

The Dream Achiever



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*"A goal without a plan
is just a wish."*

~ Antoine De Saint-Exupery



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Lower Minimum RRIF Payment Calculation

In the 2015 Conservative budget there was a change to the minimum RRIF calculation percentages for those who are over the age of 71. This change resulted in a lower percentage rate which means a reduced required amount to withdraw from the plan.

For those who needed every penny of their 2015 minimum for day-to-day living, you may want to increase your payment for 2016 as new minimums may be inadequate for your needs.

For those who have been forced to take out more than they truly need, this will come as good news. If you hadn't adjusted your 2015 payment downward, you actually have until the end of this year's RRSP season (Feb 29, 2016) to put money back into your RRIF.

If you have any questions about this subject please contact us.



Stickhandling on choppy ice

Happy New Year! If you have been listening to the media these days you are no doubt aware that the markets have been choppy. As a young boy I spent many days on outdoor hockey rinks. One thing that I noticed was that the ice was different from the ultra-smooth surfaces that you would find with the indoor arenas. Some of the techniques for carrying the puck that I had used indoors resulted in the puck bouncing off my stick on the bumpy outdoor surface. I realized that I needed to change my technique and be a little less aggressive or the puck could get out of control. I think that this lesson will serve us well in the volatile markets today.

In Q4 2015 the Canadian markets continued to pull back with increased volatility mainly due to its high co-relation to the price of oil which fell into the mid \$30 range. The Canadian TSX composite finished the quarter down -1.4% resulting in a -8.32% return for 2015, The American S&P 500 bounced back up 7.04% in the quarter finishing the year up 1.38%, MSCI World was up 5.5% the quarter for a negative annual return of -0.87%, and FTSE TMX CDN bond was up 0.98% for an annual return of 3.52%.* We have been bearish on the Canadian dollar for quite some time. That view continued to be well founded as the \$CAD fell another -3.84% in the quarter versus the \$USD. The dollar lost over 16% of its value to \$USD in the year. This was one of the big enhancers of the returns on the foreign funds this year. With the continued weakness of oil prices, we don't see the Canadian dollar rebounding immediately, but at some point we'll have to seriously consider a hedging strategy when the tide turns the other way.

In Canada, there was a change of the Federal government in October as Canadians took a break from watching the Blue Jays exciting playoff run to cast their ballots as the Trudeau Liberals won a comfortable majority. The good news is that a majority government eliminates some of the uncertainty that a minority government can bring. The Liberal win has led to the TFSA limit decreasing from \$10K down to the \$5500 level for 2016, changes to come for the child benefit programs, a decrease of the Federal mid-range tax bracket by 2%, an introduction to a new Federal High income tax bracket, and an end to the family income split (2015 will probably be the last year to do it). Further analysis has shown that the tax bracket changes will not be self-funding and will result in the government running a larger deficit than originally projected. Low oil prices will probably be the norm for a while due to increased supply which probably won't help the Canadian fiscal situation.

After standing pat in September and October the US Federal Reserve (Fed) finally decided to hike rates in December. The benchmark rate was increased to a range of 0.25-0.5% up 0.25%. The decision was expected by the markets. It was rendered on the basis of an improving labor market, despite low inflation, which continues to trend below target. The Fed mentioned that monetary policy would remain accommodative and the fed funds rate should be below long-term levels for some time. Unlike in the US, Canada probably has more pressure to lower rates than to raise them as the economy continues to lag.

Market Overview Continued

The People's Bank of China cut interest rates for the 6th time since last November. They have been feeling pressure due to sluggish economic data. The Chinese stock market has also continued its quick decent. In other news the Yuan currency was made part of the Special Drawing Rights (SDR) currency basket as a reflection of China's growing influence in the global economy. This gives the yuan major world currency status alongside the US dollar, the euro, the sterling, and the yen.

Unlike recent history, we currently don't really have one large consensus view that we feel will lead to easy gains in your portfolio. We do think that it will continue to be choppy ice out there. Our feeling is that you should continue broad diversification with a little less aggressive allocation than you may have had in the past year or two. Is this as low as the Canadian dollar or the oil price will go? No one knows for sure but I'd have to say we are probably closer to the low than the high. Feel free to contact us with any questions you may have on your own portfolio or if you are feeling worried about the markets. That is why you have us here for you. All the best in 2016.

New Year Planning items

- **RRSP Contribution Deadline:** For the 2015 tax year you need to contribute before February 29, 2016. The maximum room for 2015 is \$24,930. If you want to get started on your 2016 contributions, the maximum limit is \$25,370. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Registered Education Savings plan (RESP) contributions:** Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grant to 30%! 2015 room now available.
- **Tax Free Savings Account (TFSA):** A new \$5500 of room available since January 1, 2016. (Down from the \$10,000 in 2015)
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2016 (born in 1945) will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.
- **Your Annual Review**
- **\$2K pension deduction:** Those who turn age 65 in 2016 or older and not already receiving recognized pension income.



The Planning Corner – Quebec Daycare Tax 2015

On November 14, 2014 the Quebec government announced changes to the subsidized educational childcare program. One such change was a revision of the contribution paid for a child who occupies a subsidized childcare space. Starting April 22, 2015 the subsidized childcare fees include a **basic contribution** of \$7.30 per day, per child and an **additional contribution** adjusted to your family income. Both basic and additional contributions will be indexed every year.

As president of the board of a local CPE – Centre de la petite enfance (this is the kind of thing you get roped into when you have 4 children in the facility), I have both a vested interest and a front row seat to the changes. I wrote to the government cautioning them of the following: Parents will continue to pay the basic contribution to the childcare service provider **but they will pay the additional contribution to Revenue Québec when they file their 2015 income taxes!** My worry is that most parents have not planned any deductions for this substantial annual one-time cost of thousands of dollars.

The amount of the additional subsidized contribution will be calculated in Schedule I of the income tax return of every parent who signed a subsidized childcare agreement for services received after April 21, 2015. It will be based off family income, # of children, and the number of days of care received. Parents should receive by Feb 29, 2016 an **RL-30 slip** to help them determine the amount of the additional contribution.

- If your family income for 2014 or 2015 is < \$50,000 there is no additional contribution
- If more than \$50,000 but not more than \$75,000 the additional contribution is \$0.70 per day, per child
- If more than \$75,000 but not more than \$155,000 the additional contribution is \$0.70 to \$12.70 per day, per child
- If more than \$155,000 the additional contribution is \$12.70 per day, per child

If someone you know had children in subsidized childcare this year, make sure they know the new tax rules for their 2015 taxes.

Disclaimer:

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call **David Humes, Matthew Humes, or Chantal Massicotte** to discuss your particular circumstances.

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*Source: Morningstar Canada