RBC Wealth Management
Dominion Securities

WEALTH & HEALTH NEWSLETTER - JUNE 2019

WEALTH:

Understanding Your Notice of Assessment (NOA)

Shortly after you filed your 2018 tax return, you should have received a Notice of Assessment (NOA) from the Canada Revenue Agency (CRA). Here's an overview of the RRSP deduction limit statement on your NOA to help you determine the amount you can contribute and how much you can deduct on your income tax return.

RRSP/PRPP deduction limit statement

For more information about the details listed below or how employer contributions to a PRPP or group RRSP will affect your contribution room for the year, go to http://www.cra-arc.gc.ca/ or refer to Guide T4040, *RRSPs and Other Registered Plans for Retirement.*

Description	($) Amount
RRSP/PRPP deduction limit for 2018	$20,007
Minus: Employer's PRPP contributions for 2018	
Minus: Allowable RRSP/PRPP contributions deducted for 2018	$11,007
Plus: 18% of 2018 earned income, up to a maximum of $26,500	$26,500
Minus: 2018 pension adjustment	$13,640
Minus: 2019 net past service pension adjustment	
Plus: 2019 pension adjustment reversal	$2,300
RRSP/PRPP deduction limit for 2019 (A)	**$24,160**
Minus: Unused RRSP/PRPP contributions previously reported and available to deduct for 2019 (B)	$3,500
Available contribution room for 2019	**$20,660**

Note: If your available contribution room is a negative amount (shown in brackets), you have no contribution room available for 2019 and may have over-contributed to your RRSP/PRPP. If this is the case, you may have to pay tax on any excess contributions.

Using the information from the sample statement, this individual may contribute $20,660 ($24,160 – $3,500) to their own RRSP or to a spousal RRSP without triggering penalty tax. If this individual would like to deduct the contribution on their 2019 tax return, the contribution needs to be made by the **2019 RRSP deadline of March 2, 2020.**

Note that any RRSP contributions you made during the first 60 days of 2019 (on or before March 1, 2019) could have been reported on your 2018 income tax return. If you did not deduct them, the CRA will report these as unused RRSP contributions (next to where the letter (B) is on the sample statement) on your 2019 RRSP deduction limit statement. Any amounts contributed to your RRSP after March 1, 2019 will not be reflected in your 2019 statement.

You can also elect not to deduct RRSP contributions because your taxable income is low and you expected your income to rise significantly in a future year. This way, you can benefit from tax-deferred compound growth and use the tax deduction later.

Remember: there are many other factors that affect contribution limits, such as belonging to an employee sponsored pension plan, or leaving a pension plan. If you have any questions at all, please contact me.

Can't Find Your Notice of Assessment?

If you're unable to locate your NOA, you can determine your RRSP contribution room by contacting the CRA directly by phone at 1-800- 267-6999, using the MyCRA mobile app or visiting the "My Account" page of the Government of Canada **myCRA Website**.

*Note: Consider contributing to your RRSP **early** in the year. By contributing early, or setting up pre-authorized monthly contributions, your RRSP assets will have more time to benefit from tax-deferred compound growth.*

INVESTING:

Bill C-69

Canada's resource sector is having a crisis of confidence. It has been buffeted by a number of headwinds, ranging from a lack of pipeline capacity to weak commodity prices. But there's no question that a lengthy and sometimes fraught project-approval process has been a significant challenge, both for resource developers and affected communities. Bill C-69, which is currently working its way through the legislative process, aims to reduce that regulatory uncertainty, by improving transparency and streamlining the process of approving new mining and energy projects. The bill has its share of opponents. But if done correctly, Bill C-69 could help pave the way for more investment, something Canada needs. Investment in the resource sector is running about half of the levels seen only a few years ago, and the stagnation is expected to persist this year. Foreign investors have largely vacated the space, with nearly $6 billion flowing out of the energy and mining sectors for every $1 billion flowing in. That hasn't been the case in countries like the U.S. and Australia.

Certain business and political leaders expressed reservations about the bill in its initial form, concerns the Canadian Senate attempted to address. As the Bill heads back to the House of Commons, it will also be competing with several other legislative priorities as the clock counts down to the parliamentary summer break and a looming fall election. While those factors cloud the bill's outlook, we should keep this in mind: there is little we can do to influence global commodity prices and trade wars, but it is in our hands to provide a competitive investment climate for an important part of the economy. The resource sector comprises 15% of the Canadian economy and accounts for nearly 10% of Canadian employment. What's more, there are nearly $600 billion in planned resource projects in the pipeline, and some of that investment is at risk if the uncertainty persists.

You can read RBC Economics' full report here.

Stock to Watch: Canadian Natural Resources (CNQ)

Last week, Canadian Natural Resources (CNQ) announced the acquisition of substantially all of the assets of Devon Canada, a subsidiary of Devon Energy (DVN), for a purchase price of C$3.775B. This transaction represents yet another foreign oil company exiting Canada; however, it does not come as a surprise as DVN had been looking to sell their Jackfish SAGD project for over a year, formally since early 2019, and CNQ has been the most logical buyer given their strong balance sheet and penchant for making highly accretive counter-cyclical acquisitions.

The C$3.25B net acquisition price represents a highly attractive value. CNQ is able to swallow DVN Canada while still maintaining a strong balance sheet. We applaud CNQ's acquisition and view CNQ as one of a few companies positioned to take advantage of assets being divested at cyclically low prices.

CNQ is a core holding in my Canadian Equity Portfolio.

Wilted Flower: FTD Flower Delivery Company

Its business wilting, FTD filed for bankruptcy protection. The 109-year-old flower-delivery company is the latest example of an iconic company unable to adapt to consumer shifts. In the case of FTD, a 2014 acquisition aimed at strengthening the company instead saddled it with large debts, and its delivery fees didn't pass the smell test among consumers who've grown accustomed to fast, free shipping. Meanwhile, rival flower-delivery startups have appealed to younger customers by partnering with sustainable flower growers or offering bicycle delivery.

Technical Analysis: Big Drops, Big Bounces

The markets have been volatile on a daily basis, but a single day has little influence on the overall trend, and in this period of higher volatility, we think bigger daily moves are likely to continue in both directions. To change the current correction trend, however, we believe the May pattern of lower highs and lower lows must be reversed, and that takes a lot more than just one up day. We have been talking about the support level on the Dow Industrials around the 24,000 level as being a possible bottoming area for the pullback, and on the flipside, there is resistance overhead at the previous support area of 26,000 where the DJIA peaked on the last bounce. Each level of resistance that is overcome would add to the likelihood a more bullish trend is developing, in our opinion. The larger plus to this correction period has been the general increase in the amount of pessimism being expressed in the media, as well as the readings of a higher amount of short-selling and put-buying as the market has pulled back. But in total, we view the daily volatility as still being all part of the ongoing range of the past 18 months that we believe will be in force for another six months or so.

Chart courtesy StockCharts.com and RBC Wealth Management

In The News…

Remembering D-Day

Before the D-Day landing, there were many preparations made. Rarely in history, before or since, has so much planning aimed to do so much for so many. On June 6, 1944, 7,000 ships and landing craft crossed the English Channel in the dark of night to ferry 156,000 troops, 10,000 vehicles and massive concrete docking slabs to the beaches of Normandy, where they would turn the tide on Nazi Germany. Preparations for the largest seaborne invasion in history had started a year earlier, at a conference of Allied leaders in Quebec City, and were developed secretly in nine different locations around the world. They even relied on elaborate decoys—fake radio communications, inflatable tanks, faux landing gear—to confuse German spies. But for all of its logistical brilliance, the most important element of Operation Overlord was its faith in Allies. Wish were it so today.

As Western leaders gathered yesterday at Portsmouth, England and again this morning by the beaches of Normandy, they stood shoulder-to-shoulder with some of the invasion's last surviving veterans, now aged 91 to 101. Together, they commemorated a day that cost 4,400 Allied lives and laid the foundation for NATO, the post-war alliance that has kept Europe at peace. Yet for all the tributes to the history of shared sacrifice, there were nagging doubts about NATO's resilience. Among its members present, only two, the U.S. and Britain, had met their spending commitments, and the leader of the group, Donald Trump, seemed indifferent to the alliance's future. At the last milestone anniversary of D-Day, in 1994, Bill Clinton called on the Allies to continue to fight for freedom. Then, as now, it wasn't a political platitude. It was the abiding goal of a generation that, 75 years ago, saw it worthy of sacrifice. And it remains that generation's enduring gift to all who followed.

Remembering Tiananmen Square

Thirty years ago, history came to a standstill as the People's Liberation Army rolled into Tiananmen Square, in central Beijing, to confront a mass student uprising. The aftershocks continue to haunt China, and subtly shape the world. The uprising began in the spring of 1989, to protest the death of a reformist leader. Then, when protestors refused to leave the square, the government declared martial law and sent in the army. It's unknown how many students were killed—estimates range from several hundred to 10,000—but it was clear modern China would never be the same. Rather than make concessions, as had happened in other people power movements in the 1980s, from the Philippines to Pakistan, Beijing tightened its grip and never again tolerated such dissent. The government also seized economic power, ending a 1980s flirtation with free enterprise, and flooded the country with so much state capital that it redefined urban development and threw the global economy out of balance.

You won't see any recognition of that in Tiananmen today. You won't see much of anything controversial, as the military state now hides behind the surveillance state. China today has an estimated 200 million surveillance cameras, with estimates of another 100 million to be installed by 2020. The nationwide facial recognition network is so effective that when a BBC reporter, in 2017, challenged police in Guiyang to find him, they did—within seven minutes. It showed how much the country had changed since the Tiananmen uprising. Back then, the image of a lone, unthreatening man who blocked the path of a tank column shamed the regime and shocked the world. The protestor was never identified or seen again, and the story of his courage has all but disappeared from the Chinese Internet, as Beijing continues to rewrite history.

Health

Glutes – A Pain in the Butt!

Recently I went for a massage to treat an injury from exercising. What resulted was the masseuse spending even more time working on my glutes, not what I came in for! It seems that, because of sitting long hours at my desk, my glutes were very tight which could eventually affect many other parts of the body. She shared with me that people with knee, hip, or lower back pain is often caused by tight glutes, among other issues. There are many exercises to stretch your glutes, and found this link online. Of course, please contact a professional first!

By The Numbers

$38,000,000 per day

That's how much the Province of Ontario pays in interest on its debt. It works out to over $1B per month or $12B per year!

$2,460,000

That's how much *Jeopardy!* phenomenon James Holzhauer walked away with after winning 32 times in a row, thanks to his mastery of the buzzer and an aggressive wagering strategy. (Plus he knew the answers.) Holzhauer nonetheless fell short of all-time champ Ken Jennings' record US$2.52 million haul.

Just For Fun

In The Community…

On June 1st, our 3 children hosted a lemonade stand to raise money for the Good Shepherd. It was an incredible success. We successfully raised $3,000 for the Good Shepherd, far exceeding anyone's expectations.

Donations are still coming in and you can still donate to this worthy cause, by clicking here.

And lastly, I have recently set up a Facebook for Business Page. While it is in its infancy, my intention is to share ideas that I come across that might be interesting to you. Please click here to navigate to the page and please "like" and "share" with others. Thank you!

Best Regards,

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