

# Westside Viewpoints

Spring 2016

ACCUMULATE

PRESERVE

TRANSFER



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Back row: Clare Singh, Christy Dinning,  
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## SERVICES WE PROVIDE:

- Fee-based portfolio management
- Estate planning, financial planning
- Tax-exempt investment strategies
- Life, long-term care and critical illness insurance

## PERSPECTIVES ON THE MARKETS

“The most important thing in this environment is to have a plan.”

It is amazing to think that when we finished 2015, the 10-year annualized total return of the S&P 500 index was 7% – a period that includes the great financial crisis of 2008/09.

When we reflect on the earnings power of the companies in the index, current valuations as measured by the multiple of earnings (15 to 16x), and very few signs of frothy management behavior, we have confidence that the next 10 years could be the same or better than the last 10.

Historically, equities have marched forward the majority of the time and have preserved and grown the purchasing power of money invested in them. These characteristics are important to a financial plan and the benefits have more than offset the volatility that accompanies owning them.

Volatility is one thing to prepare for and another to experience. And it's human nature for us to want to do something in the face of uncertainty, as taking action provides us with a sense of control in situations where we feel like we don't have any. Action does not necessarily mean investing more money or cashing in. Action in this context is about evaluation and taking control of your plan.

We believe it's important during bouts of volatility for investors to review their financial plan and confirm whether it's still aligned with what they set out to achieve in the first place. Periods of volatility and market pullbacks are good opportunities to re-confirm risk tolerance as it's an actual real-time test.

Actions need to be considered carefully to avoid unexpected consequences – don't forget that good long-term plans are good long-term plans – what we are experiencing today, while challenging, is temporary.

### WHAT ARE WE DOING?

We are selectively adding to core positions, especially in the U.S. One thing we very much believe is that the stock market underappreciates the degree to which good management teams adjust their business for different environments, which ultimately benefits their investors.

“The stock market is a device for transferring money from the impatient to the patient.” – Warren Buffett



RBC Wealth Management  
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# TAX RATE, TFSA AND RRIF CHANGES FOR 2016

On December 7, 2015, the federal government confirmed a number of key changes introduced in its election platform, including a tax rate reduction for middle-income earners, a new tax bracket for income over \$200,000, as well as a reduction in the annual TFSA contribution limit.

## PERSONAL INCOME TAX RATES

In Canada, income in each progressive bracket is taxed at a higher marginal rate. Effective January 1, 2016, income between \$45,283 and \$90,563 will be taxed at 20.5% (down from 22%) while income over \$200,000 will be taxed at 33% (up from 29%) as shown in the table below.

FEDERAL INCOME TAX RATES	
2016	
Tax Rate	Tax Bracket
15%	Up to \$45,282
20.5%	\$45,283 – \$90,563
26%	\$90,564 – \$140,388
29%	\$140,389 – \$200,000
33%	Over \$200,000
2015	
Tax Rate	Tax Bracket
15%	Up to \$44,701
22%	\$44,702 – \$89,401
26%	\$89,402 – \$138,586
29%	Over \$138,586

## TFSA CONTRIBUTION LIMIT CHANGES

The Federal government confirmed its plans to cut the TFSA annual contribution limit back to \$5,500 from \$10,000. The reduced annual contribution limit is effective January 1, 2016, and indexed for inflation going forward.

Unused contribution room can be carried forward indefinitely, so even if you have not contributed the 2015 limit of \$10,000, you can contribute it in any future year. Any withdrawals will be added to your TFSA contribution room at the beginning of the following year.

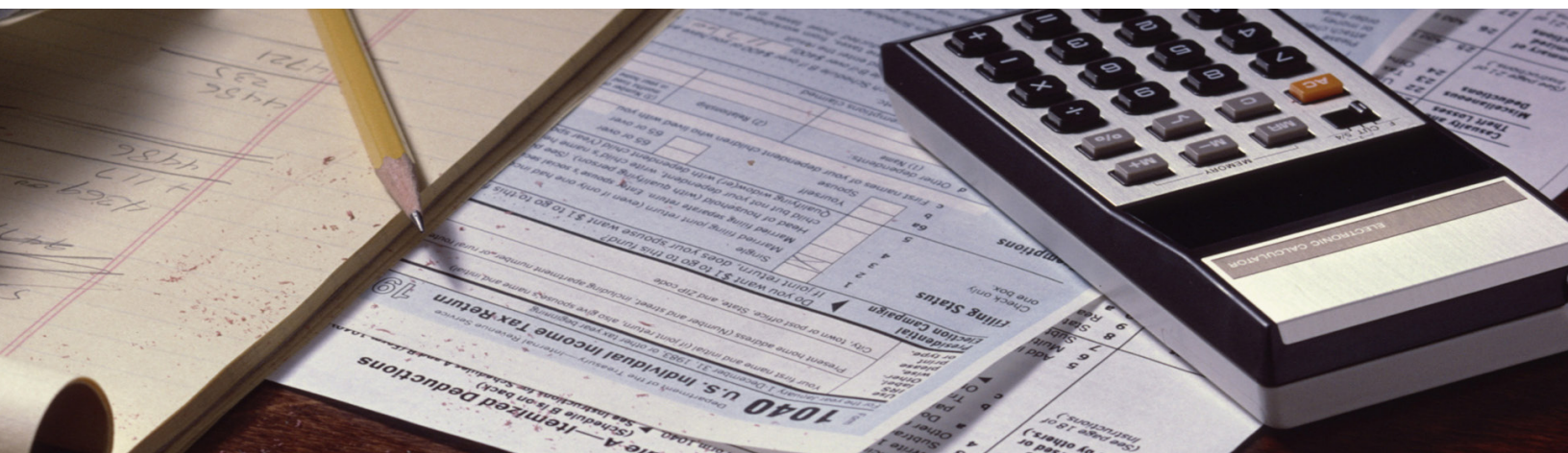
If you have not made any contribution to date and are 25 years or older in 2016, you can contribute a total of \$46,500.

YEARS	ANNUAL TFSA CONTRIBUTION AMOUNT	TOTAL
2009-2012	\$5,000	\$20,000
2013-2014	\$5,500	\$11,000
2015	\$10,000	\$10,000
2016	\$5,500	\$5,500
Cumulative Total		\$46,500

## RRIF MINIMUM WITHDRAWAL CHANGES

As of January 1, 2016, the RRIF minimum withdrawal rates have been reduced by roughly 5% for annuitants aged 71 to 94. The effect of these changes is to reduce the RRIF minimum withdrawals that are required and allow you to preserve more of your RRIF savings in order to provide income at older ages, while continuing to ensure the tax deferral on RRSP/RRIF savings. As before, the withdrawal rates are capped at 20% for ages 94 and above. And on the other end of the spectrum, the minimum withdrawal rates that apply to ages 70 and under will continue to be determined by the formula  $1/(90 - \text{age})$ .

If you find you need more income than the new minimum allows, give us a call and we can arrange for extra payments. Keep in mind that any extra payments will be subject to withholding tax.



# 2016 HANDY FINANCIAL PLANNING FACTS

The following is a summary of some common financial planning-related information that you can use as a handy reference. Any values noted below are for 2016.

RETIREMENT	AMOUNT(S)												
Max CPP at age 65	\$1092.50 per month												
Max CPP at age 60	\$699.20 per month												
Max CPP at age 70	\$1551.35 per month												
YMPE – Yearly Max. Pensionable Earnings	\$54,900												
Max OAS benefit for Q1	\$570.52 per month												
OAS Clawback rate	\$0.15 for every dollar of net income above \$73,756; the full OAS is eliminated at a net income of \$119,398 or higher												
RRSP – Max annual deduction limit	\$24,930 for 2015 \$25,370 for 2016												
RRSP – Withholding tax on withdrawals	10% for amounts up to \$5000 20% for amounts \$5000 – \$15,000 30% for amounts over \$15,000												
RRSP contribution deadline	Monday, February 29, 2016												
TFSA contribution room	\$5,000 each year 2009-2012      \$10,000 for 2015 \$5,500 each year 2013-2014      \$5,500 for 2016												
EDUCATION													
Max annual RESP contribution	Unlimited annual up to lifetime max of \$50,000 per beneficiary												
TAX													
EI – max annual premium	\$955.04												
EI – insured earnings	\$50,800												
Basic personal tax exemption	\$11,474 (base) \$1721 (credit)												
Federal tax brackets and rates	<table border="0"> <tr> <td><b>Taxable income</b></td> <td></td> </tr> <tr> <td>Up to \$45,282</td> <td>15%</td> </tr> <tr> <td>\$45,282 to \$90,563</td> <td>20.5%</td> </tr> <tr> <td>\$90,564 to \$140,388</td> <td>26%</td> </tr> <tr> <td>\$140,389 to \$200,000</td> <td>29%</td> </tr> <tr> <td>Over \$200,000</td> <td>33%</td> </tr> </table>	<b>Taxable income</b>		Up to \$45,282	15%	\$45,282 to \$90,563	20.5%	\$90,564 to \$140,388	26%	\$140,389 to \$200,000	29%	Over \$200,000	33%
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Eligible dividends	Gross up is 38%, taxable amount is 138% Federal tax credit is 15.0198% of taxable amount												
Lifetime Capital Gains Exemption	\$813,000 for 2015 \$824,176 for 2016												
Personal tax calculator website	<a href="http://www.ey.com/ca/en/services/tax/tax-calculators">http://www.ey.com/ca/en/services/tax/tax-calculators</a>												
GOVERNMENT LINKS	RESOURCES												
CRA Website	<a href="http://www.cra-arc.gc.ca/menu-e.html">www.cra-arc.gc.ca/menu-e.html</a>												
CRA General Help Line	1-800-959-8281												
CPP/OAS queries	1-800-277-9914												

# WHAT'S NEW WITH OUR TEAM

THIS OR THAT: We did a survey of our own! Here are the results.

	Mike	Paul	Kate	Christy	Clare	Michelle
Chocolate or Vanilla	Vanilla	Chocolate	Chocolate	Chocolate	Vanilla	Chocolate
Sweet or Savory	Savory	Savory	Sweet	Sweet	Sweet	Sweet
iPhone or Android	iPhone	iPhone	iPhone	iPhone	Android	iPhone
Play or Watch	Play	Play	Play	Watch	Play	Play
Beach or City Vacation	Beach	Beach	Beach	Beach	Beach	Beach
<i>Titanic</i> or <i>Star Wars</i>	<i>Star Wars</i>	<i>Star Wars</i>	<i>Titanic</i>	<i>Titanic</i>	<i>Titanic</i>	<i>Star Wars</i>
Cat or Dog	Dog	Dog (don't tell my cat)	Dog	Cat	Dog	Dog
Tony Bennett or Lady Gaga	Tony Bennett	Neither	Lady Gaga	Lady Gaga	Lady Gaga	Lady Gaga
Beer or Wine	Wine	Wine	Wine	Wine	Wine	Wine
Pizza or Sushi	Sushi	Sushi	Sushi	Sushi	Sushi	Sushi
Boxers or Briefs	Boxers	Boxers	Boxers	Boxers	Boxers	Boxers
Coffee or Tea	Tea	Coffee	Coffee	Tea	Coffee	Tea
Cake or Pie	Pie	Pie	Pie	Cake	Cake	Cake

If you are not happy with the market returns of late, you are not alone.

Charlie didn't like the December 2015 quarterly report we mailed out either.



## MIKE'S MUSINGS

Starting in January, Mike has been writing up regular summaries of various investment themes and thoughts in the form of an email. We have been getting great feedback from clients and will keep them coming.

Of course, if it's too much for your inbox to handle, we totally understand. All you have to do is click UNSUBSCRIBE on the bottom of the email and we will take you off the list.

**Newsletter Editor: Kate Wolfe.** If you like what we're doing please tell a friend, if you don't, please tell us. [kate.wolfe@rbc.com](mailto:kate.wolfe@rbc.com)

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