



Archer Wealth Management

Newsletter

May 29th, 2020

Welcome to our regular newsletter, where we will try to keep you informed with Financial Planning, Estate Planning, Investment Management News, Tax Saving Strategies and various other ideas or photographs that you might like. We welcome your feedback as well as your referrals.

A photo within a photo



Photo by John Archer

In January 2019, I went to Bali, Indonesia, to celebrate a milestone birthday (I am not telling which! My lips are sealed!). As part of my Bali adventure, I found myself in Ubud, a magical city in the mountains.

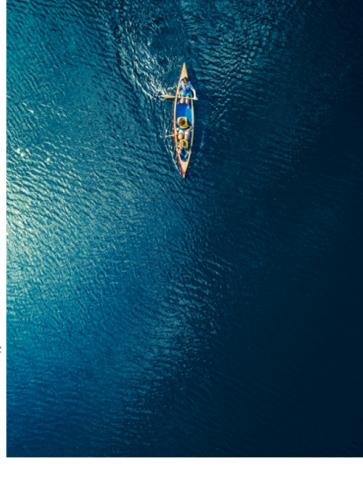
This photo was taken from a terrace of a restaurant there overlooking a rice paddy. At the edge of the jungle was this photographic installation of local field workers. The huge black and white images of their weathered faces and unique expressions struck me as one of the most interesting art concepts I had ever seen! Perhaps you would agree?

John

Market News:

Addressing Market Volatility

There were some welcome developments this week. More specifically, the Canadian banks reported results that allowed investors to breathe a collective sigh of relief. Beyond the banks, equity markets rallied further, but it was the inner workings of the move that was particularly noteworthy. We explain more below, and begin with an update on the status of the pandemic.



Coronavirus update

It has been roughly five months since the emergence of the coronavirus. Its global spread continued this week with Latin America in particular struggling to slow its proliferation. The number of reported daily new cases in some countries such as Brazil, Chile, Mexico, and Peru is a reminder that the situation remains serious. But elsewhere, the progress witnessed over the past month in Canada, the U.S., and Europe largely continued this week. New cases are slowly grinding lower in Ontario and Quebec if you look at the figures smoothed out over a few days. There have been sporadic clusters of outbreaks this week in Seoul (South Korea) and even within our own borders in New Brunswick. Certain states in the U.S. have shown increases in new daily case counts, as we have grown accustomed to seeing. But, there have not been any signs of more meaningful acceleration in new daily case counts despite the staged reopening of economies over the past few weeks.

Big week for Canadian Banks

Sentiment with respect to the Canadian banks had been very poor heading into the week. Investors struggled to understand the degree to which the sector would have to prepare, or provision as it is often called in investment terms, for future loan losses. Fortunately, the results reported by the banks were generally fine. To be clear, profits were down substantially. And provisions did increase exponentially with banks setting aside billions of dollars to prepare for bankruptcies and defaults. But the amounts set aside were generally lower than what some investors had expected, which provided some reassurance that perhaps the environment may not yet be as bad as some had feared. This may help explain why the sector was one of the strongest performers this week. Nevertheless, it is important to remain vigilant. The risk remains that the banks may have to increase their provisions even more than expected in the future should the economic damage be longer lasting. It is impossible to know. But, we remain comforted by their generally strong balance sheets and ability to pay sustainable dividends.

A rally with more participants

It feels comforting when markets are moving higher. But, not all market rallies are the same. Beneath the surface, there can be some that are driven by just a handful of the largest stocks and others that are driven by many smaller ones. One complaint about this recovery has been that a good portion of it has been led by large technology and other so called “growth” stocks, who increasingly make up a large part of many regional stock markets. But, within the past few weeks, that trend has been changing with other segments of the market driving a bigger part of the overall stock market gains. We view this as a healthy sign that reflects growing confidence in the economic recovery that is now underway.

Investors and policymakers will undoubtedly be watching the economic progress very closely over the next month. The significant income support programs implemented by the Canadian and U.S. governments more than a month ago are set to begin to expire in July. The hope is that enough workers will have been rehired by then to alleviate pressure on governments to do more. The degree and sustainability of the recovery, the geopolitical tensions between China and the U.S., and the pandemic remain risks that we will continue to monitor with great interest.

Should you have any questions or concerns, please feel free to reach out to us.

Tax Planning Tip:

A super-charged donation strategy during COVID times



Recently Prime Minister Justin Trudeau surprised many with an announcement that the federal government was going to send \$300 (non-taxable) to every senior Canadian who was eligible for the Old Age Security (OAS) pension. While the intention was certainly welcome to those in need during these difficult COVID-related times, for some, it was money that simply was not required.

Here is a simple charitable giving strategy that allows one to put these funds back into the community without theoretically costing the donor a dime.

Normally when you donate \$600 to a registered charitable institution, you would receive a \$600 charitable donation receipt which you would use against your taxes. When filing your tax return next April 2021 (for 2020’s taxable income) you would receive a \$300 tax benefit against other tax owing (or a refund) so the “out-of-pocket cost” of the donation to you would be approximately \$300 instead of \$600 (assuming a 50% tax bracket).

The governments allow this to encourage charitable giving. Now consider that in the coming weeks you will be receiving this \$300

from the federal government that you may not actually need. In executing this donation strategy, the government is effectively “giving back” to you your \$300 “out of pocket” costs and the \$600 that you have donated has actually cost you nothing.

If you have a spouse is also eligible for the Old Age Security, if he or she does the same thing, the collective gift back totals \$1200 but with zero cost the family.

As an added bonus, certain charities have a “matching strategy” where some of their wealthy benefactors pledge to match any donations (sometimes up to a maximum pledge amount). Therefore, if your \$600 donation goes towards one of these charities with a matching strategy, then your \$600 amount doubles in the hands of the charity! Everybody’s a winner!

Please note that this strategy assumes that you already donate more than \$200 per year as the first \$200 donation per year is subject to a lower tax rate.

Contact John or Mauricio for further details.

IMPORTANT: The strategies, advice and technical content in this email are provided for the general guidance and benefit of our clients, based on information that we believe to be accurate, but we cannot guarantee its accuracy or completeness. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This will ensure that their own circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change.

Cooking from home with Mauricio:

Blueberry-Basil Smoothie



After what seemed to be an everlasting winter, summer is finally here! During this warm weather, there is nothing better to keep us fresh from the inside than a sweet smoothie.

Personally, the high temperatures of the past few days left me with little appetite and craving for something tasty that would give me energy and refreshed.

Doing some research online I learned that Quebec is a major producer of wild blueberries, especially in the region of Saguenay-Lac- Saint-Jean. This colorful fruit is rich in Vitamin C and so versatile to use in cooking, with recipes ranging from muffins, and marmalades to paninis and barbecued chicken.

Today’s recipe is ultra-simple to prepare! Just blend together 1 cup of Blueberries with 250 ml of plain yoghurt, add half a cup of the milk of your preference and 2 tbsp. of sugar. If you are feeling “risk taker” today, you can try to add some fresh basil from the garden, and the result is delicious!

Enjoy!

Mauricio

Referrals Corner

Do you have a friend, family member, colleague or client that could benefit from our wealth management services?

Perhaps start by forwarding to them this newsletter? The link to our website is: johnarcher.ca

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