

The Dream Achiever



INSIDE THIS ISSUE

- 1 Market Overview
- 2 Planning items
- 3 The Planning Corner:
Tax Implications of Covid

*"Optimism is a faith that
leads to achievement"*

~ Helen Keller



Follow us on Twitter
@ddhumes

FundEX Nominee Tax 2020 Slips

It was recently announced by FundEX that anyone who is signed up for e-delivery of statements will also get their nominee tax slips via e-delivery as well. This means that you would need to log into your Wealthview portal to get the PDF documents. This would not affect clients with B2B Bank accounts or "Client Name" accounts held directly at the fund companies.

If you are unsure of what tax documents you need for your accounts held at DD Humes, you can always contact us about them after March 1st via phone or email.



A solution within reach?

It goes without saying that 2020 was a year none of us will soon forget. It started strongly, with equity markets at all-time highs and unemployment near record lows. But by mid-March, a new coronavirus had reached North America after emerging overseas in late 2019. Governments around the world abruptly shuttered their economies and issued shelter-in-place orders in an effort to slow the spread of the disease – successfully resulting in sharp and drastic declines across major stock indexes globally.

As the first wave of COVID-19 infections began to slow over the second and third quarters of the year, markets then staged an impressive recovery. This was particularly true in the U.S. where the S&P 500 Index, a broad representation of the U.S. equity market, regained all of its losses by mid-August – the fastest rebound on record.

Despite a resurgence of COVID-19 cases and renewed lockdowns in many regions, markets trended upward during the fourth quarter of 2020, boosted by growing clarity around the outcome of the U.S. presidential election and significant COVID-19 vaccine progress. With the rollout of approved vaccines across many developed countries including in Canada, the U.S. and the U.K., the global outlook for an economic recovery is improving, although there will undoubtedly be some volatility along the way.

The S&P 500 Index experienced a pullback due to uncertainty in the days leading up to the U.S. election but soared in the weeks that followed, to end the year at a new all-time high. The U.S. index S&P 500 was up 6.5% for the fourth quarter and 14.2% for the year in Canadian-dollar terms. The MSCI World Index, which reflects returns for developed equity markets around the globe, was up 8.8% for the quarter and 14.5% for the year.

The Canadian economy was boosted by stronger demand for energy and higher oil prices in the fourth quarter, along with the approval of Pfizer's COVID-19 vaccine. While the S&P/TSX Composite Index has moved upward since its pandemic-induced low in March, the Canadian benchmark has yet to return to the record level reached in February. The index posted a gain of 9% for the quarter and 5.6% for the year-to-date.

Interest rates remained unchanged in Canada, the U.S. and Europe during the final three-month period of the year. In December, the Bank of Canada held its benchmark interest rate steady at 0.25% after cutting rates in March in response to the COVID-19 pandemic. The Bank of Canada reiterated that it will continue to buy Government of Canada bonds at a rate of about \$4 billion per week to keep downward pressure on interest rates, and restated that it would keep the benchmark lending rate near zero until sometime in 2023. The U.S. Federal Reserve maintained its target for the federal funds rate at a range of 0% to 0.25%. The European Central Bank held interest rates on its main refinancing operations, marginal lending facility and key deposit rate at 0.00%, 0.25% and -0.50%, respectively and also expanded its monetary stimulus program.

The events of 2020 have shown us how unpredictable markets, and life in general, can be. At the beginning of the year, no one could have predicted a global pandemic unfolding, that markets would plummet only to recover in record time, that as an adult you would again have a curfew, or even that the best-performing stocks would be those that enabled work-from-home and e-commerce.

Market Overview *Continued*

One of the best ways to protect your portfolio from the unexpected is diversification. We have worked together to broadly diversify your investments and ensure that all of your eggs aren't in one basket. It's also important to stay invested. Those that sold their investments after markets plummeted in March would have locked in losses while those that stayed invested would likely have been rewarded for their patience when markets recovered as the year progressed. Here is another perfect example of getting penalized by trying to time the market.

As we head into this year be careful not to just blindly overweight and chase what did best in 2020. Some of the sectors that have suffered the worst during the pandemic have been the top gainers with the recent vaccine news.

Looking ahead, the pandemic will continue to impact markets in the coming months as vaccine distribution gets underway. Accommodative fiscal and monetary policies from central banks around the world are also likely to continue for some time. These large stimulus packages have definitely helped markets but these deficits will need to be addressed at some point in the future.

I would like to wish you and your family a happy and healthy new year. I would also like to thank to you for your continued trust in us and for the opportunity to assist you in working toward your financial goals.

New Year Planning items

- **RRSP Contribution Deadline:** For the 2020 tax year you need to contribute before March 1, 2021. The maximum room for 2020 is \$27,230. If you want to get started on your 2021 contributions, the maximum limit is \$27,830. 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%! Your 2021 room is now available.
- **Tax Free Savings Account (TFSA):** A new \$6000 of room available since January 1, 2021. Total room since 2009 is **\$75,500**.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2021 (born in 1950) will need to convert their RRSPs into RRIF accounts before calendar year end. We will be in contact to assist you on how to get that done.
- **\$2K pension deduction:** Those who turn age 65 or older in 2021 and receiving recognized pension income.



The Planning Corner – Tax Implications of COVID

Deductions for your home office

In late December 2020, CRA released new guidelines making it easier for those employees who have been working from home for at least a portion of 2020. CRA has said that this will only be available for the 2020 year.

Two new options have been made available for these employees who wish to claim a deduction on their personal tax return:

- **Temporary Flat Rate Method** – for employees who claim a flat amount (\$2/day to a maximum of \$400). No employer certification is required. To qualify you must have worked from home more than 50% of the time for at least a period of 4 consecutive weeks in 2020. You can deduct this per family member.
- **Detailed Method** – for employees who claim actual expenses related to working from home, supported by receipts. Employer certification is required via the form T2200.

For those employees who have employment expenses other than those related to working from home, the rules are generally unchanged.

As mentioned in a previous planning corner, **The Canadian Emergency Response Benefit (CERB) is taxable!** You may have received up to \$14,000 in CERB benefits in 2020. These amounts will be reported on a T4A. In addition, just like employment insurance (EI) benefits, these amounts *are taxable*. However, unlike EI benefits, *no income tax withholdings have been taken*. This means that many individuals will likely have some tax owing. Plan for it accordingly.

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, Chantal Massicotte, or Danielle Mills** to discuss your particular circumstances.

Mutual Funds provided through FundEX Investments Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

*Source: Morningstar Canada