome to Camila and Alvine.



Upgrades and Renovations:

After 15 years in our current location and the excitement of a major flood two years ago, we have been renovating and updating the office. While the chaos has been considerable, we think the refreshed look has made it worthwhile.

THE VALUE OF TITLE INSURANCE (CONTINUED FROM PAGE 1)

Types of Properties

Title insurance is available for residential dwellings of up to six units, residentially-zoned vacant land, cottages, condominiums, cooperatives, leased land, as well as, commercial properties.

Policy Issuance

The actual policy issued is based on the specific facts of the transaction and, like all insurance policies, there are exclusions to coverage such as for matters that the insured party agreed to or knew about before the closing of the transaction, so it's important to always reference the actual policy itself. A unique factor of title insurance is that it covers matters that have occurred prior to closing, but which are unknown at the time of closing, and only surface at a later date. This is subject to some exceptions – such as the coverage for post-policy date title fraud.

Premiums

Policies are purchased for a one-time premium. Coverage is valid for the entire time the homeowner owns the property, and for the lender, as long as the insured mortgage remains on the property. In BC, the price for title insurance is quite reasonable to insure both the Lender and the Homeowner.

The coverage will also protect anyone who inherits your property or your spouse or child if you transfer your property to your spouse or child for nominal consideration.

Claims Example

Encroaching Driveway

After closing on a recreational property in BC, the insured was advised by a neighbour that her driveway significantly encroached onto the neighbour's property and that it must be removed. An up-to-date survey, obtained after closing, confirmed the encroachment. Title insurance covered the \$45,000 required to relocate the insured's driveway onto her property.

This article has been written with significant input of Stewart Title Insurance. www.stewart.ca

MISCELLANEOUS ITEMS

RRIF Conversions: A reminder that RRSP accounts must be converted to RRIFs by the end of the year in which you turn 71. Clients approaching this landmark should consider any available RRSP room, and whether it makes sense to make a final contribution.

Capital Gains: The end of 2019 is not far off, and the time is approaching to review your 2019 tax situation. It may make sense to realize some gains or losses in the later half of the year, as this can improve your long-term tax situation.

Online Bill Payments: A reminder that MSC clients can pay their MSC statements online; this can be set-up with your financial institution online “bill payment” option.

ONGOING PROFESSIONAL DEVELOPMENT

The past few months have been eventful for our newest Associate Financial Advisor, Denny Oenar. He has accepted a well-deserved promotion, completed his Registered Financial Planner (R.F.P.) designation, and most importantly, welcomed his first child, son Kyle, to the family. Congratulations on all accounts!

Given MSC’s strong history of professional development, a number of our advisors have attended professional conferences over the past several months, including: the STEP (Society of Trust & Estate Practitioners) National Conference in Toronto, the IAFP (Institute of Advanced Financial Planners) Symposium in Edmonton, the Canadian Tax Foundation in Vancouver, the inaugural Wealth Stack (financial technology) conference in Scottsdale, Arizona, the Dimensional Fund Advisors (DFA) in Charlotte, North Carolina and the Society of Notaries Public of British Columbia conference in Kelowna.

For those receiving this newsletter in paper format, we can provide it by email. Please let SandraVieira know at svieira@msc-feeonly.com.

Previous newsletters are also available on our website.

THANK YOU FROM MSC

Who else do you know that we can help?

MSC is a client referral-based firm and we thank you for referring your family, friends and coworkers to us. We appreciate our clients’ ongoing loyalty and trust in our services; we are fortunate to have many long-term client relationships that have continued for decades, some more than 40 years!

Please feel free to forward this newsletter to others you think may benefit from a Fee Only Financial Planner. Our newsletters can also be viewed at the address below:

www.macdonaldshymko.com/financial-resources/articles-and-newsletters



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