The Dream Achiever

DD HUMES

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INSIDE THIS ISSUE

"If there is no struggle, there is no progress."

~ Frederick Douglas

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Eight carry-on baggage tips to make life easier:

1) Roll clothes instead of folding them: minimize wrinkles and maximize space.
2) Store small amounts of cosmetics and creams in contact lens cases.
3) Put socks and small things inside of shoes.
4) Put a dryer sheet in your suitcase to keep clothes smelling fresh.
5) Wear your heavier garments on the plane.
6) Pack bulkier items on the bottom and fill the spaces with your rolled clothes.
7) Keep electronic cords together and organized by keeping them in a glasses case.
8) Save disposable shower caps from hotel to use as covers for soles of your shoes.

Keep Calm
And
Carry-On

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Oh Canada! There are cracks in the ice

A year-end is always a great time to take a moment and pause to think about the year that was and what types of things you'd like to focus on in the coming year. When you think back to the year that was, there were so many storylines that affected the markets. One of the biggest stories of the year played out significantly in the fourth quarter which was the massive drop in oil prices as they fell almost 50% from the high of $107/barrel in June. The catalyst to the recent drop was OPEC's change in policy direction. On November 27 they announced that they had decided not to lower production when the oil supply was already high. Saudi Arabia, the largest among OPEC members was against a cut in output in a bid to retain market share and hold off competition from U.S. shale production.

In Q4 2014 the Canadian markets pulled back with increased volatility. The Canadian TSX composite finished the quarter down -1.47%, the American S&P 500 up 8.85% in $CAD, MSCI World up 4.78% in $CAD, and FTSE TMX CDN bond up 2.70%.* Last quarter we suggested that snowbirds convert their Canadian dollars to $USD as soon as possible. That ended up being great advice as the $CAD dropped -3.69% in the quarter versus the $USD. The dollar lost 8.55% of its value to $USD in the year. This was one of the big enhancers of the returns on the foreign funds this year. This is a theme that we see continuing into the coming year since Canada is a petro-currency.

On November 25th we hosted our seminar "Beyond Volatility". Thank you to the over one-hundred people who took the time to attend. Ghislain Maillet of Fidelity did a great job of exploring markets around the world and looking at aspects that form Fidelity's Investment themes. He discussed the state of Canadian real estate and showed the high percentage of jobs in Canada related to construction. He also demonstrated how Canadian households are continuing to take on more debt as a percent of their household income. He touched on how the feeling is that interest rates will continue to stay low and also discussed the oil story which was just starting to trend sharply downward. This trend continued sharply in December. Fidelity had been very underweight in oil so that will have worked in their favor.

Oil has corrected before and basically when there is a correction it's because of two things: 1) **A collapse in demand** (like we had in 2008) or 2) **Excess supply** (like we had in the 80's and as we do today). Generally a collapse in demand will have prices drop quickly and rebound just as fast. This is what happened in 2009-10. When we have a correction due to an abundance of supply it has historically taken years to rebound. Right now there is more of a ceiling than a floor with regards to oil prices, so you should be able to fill your gas tanks for less for quite some time.

The drop in oil prices has had major effects on oil producing countries like Russia where we have seen the collapse of the Ruble. We are already seeing the effects on low oil prices in western Canada where projects are being cancelled. This is due to the fact that many countries produce oil at a price higher than where it sits today.

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Market Overview Continued

An environment of low interest rates combined with lower energy prices and improving job markets should bode well for the primary U.S. market driver, the consumer, as they should find more money left in their pockets. The low oil costs will also help those companies who consume it, such as the airlines.

When Canadians look at their home market they should be seeing cracks in the ice and proceed with caution. The three largest sectors of the TSX: Energy, Materials, and Financials all have exposure to the current environment which is putting immense pressure on all three. The current environment has also made us less worried about the fixed income market suffering at the hands of quickly increasing interest rates. Our portfolios continue to stress an underweight in Canada and most were very much underweight energy during the recent selloff so you should have benefitted from this positioning. Now put on your skates and enjoy the ice time!

New Year Planning items

- **RRSP Contribution Deadline:** For the 2014 tax year you need to contribute before March 2, 2015. The maximum room for 2014 is $24,270. If you want to get started on your 2015 contributions, the maximum limit is $24,930. 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%! 2015 room now available.
- **Tax Free Savings Account (TFSA):** A new $5500 of room available since January 1, 2015.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2015 (born in 1944) 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**
- **$2K pension deduction:** Those who turn age 65 in 2015 or older and not already receiving recognized pension income.

The Planning Corner – The kids are alright – Family Income splitting

Just before Halloween Canadian families were delivered an early treat with the government's announcement of the "Family Tax Cut" which will apply to the 2014 tax year. It is a non-refundable Federal tax credit of up to $2,000 for couples with children under 18 years old at the end of the year. It allows one spouse to recalculate their tax payable as if they transferred up to a maximum $50,000.00 of taxable income to the other spouse. This will reduce the taxes payable if the other spouse has lower income thus a lower tax bracket.

An example: If one spouse earns $60,000.00 and the other zero, they can divide the family income based on $30,000.00 each rather than having one spouse carrying the tax burden of $60k alone. This does not affect the spousal deduction claim on line 303 of Schedule 1.

There is no actual moving of money on paper but rather just a calculation which is done on your taxes. It could also apply to joint custody situations and for couples who have been separated under 90 days at year end. **This credit is only available on the Federal tax return.**

The prime minister also announced a boost to the **universal child care benefit**, to $160 a month per child up to age six from the current $100 per month, and is introducing a credit of $60 per month for children aged six to 17 years. The new benefits go into effect on Jan. 1, 2015, but the government will wait until July to make the first payments and make them retroactive. The enhanced UCCB would replace the existing Child Tax Credit, starting in the 2015 tax year. The Child Tax Credit is a non-refundable tax credit which allows parents to claim a certain amount per child under the age of 18