

# The Dream Achiever



MARCH 31, 2019

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Our 40<sup>th</sup> Anniversary

*"You have to go through the worst to get the best"*

~ Unknown



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### Federal Budget 2019

On March 19, 2019 the Liberal Government tabled their pre-election federal budget. There were no major tax cuts but it did have notable nice credits and changes. It was viewed as having a little for everyone.

There were some changes with regards to Registered Disability Savings Plans (RDSP) which now allows them to stay open even after a beneficiary no longer qualified for the federal disability tax credit. They will also now be exempt from bankruptcy seizures (outside of contributions in last 12 months).

There will now be an annual cap of \$200,000 for preferential treatment of qualified employee stock options granted to certain employees. Any amounts received over the cap will be taxed as ordinary income

The home buyers plan was increased from \$25K to \$35K effective immediately.

Canada Pension Plan auto enrollment at age 70 starting in 2020.

Canada Training Benefit aimed at helping with the costs of retraining.



Celebrating  
**40**  
YEARS  
1979 - 2019

## Bounce back performance

It's hard to believe that just 3 months ago the markets had dropped severely in the fourth quarter and the feeling was gloomy. Many investors wondered if this was the beginning of the end for the bull market and were asking if they should be moving into cash. Even though we feel that we are in a late cycle environment our advice was to not panic and to stay invested as per your investment profile. Q1 was a perfect example as to why you would stay invested as many equity markets quickly produced double digit returns based on almost the opposite news that had them dropping late last year; this being progress in the US-China trade talks and a dovish tilt in the Federal Reserve commentary. Across the Atlantic in the UK another story has been Brexit. There has now been a delay beyond the March 2019 deadline which has fueled hopes that a disorderly exit from the EU can be avoided.

In the first quarter of 2019 the Canadian TSX composite finished up 12.56%, as the resource-heavy market was particularly buoyed by higher oil prices. The U.S. S&P 500 was up 13.65% (11.16% in \$CAD) led by strong results for the information technology, energy, and industrials sectors. The MSCI World (which reflects equity market results for 23 developed market economies) climbed 12.65% (10.18% in \$CAD). With regards to bonds the FTSE Canadian GBI \$CAD was up 2.55%. \* The CAD\$ gained 2.27% in the quarter versus the USD\$ (rate on March 31<sup>st</sup> was \$0.75 CAD/USD). The result of this move in currency is that your unhedged U.S. holdings would have been slightly less than their respective \$USD return.

The equity rebound came despite economic data indicating growing slack in the global economy, and central banks responded by striking a more dovish tone in the first quarter. After moving to raise interest rates several times in 2018, the U.S. Federal Reserve left rates unchanged and put further increases for 2019 on hold (and now only showed one rate hike for 2020). The adjusted growth outlook caused the Treasury yield curve to invert - a signal historically associated with a pre-recessionary environment. The CIBC chief economist Avery Shenfeld feels that the inversion might be signaling something different to investors. He feels that as growth slows the yield curve might be indicating that the markets expect the central banks to ease rates enough to keep the cycle going.

Yields for 10-year U.S. Treasury Bonds moved lower through the period as bond prices rose. The Bank of Canada also left rates unchanged, and 10-year Canadian government bond yields declined as investors discounted the probability of further rate cuts in the near term. In Europe the 10-year Bund (German government bond) yields were also more than 30 bps lower and fell below zero toward the end of March for the first time since October 2016.

In March both the **Federal and Quebec governments tabled their budgets**. Even though there were no major tax cuts, some of the Federal budget highlights can be found on the left sidebar. On March 21 the Quebec Minister of Finance, Mr. Eric Girard, delivered a balanced 2019-20 provincial budget. In it was a tax credit for qualified corporations that employ individuals aged 60 or over. Individually the tax credit for experienced workers was lowered from 61 to 60 and the maximum amount of eligible work income was raised. They will be gradually eliminating the additional contribution for childcare over four years.

## Market Overview Continued

Since the bull market in North American equities began more than 10 years ago, investors have drawn confidence from the gradual expansion of the global economy, particularly in the U.S. where corporate earnings have been healthy and employment, housing and consumer spending data have been strong. However, late in the economic cycle, corporate earnings are slowing, along with global economic growth. While interest rates remain low and help to support business investment and equity prices in the near term, the market volatility we have seen over the past few quarters may become a more common occurrence as the cycle matures. The fourth quarter's steep decline and the dramatic reversal in the first quarter of this year is a timely reminder of how quickly markets can turn, and underscores the importance of staying invested for the longer term.

Given this backdrop, I continue to believe investors are best served by a diversified approach to investing – one that provides exposure to a broad range of actively managed investments from equities to bonds, depending on your personal objectives.

## Planning items

- **2018 Tax Return deadline:** April 30, 2019
- **RRSP Contribution Room for 2019:** Please provide us your room for the 2019 tax year when you receive your 2018 Federal Notice of Assessment. The maximum limit for 2019 is \$26,500. 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%! 2019 room now available.
- **Tax Free Savings Account (TFSA):** A new \$6000 of room available since January 1, 2019. Total room since 2009 is \$63,500.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2019 (born in 1948) 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:** It is important to inform us of any changes taking place in to see the effects on your plan.
- **\$2K pension deduction:** Those who turn age 65 in 2019 or older and not already receiving recognized pension income.



## The Planning Corner – Our 40<sup>th</sup> Anniversary

40 years ago, after working for several years at a large insurance company, my father David incorporated the David D. Humes Insurance Agency on March 6, 1979. This was a move that was prompted by the pressure he was getting to sell products that he felt were not in a client's best interest. He has always told me that if you put your client's interests first they will remain clients.

Over the years we have expanded our offering into financial planning and investments. We have expanded the staff, many of whom have been with us over 25 years, to ensure our clients the quality service they deserve. The concept of a holistic view of providing people a path to realize their dreams has always been at the core of what we do.

Even though we continue to implement new technologies into our practice we strive to remain old fashioned and personable. Unlike many large firms, we still have our clients phone calls answered with the same familiar friendly voices. If you have friends or family like yourselves who are looking for a partner in financial health, we welcome your quality referrals which will allow us to continue to grow and serve our clients for 40 more years.

**\*\* Administrative note \*\*** Effective Q1 2019, FundEX will no longer distribute quarterly statements with assets held through B2B in an effort to streamline processes and avoid duplication of client reporting. This policy change applies to Dealer statement reporting. B2B plan information will continue to be accessible in Univeris and Wealthview. The DD Humes Summary which came with this newsletter continues to show all assets.

### Disclaimer:

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\*Source: Morningstar Canada

