Portfolio *Confidential*

Barbara Stewart

Do you have questions about your own investment portfolio? *I have recently set up The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion:* ***barbara@barbarastewart.ca***

I recently read in the Financial Times that one US politician said regarding Taiwan that "we're in the window of maximum danger" of risk of an invasion by the People's Republic of China. Should I avoid investing in Taiwanese companies?

This is a topical question! I thought about who in my network would be best equipped to provide input and Michael Chang leapt to mind. Michael is a Senior Research Analyst at Sycale Advisors in New York and he has been covering Asia for the past couple of years, including living in Taiwan at times. The views he expressed in this interview are his own and are not the views of Sycale Advisors. He answered the question from three different angles:

1. Investing for the broad public: "Frankly, I think most people should simply index. Selecting stocks is a competitive field and if you're not doing it full time (and if you don't have the proper skills/psychological makeup), you're at a disadvantage and likely to do worse than the average. I'd be happy for my parents' broad-based index funds to include Taiwanese stocks because it helps with diversification."

2. My personal life: "There is definitely a risk that China will attack Taiwan. Having said that, I spend a substantial amount of time physically in Taiwan, so clearly I think the risk is fairly low. This is a complicated question, but I think at the end of the day neither China nor the United States really wants a war over Taiwan - it would likely lead to a massive loss of life, be immensely destructive to both countries' economies, and carry large geo-political risks for both countries. The temperature seems to have moderated a bit recently, but it's something that one still needs to keep an eye on."

3. For your readers outside of Taiwan - one interesting thing to pay attention to is Taiwanese politics, as I believe they have a major interplay with the overall temperature level and relationship with China. There are two major political parties in Taiwan - the Kuomintang (KMT) is more "China leaning", where the Democratic Progressive Party (DPP) is less "China leaning". Currently the DPP is in power and their actions (among other things) may or may not be a recent source of tension with China. Interestingly, the KMT did very well in a set of recent local elections, perhaps as a result of China's recent aggressive stance and a general Taiwanese desire to avoid hostilities? If that trend continues, the coming 2024 Taiwanese presidential election may bring a large change in the relationship between Taiwan and China."

4. As a value investor: "One common practice in Value Investing is to look where others won't, in hopes of finding stock prices which reflect overly pessimistic outlooks. I think Taiwan has some attractive opportunities, but if one really wants to find pessimistic outlooks as a result of this conflict then China itself may actually be a more interesting hunting ground. At the end of the day all investing is about risk vs. reward, and low security prices can lead to attractive bets. In my personal opinion, if one wants to look in Taiwan, the first company to understand is probably Taiwan Semiconductor Manufacturing Company (TSMC): it has many hallmarks of a great business with a strong growth runway and dominates Taiwan's economy. It is a bit of a cyclical business and timing can be tricky but TSMC looks to me like it trades at a fairly reasonable price today."

After 35 years of working for the government, I recently received a substantial six figure severance package, and will retire. I am currently married and my husband and I both have RRSPs. From a tax perspective it probably makes most sense for me to add this "windfall" to my RRSP since I have a large amount of unused contribution room. On the other hand I think since this severance pay is clearly mine…should I keep it in a separate non-registered account in my own name so that worst case if we divorce this wouldn't be part of our shared assets? Or could I put it in my RRSP, but somehow protect it? What advice can you provide in this situation?

Eiman Sharifpour is a lawyer at Iman Law Professional Corporation. He provided the comments that follow:

Disclaimer: This is not legal advice.

"In Ontario, under the Family Law Act, when two people get married, each spouse becomes automatically entitled to an equal share of all the profits gained by each spouse during their marriage. In most cases, during the marriage, one spouse accumulates more profit and property. This is why upon separation, the spouses are entitled to the equalization of each other's net family property, also known as property division.

The Family Law Act defines property as any interest, present or future, vested or contingent, in real or personal property. This includes any real estate, bank accounts, investment accounts, businesses, etc. that are owned by a spouse. If spouses jointly own a property such as a bank account, 50% of the value of the property is calculated towards each spouse's property.

For example, if a spouse receives a severance package during marriage and puts it in any kind of bank or investment account, it would be counted as the spouse's property for the purpose of calculating the spouse's net family property.

There are some properties that are excluded from equalization of net family property. These include gifts or inheritances received by a spouse during the marriage, damage awards, life insurance proceeds, and property excluded by domestic contract. It is important to note that spouses can still enter into a marriage contract after they have gotten married in order to exclude any property from equalization in the event they separate if mutually agreed upon.

In conclusion, after separation, spouses do not really divide their assets and property, they divide the VALUES of their assets and properties until the profit each gained during the course of their marriage from the date of marriage until the date of separation is equal. Therefore, even if an RRSP or a non-registered account is solely under one spouse's name, it is still subject to equalization unless there is a marriage contract between spouses excluding it."

My 17 year old daughter loves numbers! She is very interested in studying finance at university but I have read that there are too few women in finance and that the investment industry is highly biased against women. Do you think this area of study will be a good investment for her in terms of a future career and for me as the person funding her studies?

All this is to say in my view that the timing is impeccable for a young woman to study finance. Finance needs women!