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## IN THIS ISSUE

In this 2018 fall edition of inFocus, our lead article highlights **the growing tension between China and the United States** that extends beyond conventional trade disputes and into geopolitics. Our second article highlights **the risks of oversimplifying estate planning**. We conclude with the topic of **"self-driving" vehicles and how drivers overestimate the capabilities of these cars**.

Brewing China-U.S. conflicts? Angelo Katsoras provides an interesting analysis into **the concern that the United States believes China is making an effort to undermine and reduce America's geopolitical and economic influence globally**, and how the U.S. is countering these moves.

Is there a risk in oversimplifying your estate planning efforts? Susannah Roth presents **a number of areas where relying on bank and insurance company beneficiary forms may not clearly represent the intentions set out in a will**. She also highlights issues that could arise because no tax advice was obtained in advance when planning an estate.

Do drivers already overestimate "semiautonomous" car capabilities? Jack Stewart explains that **the glut of driver-assistance devices** that are now appearing in the market **are confusing consumers into thinking that cars are self-driving when in fact they are not**. Mr. Stewart goes on to explain the hype versus current reality of self-driving cars.

# inFocus

TIMELY INVESTMENT INSIGHT

## China-U.S. rivalry equals a reconfigured global supply chain

Angelo Katsoras

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Tensions between China and the United States run much deeper than a conventional trade dispute. Rather, they are competing over which country will dominate tomorrow's technologies and become the world's preeminent geopolitical power.

Indeed, their rivalry has no precedent in post-war history. The United States had relatively few economic ties with the Soviet Union, so their geopolitical struggle seldom spilled over into trade. Where Germany and Japan are concerned, the impact of trade disputes has been limited by the fact that both these countries are U.S. military allies and democracies. In stark contrast, America increasingly views China as an authoritarian geopolitical rival intent on reducing its global geopolitical and economic influence. It is also a contest between two very different economic models: one, market-oriented, and the other, state-driven.

The mounting tension between the two countries was brought into sharp focus in early October in a hard-hitting speech by U.S. Vice-President Mike Pence highly critical of China. He outlined a series of Chinese offences, including forcing U.S. companies to surrender technology in return for market access, launching cyber-attacks on U.S. companies and government agencies, and oppressing its own citizens.

To quote Pence: "Beijing now requires many American businesses to hand over their trade secrets as the cost of doing business in China. It also coordinates and sponsors the acquisition of American firms to gain ownership of their creations. Worst of all, Chinese security agencies have masterminded the wholesale theft of American technology – including cutting-edge military blueprints." While such criticism has no doubt been delivered to Chinese officials before in private, this was the first time it was voiced in such a public and direct manner.

### THE UNITED STATES-MEXICO-CANADA TRADE AGREEMENT TARGETS CHINA

The geopolitical rivalry between the two has also manifested itself in the United States-Mexico-Canada Trade Agreement. Indeed, preventing Chinese companies from gaining further market share in North America, particularly in the auto sector, is an implicit objective of the new deal:

- The new rule requiring automakers to increase the North American content of their vehicles from 62.5% to 75% in order to retain duty-free status takes direct aim at Chinese auto-part makers.
- The revamped trade deal also includes a provision that requires members to give notification of any trade negotiations with a "non-market economy." The clause in theory allows Washington to walk away from the new trade agreement.

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# Simplicity vs. Oversimplicity in Estate Planning

**Susannah Roth**  
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Often people who are doing their estate planning have one overriding goal in mind: keep it simple. The so-called “KISS” principle is attractive, and may be appropriate for some. But for many, simplicity can be oversimplicity. Instead of being cost-efficient in the long term and allowing a streamlined estate administration process, oversimplicity can create more complications, increased taxes, disputes and, all too often, litigation than could have been avoided if their planning had been more comprehensive.

There are a number of ways that too simple a plan can lead to additional complexity after a person's death. Some of these arise because certain assets are not planned for correctly, such as insurance policies and retirement plans. People frequently rely on the simple beneficiary designation forms provided by their insurance company or financial institution to deal with these insurance and retirement plan proceeds. However, these forms do not allow for trust terms to be set out as might be provided in a will, or for trusts for minor beneficiaries. They are also very limited in the options available for naming contingent beneficiaries. Reliance on these forms can lead to a disconnect between a person's wishes and their existing will terms.

Some problems arise because no tax advice was obtained in estate planning. While many consider tax advice to be necessary only by the affluent, or those with complex assets, relatively simple estates can benefit from tax advice and founder from the lack of it. One example is the taxation of RSP or RIF accounts. On death, if an RSP or RIF is not rolled over to a surviving spouse, it will be taxed as income of the deceased in their final tax return, and the burden of paying the income tax, which can be considerable, will fall on the residue of the RSP/RIF holder's estate. Many consider leaving an RSP to one child and a house of equal value to the other to be an equal distribution of their estate, but due to the income tax consequences of this plan, the child inheriting the house could be greatly disadvantaged and end up with a much smaller inheritance.

Some complexities arise because family dynamics are not dealt with appropriately. The familiar example is dealing with the family cottage. Failure to properly plan for the capital gains tax burden after death can be one unplanned source of frustration and expense, but strained family relationships are a frequent cause of disputes if special family cottage planning is not undertaken. Children or other loved ones may want to keep the cottage but be unable to co-own a property without guidance and planning to assist them to avoid disputes. Some children may not wish to be included in ownership, despite assumptions by their parents to the contrary, which can create tension if their siblings won't buy them out or a dispute regarding valuation arise.

Another type of complexity which can derail an estate plan if not taken into account is second marriages. Even where family members get along well now, a failure of proper planning to ensure, for example, that the surviving second spouse is appropriately taken care of while ensuring assets ultimately pass to children of the prior marriage can lead to frustration and difficult relationships at best, and litigation and huge emotional and financial costs at worst. If family members do not get along, a lack of comprehensive planning may mean that, win or lose, they will all end up worse off at the end of the day.

Everyone wants an estate plan that they, and those who will benefit from it after their death, can easily understand. Certainly, over-complexity can lead to confusion, frustration and added expense. However, it is easy to get seduced by the opposite approach, thinking that making things as simple as possible will ensure a cost-efficient plan and a smooth estate administration. All too often, loved ones will have good reason to lament a lack of comprehensive planning, and end up wishing more thought and expense had been spent before death, saving needless expense, time and grief afterwards. Having the right professional advice can help guide away from the “KISS” traps awaiting the unwary, providing true peace of mind instead of a false sense of security.

**Everyone wants an estate plan that they, and those who will benefit from it after their death, can easily understand.**

## Drivers Wildly Overestimate What ‘Semiautonomous’ Cars Can Do

Cars are getting smarter and more capable. They're even starting to drive themselves, a little. And they're becoming a cause of concern for European and American safety agencies and groups. They're all for putting better tech on the road, but automakers are selling systems like Tesla's Autopilot, or Nissan's Pro Pilot Assist, with the implied promise that they'll make driving easier and safer, and a new study is the latest to say that may not always be the case. More worryingly, drivers think these systems are far more capable than they really are.

Euro NCAP, an independent European car safety assessment group (similar to the Insurance Institute for Highway Safety in the US) has just released the results of its first round of tests of 10 new cars with driver-assistance technologies. It also published the results of a survey of over 1,500 car owners in seven countries, asking them what they believe these cars are capable of.

“Seventy percent of people believe you can buy autonomous cars,” says Matthew Avery, head of research at the UK's Thatcham Research, a Euro NCAP member. Eleven percent said they'd be tempted to have a nap, read a paper, or watch a film while using one of the highway-assist features available today, even though every automaker peddling the tech requires drivers to pay attention to the road at all times. “It's really worrying that consumers are believing the hype.”

And it's the hype that's the problem. Driver assistance systems are a blend of technologies, but the two at their core are adaptive cruise control, which uses a radar behind the front bumper to slow down when the car in front slows down, and lane keeping, which uses cameras to spot white lines and adjusts the steering to stay within them. Automakers aren't saying that their cars drive themselves—they often say the opposite—but they are using buzzy terms like semiautonomous and enjoying the perception that they're technologically advanced.

To see what the cars can actually do, Euro NCAP tested a Tesla Model S (which 40 percent of survey respondents believed could drive itself), along with a BMW 5 series, Audi A6, Mercedes C Class, Volvo V60, and Nissan Leaf. There were also a few cars that US buyers might not know or think of as advanced, but which get semiautonomous abilities in Europe: the DS 7 Crossback, Ford Focus, Hyundai NEXO, and Toyota Corolla.

The engineers put the cars through their paces on a track, testing how well they can avoid collisions in simulated highway driving, when unexpected things happen. It stopped short of rating the cars—it plans to do that in the long run—and instead

gave each a report card with notes about what it sees as good and bad.

“The systems on vehicles now, for assisted driving, are really good if you use them correctly,” Avery says. “But they're not infallible, and the driver has to maintain alertness and be in the loop.” That's why the systems that Euro NCAP says are safest aren't the most capable, with flashy hands-off features, but rather ones that work with a driver, cooperatively, without ever seeming to take over.

One crucial test Euro NCAP preformed was a look at how reliably adaptive cruise control would brake when a car encounters a stationary object ahead. This can happen when the vehicle in front suddenly changes lane, revealing a parked fire truck for example—something that Tesla's Autopilot has had problems with. The testers used dummy, deformable, remote controlled cars, which look real to sensors but fall apart harmlessly when hit.

None of the cars did well at this tricky test, which isn't surprising, as it pushes systems to their current limits as they try to figure out what's a real obstacle and what's a harmless road sign or trash can. The computers and sensors in these cars are great at detecting large metal objects, but if they brake for every stationary one, they'd be constantly slamming to a halt, making them near useless, so automakers have to find a balance by often ignoring things that aren't moving. That's a problem if it's a stopped vehicle.

Then engineers tested the cars' lane-keeping abilities through an S curve. They subjected them to a pothole test, where a driver would try to add some extra turn of the steering wheel to avoid something in the street. This test highlighted the difference in approaches to driver assistance between the manufacturers. Tesla's steering assistance doesn't let the driver add anything. It automatically handled the S curve very well, even slowing down to make the turns, but if the driver tugged on the wheel, Autosteer disengaged. Audi, Mercedes, and Volvo all allow the driver to gently turn the wheel a bit more and work cooperatively with the computer input. That feeling of being supported, instead of replaced, may not feel as futuristic, but it's better for safety, Thatcham says, because it's less likely to lead to complacency.

And that's the reality of every system on sale now: They are designed to work in partnership with a driver, who has to stay focused and ready to take over. “If you use the Tesla correctly and understand its limitations, it's actually a very good system,” Avery says. “However, if you misuse it, and it's open to abuse, it will lead you into trouble.”

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That's because some drivers don't get those limitations (despite the warnings on the car's screen and in the manual) when it feels like they can take their hands off the wheel and the car is capable of steering around any object that pops up. It's not, as shown when a Model X on Autopilot was involved in a fatal highway barrier crash in northern California in March).

"The other vehicles never let you feel that you're not in control," Avery says.

Euro NCAP and its member research organizations consider this an important new safety subject and are keeping an eye on it. NCAP plans to have a rating systems in place by 2020, looking at not just the systems on the car but also the manuals and advertising materials, to call out how manufacturers are promoting and selling these systems. (The IIHS

is developing a similar ranking system in the US, working with the likes of Thatcham.) Avery says some manufacturers are already taking the findings onboard. Nissan says it'll review how it sells its Pro Pilot feature.

There is an opportunity here. One of the survey questions asked prospective customers if they'd be willing to watch a training video or do an online course to better understand the functions and limitations of a new car. Seventy-eight percent said yes, which is good news. Because these systems do have the ability to make driving safer by reducing rear-end crashes, lane drifting, and sideswipes. But only if they're marketed, sold, and used properly.

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**Jack Stewart**  
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