

Richard Rand's

Random Views

"Simplifying All The Financial Needs of Busy Families"



Wealth Management
Dominion Securities

January 2018



Rand Wealth Management – January 2018

Global Markets: Expectations for 2018

- My base case scenario remains that the stock market will continue to perform well in 2018 — although that doesn't mean we won't experience a pullback of 5-15% during the 2018 or early 2019 year timeframe.
- Global growth and still-accommodative monetary policies are likely to be key drivers of stocks. We need to be mindful of the potential for downside volatility.

2017 was a positive year for the Canadian and US economies and their capital markets. The global economy grew at a faster pace than in 2016, and risk assets also rose significantly. The 9 year Global Equity Bull market has had a pretty steady upward run since the recession of 2007/2008 and investors are wondering whether the current environment will continue through 2018. The following are some of my "key expectations" for the New Year 2018 and into 2019:

1. Upward bias for stocks globally.

As we enter 2018, there are a few key drivers creating an upward bias for stocks and other risk assets globally: improving global growth and the continuation of accommodative monetary policy. These are two very powerful influences that I believe should support risk assets in general and stocks in particular. Now, that doesn't mean we won't experience a correction, particularly in the US, but it does suggest it could be more short-term in nature. The Eurozone, Japan, the US and a number of emerging markets are experiencing rising growth, and that dynamic is likely to continue well into 2018, although there will likely be hiccups along the way. In addition, earnings growth is solid and improving in most major markets; this should also be supportive for global stocks. At the same time, most of these economies are experiencing relatively low inflation, which gives central banks more flexibility to remain very accommodative.

2. Lower for longer rates and a continued hunt for income.

While a number of central banks have begun to get slightly less accommodative — including the Fed, the Bank of Canada, the Bank of England (BOE) and the European Central Bank (ECB) — they still remain very accommodative in relative terms. Recent events suggest this will continue in 2018 — specifically the November 2017 nomination of Jerome Powell as the next Fed chair, given that he is likely to maintain the status quo set by outgoing Chair Janet Yellen, and the ECB's decision to keep the end date of quantitative easing open-ended. This suggests that the hunt for investment income will continue in 2018.

4. The potential for currency surprises.

This past year saw significant and unexpected weakness for the US dollar, as diminished growth expectations and political setbacks weighed on the currency. In addition, emerging markets currencies have reacted to recent political developments. I would expect more surprises and fluctuations in 2018. A number of central banks will likely continue to slowly tighten monetary policy, which should, depending on timing, cause changes in the relationships of different currencies. A less-than-fully synchronized global economic recovery could also contribute to currency fluctuations.

Market outlook

In summary, despite all the outstanding risks, my base case scenario remains that the stock market will continue to perform well in 2018. However, given rising risks to capital markets, we need to be mindful of the potential for downside volatility.

Please use this link to read our **New Year's Special Report "2018 Global Insights Outlook"** <https://ca.rbcwealthmanagement.com/richard.rand/publications-sites> or call us and we will mail you a hard copy of this **Special Report**.

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The only thing that will stop you
From fulfilling your dream is you.
~Tom Bradley, former
Los Angeles mayor

Early 2018 Tax Tips

2017 RRSP Contribution Deadline

The deadline for you to make a contribution to a registered retirement savings plan (RRSP) that can be claimed as a 2017 RRSP tax deduction is generally the 60th day after the year-end, which falls on Thursday, March 1, 2018.

If you do not have sufficient cash on hand to make an RRSP contribution, you can consider making an in-kind contribution of eligible securities from your non-registered account to your RRSP or to a spousal RRSP. Be aware that you may not want to contribute a security in-kind that is in a loss position as your ability to claim that loss will be denied.

2018 RRSP contribution room

It is generally a good idea to contribute to your RRSP as soon as possible to maximize the tax-deferred growth in your plan and to avoid the stress of trying to meet a last minute deadline. January 1st is the earliest day you can make a 2018 RRSP contribution using the new room that is created from your prior year's earned income without triggering an over-contribution penalty. If you wish to make an RRSP contribution early in the 2018 calendar year, you may need to estimate your 2018 RRSP deduction limit. This is because you may not have received your 2017 notice of assessment (NOA) which provides a statement of your 2018 RRSP deduction limit. To estimate your 2018 RRSP deduction limit, take 18% of your previous year's (2017) earned income up to the RRSP dollar limit of \$26,230 for 2018, and subtract any 2017 pension adjustment.

Tax-Free Savings Account (TFSA)

Consider making a contribution to your TFSA early in the 2018 calendar year to maximize the tax-free growth in your plan. The TFSA contribution limit was \$5,000 per year for the years 2009 to 2012, \$5,500 for 2013 and 2014, \$10,000 for 2015 and \$5,500 for 2016, 2017 and 2018. If you have been eligible to open a TFSA since 2009 and have not yet contributed to one, your contribution limit would be \$57,500 as of January 1, 2018.

If you did not use your contribution room in a previous year, the unused room is carried forward indefinitely. In

addition, if you withdrew an amount (that is not a withdrawal of excess TFSA contributions) from your TFSA in 2017 or prior years, you can re-contribute this amount to your TFSA as of January 1, 2018. Be extra careful to calculate your room properly when re-contributing to your TFSA as the CRA can charge penalties for over-contributions.

If you do not have sufficient cash on hand to make a TFSA contribution, you can consider making an in-kind contribution of eligible securities from your non-registered account to your TFSA. As with RRSPs, if you contribute securities that are in a loss position, you will not be able to use the loss to offset your capital gains.

Locked-in plan conversion

If you have a locked-in plan such as a locked-in retirement account (LIRA) or a locked-in RRSP and are planning to convert it to a life income fund (LIF) or restricted life income fund (RLIF) in 2018, you may want to consider doing so in January 2018, rather than later in the year. This is because the maximum payment available in the first year of the plan may be prorated based on the months remaining in the current year, with any part month being equal to a full month depending on which jurisdiction governs your locked-in plan. As such, converting to a LIF or RLIF in the first month of the year may allow you to ultimately withdraw more funds for that first year. No proration is required in the first year for an Alberta, British Columbia, Manitoba, New Brunswick, or Quebec LIF.

Eligible retiring allowance

If you received a retiring allowance in 2017, you have until March 1, 2018 to transfer the eligible portion to your own RRSP without affecting your RRSP contribution room. Your eligible retiring allowance cannot be transferred to a spousal RRSP. This transfer will allow you to defer taxation on the eligible retiring allowance received until it is withdrawn from your RRSP in the future.

Unlike regular unused RRSP deduction room that you can carry forward each year, if you do not transfer your eligible retiring allowance by March 1, 2018, you will lose the opportunity to do so forever. That said, if your eligible retiring allowance is paid to you over two years, for example in 2017 and 2018, you will still be able to transfer the portion received in 2018 to your RRSP any time in 2018 or early in 2019.

Please visit us at our new website: <http://ca.rbcwealthmanagement.com/richard.rand>

Private password for clients only access: **Wealth2017**

Business owners

Paying a bonus

If your corporation declared a bonus in 2017, remember to pay that bonus within 179 days after the corporation's year-end. Canadian tax rules allow a corporation to deduct a bonus declared to an employee on the corporation's previous year's tax return as long as the bonus is paid within 179 days after the corporation's year-end. The employee must report the bonus on their personal tax return in the year they receive the bonus. For example, assume your corporation has a December 31, 2017 year-end. It can pay you a bonus in January 2018 for services rendered in 2017. Your corporation can deduct this bonus on its 2017 corporate tax return and you will report this bonus on your 2018 tax return.

T4 Filing Deadlines for Employers

If you have employees in your business or you employ a nanny or babysitter, you must file the appropriate T4 forms to the CRA by February 28, 2018. A copy of the T4 slip must also be delivered or mailed to your employee(s) by this date. If you, as an employer, fail to file the appropriate T4 forms to the CRA by this deadline, you may be subject to penalties.

Deadline for corporate taxes

Generally, corporate taxes are due two months after the corporation's year-end. If your corporation's yearend is December 31, 2017, you will need to pay the remainder of the tax your company owes by February 28, 2018. The corporate taxes can be due three months after the corporation's year end (March 31, 2018) in certain circumstances.

Five Key Questions to Consider in Wealth Planning

1. Reducing mortgage debt or saving for retirement – is one favourable?
2. Which is the better savings option – an RRSP or a TFSA?
3. What is the best way to handle inheritance?
4. How can TFSA, RRSP, government and other sources of income and income splitting be strategized in retirement?
5. What are the key considerations of estate planning and successfully leaving a legacy?



Five Key Questions in Estate Planning and Wealth Transfer

1. What are the major considerations when deciding to give wealth during your lifetime versus through your Will at death?
2. With a variety of ways to transfer your wealth, varying from the complex and restrictive to the simple and quick, what are some of the options individuals may want to consider?
3. When giving to multiple beneficiaries what is the difference between fair and equal? Are there specific considerations for business owners?
4. Outside of legal Will appointees, who should know what about your wishes and intentions?
5. What should heirs be educated on or have knowledge about estate plans?

We are glad to announce that Pearl has come back to work from short term medical leave. Pearl will continue to help the team and you can reach her at 604-718-3881.

Richard's Corner

Community Events Coming Up

- VanDusen Festival of Lights
Experience VanDusen Festival of Lights, a magical winter wonderland with over one million lights decorating VanDusen Botanical Garden.
<http://vancouver.ca/parks-recreation-culture/festival-of-lights.aspx>
- Free Robson Square Skating
Free ice skating takes place from December until February on the outdoor ice rink at Vancouver's Robson Square at the corner of Robson Street and Howe.
- Capilano Suspension Bridge Park – Winter Lights Festival
Canyon Lights is on from November 23, 2017 through to Sunday, January 28, 2018 (Closed Christmas Day). Park Hours: 11AM – 9 PM.
- Pink Shirt Day – February 28, 2018
This year, Pink Shirt Day is encouraging others to combat cyberbullying by thinking twice before posting something negative, and instead using the internet to spread kindness
<https://www.pinkshirtday.ca/>



Thank you for your contribution!

Our Richmond branch team, **TeamMoGetTested** made a whopping \$25,379 in donations for the campaign!

Your donations and support have played an important role in our campaign's success, so thank you all!



Campaign and mustache by Richard and Elaine 😊



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