

The Dream Achiever



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"It is not the strongest or the most intelligent who will survive but those who can best manage change."

~ Charles Darwin



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COVID-19 - The virus that infected the world

We want to express our sincere hopes that you and your family are healthy and managing well during this difficult period. We wanted to provide you with our quarterly update and information on how the COVID-19 pandemic has affected financial markets.

The first quarter of 2020 was unlike any we have seen in our lifetimes. In response to the pandemic there have been social distancing and lockdown measures that have affected over one-third of the world's population causing global capital markets to decline sharply. Energy prices also dropped significantly as a result of a price war between Russia and Saudi Arabia, further affecting the shares of energy companies and adding to the general atmosphere of anxiety in the markets. This was a stark contrast to the decade of gains investors had experienced since the end of the financial crisis. In fact, North American stock markets had reached all-time highs in February, on the heels of their strongest year since 2013. March 11th marked the end to the 11 year bull market when the World Health Organization declared the ongoing coronavirus outbreak an official pandemic. A bear market is declared when the markets fall 20% off their 52 week high. This happened at a record pace with the TSX doing it in just 14 trading days and bottoming out at -37.4% on March 23rd.

The S&P 500 Index, a broad measure of U.S. equities, had the worst first quarter start to a year in history, down 20% (in U.S. dollars), while the Canadian S&P/TSX Composite Index posted its worst quarter since the financial crisis, declining 21.6%. The MSCI world index ended the quarter down 20.9% in \$USD. Government bonds benefited from investors moving to safe havens, and yields moved lower as prices rose. The Canadian dollar declined 8% in value to the \$USD over the quarter, helping to mitigate losses for Canadians invested in U.S. markets. Volatility has been extremely high with the VIX Index (AKA "Fear Index") spiking up into the mid 80's which was higher than it was at the peak of the 2008 financial crisis. The average daily change in March on the S&P 500 was the highest it's ever been at 4.8%!

Businesses were ordered closed to help stem the spread of the virus causing millions to become unemployed. Central banks have moved very quickly to respond to the downturn with policies aimed at stabilizing the financial system, while the G7 countries announced that they would be willing to use "all appropriate policy tools" to provide economic support during the COVID-19 outbreak. Amidst surging unemployment numbers in both Canada and the U.S., the U.S. unveiled a US\$2-trillion stimulus package, while the Canadian government's commitment to fiscal support reached C\$176 billion. The U.S. Federal Reserve (Fed) made two emergency cuts to its policy rate, bringing it to a range of 0-0.25%, while The Bank of Canada made three rate cuts to reduce its overnight lending rate to 0.25%.

Certainly, this has been a very difficult period and the 24/7 news cycle has bombarded us with information that may have you feeling anxious about your investments as well as your own health and also that of your loved ones. There are still many unknowns about the virus and the economic impact of the measures being taken to control it. However, it is at times of great uncertainty that discipline and the ability to remove emotion from your financial decisions becomes an investor's most valuable asset. We believe that your trust in DD Humes to oversee your investments objectively will prove beneficial as we come out of this correction. As history has demonstrated, markets have ultimately recovered from setbacks, large and small, before moving higher in the long run. One portfolio manager that we know has a saying "I have never met a rich pessimist."

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Market Overview Continued

You can take some comfort in the fact that the portfolio we have built together is diversified and constructed to withstand the market shocks we are currently experiencing. For those who are withdrawing from their investments, we employ the “Cash Wedge” strategy. A well-diversified portfolio geared toward your financial goals and risk tolerance remains the best approach to dealing with volatility and offers one of the best opportunities to participate in the inevitable market recovery. As we have seen since the bottom on March 23rd, the markets can also move upwards quickly, so we feel that trying to time moves into cash is a bad idea!

In closing, we would like to wish you and your family well during this unique time in all of our lives. As you know, we have been working remotely since March 23rd but we will continue to send you e-mail updates and opportunities to join us on some webinar meetings hosted by us and our partners. Remember we are also just an e-mail or phone call away (use the usual number), so if you have any questions about your portfolio or investment plan, don't be afraid to reach out to us.

Planning items

- **2019 Tax Return deadline for individuals:** Due to COVID-19 it was pushed out to from April 30, 2019 to June 1, 2019.
- **RRSP Contribution Room for 2020:** Please provide us your room for the 2020 tax year when you receive your 2019 Federal Notice of Assessment. The maximum limit for 2020 is \$29,230. 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%! 2020 room now available.
- **Tax Free Savings Account (TFSA):** A new \$6000 of room available since January 1, 2020. Total room since 2009 is \$69,500.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2019 (born in 1949) 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 to see the effects on your plan.
- **\$2K pension deduction:** Those who turn age 65 in 2020 or older and not already receiving recognized pension income.
- **Estate planning:** There is nothing like a pandemic to ensure that your **wills and mandates** are in order.



The Quarantine Corner – COVID-19 relief programs

In late March the Federal Government unveiled a massive financial relief package aimed at stimulating the economy and supporting Canadians who have been laid off. These benefits seem to currently be getting adjusted daily allowing more and more people to access them. A big feature of that package was the Canadian Emergency Response Benefit (**CERB**), a \$2000 monthly payment available to Canadian workers impacted by the COVID-19 layoffs. It comes on top of existing programs like employment insurance (EI) and new benefits at the provincial level. There were also increases announced in the **Canada Child Benefit**, and extension in filing **taxes** to June 1, 2020 with any balances due (or installments) deferred until August 31, 2020 without interest or penalties. We encourage you to still file on time.

For those looking to reduce their RRIF payments, the government has allowed for a 25% reduction of the annual minimum RRIF payment calculation. Note that if you have already taken your payment you cannot put money back into your account. **For employers:** The **Canada Emergency Wage Subsidy (CEWS)** covers 75% of an employee's wages up to \$847 per week who suffered a drop in revenue of 15% in March, and 30% in April and May. The **Temporary 10% Wage Subsidy** is a 3 month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA. Any benefit from the 10% Wage Subsidy will reduce the amount available to be claimed under the CEWS. The **Canada Emergency Business Account** will provide an interest free loan up to \$40,000 to small businesses and not-for-profits to help cover operating costs while their revenues have been temporarily reduced. There are also changes to the **Canada Summer Jobs Program** so that private and public sector employers can also receive up to 100% of the minimum hourly wage for each employee. Here is a link to the Federal programs website:

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

The **Federal budget** scheduled to be delivered on March 30th was postponed for a time yet to be announced. The Quebec government tabled their 2020 budget on March 10th that featured no major tax increases or cuts but pretty much all of the GDP growth projections can be thrown out the window at this point. Lots going on these days, so stay tuned for the next installment of the Quarantine Corner!

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.

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*Source: Morningstar Canada