

The Dream Achiever



MARCH 31, 2014

INSIDE THIS ISSUE

- 1 Market Overview
- 2 Planning items
- 3 The Planning Corner:
Save some tax where you can

*"Success is getting what you want.
Happiness is wanting what you get."*

~ Dale Carnegie

 Follow us on Twitter
www.twitter.com/ddhumes

2014 Federal Budget Highlights

On February 11, 2014, the Federal budget was tabled. It was the last budget from Jim Flaherty who stepped down from his finance minister position on March 18th to pursue other opportunities in the private sector. He has been replaced by Joe Oliver the former natural resources minister. Overall the budget didn't have many goodies, but here are some of the points that may affect you:

The elimination of graduated rates for testamentary trusts: These trusts created at the death of an individual have benefitted from graduated rates and has often been used as a tax planning measure. In 2016 they will now be taxed at the top rate after 36 months except if they are for a beneficiary who receives the disability tax benefit.

Elimination of non-resident trusts: These were for new residents to Canada and were used to shelter income for up to 60 months.

FATCA – The budget outlined the exchange of tax information between Canada and the US. **If you are a US citizen** you need to be sure to be properly reporting your taxes.



Global Cooling?

Usually by this time of year the thought of flowers blooming seems just around the corner whereas this year the bulbs are buried under 3 feet of snow! Spring still feels so far away. I'm pretty sure that everyone is ready for an end to our winter conditions!

In Q1 2014 the markets have been fairly robust. The Canadian TSX composite finished the quarter up 6.06%, the American S&P 500 up 5.95% (in \$CAD), MSCI World up 5.39% (in \$CAD), and DEX bond universe up an impressive 2.77%. The emerging markets continued to be a weak spot. The Canadian dollar dropped down -3.85% versus the \$USD.* We feel that there will continue to be downward pressure on the Canadian Dollar. You should see this reflected on your statements with the generally positive returns in the quarter.

The first quarter has had its fair share of news. It involved the good, bad, and the ugly. In January there were some weaker than expected economic numbers that many blamed on the poor weather which help prop up resource prices (helping the returns on the resource heavy TSX) and helped bond markets as questions were raised about true economic growth. Signs that investors were going into "risk-off" mode.

In February, many of us were glued to our televisions watching the 2014 Sochi Winter Olympics. While we were enjoying death defying jumps and the many medals that Canadians brought home, including the two cherished gold medals in men's and woman's ice hockey, trouble was brewing across the border in the Ukraine where the acting government was being overthrown. This political tension only grew with Crimea being annexed by Russia creating the worst East-West crisis since the cold war. The Canadian government also chose to release a somewhat uneventful budget during the cover of the Olympic games. (see sidebar)

Closer to home, on March 5th Quebec Premier Pauline Marois confirmed that Quebecers would go to the polls on April 7th when she called an election. This campaign has shown how dirty politics can be. Some of the issues have been very divisive. One thing that has become clear is that most Quebecers don't want a referendum vote right now. This is good news for the Canadian markets and the value of your home if you live here. Be careful of your tax planning as some of the political leaders seem to think that legitimate tax planning is immoral.

The Canada Mortgage and Housing Corporation (CMHC) recently announced that effective May 1, 2014 they are increasing their homeowner mortgage loan insurance premiums to reflect their increased capital targets. This will make it even more critical that you have adequate capital for a home down payment to avoid the increased default insurance costs. ([CMHC Web Site](#))

Market Overview *Continued*

We expect that the markets will continue to trade in a narrow range to the current index levels as we experience consolidation in the markets. What do we mean by that? Basically the prices of stocks have risen faster than company profits and there may be a game of catch-up over the next few quarters. The underlying trend of the U.S. economy is a slow, mid cycle expansion where it will continue to be supported by easy monetary policy, muted inflation, and healthy credit conditions.

We continue to preach diversification with a slight equity overweight versus fixed income and international exposure over the domestic allocations of recent history. Let us know if you have any questions with regards to your investment holdings. It's always our pleasure to review and explain your investments with us.

New Year Planning items

- **Tax return deadline:** April 30, 2014
- **RRSP Contribution Room for 2014:** Please provide us with your room for the 2014 tax year when you receive your Federal Notice of Assessment. The maximum room for 2014 is \$24,270. 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%! 2014 room now available.
- **Tax Free Savings Account (TFSA):** A new \$5500 of room available since January 1, 2014.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2014 (born in 1943) 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.
- **\$2k pension deduction:** Those who turn age 65 or older and not already receiving recognized pension income.



The Planning Corner – Save some tax where you can

With the tax filing deadline just around the corner I thought it might be nice to outline a few credits, benefits, and deductions that may keep a few more dollars in your pocket:

Moving expense deductions: Moving at least 40 kilometers closer to a new home for work presents tax-saving deductions on the income you earn at the new location; this may include moving outside of the country.

Maximize medical expenses: Consider pooling together eligible medical expenses not only incurred by yourself but also your spouse/partner and dependent children in order to fully utilize their medical expenses.

Utilize tax credit transfers: Be sure to claim any unused tuition/education, age, disability and dependent credits from your spouse and/or children to avoid losing your tax savings benefits.

File your taxes early: The sooner you file your taxes to receive your refund, the sooner it will be deposited into your bank account. Don't file at the last minute. Even if you can't pay your taxes, file them anyway – this will avoid any late filing penalties.

**** CRM2 regulation change notice:** As discussed at our seminar last November, the CRM2 regulations are changing the required information that investors must receive when making a purchase. Effective **June 13, 2014**, mutual fund companies are required to deliver the **Fund Facts** document within two days of buying a conventional mutual fund. The much larger prospectus document will continue to be available to investors upon request. The idea is that clients will actually take the time to read the summarized Fund Facts document which contains the fund's key fund information in language anyone can understand. If you have any questions about any of this, please feel free to call us here at the office any time.

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.

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