The Dream Achiever

DD HUMES

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"The secret of getting ahead is getting started"

~ Mark Twain

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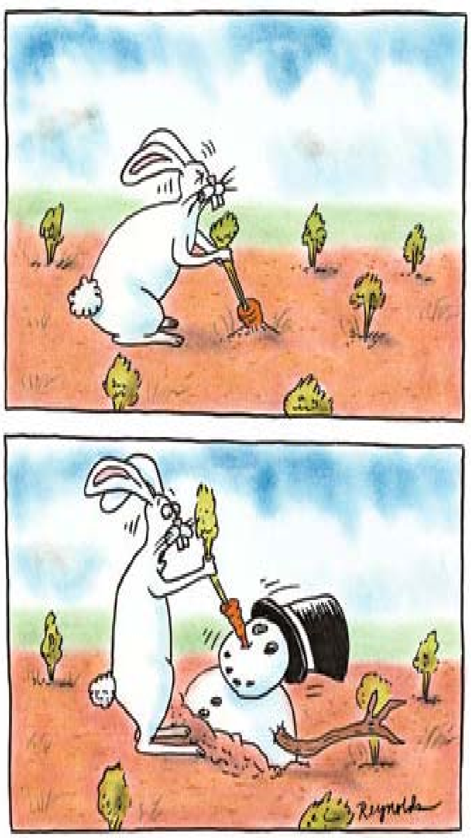

FundEX INVESTMENTS INC.

In full bloom

This past winter season was a doozy. It was long and very cold with absolutely no breaks in the frigid temperatures; but behind any bad story you can find a silver lining. For example, this winter I built a backyard hockey rink for my kids in December and the ice was always frozen, the kids all improved their skating, and we had a skating rink all the way into April! That being said, I'm looking forward to seeing some leaves on the trees and some warm sun in the months ahead.

In Q1 2015 the **North American markets have been pretty flat**, but the depreciation of the Canadian Dollar has really helped portfolios holding unhedged US assets. The Canadian TSX composite finished the quarter up 2.58%, the American S&P 500 up 0.95% (10.05% in CAD$), MSCI World up 2.31% (11.88% in CAD$), and FTSE TMX Can bond universe up 4.15%. The **Canadian dollar dropped down -8.5% versus the $USD** in the quarter. One market that really took off in the quarter was Europe which expanded quickly when the European Central Bank (ECB) started a massive Quantitative Easing (QE) program. This more than offset the on-again off-again Greek debt saga. * Your statements should generally be showing positive returns in the quarter.

We have been preaching over the last few quarters that we expected continued weakness with the **Canadian dollar vs. US greenback**. Where it will go from here is anyone's guess, but according to many models the CAD$ has gone from being overvalued to roughly at its fair value. The currency will probably need to get into a clearly undervalued territory to encourage the necessary rebalancing. We are not there yet, but once we are, reinitiating a hedging strategy for foreign holdings may be in order. The catalyst for a further drop could be another Bank of Canada rate cut or the US Federal reserve raising rates.

Another hot topic has been the **drop in the price of oil** and the pain that it's causing. First of all, the Federal budget was delayed from the normal February or March delivery until April 21st to account for the changes oil price was having to the government's bottom line. After all, the conservatives had promised to balance the budget in 2015. In Canada, all of the primary sectors are highly co-related to the price of oil. The western oil sands have been feeling the pain. The Alberta provincial budget was forced to take some drastic measures (such as ending the flat tax and phasing in two new tax brackets) to try and take control of their changed financial situation. In Alberta, real estate sales are down and prices have started to drop. Employment cuts in the energy sector have started to take a toll. The effects of the oil price shock also resulted in Stephen Poloz, governor of the Bank of Canada, to implement a surprise 0.25% rate cut in January.

In March, the **Quebec budget** had a few goodies such as the phase out of the graduated health tax, but from a planning or investment view was rather uneventful.

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Market Overview Continued

We held off on sending this newsletter because of the Conservatives' delay releasing the 2015 Federal budget. In it, the **RRIF minimum withdrawal rates were decreased** for the 2015 tax year and onward so seniors would be forced to take out less. This was done to reflect the longer lifespans of Canadians. Currently when retirees turn 71 and use their own age for their RRIF payment, they must withdraw a minimum of 7.38%. The budget proposes that be lowered to 5.28%. RRIF holders who withdrew more than the reduced 2015 minimums will be permitted to re-contribute the excess back to their RRIFs. This will be permitted until Feb 29, 2016 and deductible in the 2015 tax year. **TFSA contribution limits have risen to $10,000** effective Jan 1, 2015 so those who had already maxed out their $5,500 contribution for 2015 now have another $4,500 of contribution room. TFSA limits will no longer be increased for inflation. The **small business tax rate will be reduced** from 11% to 9% by 2019. Small business owners may wish to discuss whether it would be beneficial to accelerate dividend payments in 2015 (and years after) to avoid higher taxation of non-eligible dividends in subsequent years. The Conservative government has now tabled their election budget and hope seniors, families, and small businesses remember that they put some extra money in their hands.

New Year Planning items

- **Tax return deadline:** April 30, 2015
- **RRSP Contribution Room for 2015:** Please provide us with your room for the 2015 tax year when you receive your Federal Notice of Assessment. The maximum room for 2015 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%. Also of note, the Alberta Centennial program was just eliminated.
- **Tax Free Savings Account (TFSA):** A new $10,000 of room as per 2015 budget. (had been $5,500 before that)
- **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.
- **$2K pension deduction:** Those who turn age 65 or older and not already receiving recognized pension income.

The Planning Corner – Avoid costly tax errors

Each year the Canada Revenue agency (CRA) identifies common errors in personal tax returns, which can be costly for tax payers. The CRA have collected billions of dollars in additional tax primarily by comparing information on tax returns to other information. In addition to collecting additional taxes, the CRA charges interest currently at a rate of 5% on any overdue tax amounts. If income is not reported by the deadline or is repeatedly underreported, penalties may also apply. Here are five tips to help you avoid some of the more common errors on personal tax returns.

1: Verify that all of your income is reported: Compare information on tax slips to investment statements to ensure completeness and accuracy. Compare to past years to see if any slips are missing.

2: Report all RRSP contributions: All contributions made from March 3, 2014 to March 2, 2015 should be reported on your 2014 tax return even of you don't deduct the first 60 days contribution in the previous tax year.

3: Confirm deductions and credits: It's important to check is an expense is deductible or a credit allowed before making a claim on a tax return; otherwise the CRA could deny the claim.

4: Be careful with exchange rates: Foreign income such as dividends or capital gains on shares of foreign corporations should be converted to Canadian Dollars at the proper exchange rates. Dividends are earned evenly throughout the year, using the average exchange rates would be acceptable. For capital gains the actual exchange rates at time of purchase and sale should be used.

5: Act in a timely manner: Make sure to file your tax return on time to avoid late-filing penalties. It is common for the CRA to request additional supporting documentation after the tax return is filed. You should respond by the requested time frame (usually 30 days) otherwise the CRA will assess the return based on the available information.