The Dream Achiever

DD HUMES

MARCH 31, 2013

INSIDE THIS ISSUE

"Things work out best for those who make the best of how things work out."

~ John Wooden

Follow us on Twitter
www.twitter.com/ddhumes

FundEX INVESTMENTS INC.

An American Sky Spring Thaw

While winter like symptoms persisted with the weather, the thaw in the markets started a while back. The markets got off to a roaring start, but have fallen off lately. In Q1 2013, the Canadian TSX composite finished up 3.3%, the American S&P 500 (in $CAD) 10.5%, MSCI World 6.5%, and Bond DEX universe nearly flat at 0.67%.** Remaining signs of that early growth should be reflected on your current portfolio summaries.

At the end of March, U.S. stock markets crossed the all-time high reached in October of 2007. This was due to an exceptionally strong performance to start the year following the agreement by U.S. Congress in early January to avoid the "fiscal cliff", which would have required dramatic reductions in spending and risked throwing the U.S. back into recession.

Canada continued to underperform both the United States and global markets. Since the beginning of 2010, the Canadian market is up by about 15%; in that same time the United States is up by roughly 50%. Over the past year we have been actively rebalancing this Canadian overweight in your portfolios as seen fit, but as you know we've always preached diversification.

We feel that we must be cautious even though some metrics suggest that the growth could continue. It's tough not to be skeptical of excessive enthusiasm. There still are many issues on the horizon that make markets uneasy. Whether it be the geo political instabilities of the middle east or North Korea, bank bailouts in Cyprus, massive quantitative easing in Japan, or some disappointing economic indicators closer to home (e.g. recent employment #'s), we have seen in the recent past how quickly market growth can disappear.

Most managers we have talked to don't see interest rates moving up much this year. We are currently in a marketplace where stock dividend yields have been outpacing bond yields. The demand for fixed income over the past several years has run up their prices to record levels. Many of those trying to reduce their bond risk, while searching for yield have started to move back into equities.

On March 21, 2013 the 2013 Federal Budget introduced various specific tax measures aimed at both individuals and small businesses. It closed a number of tax loopholes as well. Some items from the budget include the

Continued on Page 2

Market Overview Continued

first-time donor's super credit, elimination of character conversion transactions (Converting income to capital gains through use of forward derivative contracts – e.g. Capital Yield funds), the elimination of some insurance strategies (Leveraged insured annuities & 10/8 arrangements), the phase out of the Labor-Sponsored Venture Capital tax credit, an increase of the lifetime capital gains exemption ($800,000 as of 2014), and a change in taxation of non-eligible dividends just to name a few outlined in the 433 page booklet. Let us know if you have any questions about any of the items in the budget and how they may affect your situation. It will be our pleasure to assist you.

New Year planning items

Things to look at in the new-year include:

- **RRSP Contribution Room for 2013:** Please provide us with your room for the 2013 tax year when you receive your 2012 Federal Notice of Assessment. The maximum room for 2013 is $23,820. For those on PACs you may need to adjust your automatic withdrawals for the coming year accordingly.
- **Tax Free Savings Account (TFSA)** : As of January 1, 2013 you received another **$5,500** of contribution room. This represents an increase of $500 vs. previous years. This was announced by the federal government on Nov 26, 2012. http://www.fin.gc.ca/n12/12-151-eng.asp
- **RESP**: You can now do your 2013 RESP contributions and benefit from the generous government grants.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2013 (born in 1942) will need to convert their RRSPs into RRIF accounts. Check to see if you'll have a final contribution before year end. If we don't hear from you first, we will be in touch to assist you on how to get that done.
- **Your annual review**
- **$2K pension deduction:** Available to those who are age 65 or older and receiving recognized pension income.

The Planning Corner – OAS is getting flexible

Announced in the 2012 Federal Budget, starting July 1, 2013 the federal government will enhance the flexibility of the OAS program for those who wish to work longer by implementing a new voluntary deferral of the OAS pension for up to 5 years.

If you will be 65 years of age before July 1, 2013, you should consider that the deferral cannot commence before that date therefore permitting less than 60 months of deferral.

If you apply for your pension after you become qualified to receive a full monthly pension, the amount of that pension would be increased by 0.6% per month of deferral (7.2% per year).

This may present opportunities to defer the receipt of pension income from years, when a significant amount would be clawed back, to later years, when net income would possibly be lower and the OAS would not be subject to clawback. Just one more reason to make sure that you look at all options in a financial plan. For more information, visit the link below for the Service Canada web page discussing it.

http://www.servicecanada.gc.ca/eng/isp/oas/changes/voluntary_defferal.shtml

** Source: Morningstar PALTrak