

# ZAKS WEALTH MANAGEMENT MONEY SENSE

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## DID YOU KNOW?

Our very own Richard Benn participated in 15 triathlons in the last 10 years!

## HANDY FINANCIAL FACTS FOR 2014

- Maximum CPP benefit at age 65 is \$1,038.33 per month.
- Maximum OAS benefit is \$551.54 per month.
- RRSP – maximum annual deduction limit is \$24,270 for 2014.
- TFSA contribution for 2014 is \$5,500.
- Maximum annual RESP contribution is limited to a lifetime maximum of \$50,000 per beneficiary.
- Annual RESP contribution for maximum CESG is 20% of first \$2,500 per beneficiary = CESG up to \$500.
- RRSP contribution deadline for 2013 tax year is March 3, 2014.
- Personal income tax return deadline for 2013 is April 30, 2014.

## ZAKS FAMILY FOUNDATION

The Zaks Family Foundation is proud to hold its third annual fundraiser. This year's charity event will be held on Saturday April 26, 2014. It is in support of the Big Brothers Big Sisters Foundation and the 4Life Foundation charities.

We are always looking for support for our fundraiser. You can be a part of a good cause by becoming a sponsor, donating auction items, making direct donations or buying tickets to the event.

For more information on the event please visit  
[www.springextravaganza.ca](http://www.springextravaganza.ca)



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# MARKET OVERVIEW

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2013 was a year that was kind to equity investors and harsh to bond investors. In terms of stock returns, it is clear that 2013 can be broken into two distinct periods.

The first period is from the beginning of the year through early May. It was in this period that defensive “bond-proxy” sectors (utilities, telecom and consumer staples) were part of the group that led the market.

The second period covers mid-May through the end of the year when defensive “bond-proxy” sectors lagged and health care, industrials and financial led to the upside.

Why is May significant? It was then that Fed Chairman Bernanke first announced that it would be necessary for the Fed to reduce its bond purchases. When the withdrawal of this stimulus was initially announced back in the spring it caused a violent bond sell-off. The problem was that the Fed said they were going to reduce their bond purchases, but didn't say when they would start or by how much they would reduce purchases. The bond

market did not like that uncertainty and reacted accordingly.

The Fed has since become much more open and specific with its comments on tapering in an effort to guide market expectations and to avoid confusion. This recent move by the Fed, which reduced its purchases of bonds to \$75 billion per month from \$85 billion, was actually met with a stock market rally.

Markets hate uncertainty and what the Fed effectively did was remove much of the uncertainty related to their tapering strategy. Many looked at tapering in the same light they would view an interest rate hike. In fact, the Fed is still providing stimulus, just at a reduced rate.

Why did the Fed start now? They were waiting for an excuse for some time to get this started. Once the budget deal was struck, and US GDP came in at 3.6% the Fed had the ammunition they needed. We think that one should look at tapering as a vote of confidence in the economy.

While we expect to see moderately higher interest

rates in the bond market in 2014, the decision by central banks to raise short term interest rates will likely be driven by the prospects for inflation. At this point it appears the Fed is not likely to raise rates until late 2015 or early 2016.

Rather than regarding equity markets as simply “up a long way off their lows” we are more inclined to characterize them as once again tracking the prospective, long-term earnings power of businesses in a world where crisis is ebbing, most economies are growing, and the U.S. economy, the world's largest is regaining its stride. China's growth rate appears to have stabilized at a satisfactory and more sustainable level. Europe is not out of the woods but is making important structural progress. Canada and the U.K. look to be keeping pace with the U.S.

All this speaks to further progress back toward a more normally functioning economic world. One in which corporate earnings grow at a pace dictated by economic growth, most stock markets deliver positive returns measured over the full year and bond yields move somewhat higher.