Patrick O'Brien's

Fall 2019 Client Note: the Cat and the Laser!

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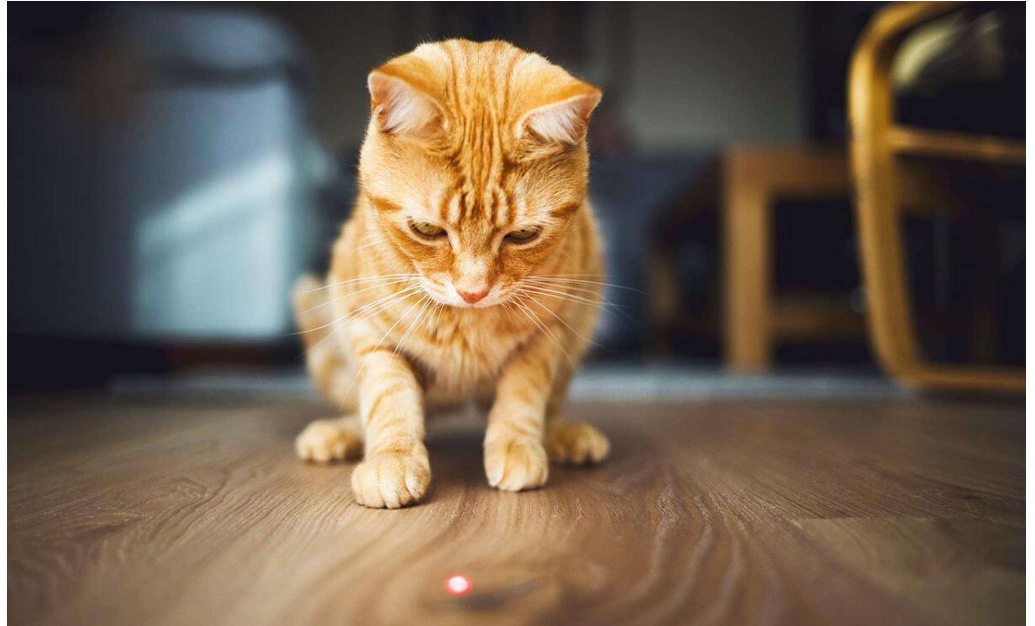

Dear Friends and Clients,

The last 24 months have seen lots of jiggling up and down in markets around the world, but not much headway. 2018 was a down year, and then world market indices rebounded this year. It reminds me of the kitty in the picture trying to catch the red dot from the laser pointer. Poor kitty, every time he thinks he has it, it flits to a new spot!

Fortunately for us, we choose not to chase the markets around like the cat chases the laser. Instead, we older, wiser cats stick to our warm spot by the heater, secure in the knowledge that the humans will want to keep warm this winter. As a result, we know that the monthly bills keeping the home warm won't be ignored. Those heating and other "necessity" bills marked "PAID" each month allow our companies to pay good wages/benefits to their workers, fulfill their tax obligations, and expand their businesses. The flow of income (and tax payments) also supports our uniquely Canadian democracy. At the same time, they are sending cash dividends to the owners (those who bought shares, i.e. you and me). This strategy has worked extremely well for me over the last twenty years or so, and I expect that to continue. Further, the portfolios have strong socially responsible investing (SRI) attributes (renewable energy etc.) – please call me if you wish to discuss that further.

So the message from me is steady as she goes, and keep enjoying the dividends and their increases. In the last two months, companies that have upped their dividends include: Fortis and Emera (electricity), RBC and Scotia (banks), Sienna Senior Living, Saputo (dairy), and pipelines Pembina and Altagas. The smallest increase was 2% and the largest was 9.5%. Stay tuned for the next set of increases and why February is such a good month!

Financial Planning Note from Cameron: Making the most of your RRSP at age 71

In the year you turn 71, you must convert your RRSP to a RRIF (Retirement Income Fund), and subsequently start drawing down the account. However, if you're still earning income, or have contribution room, you may be able to contribute, and get the tax deduction.

Strategy #1 – The Younger Spouse

You can contribute to your younger spouse's RSP and receive the deduction against your income (assuming you have unused contribution room). This times out when your spouse turns 72.

Strategy #2 – The Forgotten Year

Many people are still working at age 72 and earning wages in addition to other sources.
In the year you turn 71, you can make a one-time over contribution right before year end and realize the tax deduction the next year. This is known as the "forgotten year", which the CRA is aware of, and hence the strategy comes with a 1% penalty for the over contribution. It is most likely that the tax deduction will far outweigh the penalty incurred. Please contact us if you would like more information on how this may be beneficial to you.

RESP (Registered Education Savings Plan) alert:

I make my RESP contribution for our two sons at the beginning of the year to get the maximum time for compounding. If it is in your plan to make an RESP contribution for 2019, then the sooner the better. It must be made before the end of the year, preferably before the 15th of December.
As always, if you have questions about your portfolio, financial planning or need a sounding board, then please contact us.

Keep Warm!

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