LIFE CYCLE FINANCIAL

iA Investia Financial Services Inc.

**Happy New Year**

**December 31, 2015**

**Quarterly Newsletter**

## Market Focus

**Advisor Insights**

### Market outlook: Time to get real

**Investors got a harsh dose of reality in 2015, and while next year doesn't look much better, there are still opportunities to be had.**
**By: BRYAN BORZYKOWSKI**

Date: December 28, 2015

It's been a sobering year for Canadian investors who, after two rate cuts, plummeting oil prices and a weak dollar, have finally come to realize that the country's struggles may last well into 2016.

"There's been a heavy dose of realism as to where the Canadian economy and the domestic market have gotten to," says David Wolf, a Portfolio Manager in Fidelity Investments' Global Asset Allocation group.

At the beginning of last year there was a large gap between perception and reality, which tends to be a positive for opportunity-seeking fund managers who can capitalize on such a knowledge gap, but now people are more aware of the challenges that the country faces.

"That makes it more uncertain as to how we evolve from here," says Mr. Wolf, who spent four years as an advisor to Mark Carney, the Bank of Canada's former governor.

It's a similar story globally, as well. There are genuine sources of uncertainty over U.S. Federal Reserve policy and Chinese economic policy, and economists still don't fully understand why global growth has been underperforming for the last seven years, says Mr. Wolf.

With so much ambiguity facing investors, he's has had to double down on risk management, he says, and make sure that the funds he oversees can be resilient in this slower-growth, commodity-price-depressed environment.

**Canada: A changing country**

When it comes to Canada, Mr. Wolf emphasizes that the country has undergone plenty of change over the last year.

The decline in oil prices has had an effect on our growth (the International Monetary Fund predicts that our economy will expand by just 1.7 per cent in 2016), and this could negatively impact our personal balance sheets and the housing market, too.

Relative to other countries, Canada will likely continue to experience sluggish growth next year, but its fortunes could improve slightly compared to this year, says Mr. Wolf. However, the Canada we've come to know over the last few years is not the Canada that will take us forward into the future.

"We've had a great run for the better part of 20 years, and while that's a reflection of a lot of things we did right, it also shows that we're a small commodity-exporting economy, and now that is gone," he says. "The way we're going to make it in this world will have to be pretty different."

**Currency: Staying cheap**

One potential driver of Canadian growth, thanks to a lower dollar, is manufacturing, but Mr. Wolf says our loonie will have to fall even farther before that sector can make up for losses elsewhere.

Our dollar is highly tied to commodity prices, so when energy falls, so too does our currency. The loonie is cheap, he says, but it has to stay cheap if it's going to restore at least some level of growth.

While he doesn't want to predict where the dollar will land in 2016, it's highly unlikely that it will fall another 15 per cent, compared to the greenback, as it did this year.

"We've seen the bulk of the move for the cycle," he says.

## Interest rates: Remaining low

A big story for 2015 has been the diverging paths of U.S. and Canadian interest rates, and it's unlikely that will change. After months of signaling, the Federal Reserve finally hiked its overnight rate by 0.25 per cent on December 16, while Canada slashed its rates twice this year.

Going forward, U.S. rates could rise further, while Canadian rates may not move, says Mr. Wolf. More importantly, though, rates will likely stay low for some time.

For years, there has been an idea that low rates would only be temporary and that they'd climb back up to early-2000s levels. That scenario is becoming increasingly unlikely, says Mr. Wolf, which may be a good thing for markets.

"There's a dawning realization that that's not going to happen," he says. "There may be some response in the short end in terms of higher rates across the curve, but that's going to be quite limited. So it's not the fear-inducing development that many people seem to take it as."

## Global economy: Emerging-market growth ahead

Beyond Canada, the emerging markets have become relatively cheap, says Mr. Wolf, due to uncertainties around Chinese growth and lower commodity demand.

However, many countries in the emerging-market sector are still expanding faster than developed nations. They have better demographics, and technological advances are helping them realize rapid productivity gains, he says. In other words, there are still long-term opportunities there, he says.

As for America, it "still looks reasonably solid to us," says Mr. Wolf. Earnings prospects are still positive and the economy continues to grow. It is more expensive than it has been in the past, but "it's the best house on the block," he explains.

He is cautious on European and Japanese stocks, mostly because quantitative easing has depreciated their currencies, and that has driven up equity markets.

"That chain of events cannot continue indefinitely," he says. "We tend to be attracted to markets where the fundamental supports are more organic than purely policy measures."

Ultimately, investors shouldn't expect big gains next year, but there are still a number of places where Fidelity's managers are finding opportunities.

"There's more realism in the markets, but expectations should be tempered," he says. "Still, there are good buys, and we come in every day looking for them."

## Canadian government bonds still safest bet in developed world

ALLISON MCNEELY
Bloomberg News Dec. 30, 2015

Even with the country's economy struggling to rebound from recession, the Canadian government is still the safest bet in the developed world.

Canada's government bonds have posted the biggest return among nine developed countries this year, according to the Bank of America Merrill Lynch world government bond index, as its central bank twice cut rates to help an economy succumbing to slowing global growth.

The slowdown at home has put the country's top-rated government debt in something of a sweet spot. The central bank's rate cuts, and expectations for a third, bolster the value of existing bonds even as the country's dimming economic outlook remains brighter than that of much of the developed world, which is dealing with a downturn in China, turmoil in the Middle East and an existential crisis in the European Union.

"Canada's debt is a source of safety, a harbor, in a time of so much uncertainty in the broader sovereign-debt market," said Jonathan Lemco, a senior sovereign-debt analyst at Malvern, Penn.-based Vanguard Group Inc., which runs the world's biggest bond fund. "Canada's had a slowdown and unemployment's going up, but it's all relative."

Canadian government bonds returned 3.8 per cent to investors through Dec. 24, compared with an average weighted return of 1.1 per cent for the index. The $425.8-billion Canadian government-bond market outperformed other developed economies that saw their credit ratings cut this year, such as France and Japan, Mr. Lemco said.

"It's a byproduct of an economy that's obviously struggled and a bond market that has moved to reprice expectations on monetary policy," said Warren Lovely, a managing director and head of public-sector research and strategy at National Bank Financial in Toronto.

Odds that the Bank of Canada will cut the overnight lending rate from 0.5 per cent by May jumped to 35 per cent from 26.7 per cent after Statistics Canada said on Dec. 23 the Canadian economy stayed flat in October, missing the 0.2-per-cent growth median forecast in a Bloomberg survey.

Bank of Canada Governor Stephen Poloz has said he expects growth in other sectors to offset the slump in gross domestic product caused by the 29-per-cent year-to-date decline in the West Texas intermediate price of crude oil, Canada's biggest export until this year. Manufacturing, one of the industries expected to benefit from cheaper energy prices, fell 0.3 per cent in October.
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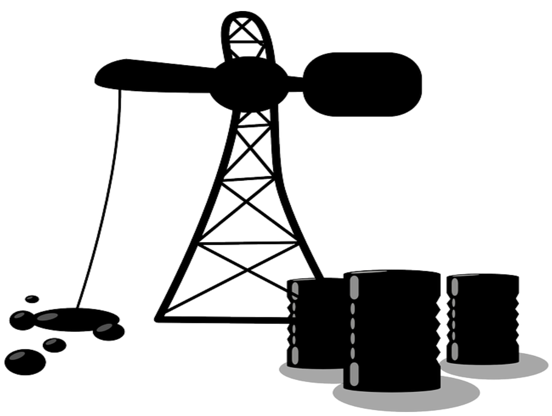
Continued from page 2

"Initially, we thought interest rates were going to go up, but then that view changed and suddenly now the Bank of Canada was cutting rates, and economic growth wasn't going to be nearly as robust as we thought," said Scott Gives, who manages $4.5-billion as a portfolio manager for SEI Investments Co. in Toronto. "That's a really favorable view for Canadian bonds."
The country's government bonds have been considered a haven for global investors since the 2008 financial crisis. Canada didn't have to provide the multibillion-dollar bailouts seen in other countries during the crisis and its banks are considered among the soundest in the world. Foreigners bought $10.2-billion of government securities in October.
Even as economic weakness persists due to Canada's vulnerability to commodity prices, and as the Bank of Canada may cut interest rates again, Mr. Lemco sees continued investor confidence in Canada relative to its global peers. "The Canadian debt market is in large part a reflection of the underlying Canadian economy," he said. "And although it has been weaker than in the past, as a commodity exporter, the Canadian economy is still performing somewhat better than those other credits."



## The oil crash is taking a heavy toll on Alberta and the worst is yet to come

Crime is rising, home prices are falling and food banks are overwhelmed in Calgary as job losses spread. And the worst isn't yet over in the heart of Canada's oil patch.

Some of the city's largest employers are poised to cut more jobs in 2016 as they reduce spending for a second straight year, adding to an estimated 40,000 oil and natural gas positions lost across the nation since the crude price rout began 18 months ago.

The largest 23 Canadian producers are set to spend 11 per cent less in 2016, a cut of about $3.61 billion. That includes reductions by Canadian Natural Resources Ltd., Imperial Oil Ltd. and Cenovus Energy Inc., according to company forecasts and analyst estimates compiled by Bloomberg. It follows a 32 per cent cut in 2015.

Calgary's unemployment rate rose to 6.9 per cent in November from 4.6 per cent a year earlier, Statistics Canada data show, as 21,100 more were put out of work. Home sales have fallen 21 per cent this year as the average price skidded 2.6 per cent, according to the Calgary Real Estate Board.

Brown Bagging for Calgary's Kids is providing 16 per cent more school lunches than in September — about 2,900 across 187 schools. The rise is unprecedented, said Tanya Koshowski, the group's executive director. Food bank use jumped 23 per cent in Alberta in the year ended March 2015, the country's biggest increase, according to Food Banks Canada.

There is a silver lining. Thanks in part to Canada's weaker currency, some sectors have been doing well, such as transportation, agriculture and tourism, and have been a source of employment for people previously working in energy, said Todd Hirsch, chief economist at ATB Financial. He predicted the oil industry will start recovering in the second half of 2016 as companies stop cutting jobs.

Blomberg.com

## Think groceries are expensive? Expect more sticker shock in 2016

If a trip to the grocery store seems expensive now, just wait till 2016.

Executives from grocery chains have warned there's no immediate relief in sight from increased food costs and a sinking loonie that have led to higher prices, and researchers suggest consumers will have to deal with more sticker shock in the year ahead.

The University of Guelph's Food Institute estimates the average Canadian household spent an additional $325 on food this year. On top of that, consumers should expect an additional annual increase of about $345 in 2016.

Since 81 per cent of all vegetables and fruit consumed in Canada are imported, they are highly vulnerable to currency fluctuations. They are pegged to increase in price by four to 4.5 per cent in the new year.

"It means that essentially families will have to spend more on these two items without many options, unfortunately," says Sylvain Charlebois, lead author of the university's sixth annual Food Price Report.

The study does note that meteorologists are calling for El Nino to be a "significant factor" in 2016, causing more rain in produce-producing parts of the U.S.

"We are expecting El Nino to have a positive impact on water scarcity in many areas in North America and in particular California, so agricultural output could increase," said Charlebois.

"But it won't offset the inflationary effects of the dollar."

Meat prices, which rose five per cent last year, are expected to increase up to another 4.5 per cent in 2016; fish and seafood

**Canada Pension Plan and Old Age Security benefit amounts effective January 1, 2016**

December 30, 2015 Gatineau, Quebec Employment and Social Development Canada
Employment and Social Development Canada today announced the benefit amounts for the Canada Pension Plan (CPP) and Old Age Security (OAS) effective January 1, 2016.

CPP benefits will increase by 1.2 percent for those already receiving CPP benefits. For 2016, the maximum CPP retirement benefit for new recipients age 65 will be $1,092.50 per month, an increase of $330 for the year compared to the 2015 maximum CPP retirement benefit.

The new CPP rates will be in effect until December 31, 2016. CPP benefits are revised once a year, in January, based on changes over the 12-month period (November 2014 to October 2015) in the Consumer Price Index (CPI), which is the cost-of-living measure used by Statistics Canada.

OAS benefits, which consist of the basic OAS pension, the Guaranteed Income Supplement (GIS) and the Allowances, will increase by 0.1 percent for the first quarter of 2016 (January to March). As of January 1, 2016, the basic OAS pension will increase from $569.95 to $570.52 per month.

OAS benefits are also based on the CPI, but are reviewed quarterly (in January, April, July and October) and revised as required to reflect increases in the cost of living as measured by the CPI. Although OAS and CPP benefits are not indexed at the same time, they are both adjusted with the cost of living over a given year.

**Top 10 tax resolutions to help you make the most of your money in 2016**

As we begin a new year, here are my top 10 tax resolutions for minimizing your tax burden and maximizing your financial position in 2016.

**1.** Contribute $5,500 to your TFSA for 2016. Last year’s TFSA dollar limit was $10,000 so if you didn’t maximize your 2015 contribution, you can still do that this year as well.

**2.** If you expect to be in a lower tax bracket when you retire than you are this year, consider making an RRSP contribution. While much of the focus over the next 60 days will be on the 2015 contribution deadline of Feb. 29, 2016, why not get a head start on your 2016 contribution. The RRSP limit for 2016 is the lesser of 18 per cent of 2015 earned income or $25,370.

**3.** If you’ve got kids under 18, be sure to contribute at least $2,500 to each child’s registered education savings plan (RESP) this year to take advantage of the $500 Canada Education Savings Grant. You may also be able to catch up on missed CESGs from prior years.

**4.** Consider opening up a registered disability savings plan (RDSP) for a family member with a disability. You can contribute up to $200,000 over the disabled beneficiary’s lifetime, which may be augmented by up to $90,000 in Canada Disability Savings Grants and Bonds.

**5.** Take advantage of the new “home accessibility tax credit.” If you’re a senior or a person with a disability (or family member who lives with them), you may be able to claim then new HATC credit, worth up to $1,500, which was announced in the 2015 federal budget, and starts in 2016. It’s a non-refundable credit that provides federal tax relief of 15 per cent on up to $10,000 of eligible expenditures per calendar year, per qualifying individual.

**6.** While income splitting for families, known formally as the Family Tax Cut, was eliminated for 2016, you may still be able to do some income splitting by taking advantage of the historically low prescribed rate. If you have a spouse, partner or kids in a lower tax bracket than you, consider a prescribed rate loan strategy whereby the higher-income spouse or partner loans funds to the lower-income spouse or partner to invest at the record low prescribed rate, which is at one per cent until at least March 31.

**7.** When planning your charitable giving for 2016, consider donating appreciated securities directly to your charity of choice and eliminating tax on any accrued capital gains.

**8.** If you’ve maximized your RRSP, TFSA and RESP contributions and have paid down all your debt, look into investing in a permanent life insurance policy. The tax rules are changing at the end of 2016, so now is the ideal time to purchase such a policy to maximize the tax sheltering available within these products.

**9.** Make sure your will is up to date. If you haven’t updated your will in some time, why not resolve to have it reviewed in 2016 to ensure that it still jives with you testamentary wishes.

**10.** Plan now to avoid a tax refund next spring. If you regularly get a large tax refund each spring, consider applying for a reduction of tax at source using CRA Form T1213. Unfortunately, this needs to be repeated annually.

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## How do I ensure I don't outlive my money?

Pattie Lovett-Reid, Chief Financial Commentator, CTV
Personal Finance

**ANALYSIS:** Without a doubt the most frequently asked question I get is, how will I know if I have enough to see me through retirement? This extreme market volatility has some with the luxury of time on their side saying they will ride out this turmoil, many may even decide to work a little longer, while it has others wondering how they lock in their retirement income to create some sort of annuity - or income for life.

While most Canadian retirees want guaranteed income for life, they are in the dark when it comes to an important retirement solution, according to a study by RBC. Ninety-four percent of Canadians aged 55 to 75 say they would like to have guaranteed income for life when they retire, but 61 percent say they don't understand what annuity is and how it might help.

Annuities can form an important component of a retirement plan because they provide guaranteed income for life that is protected from stock market volatility. Although the majority (58 percent) of respondents to the RBC survey indicated that they are worried about outliving their retirement savings, only 35 percent are exploring or considering annuities as part of their retirement plans.

Annuities often get a bad wrap as investors worry that when they pass so does their money to the insurance company and not their beneficiaries. There is also a belief this is not the best investment in a period of low interest rates. Locking up your money in a low interest rate environment could compromise your standard should inflation rear its ugly head and rates trend higher.

However, RBC points out it is important to remember annuities can provide payment guarantee options to your beneficiary. By choosing a guaranteed payment period of up to 25 years, your income stream will in fact transfer to your beneficiary if you pass away during the guarantee period.

When asked whether a statement was true or false here's how investors' knowledge stacked up -

1. Annuities can provide income for life.

True. Seventy percent of those surveyed answered correctly. Annuities provide an income stream that is guaranteed for life. That's a set amount of money each month or year for life.

2. Annuities can only be purchased from a licensed insurance advisor.

True. Only 40 percent of respondents answered correctly. It's always best to speak with your licensed insurance advisor to ensure you are purchasing the annuity solution that is right for your individual situation.

3. There are potential tax advantages to investing in an annuity.

True. Seventy-one percent answered correctly. When purchased with non-registered funds, the interest portion of your monthly payment is spread out evenly over the life of the annuity.

4. Annuities are not a good investment during low interest environments.

False. Canadians were evenly split on answering correctly. Generally, the interest rates that influence annuity payouts are long-term rates, which mean they are typically higher than one-to five-year rates that investors may be focused on. It is important to note that interest rates are only one factor that influence annuity payouts.

Other factors influencing your payout include

**Current interest rates**

If interest rates are high when you buy your annuity, your annuity payments will be higher than if interest rates were low. That's because the financial institution predicts it can earn more by investing your money.

**The amount you deposit**

The more money you put into your annuity, the more you get back as income.

**Your age**

The older you are when you buy the annuity, the higher your annuity payments will be. That's because you're not expected to live as long.

**Your gender**

Women get less money than men of the same age because they are expected to live longer.

**The length of time the payments are guaranteed**

You choose the number of years you receive payments with a term-certain annuity. The shorter the term, the higher the payments. If you have a life annuity, you can arrange for your annuity payments to continue to your spouse, your dependent children, or your estate after you die. The longer you want payments to continue after your death, the less you get each month while you're alive.

**The options you add**

You get the highest income with a basic annuity that covers only you. Any **options** you add (like a joint-and-last survivor option) will lower the amount of your payments. That's because these extras increase the costs to the insurance company.

The bottom line: Ultimately when you reach 71 years of age and it's time to wind down your RRSP you basically have 3 options, take cash, which given the tax consequences makes little sense, purchase a RRIF or buy an annuity. I think you owe it to yourself to at least explore the option.

*For further information on annuities please contact our office.*

## Protection from market volatility?

CI Investments' G5|20 and G5|20i Series

G5|20 Series, part of CI Guaranteed Retirement Cash Flow Series, offers: 5% guaranteed cash flow for 20 years, backed by Bank of Montreal. The Guaranteed Asset Value is reviewed periodically to lock in a portion of market gains to increase the guaranteed cash flow.

Flexible investment mandate provides downside protection in bear markets and takes advantage of opportunities in bull markets.

A low volatility investment strategy by a dedicated risk manager.

Tax-efficient cash flows for non-registered accounts.

The simplicity and liquidity of a mutual fund.

Automatic locking in of a portion of market gains.

G5|20i – for investors who require cash flow now.

For further information please contact out office.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Except as described below, mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Bank of Montreal guarantees that, following the five-year Accumulation Phase of the fund, an amount equal to the greater of the net asset value per unit or the original amount you paid for the unit will be paid back to you over a 20-year period in equal monthly installments. This guarantee does not apply to units redeemed before the end of that period. You will receive the net asset value per unit for any unit redeemed early. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer.

## Travel insurance

**Government of Canada**

If you plan to go abroad, even on a day trip to the United States, you should purchase the best travel insurance you can afford before you leave Canada. Your travel insurance should include health, life and disability coverage that will help you avoid large expenses, such as the cost of hospitalization or medical treatment outside Canada. If you are flying, being insured for flight cancellation, trip interruption, lost luggage and document replacement will save you from major disruptions and additional costs. If you are travelling by car, make sure you have driver and vehicle coverage in case you have an accident abroad.

You can purchase travel insurance through your travel agent, insurance broker or your employer's insurance provider. Your credit card company may also offer travel and health insurance. Regardless of how you obtain travel insurance, it is very important that you understand the eligibility requirements, terms and conditions, limitations, restrictions and exclusions of the policy.

### Why you need travel insurance

Your Canadian insurance is almost certainly not valid outside Canada. Your provincial or territorial health plan may cover nothing or only a very small portion of the costs if you get sick or are injured while abroad. For more information, contact your provincial or territorial health authority. Hospitals and clinics in some countries have been known to refuse to treat patients who become ill or who have had an accident and who do not have adequate travel health insurance or the money to pay their bills. You could face years of debt paying off the costs of treatment for an illness or accident you suffered abroad. The Government of Canada will not pay your medical bills.

*For more information on Travel Insurance please contact our office.*

## Insurance rates

For those of you who are looking for life insurance that is available through our office, here are some recent quotes. Monthly premiums, non smoker, 10 year term. Rates effective Jan. 9,2016

***All rates subject to change.***

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| Age | 30 | 40 | 50 | 30 | 40 | 50 |
| 100K | $10.98 | 11.70 | 21.24 | 9.00 | 11.43 | 15.84 |
| 250K | $15.53 | 19.35 | 41.04 | 11.93 | 16.20 | 30.38 |

## Office News

If you have any family or friends that would like a second opinion of their portfolio, or need advice or have questions on retirement planning, insurance products, or other financial products, please let us know and we would be happy to meet with them. We would like to thank all of our clients for helping to make our business a continued success.

## What Products Do We Offer?

Mutual Funds

Banking Products: GICs*, Savings Accounts, Mortgage Referrals

RRSPs, RRIFs, RESPs, LIFs, TFSAs

Non-Registered Investments

Guaranteed Income Products*

Segregated Funds *

Cancer Insurance *

Disability Insurance *

Term Life Insurance*

Universal Life Insurance *

Extended Health Plans *

Critical Illness Insurance *

Travel Insurance *

Investment Planning

Retirement & Estate Planning

Pension Plan Analysis

Referrals to Accounting, Mortgage and Legal Professionals

Mutual funds products are offered through Investia Financial Services Inc.

*Insurance products provided through multiple insurance carriers. *Segregated funds products are offered through Investia Financial Services Inc. and/or multiple carriers.*

*Guaranteed Investment Certificates (GICs) are offered through Investia Financial Services Inc. and/or multiple carriers.*

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Three old guys are out walking.. First one says,
'Windy, isn't it?' Second one says, 'No, it's Thursday!'
Third one says, 'So am I. Let's go get a beer.'

I was out walking with my 4-year-old granddaughter.
She picked up something off the ground and started to put it in her mouth.
I took the item away from her and I asked her not to do that.
"Why?" my granddaughter asked.
"Because it's been on the ground. You don't know where it's been, it's dirty, and probably has germs," I replied.
At this point, my granddaughter looked at me with total admiration and asked, "Grandma, how do you know all this stuff?
“You are so smart.”
I was thinking quickly, "All Grandmas know this stuff. It's on the Grandma Test. You have to know it, or they don't let you be a Grandma."
We walked along in silence for 2 or 3 minutes, but she was evidently pondering this new information.
"Oh...I get it!" she beamed, "So if you don't pass the test, you have to be the Grandpa."
"Exactly," I replied.

Three sisters, ages 92, 94 and 96, live in a house together.
One night the 96-year-old draws a bath.
She puts her foot in and pauses.
She yells to the other sisters,
"Was I getting in or out of the bath?"
The 94-year-old yells back,
"I don't know. I'll come up and see."
She starts up the stairs and pauses "Was I going up the stairs or down?"
The 92-year-old is sitting at the kitchen table having tea listening to her sisters.
She shakes her head and says,
"I sure hope I never get that forgetful, knock on wood."
She then yells, "I'll come up and help both of you as soon as I see who's at the door."

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Morris, an 82 year-old man, went to the doctor to get a physical.
A few days later, the doctor saw Morris walking down the street with a gorgeous young woman on his arm.
A couple of days later, the doctor spoke to Morris and said,
"You're really doing great, aren't you?"
Morris replied, "Just doing what you said, Doc: 'Get a hot mamma and be cheerful."
The doctor said, "I didn't say that. I said, 'You've got a heart murmur; be careful."

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