The Dream Achiever

DD HUMES

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INSIDE THIS ISSUE

"What the caterpillar calls the end of the world the master calls a butterfly."

~ Richard Bach

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Investia Nominee 2021 Tax Slips

It was announced last year that clients who are signed up for e-delivery of statements will also get their Investia nominee tax slips via e-delivery as well. This means that once you are notified that they are posted, you would need to log into your Wealthview portal to get the PDF documents. This would not affect clients with B2B Bank accounts or "Client Name" accounts held directly at the fund companies.

If you are unsure of what tax documents you need for your accounts held at DD Humes, you can always contact us about them after March 1st via phone or email.

Investia Financial Services Inc.

COVID's last gasp?

We hope that you are all staying healthy and keeping well during these difficult times. It's hard to believe that at the start of December most things in Montreal were open. Sports were being played and people were eating in restaurants as we were living a COVID version of a more "normal life". How quickly things can change! According to Epidemiologist William Hanage of Harvard University, the Omicron variant is the fastest spreading virus in human history. 2021 saw the rise of two new COVID variants, the deadly Delta variant early in the year and the more docile but more virulent Omicron variant in Q4. Many experts believe that this may the beginning of the end for COVID. Public Health Agency of Canada is forecasting a peak of cases within weeks and are cautiously optimistic that once this wave has broken, brighter days may be ahead. Fingers crossed.

Global equities continued marching forward in Q4 2021 as investors focused on economic resilience and good news on the corporate earnings front. In 2021, the S&P 500 (the broadest measure of the US market) gained 26.9% for the year and the TSX Composite (Canada's benchmark stock index) posted a 21.7% return. The S&P 500 hit 70 new "record highs" in 2021 (second only to 1995). The equity markets of developed countries were largely unphased by the pandemic and remained strong throughout 2021. The pullbacks in September and late December were not enough to undo the returns accumulated during the year and the year closed with higher-than-average performance. The MSCI Emerging Markets index was a different story as it finished the year slightly negative. Bond market returns were also negative. The FTSE Canada Universe Bond Index returned -4.14% for the year and the JP Morgan Global Bond Benchmark returned -7.37%. These negative returns in fixed income dampened the returns of balanced portfolios. Investment grade bonds pulled back this year as the FED's signals for rate increases became clearer. Meanwhile, lower quality bonds provided positive returns supported by an expanding economy.

As we mentioned in our fall newsletter, 2021 was marked by supply chain disruptions which led to price inflation of consumer goods. Governments around the world attempted to remedy the situation but consumer demand for goods thwarted most efforts. Towards the end of Q4, the supply chain was further exacerbated by labor shortages caused by the Omicron variant and the "Great Resignation" (see below).

Recently, as consumers have realized that price increases are not transitory, it has led many Canadians to change their buying behaviors. Retail Insider (Canada) recently noted that "Beef sales have dropped by more than 6% since May. It's even worse for chicken and pork. Sales in volume for chicken have dropped by more than 12% and pork 17%".

Due to inflation and the prospects of increasing rates, most portfolios are now underweight fixed income. The bond portfolios have shorter durations which would be less sensitive to rising rates. Inflation-linked bonds may also be used to compliment more traditional fixed income holdings.

As you have seen at the pumps, oil prices (WTI) increased steadily from $52 in January to $75 in December with momentum that should continue into early 2022. The strong performance helped the overall Canadian stock market well beyond just the energy sector. It also helped to appreciate the Canadian dollar in the spring. The dollar did drop in the second half of the year vs. the USD$ and gave back most of its gains. After starting the year at $0.77 and hitting a high of $0.83 in May, the loonie ended the year only 2 cents higher at $0.79.

Another topic of conversation is the red-hot local real estate market. The Canadian Real Estate Association's House Price Index rose by 26.6% in the 12 months up to December 2021, the fastest surge on record. The exceptionally high demand from buyers trying to take advantage of historically low interest rates before the expected rate hikes has fueled the market to a second record year in a row. The prices were further amplified by a supply that simply could not keep up with demand. In an attempt

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Market Overview Continued

to alleviate the housing crisis and make it more accessible, the government introduced some measures to discourage foreign investors by taxing vacant properties. Despite these measures, many have needed financial help from their parents to realize their home ownership dreams.

Omicron's fast-moving wave ravaged large parts of the labor force in December. From retail, transport, and to health care, employees quarantining led to shortages that simply could not be overcome. It's gotten to the point where COVID positive health care workers are asked to return to work and quarantine periods have been reduced from 10 days to 5 days in many parts of Canada. In 2021, an unprecedented 75.5 million Americans resigned from their jobs in was has been named "The Great Resignation". This created turmoil in the labor market as employers were struggling to fill positions. Low-wage workers were more likely to resign than their higher-paid counterparts with the sectors most affected including hospitality, healthcare, transportation, warehousing, and utilities. Around 4.4 % of all positions in education are open, over 6% in retail, and 8% in healthcare. This amounts to approximately 1.5 million vacant positions!

US economic growth slowed sharply in the third quarter amid a flare-up in Covid-19 infections, but with activity since picking up, the economy remains on track to record its best performance since 1984. GDP increased at a 2.3% (annualized), up from the 2.1% pace estimated. This was still the slowest quarter of growth since the second quarter of 2020, when the economy suffered a historic contraction in the wake of tough mandatory measures to contain the first wave. Unemployment fell to 4.2%, the lowest since February 2020, from 4.6% in October. The participation rate rose slightly but is still about 1.5 percentage points lower than the pre-pandemic level.

I would like to wish you and your family a happy and healthy new year. I would also like to thank to you for your continued trust in us and for the opportunity to assist you in working toward realizing your dreams.

New Year Planning items

- **RRSP Contribution Deadline:** For the 2021 tax year you need to contribute before March 1, 2022. The maximum room for 2021 is $27,830. If you want to get started on your 2022 contributions, the maximum limit is $29,210. 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%! Your 2022 room is now available.
- **Tax Free Savings Account (TFSA):** A new $6000 of room available since January 1, 2022. Total room since 2009 is **$81,500.**
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2022 (born in 1951) will need to convert their RRSPs into RRIF accounts before calendar year end. We will be in contact to assist you on how to get that done.
- **$2K pension deduction:** Those who turn age 65 or older in 2022 and receiving recognized pension income.

The Planning Corner – Don't let a disability financially disable you

Many people cover the risk of the financial effects that come along with their death, but many have not covered the more likely scenario of the financial burden that can take place if they were to become disabled and are unable to work. A lot of employees may have disability insurance coverage through work via their group plans but are unaware as to what extent. For instance, knowing who pays the premiums for this coverage is important as it will affect the taxation of the benefit. If your employer pays any portion of the premium the benefit is taxable whereas if the employee pays the full premium for the coverage the benefit is received tax free. Another risk may be the loss of this coverage when you leave your employer.

For those who are self employed or not covered under a plan at work it may make sense to look at taking a personal disability policy on your own to cover this risk. Working with an advisor for your disability coverage can help you understand the types of coverage that you may have (group, mortgage, etc...), the limitations, and the parameters (max benefit, top-up, waiting periods, time frame, costs, riders). It is also nice to have a facilitator when you do go through the claims process to help lower the stress and fear of dealing with an insurer at what is likely already a very stressful time. Many insurers offer "best doctors" type programs where claimants can get second opinions or third-party medical assistance. Insurers have programs to help get you back to work. After all it is in their best interest!

Let us know if you would like our team to review your disability coverage to help you better understand how it works and to ensure that the coverage you do have meets your needs.

*Source: Morningstar Canada