

# Westside Viewpoints

Accumulate | Preserve | Transfer



Wealth Management  
Dominion Securities

Spring 2017



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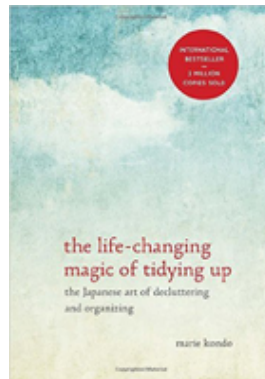
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### Services we provide:

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

## Spring cleaning



Despite our long, cold, snowy winter, or perhaps because of it, we are getting excited about springtime right around the corner. Budding yellow daffodils, bursting magnolias, warmer weather, evenings that stretch out with longer light. Oh and yes, spring cleaning.

I am not sure why we feel we must clean and organize our lives when winter turns to spring. Perhaps it's the glare of sunshine shining through our windows exposing all the dust and clutter. Or maybe it's the stream of tax receipts and income slips that remind us we must organize our finances.

Over the past several years, we have witnessed several clients sell their single family homes and move into a downsized apartment. Talk about spring cleaning!! More than a few have spoken evangelically about Marie Kondo's book, *The life-changing magic of tidying up: the Japanese art of decluttering and organizing*.

Her "Kon Marie Method," as she calls it, encourages a rapid, dramatic and transformative one-time organizing event completed methodically and lovingly in no more than six months. This is not an ongoing battle against clutter – it's an outright war!

Kondo's book breaks down her radical, two-pronged approach to tidying up. First, put your hands on everything you own, ask yourself if it sparks joy, and if it doesn't, thank it for its services and get rid of it. Second, once only your most joy-giving belongings remain, put every item in a place where it is visible, accessible and easy to grab and then put them back.

Whenever I've tackled tidying up, I've always approached the task room by room. Not according to Kondo – her number one rule is to tidy by category. She advises beginning with clothing, the least emotionally loaded category, then move to books, files and lastly photographs. Why not give it a try?

"The inside of a house or apartment after decluttering has much in common with a Shinto shrine ... a place where there are no unnecessary things, and our thoughts become clear."

# ETF investing: Common questions for tax season

Understanding how your investments are taxed is an important part of developing an effective investment plan. Generally, tax considerations related to your ETF investments can be grouped into two categories: 1) taxes associated with selling your ETF; and 2) taxes related to the distributions received from an ETF.

## What are distributions?

ETFs may earn dividends and interest from the securities they own, and they may realize capital gains or losses when investments are sold. This income may be reduced by the ETFs expenses. The ETF distributes any remaining income or capital gains to unitholders by way of distributions, which are taxed at your applicable tax rate. Income is distributed in the same form it is earned by the ETF – as interest income, Canadian dividends, foreign income or net capital gains – or a combination of the four.

## Are all ETF distributions paid in cash?

No, while monthly and quarterly distributions are paid in cash to the unitholder, capital gains distributed annually in December are paid as a reinvested distribution (no cash is distributed to the unitholder). Capital gains paid in December are reinvested in additional units of

the ETF, and units are immediately consolidated such that the ETF's total units outstanding do not change. The capital gain will be immediately taxable and will appear on your T3 tax slip. Your adjusted cost base (ACB) is increased by the amount of the reinvested distribution.

For investments in a non-registered account, annual taxes apply to capital gains, whether they are paid in cash or as reinvested distributions.

**For any questions relating to your ETF investments, please call us at 604-713-2742.**

Type of ETF distribution	Description	Tax treatment
Interest income	Earned on Treasury Bills, commercial paper, debentures and mortgages	Fully taxable at the same marginal tax rate as employment income
Canadian dividends	Occurs when ETFs invest in shares of Canadian publicly traded companies that pay dividends	Preferential tax treatment for individuals through the dividend tax credit
Foreign income	Earned when the ETF receives dividends or interest from non-Canadian investments	Fully taxable at the same marginal tax rate as employment income
Capital gains	Realized when an investment within the ETF is sold for more than the adjusted cost base	Preferential tax treatment, as only 50% of a capital gain is taxable
Return of Capital (ROC)	ROC is used to describe distributions in excess of an ETF's earnings. For tax purposes, ROC represents a return of an investor's own invested capital	Not taxable in the year received, but reduces the adjusted cost base, which generally results in a larger capital gain or a smaller capital loss when the investment is sold

# 2017 handy financial planning tips

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 2017 unless stated otherwise.

<b>Retirement</b>	
Max CPP at age 65	\$1,114.17 per month
Max CPP at age 60	\$713.07 per month
Max CPP at age 70	\$1,582.12 per month
YMPE - Yearly Max Pensionable Earnings	\$55,300
Max OAS benefit for Q1	\$578.53 per month
OAS clawback rate	\$0.15 for every \$1 of net income above \$74,788: full OAS is eliminated at a net income of \$121,071
RRSP – max annual deduction limit	\$25,370 for 2016 \$26,010 for 2017
RRSP – withholding tax on withdrawals	10% for amounts up to \$5,000 20% for amounts \$5,000 - \$15,000 30% for amounts over \$15,000
Annual TFSA contribution limits	\$5,000 each year 2009-2012 \$5,500 each year 2013-2014 \$10,000 for 2015 \$5,500 for 2016-2017
Max TFSA contribution since inception	\$52,000 from 2009-2017
<b>Education</b>	
Max annual RESP contribution	Unlimited annual up to lifetime max of \$50,000 per beneficiary
<b>Tax</b>	
Federal basic personal amount	\$11,635 (basic), \$1,745 (credit)
Federal tax brackets and rates	Taxable Income up to \$45,916 15% \$45,916 to \$91,831 20.5% \$91,831 to \$142,353 26% \$142,353 to \$202,800 29% Over \$202,800 33%
Eligible dividends	Gross up is 38%, taxable amount is 138% Federal tax credit is 15.0198% of taxable income
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>
<b>Government links</b>	
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 at the Westside Wealth Management Group of RBC Dominion Securities

Beautiful B.C.! We sure had a snowy, cold winter but that's no excuse not to get out and enjoy the outdoors.



Paul and Kate had some beautiful ski days up at Whistler this winter.



Michelle has been having fun hiking with her dog, Roxie. Here is a picture of her on the top of Hollyburn Mountain. Happy dog!



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