Wealth Management
Dominion Securities

SPRING 2021 | ISSUE 8
RBC Dominion Securities Inc.

INTELLIGENT FARMER™

lorkovicwealth.com

Farm advisors helping your family make important decisions.

HOW HERRLE'S COUNTRY FARM MARKET PIVOTED DURING COVID-19

FEATURE ON PAGE 1

COVID-19
COVID-19's impact on farmland values in Southwestern Ontario
PAGE 5

FINANCIAL
2021 handy financial planning facts
PAGE 9

UPDATE
Soybeans, corn & wheat update
PAGE 7

RBC Dominion Securities Inc.

HOW HERRLE'S COUNTRY FARM MARKET PIVOTED DURING COVID-19

– BY TREVOR HERRLE-BRAUN
Herrle's Farm Market

In 1858, Peter Herrle built a log cabin and settled on a 80-acre parcel of land on the edge of Wilmot Township in Waterloo County. Five generations later, the Herrle name and family are still farming on the same land.

In the years leading up to 1968, Howard and Elsie Herrle would return home from selling their fruits, vegetables and meats from the Kitchener Market and sell any excess out of their garage on Erbs Road. In the winter of 1988, the land beside their house was used to build a roadside market. After 33 years, five additions to the market, 20,000 square feet, about 100 seasonal employees and 600 acres, our family continues the long-standing tradition of providing Waterloo Region with fresh local fruits, vegetables, meats and fresh baking.

Our seasonal market has always prided itself on providing a rural farm market physical shopping experience. When COVID-19 came upon us, flipped our style of hiring, marketing, pick-your-own, and interrupted all the comforts to which our customers have become accustomed, we were forced to make some quick changes.

We started with our hiring in March, with so many unknowns: how busy will we be? How much extra work will be required? Do we do a curbside option? Do we have to sell everything "pre-packaged"? How many acres do we plant? How many staff will we need? Usually, we like to personally meet each one of our candidates when they return an application, we like to have group interviews… this had to change.

We usually have applicants drop off applications; this year we still offered this, but physically distancing, interviews by way of Zoom, group/staff interviews/meetings via Zoom. Some of us family members even joined in on our cell phones from the tractor. (Farmers don't tend to sit by their computers much during planting, so we are thankful for technology on the farm.

"Changing our customer experience was going to be a difficult challenge for us. We like consistency, routine, familiarity. We knew if we were going to stay relevant in our community, we would have to offer some kind of a curbside option."

Changing our customer experience was going to be a difficult challenge for us. We like consistency, routine, familiarity. We knew if we were going to stay relevant in our community, we would have to offer some kind of a curbside option. We applied for the government's Online Marketplace grant to help us with a basic online shopping experience for customers who wanted a curbside option. This was a big venture, with a lot of extra work in a busy and hectic time, but the family pulled it all together.

In the market, many changes needed to be addressed. We continued to get a lot of conflicting information from local and regional public health as to what we needed as far as signage, cleaning protocols, restrictions, and documentation. I get it, it was and still is unprecedented, but it certainly felt that the right hand didn't know what the left hand was doing. We made the decision to open a couple weeks earlier than usual for the weekends only to get our feet wet. We needed time during the week to work out the kinks, to make changes where necessary. This proved to be a very valuable exercise

"The Garage" a throwback to when Howard and Elsie sold their produce out of their garage.

in experimentation and agility. It also helped staff to acclimatize to surroundings, give suggestions, share feedback and ease into the season.

Pick-your-own strawberry season was an "easy" transition, thanks to the Ontario Berry Growers Association. They clearly laid out guidelines, protocols, distancing options and payment options. They were easily implemented, easily followed and gave us clear direction. We were "berry" thankful for their foresight around pick-your-own operations. It also gave us some options to implement in the coming years, which we have been thinking of implementing. So this is a win for a busy time of the season. Once again, our family came together to make this happen.

Sweet corn is the backbone of our business and for which our business has come to be known. The experience of seeing the corn come into the market, being rotated into our bins while customers stand back and awe at the freshness and excitement – it's part of the experience. Customers would be able to pick out what they wanted, peel their corn, congregate, meet neighbours, friends – it is a real community opportunity. Knowing we would have to change this saddened us, as it's a highlight to see the joy on faces when we would bring corn into the market. We pivoted, hired a few extra people to pre-bag corn into dozens, half-dozens and twos. People could grab and go. This worked quite well, although it was a big expense as far as labour, extra bags and the stress of having enough of each type bagged. But in those stressful times we rallied as a family and staff to make it happen.

We still felt that something was missing, at one of our weekly family meetings we discussed an idea of using our strawberry shack and renting a tent for outside the market so we could place a bin of corn, where customers could pick their own out. We have a lot of customers who come just for corn, and we wanted to give them an opportunity to not have to stand in line outside, to just be able to get their corn and go. We placed peaches, melons, tomatoes, beans out there as well. We called this venture "The Garage" a throwback to when Howard and Elsie sold their produce out of their garage.

"Our biggest takeaway of our 2020 season is the importance of our family, listening to each other, laughing together as much as we could..."

The Garage was very well received by our customers. Weekly family meetings were pivotal, and essential for us. We were able to share ideas, deal with issues before they became problems, and share success of the week. Our biggest takeaway of our 2020 season is the importance of our family, listening to each other, laughing together as much as we could, and realizing… there are just some people that can't be pleased, and that is OK. But together as family and staff, we can accomplish so much good.

TAX TREATMENT OF ROAD-GOING FARM VEHICLES

While many of the vehicles purchased by farm businesses – such as tractors and other farm machinery – are used exclusively for business purposes, some road-going vehicles (pick-up trucks, vans or similar vehicles) can also be used outside the farm business, which causes complications from a tax perspective.

If classified as a Class 10.1 asset, these vehicles are limited to a $30,000 depreciable cap regardless of the actual vehicle cost, but if they're classified as a Class 10 asset, there is no depreciable cap. For the latter class-10 classification to apply, at least one of the following tests must be met:

- The vehicle's seating capacity is three or less (including the driver) and it is used more than 50% of the time in the taxation year it was acquired or leased to transport goods and equipment for the farm;
- The vehicle's seating capacity is more than three but is used more than 90% of the time in the taxation year it was acquired or leased to transport goods, equipment or passengers for the farm; or
- The farm is operating in a remote location (at least 30 kilometers from a population of 40,000) and the vehicle is used more than 50% of the time in the taxation year it was acquired or leased to transport goods, equipment and passengers for the farm.

If a farm business purchases a pick-up truck and doesn't meet one of these tests, the write-off for depreciation (capital cost allowance) has a limit of $30,000. If the vehicle in question is worth more than $30,000 and you want to write off the entire cost, you should take the steps necessary to ensure your vehicle qualifies as a Class 10 asset.

Pick the right vehicle

When selecting a vehicle and deciding how it is used, try to be realistic and keep the Class 10 tests in mind. For example, if you purchase a luxury extended cab truck, you may have a harder time arguing it's being used more than 90% of the time to transport goods, equipment or passengers for the farm business, as that is not the intended (or ideal) function of that vehicle. In contrast, a more utilitarian pick-up truck could be a more plausible vehicle for farm business purposes due to its utility.

Capacity is key

If you're trying to classify your vehicle as Class 10, the easiest test to qualify for is to purchase a vehicle with a capacity of three or fewer passengers, because a vehicle that meets this test only needs to be used more than 50% of the time in the taxation year it was acquired or leased to transport goods and equipment for the farm. Unfortunately, not many modern pick-up trucks are made with this limited seating capacity. Most modern pick-up trucks have two or three seats in the front with additional seats in the extended cab. If carrying more than three individuals in the vehicle is not crucial, then purchasing a cargo van with limited seating capacity might be an alternative option. If the strength and towing capacity of a truck is preferable to a cargo van, and an extended cab truck is the only vehicle available, the removal of the additional seats could allow the truck to fit within the "limited seating capacity" exception.

Two or more vehicles

In order to include the vehicle into class 10, as outlined in the above tests, the farmer must support that the vehicle is being used either 50 or 90% by the farm business to transport goods, equipment or passengers. If a farmer also owns a vehicle personally, then sometimes the farmer mistakenly assumes that the farming vehicle would automatically be viewed by the Canada Revenue Agency as being used exclusively in the farming business for transporting goods, equipment or passengers. However, the ownership of other personally owned vehicles does not erase the burden of proof placed on the farming business to support the business usage of the farming vehicle in the year acquired or leased. Therefore, the need to have an accurate log book to document business vs. personal usage of the farm vehicle is highly recommended. Having access to a personally owned vehicle can help support the documented business usage, but also having the log book is preferable.

Qualify now, for tomorrow

Even if it's unlikely your new vehicle will be used continuously more than 90% of the time for transporting goods, equipment or passengers, there is one way you can meet this test. If you purchase the vehicle late in the farm's taxation year, simply make sure it is used exclusively (more than 90%) for transporting goods, equipment or passengers until the end of that taxation year, even if this is only a few days. Assuming, again, you are keeping a detailed log book to support the business portion of this initial usage, your vehicle could qualify as Class 10 for its entire life, even if this business usage drops below 90% in future years.

Beware the standby charge

If the vehicle does not meet one of the tests outlined above, not only would the farm business no longer benefit from the Class 10 treatment, but the farmer personally could be subject to a taxable benefit called a "standby charge." The "standby charge" is a technical calculation that is used to recognize the personal benefit of having a farming vehicle available for your personal use. The value of the "standby charge" is based upon the original cost of the vehicle when it was purchased (not subject to the $30,000 cap). The standby charge calculation is equal to 2% multiplied by the cost of the vehicle, times the number of months available. For example, a $60,000 class 10.1 farm vehicle could result in a $14,400 taxable standby charge if it was available for personal use for an entire year. The farm vehicle does not have to be used personally to apply the standby charge, it just has to be available for use personally. Avoiding the standby charge in an audit could be difficult to avoid in situations where the principal residence is located on the farm property. On top of the "standby charge," a taxable "operating benefit" based on the number of personal kilometers actually driven would also be calculated. Both of these charges would be added to the farmer's personal taxable income and could be quite substantial depending on the circumstances.

Perhaps own it personally?

If there is any doubt that the vehicle would meet one of the above tests to be included in class 10, then it may be preferable to own it personally. Owning the vehicle personally would allow you to avoid this "standby charge." In this case, you would pay all the vehicle expenses personally but then reimburse yourself for the business use instead. The CRA publishes a list of automobile allowance rates that are acceptable for this purpose on their website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/automobile/automobile-motor-vehicle-allowances/automobile-allowance-rates.html

In 2021, the allowance was $0.59 for the first 5,000 km and $0.53 after that. As always, it is recommended that you maintain a logbook to support the number of kilometers that you claim.

Potential tax consequences when purchasing a farm vehicle can be avoided by contacting your trusted advisor prior to saying yes to that new truck.

Thomas Blonde
Partner - Baker Tilly GWD
519-846-5315

FARM FACT

What % of Canadian farms remain family-owned and operated?

A) 57%
B) 27%
C) 75%
D) 97%

D. 97%

Question C/O Form & Food Care:
www.farmfoodcareon.org/resources/did-you-know-resources

COVID-19'S IMPACT ON FARMLAND VALUES IN SOUTHWESTERN ONTARIO

We've all learned a lot and adapted for even transformed our businesses to manage the ongoing uncertainty that the COVID-19 global health pandemic has dealt us. Early spring 2020 saw businesses close their doors and a list of "essential businesses" dictated who could operate. Uncertainty came in so many forms and affected all Canadians, as well as those around the globe.

Kim Passmore
Associate

S.W. Irvine & Associates

519-573-5956

Here at home, uncertainty came in the form of; health & safety concerns, unemployment / temporary layoffs, rapid but unclear government assistance announcements, etc. All of these uncertainties left us wondering what the remainder of 2020 would bring. Now that we're into 2021, here is what we've learned over the last year, trends we've seen and what we anticipate for the remainder of the year.

Booming urban areas putting outward pressure on rural areas

I don't think you can talk about real estate values without highlighting the extraordinary increases seen by the residential markets throughout 2020 and into 2021. As the office buildings in major urban centres vacated for the initial COVID-19 lockdown in mid-March 2020, employees quickly eliminated their lengthy commutes and fled to bedroom communities, as they became less dependent on their physical offices. High-rise condo dwellers and others paying premiums to live close to work flocked toward the detached home lifestyle and prices increased dramatically in areas like Guelph, Kitchener/ Waterloo, Cambridge, Rockwood, Fergus, Elora, etc. The appeal of working from home, having more living space and having your own yard exacerbated the inventory shortage for single-family homes in these communities. The impacts spread even further down the 401 corridor to Woodstock, Ingersol and Tillsonburg. These pressures were also felt on the rural housing and hobby farm market, as prices began to soar for a little bit of extra acreage. Well into 2021 now, inventory continues to be a prominent issue in these

communities and beyond. In addition, demand continues to be strong, as the hopes for timely vaccine rollouts get pushed back and office employees have no concrete return-to-work date.

Land prices throughout the COVID-19 pandemic

Similar to the residential housing market, general farms and farmland prices in Southwestern Ontario were resilient and saw no adverse effects from the pandemic. The areas that our firm frequented most often in the last year (Perth, Wellington, Waterloo, Dufferin, Grey and Bruce Counties) saw varying levels of modest growth. These rate increases do not compare to the farmland boom in 2012/2013, however, areas to the north saw above-average increases by as much as 10% over the last year. West Grey, East Luther/Grand Valley, Southgate and Grey Highlands Municipalities saw some of the stronger land value increases, however, some areas such as to the east of Guelph, even broke the $25,000/workable-acre barrier that seemed to be the tipping point of cash crop lands in the area for the previous few years.

Minimally improved farms and parcels of vacant land continued to be in high demand in areas that are highly populated with large-scale livestock operations and / or cash croppers. A parcel located near the home farm of one of these operations continued to receive premiums, some as high as 20% above market value.

Rapidly rising construction costs due to soaring lumber prices

Another disruption to the agricultural landscape – particularly with respect to new construction – was the soaring prices of lumber. Some Canadians tended to their sourdough starters and hoarded toilet paper while others went on a home renovation rampage. Home renovations contributed to the rapidly rising costs of lumber, along with wood fibre shortages in British Columbia, as well as labour shortages across the border. The shortages on the supply side paired with the increased demand for these home renovations resulted in soaring lumber prices. It was estimated by home builders that the increased costs of lumber have added anywhere from $10,000 – $30,000 to the cost of building an "average" home in Canada. Anecdotally, some of our customers who were mid-construction, reported their lumber prices rising anywhere from 40% and beyond from their initial quotes! That being said, experts expect inventory to meet demand as pandemic restrictions ease.

What did we learn and what does this mean for the remainder of 2021?

A global health pandemic can add fuel to an already-robust housing market in both bedroom communities and rural areas in Southwestern Ontario. The residential housing markets in our area show little signs of slowing down as inventory remains low and demand remains high. While borrowing remains cheap, and until employees are recalled to their physical places of work, there is little likelihood that we will see this slow down. As of now, it looks like most employers are waiting until there is significant traction with vaccine rollouts before going back to work, and the demand for housing in these communities is expected to remain high for the rest of – or at least most of – 2021.

Land values have proven to be very resilient throughout the pandemic. Land values in prime areas are expected to continue to see modest growth, however, traditionally less-expensive areas are expected to continue to see above-average growth as affordability in the prime areas continues to decline, borrowing remains cheap and the supply of farmland is limited.

SOYBEANS, CORN & WHEAT UPDATE

The Simpson/Caputo Group
of RBC Dominion Securities

519-747-1013

Soybeans

As the North American winter nears completion, and farmers begin to set their focus on spring weather and planting conditions, the South American farmers begin to gear up for their harvest. It has been a trying growing season for the Southern Hemisphere farmer. One froth with extensive dryness or too much rain. Dryness has been persistent during key growing stages of the Argentinian soybean crop. As of the middle of March, only 6% of the Argentinian soybean crop has been rated good to excellent. In Northern Brazil, farmers have been plagued with above-average rainfall, leading to harvest delays, flooding concerns and crop quality issues. The South American weather issues have all lead to a dramatic increase for North American oilseeds, as well as grain exports into Asian nations. The strong demand has reduced U.S. inventory levels of soybeans to 7-year lows alongside the third-tightest new-crop stock-use ratio projected in history. Crop sizes out of both countries will be key to watch over the coming months, as harvest progresses in the south, and spring planting starts in the Northern Hemisphere. Markets will be extremely sensitive to any weather and/or planting concerns. Current forecasts from the USDA Ag Outlook Forum, held at the end of February 2021, projects U.S. new crop soybean acreage to increase to 90 million acres, approximately 6.9 million acres higher than what farmers seeded in 2020. Yields are also estimated to rise to 50.80 bu. compared to 50.30 bu. the year prior. Keys to watch for moving forward will be U.S. spring and summer weather, as well as Chinese demand and domestic crush numbers.

Corn

Like soybeans, corn markets have also been highly sensitive to South American weather. Dryness in Argentina has been concerning for their corn crop development, while heavy rains in Brazil have kept their second crop planting well below average. Trade is specifically focused on Brazil's second crop planting situation, as the later the corn is planted, the more susceptible the crop is to yield loss as the pollination window is pushed further into the local dry season. In the U.S., ending stocks are estimated at 1,502 million bushels versus 1,919 million bushels the year prior. China demand coupled with the U.S. flash drought last August resulted in a smaller-than expected 2020 U.S. corn crop. These factors are the current drivers behind the strong price rally this past winter. Current forecasts from the USDA Ag Outlook Forum held at the end of February 2021, projects U.S. corn acres to increase to 92.00 million acres versus 90.80 million acres last year. Yield is also expected to rebound from 172 bu. last year to the trend line estimate of 179.5 bu. In the U.S., long-term weather forecasts are starting to key up on favourable spring conditions, which should be conducive to a fast planting pace and the expanded acreage. This expanded acreage will be key to prevent ending stocks from shrinking further. At the end of the day, weather will still remain a main driver to total planted acreage and price action. With the tighter stocks-use ratio and continued Chinese demand, this will put even more emphasis on weather conditions this year than in previous years.

Wheat

The U.S. winter wheat growing season got off to a rough start as drought conditions were prevalent in the U.S.. This affected an estimated 36% of all winter wheat production prior to mid-October. Come the winter, severe cold snaps raised winter kill issues in the U.S. and decreased crop conditions. Russia was also plagued with similar issues, as drought and germination issues were prevalent during their planting season. U.S. ending stocks of wheat are estimated to be at a six-year low of 836 million bu., while world ending stocks are estimated at 301.19 mmt. The key to watch for with the world ending stocks is the major exports balance sheet, which paints a different picture. The current estimate for the stocks-use ratio for the major exporting nations is at a 13-year low. This is a result of smaller Black Sea, EU and U.S. crops over the past few years, along with strong world demand. With these tighter U.S. and major exporter end stocks, there will be heightened focus on the Northern Hemisphere growing season. For the U.S., weather conditions have been supportive so far, with timely rains as the crop comes out of dormancy. Area planted in the U.S. has slightly increased over last year by 0.7 million acres, while ending stocks are projected to decrease even further to an eight-year low of 698 million bushels. In the Ukraine, it is believed that wheat harvest could reach 30 million tonnes this year, up from 25.1 million in 2020. This will help to offset the decrease in Russian wheat production that is due in part to the poor winter wheat-planting conditions, and the newly implemented export taxes swaying producers towards alternatives. U.S. prices are typically a follower of Black Sea prices, so any further issues that arise with these crops could lead to the U.S. picking up more business on the export market. Key to watch will be world export prices and pace along with any spring summer crop updates for the U.S., EU and the Black Sea.

How to capitalize on a market that's on fire

We all wondered if the run on real estate might be over! Very few saw the current market conditions coming: multiple offers, prices over asking, increasing quota values, cash deals, etc. This pandemic has provided many sellers with the perfect window to maximize their farm sale and set themselves up for a bright and comfortable future.

Below are two tips to get the most out of this hot market.

Phil Spoelstra - Broker | The Farm Ontario Team | Bus: 519-667-1800 Cell: 519-870-7325
Re/Max Centre City Phil Spoelstra Realty Inc. Brokerage, Independently Owned and Operated

Preparing your farm for sale:

No matter the market conditions, certain principles always remain true: one of them being that first impressions matter! One might think that with such a hot market, all one needs to do is bang a sign in the ground – and the farm is sold! Such an assumption may be right, but at what cost? Is the goal simply to sell, or is it to sell for the highest-possible price with the best conditions?

Buyers will often act on first impressions. If their first impressions of your farm are not positive, then their offer will reflect that - in both price and conditions.

Buyers will often act on first impressions. If their first impressions of your farm are not positive, then their offer will reflect that – in both price and conditions. Our experience has shown us that investing a little time into tidying up can pay handsomely! In fact, on one occasion, we calculated that a seller time spent cleaning up their farm, in preparation for its sale, was likely worth over $3000 per hour. Two days spent cleaning, or hiring a crew, could result in an increase in value of $60,000! Now that's a return on your investment!

Our approach with sellers is to take a walk around their property, look at anything a buyer might take issue with, and select the issues that are easiest to remedy. For example, old steel lying around? Order a bin and fill it up. Weeds, long grass or saplings growing up around buildings? A few hours with a trimmer or bush hog does wonders. Steel on the shed flapping in the wind? A few minutes with the drill is all it takes. Mission accomplished. Such remedies are often less work and investment than our clients expected, and the returns are often greater!

Exposing the farm:

I always use the line, "It's business 101." This refers to the business principles that I was taught in my first-year university business courses. Principles like: supply and demand determine price. What this means for your farm is that you have a supply of *one* – you have one farm to sell (perhaps you have more, but let's just stick with this for now). In order to drive the price up for that one item, you need to increase demand, or in real estate terms, you need to increase the number of buyers. If you have one seller and one buyer, you can sell, however, if you want top value and the best terms you want 10 buyers interested in your farm, not just one.

The more buyers you have, the greater the competition for your farm. Competition for your farm usually results in a higher selling price and better terms for you. This is exactly why you hear about those properties that sell for well over the asking price. What seller wouldn't want that?!

How do you accomplish this? A mixture of preparation, targeted marketing and timing. We already talked about the preparation, next, you want to target that marketing. Who are the buyers and where are they coming from? Often, it's a mixture of local interest and regional interest, and sometimes buyers are from out of province or even out of the country. Determine who your buyers are and then design your marketing efforts around them. Then give time for that marketing to reach them. We usually give our marketing a minimum of 10 days before we open the table to offers. This increases the chances that we have the right buyers at your farm ready to make offers.

In closing, getting the most out of the sale of your farm requires a great game plan. The results can be astounding when you take the right steps in the right order. It is likely your largest asset. You only sell once, so make the most of it – the current market will reward you for it!

2021 HANDY FINANCIAL PLANNING FACTS

TFSA[1]

Maximum annual contribution limits	$5,000 each year 2009 – 2012 $5,500 each year 2013 – 2014 $10,000 for 2015 $5,500 for 2016 – 2018 $6,000 for 2019 – 2021
Maximum contribution limit since inception	$75,500 from 2009 – 2021, if born in 1991 or earlier and resident of Canada during those years

1) You automatically accumulate contribution room each year (beginning in 2009) if you were a tax resident of Canada at any time during the year and you were at least 18 years of age at any time during the year.

RRSP / RRIF

RRSP maximum annual deduction limit	18% of the prior year's earned income to a maximum of: $27,830 for 2021 – deadline March 1, 2022 $27,230 for 2020 – deadline March 1, 2021		
Withholding tax on RRSP withdrawals or payments over the annual minimum for a RRIF	Amount	All provinces except Quebec	Quebec
	$0 – $5,000	10%	20%
	$5,001 – $15,000	20%	25%
	Over $15,000	30%	30%

SPOUSAL RRSP / RRIF

Spousal RRSP/RRIF attribution	• Attribution of a withdrawal from a spousal RRSP/RRIF to the plan annuitant's spouse (the "contributor") will apply if the contributor made a contribution in the year of withdrawal or in the two previous tax years. • An exception applies to RRIF minimum payments, which are not subject to attribution. • The amount attributed is limited to the total amount of the spousal RRSP contributions made by the contributor during the three-year period.

IMPORTANT PERSONAL TAX DEADLINES[2]

Personal income tax instalments	March 15, 2021 June 15, 2021 September 15, 2021 December 15, 2021
Personal income tax return filing	April 30, 2021
Self-employed income tax return filing	June 15, 2021
Balance owing for taxes payable	April 30, 2021

2) When the due date falls on a Saturday, a Sunday or a public holiday recognized by the CRA, your payment or return is considered on time if the CRA receives it or it is postmarked on the next business day.

OTHER DEADLINES

Prescribed rate loan interest payment due by	Jan. 30, 2021 for 2020 interest; Jan. 30, 2022 for 2021 interest[3]
Last trade date for Canadian and U.S. stocks	December 29, 2021, assuming a two-day settlement

3) January 30th falls on a weekend for both 2021 and 2022. Be sure to make arrangements to ensure the interest payments are made by the due date, as the deadline is not extended to the next business day.

IPP

Employment earnings required to contribute the maximum	$162,278 for 2021; $154,611 for 2020

PENSION AMOUNTS

YMPE – yearly maximum pensionable earnings	$61,600
CANSIM rate	1.06%

U.S. THRESHOLDS

Lifetime U.S. estate and gift tax exemption[4]	US $11,700,000
Annual U.S. gift tax exemption – non-U.S. married spouse	US $159,000
Annual U.S. gift exemption – children / others	US $15,000

4) A Canadian resident (non-U.S. person) with U.S. situs property › US $60,000 and a worldwide estate › US $11.7 million may have exposure to U.S. estate tax. A Canadian resident with U.S. situs property › US $60,000 must file a U.S. estate tax return.

RESP – per beneficiary:

Maximum contributions	Lifetime limit of $50,000. No annual limit.			
Maximum lifetime CESG limit	$7,200			
Contribution deadline	December 31			
	Income level from 2019	CESG%	Max contribution to attract CESG	Max CESG
Maximum annual basic CESG	Any	20%	$2,500	$500
Maximum annual basic CESG if unused carry-fwds	Any	20%	$5,000	$1,000
Maximum annual additional CESG	$49,020 or less	20%	$500	$100
	$49,020 to $98,040	10%	$500	$50

RDSP – per beneficiary:

Maximum contributions	Lifetime limit of $200,000. No annual limit.		
Maximum lifetime CDSG and CDSB limit	$70,000 for CDSG and $20,000 for CDSB		
Maximum annual CDSG and CDSB if unused carry-fwds	$10,500 for CDSG and $11,000 for CDSB		
Contribution deadline	December 31st		
Annual CDSG limit	Income level from 2019	Max contribution to attract CESG	Max CDSG/ CDSB
	$98,040 or less	$1,500	$3,500
	Above $98,040	$1,000	$1,000
	$32,028 or less	N/A	$1,000
	Between $32,028 and $49,020	N/A	$1,000 prorated
	Over $49,020	N/A	$0

CANADA PENSION PLAN and QUEBEC PENSION PLAN

Maximum amounts:	CPP	QPP
Retirement benefit at age 65	$1,203.75/mo	$1,208.26/mo
Post-retirement benefit at age 65	$30.09/mo	N/A
Retirement benefit supplement	N/A	$23/mo
Early retirement benefit at age 60 (36% max reduction or 0.6% per month)	$770.40/mo	$773.29/mo
Deferred retirement benefit at age 70 (42% max increase or 0.7% per month)	$1,709.33/mo	$1,715.73/mo
Disability benefit	$1,413.66/mo	$1,416.45/mo
Survivor's benefit – younger than 65	$650.72/mo	See chart below
Survivor's benefit – 65 and older	$722.25/mo	$714.78/mo
Children of disabled CPP/QPP contributors	$257.58/mo	$81.78/mo
Children of deceased CPP/QPP contributors	$257.58/mo	$257.58/mo
Combined survivor's and retirement benefit at age 65	$1,203.75/mo	$1,208.26/mo
Combined survivor's and disability benefit	$1,413.66/mo	Undisclosed
Death benefit (one-time payment)	$2,500.00	$2,500.00
Employee and employer contributions	$3,166.45/yr	$3,427.90/yr
Self-employed contributions	$6,332.90/yr	$6,855.80/yr

QPP SURVIVOR'S BENEFIT – younger than 65

Age	Situation	QPP
Under 45	Without any dependent children	$578.42/mo
Under 45	With one or more dependent children	$921.89/mo
Under 45	Disabled, with or without dependent children	$958.40/mo
Between 45 and 64	All situations	$958.40/mo

OLD AGE SECURITY

Maximum benefits as of Q1:	OAS
Benefit at age 65	$615.37/mo
Deferred benefit at age 70 (36% max increase or 0.6% per month)	$836.90/mo
Clawback rate	$0.15 for every $1 of net income above $79,845; the full OAS is eliminated at a net income of $129,079, as of Q1

GOVERNMENT CONTACT INFORMATION

CRA general help line for individuals	EN: 1-800-959-8281; FR: 1-800-959-7383
Phone number for CPP and OAS queries	EN: 1-800-277-9914; FR: 1-800-277-9915
Phone number for QPP queries	1-800-463-5185

GUARANTEED INCOME SUPPLEMENT as of Q1

For those receiving a full OAS pension:	GIS[5]	Income cut-off
Single, widowed or divorced	$919.12/mo	$18,648/yr (individual)
If your spouse receives the full OAS pension	$553.28/mo	$24,624/yr (combined)
If your spouse does not receive an OAS pension	$919.12/mo	$44,688/yr (combined)
If your spouse receives the Allowance[6]	$553.28/mo	$44,688/yr (combined)
Allowance[6]: if your spouse receives GIS and the full OAS pension	$1,393.08/mo	$34,512/yr (combined)
Allowance for the survivor[7]: if you are a surviving spouse	$1,393.08/mo	$25,152/yr (individual)

Any reference to a spouse in this section also includes a common-law partner.
5) The GIS is a monthly non-taxable benefit to OAS recipients who have a low income. It is added to OAS.
6) The Allowance is available to low-income individuals aged 60 to 64 who are the spouse of a GIS recipient.
7) The Allowance for the survivor is available to people aged 60 to 64 who have a low income, and whose spouse has died.

MARGINAL vs AVERAGE TAX RATE

Marginal tax rate	Tax rate applicable to the last dollar of income earned. It does not consider deductions and credits.
Average (or effective) tax rate	Actual tax rate paid. It considers deductions, credits and graduated tax brackets.

FEDERAL TAX CREDITS	BASE AMOUNT	TAX CREDIT
Basic personal amount[8]	$12,421 to $13,808	$1,863 to $2,071
Spouse or common-law partner amount	$12,421 to $13,808	$1,863 to $2,071
Age amount	$7,713	$1,157
Net income threshold for age amount	$0.15 for every $1 of net income above $39,893; the full age amount is eliminated at a net income of $90,313	
Disability amount	$8,662	$1,299
Disability supplement amount (for minors)	$5,053	$758
Pension income amount	$2,000	$300
Medical expense tax credit	Lesser of 3% of net income or $2,421	

8) A federal proposal increases the basic/spouse/common-law partner amounts from $12,421 to $13,808 for taxpayers with taxable income below $151,978. The benefit of the increased personal amounts gradually declines until it is eliminated when taxable income reaches $216,511.

FEDERAL TAX BRACKETS AND RATES

Taxable income	Tax rate
Up to $49,020	15%
Over $49,020 up to $98,040	20.50%
Over $98,040 up to $151,978	26%
Over $151,978 up to $216,511	29%
Over $216,511	33%

FEDERAL DIVIDEND TAX RATES	GROSS-UP
Eligible dividends	38%
Non-eligible dividends	15%

LIFETIME CAPITAL GAINS EXEMPTION (LCGE)

For qualified small business corporation shares	$892,218
For qualified farm or fishing property	$1,000,000

FEDERAL CHARITABLE DONATIONS

Donation amount	For individuals not taxed at the highest federal rate of 33%[9]	For individuals taxed at the highest federal rate of 33%[10]
First $200	15%	15%
Excess over $200	29%	33% or 29%10

9) Highest federal rate begins when income is over $216,511.
10) A 33% donation tax credit is available for donations to the extent an individual has income that is subject to the 33% top marginal tax rate. A 29% donation tax credit is available on the remaining amount of the donation.

Farm succession planning services

Every farm tells a story, with each generation adding a chapter to the book.

1. Discovery

We listen and fully understand what is important to you and your family, as well as the future of your family's farm.

2. Deliverable

We create a highly personalized plan that incorporates the future of the farm, your personal wealth and most importantly, what you and your family want out of life.

3. Implementation

We work with your existing team of professionals to implement planning strategies, capturing every opportunity, so you and your family can enjoy greater financial peace of mind.

It starts with getting to know *you*, your *family* and your *business*.

Let's connect & chat.

Your comfort is our priority. We're happy to meet virtually for your convenience.

MEET THE TEAM

Contact us today at 519-747-5541 or visit lorkovicwealth.com to find out how we create a personalized plan that will grant you financial peace of mind.

Frank Lorkovic, FCSI, PFP
Vice-President & Portfolio Manager
frank.lorkovic@rbc.com

Gayle Houle
Associate Advisor
gayle.houle@rbc.com

Brent DeKoning
Associate Advisor
brent.dekoning@rbc.com

Farrah Amikons
Associate
farrah.amikons@rbc.com

Wealth Management
Dominion Securities