LIFE CYCLE FINANCIAL

iA Investia Financial Services Inc.

Happy New Year. We hope everyone had a wonderful holiday season.
December 31, 2016

Market News

TSX slips in broad year-end retreat

Canadian stocks slipped in a muted conclusion to a year that saw the S&P/TSX Composite Index rally more than any other developed market.

Canadian equities rose 18 per cent in 2016, the biggest increase since 2009. The index now sits less than 3 per cent from a record reached in September 2014. The S&P/TSX's world-beating advance marks a reversal for the index, which slipped 11 per cent in 2015 for its worst annual decline since 2008.

Looking ahead to 2017, the question becomes whether the torrid climb has left valuations overextended. To analysts like David Rosenberg of Gluskin Sheff & Associates Inc., elevated stock prices mean investors must be more selective about which industries to own.

Materials stocks were the best performers in the S&P/TSX in 2016, surging 39 per cent. They benefited from gains of 8.6 per cent and 17 per cent in gold and copper, respectively.

Energy shares in the S&P/TSX were the second-best performers in the group, up 31 per cent. They tracked a 45-per-cent gain in the price of crude oil, which had plunged 62 per cent over the prior two years.

The U.S. dollar logged its fourth straight year of gains against a basket of major currencies, while oil prices notched up their biggest annual gain since 2009.

Global markets have fared surprisingly well in a year marked by major political shocks, including June's vote for Britain to leave the European Union and the unexpected election of Donald Trump as U.S. president in November.

MSCI's world index, which tracks shares in 46 countries, rose 5.6 per cent for the year, its best performance in three years.

The dollar index, which measures the greenback against a basket of six major rivals, gained about 3.7 per cent for the year, even as the euro briefly climbed nearly two full cents in overnight trading to $1.0651, its highest since Dec. 14.

The dollar has rallied hard since the Nov. 8 U.S. presidential election on expectations that President-elect Donald Trump's plan to boost fiscal stimulus would benefit the currency. A faster projected pace of rate hikes from the Federal Reserve next year also helped the rally.

Still, doubts linger about how much dollar appreciation a Trump White House will tolerate.

"Much depends on how the Trump presidency and the Chinese economy work out," said Marshall Gittler, chief market analyst for retail broker FX Primus.

Oil prices settled little changed on Friday but attained their biggest annual gain in seven years after OPEC and other major producers agreed to cut output to reduce a global supply overhang that has depressed prices for two years. Brent rose 52 per cent this year and WTI climbed around 45 per cent.

Precious metals had a strong year, with gold rising 8.5 per cent, snapping a three year losing streak. Palladium was the best performer, up more than 21 per cent in 2016.

Globe and Mail

Outlook 2017: Economic recovery across markets

John Greenwood - Chief Economist, Invesco Ltd.

Over the past several years, both the developed and emerging worlds have been responding to the long shadow of the great recession of 2008 and 2009, and the cycles in each area have diverged.

The recovery of the developed economies has been hampered by two factors: the slow process of balance sheet repair, especially among the banks, and the differing consequences of the implementation of quantitative easing (QE). These factors have combined to create sub-par growth, an agonizingly slow return to full employment, low wage growth and fractious electorates.

By contrast, the emerging economies implemented strong stimulus programs between 2008 and 2010. These proved so successful that some economies, including China, Brazil and Russia, had to reverse course and slam on the brakes in 2011 and 2012. As a result, between 2014 and 2016, they too experienced economic slowdowns, recessions, currency weakness and the pain of debt workouts.

For both developed and emerging economies, the outlook for 2017 will be closely correlated to how these differing problems are addressed.

Developed economies

In the U.S., Donald Trump will assume the presidency on January 20, 2017, with Republican control of both houses of Congress. He has proposed a range of fiscal stimulus measures, including personal and corporate income tax cuts and numerous infrastructure spending programs, designed to boost growth and encourage the repatriation of capital held abroad. In addition, he plans to reform the Affordable Care Act (ending the incentive to employ workers for only 29 hours per week), lift the restrictions on energy production (liberating shale oil, natural gas and clean coal) and revise the Dodd -Frank Act on banking regulation. Astonishingly, he aims to achieve a growth rate of “at least 3.5% and as high as 4%.”

Despite some savings that could come from reducing regulatory burdens and canceling U.S. contributions to UN climate change schemes, the U.S. fiscal deficit seems likely to widen – as it did under President Ronald Reagan. Beyond harvesting such savings, fiscal deficits can only be financed by taxation, by borrowing or by the creation of new money and credit (as seen with China’s fiscal stimulus from 2008 to 2010). Since taxation is automatically excluded, and the U.S. Federal Reserve will not cooperate in the unwarranted printing of money (it is expected to raise rates in December 2016, and probably two or three times more in 2017), borrowing becomes the only means of financing these deficits. Immediately following the election result, bond yields have risen, inflation expectations are increasing and the dollar has strengthened.

Abroad, Mr. Trump has said he will renegotiate the North American Free Trade Agreement (NAFTA), withdraw from the Trans-Pacific Partnership (TPP) and impose substantial tariffs on “currency manipulators” to stop the inflow of illegally subsidized steel and other key industrial materials at below-market prices. He also plans to discourage U.S. companies from offshoring jobs. In doing so, he aims to restore employment in manufacturing, mining, logging, steel, and other heavy industries.

Mr. Trump’s program is aimed at rebuilding the core strengths of the American economy by giving a strong boost to the health of U.S. businesses and households. I expect real (GDP) growth to improve to 2.5%, and CPI inflation to reach 2.1% in 2017.

In Europe the outlook is much less favorable. The slow progress of bank resolution, the weakness of the European Central Bank’s (ECB) QE program and the consequent descent into negative interest rates are among the headwinds holding back economic recovery. Unemployment across the continent has remained at double-digit levels, and income growth is anemic. As a result, disruptive populist and xenophobic political movements have mushroomed on the left and on the right. With conventional center-right or center-left governments in Italy, Holland, France and Germany facing referenda or elections over the next year, the risk of further disruptive political changes is significant. At some stage, one or more of these electorates could overwhelm the governing elites, posing an existential threat to the established order – the European Union (EU) or even the Eurozone. Real GDP growth is likely to remain around 1.5% at best, with inflation falling far short of the ECB’s target of “close to but below 2%,” in my view.

The British economy had been doing relatively well by comparison, conforming to the U.S. model of gradual balance sheet repair, assisted by injections of QE-based money creation. Real GDP growth had averaged 2.3% since 2013, and – unlike we’ve seen in the Eurozone – deflation has not been an issue. However, the Brexit vote in June 2016 has threatened the U.K. with the loss of tariff-free access to the EU market, declines in foreign direct investment and a potentially major blow to London’s status as the financial capital of Europe. So far the brunt of the fallout has been reflected in the 14% decline in the trade-weighted index of sterling, but when the formal negotiations with the EU begin after March 2017, the currency could easily fall further. Such falls would raise imported prices and be passed through to the CPI, undermining real wage growth. Since U.K. consumer spending comprises 65% of GDP, the reduction in economic growth would be significant. I expect 1.4% growth and 2.5% CPI inflation.

In Japan, as in the Eurozone, balance sheet repair among the banks and structural reforms has lagged, while the impact of “qualitative and quantitative easing” (QQE) has been much less than anticipated. Consequently, growth has been weak, and renewed deflation has been a persistent problem. The economic policies of Prime Minister Shinzo Abe, known as “Abenomics,” have not lived up to their promise, leaving the prospects for 2017 little better than for 2016. I expect 0.7% real GDP growth and broadly flat consumer prices.

Emerging economies

Among the emerging markets (EM), excess credit creation and over-leveraging between 2008 and 2010 required a corrective process from 2013 to 2015, especially in Brazil, Russia, India and China. In 2016, that phase appears to have reached an end, as evidenced by the bottoming out and the start of a modest upswing in commodity prices in the first half of the year, together with renewed capital inflows into EM economies. However, China is a major exception, having embarked on another episode of credit expansion from the start of 2014. Since China is by far the largest EM, and the largest buyer of commodities on world markets, the renewed surge in credit growth could yet cause another episode of inflation for China. This would not only derail China's adjustment to a more consumption-led growth model, but it would also have serious knock-on effects on other emerging markets, especially commodity producers and China's neighboring East Asian economies.

So far, the excess credit growth in China appears to have been largely contained within the financial and government sectors, but there are worrying signs that the credit explosion is starting to leak out into the broader economy. First, there have been a series of mini-bubbles in equities (2014 and 2015), housing and commodities (e.g., in soybean meal, PVC, iron ore, coking coal and steel futures). Second, the large, industrial, state-owned enterprises (SOEs) have seen a notable uptick in growth and profits. Finally, producer prices, which had been falling for four consecutive years, started rising again in October. The sooner the Chinese authorities address these issues, the less damage the economy and employment will incur, but further delays will exacerbate the adjustment when it finally occurs. Exactly how the Chinese authorities deal with the problem in 2017 (either by repression and direct controls or by restricting credit and allowing market forces to transmit the required adjustments) is one of the big unknowns for 2017.

Serendipitous Jobs, Trade Data Help Canada Shake Off Doldrums

Canada is turning the page on the oil crash.

From trade numbers to jobs to the stock market, evidence is beginning to mount the commodity producing nation is emerging from a lingering slump, after struggling through a cocktail of hurt that included collapsing oil prices, slow global growth and an aging population.

Data released Friday showed the country recorded its best half-year of job gains since 2007. The merchandise trade deficit, which two months ago widened to a record, swung to a surplus in November for the first time in 26 months.

The report adds to signs "the worst is over for the Canadian economy," Avery Shenfeld, chief economist at Canadian Imperial Bank of Commerce, said by phone from Toronto.

It's been a tough couple of years.

The most important business stories of the day.

Oil and gas company investment spending was on pace to drop by 60 percent between 2014 and the end of last year, the Bank of Canada said in its October policy report. The country is struggling to emerge from a 15 years slump I exports — among the worst track records anywhere. Slumping commodity process and lost expert capacity has cut income by C$90 billion ($68 billion) annually, Poloz said in a Nov.28 speech, or about 4.5 percent of gross domestic product.

The merchandise trade balance swung to a C$526 million ($397 million) surplus as exports rose 4.3 percent, rebounding from a record C$4.25 billion defcit two months earlier.

Canada's stock market was the world's best performer last year among developed countries.

Growth may move towards 2 percent for the full year after a 1.3 percent gain in 2016, says Craig Alexander, chief economist at the Conference Board of Canada in Ottawa. That could come even with global risks including U.S. protectionism and slow growth in China.

"These strong reports in late 2016 set the stage for the Canadian economy to deliver a better performance in 2017". He said. "As we proceed through 2017, we're going to find that the tide shifts" that jobs are created in the natural resources sector because the industry is adjusting to the new reality."

Erik Hertzberg/Bloomberg

B.C. expects strong 2017 after leading the country in retail sales growth

The Canadian Press

Published Wednesday, December 28, 2016 4:12PM EST

VICTORIA -- The British Columbia government predicts 2017 will be another strong year for retail sales in the province.

A news release from the province says new figures from Statistics Canada point to a 6.6 per cent increase in year-to-date retail sales, compared with 2015.

The province says seasonally adjusted, year-to-date retail sales to October hit $62.2 billion, an increase of $3.9 billion compared with the year earlier.

Those figures put B.C. at the head of the pack for retail sales growth over the first 10 months of 2015, well ahead of the national average of 3.8 per cent.

Provincial officials also point to Conference Board of Canada forecasts showing retail sales in B.C. will jump 3.9 per cent in 2017, ahead of the 2.7 per cent increase expected across the country

The Ministry of Jobs, Tourism and Skills Training says 10 per cent of small businesses in B.C., are in the retail and wholesale trade sector, and the industry accounts for more than one-tenth of all jobs across the province.

Canadians face some tax changes in the new year after a busy 2016

Ross Marowits, The Canadian Press Published Wednesday, December 28, 2016

MONTREAL -- Canadians will ring in the new year with a number of tax changes that will affect the bottom line of federal and provincial governments. Here's a look at some of them:

Nationally:

The federal government is ending four child tax credits this year: arts, fitness, education and textbooks in 2017. Parents of children under the age of 16 can pre-pay 2017 arts and fitness programs to claim them on 2016 tax returns as long as total spending for 2016 does not exceed $250 and $500 limits, respectively.

It is also cancelling income splitting for families, a tax reduction measure that allowed someone to transfer up to $50,000 of income to a spouse with lower income if they had a child under 18 years of age. The tax credit for income splitting was capped at $2,000.

Offsetting those changes are the Canada Child Benefit and changes to Employment Insurance benefits introduced in 2016.

"High income earners in most provinces will pay more but for the majority of Canadians, these two changes will mean more money in their pockets," Canadian Taxpayers Federation federal director Aaron Wudrick said Wednesday in a news release.

Several other changes at the federal level will affect life insurance, business owners selling their companies and some mutual funds.

Under changes enacted by the previous government, the tax treatment of universal life insurance policies will be less favorable starting Jan. 1. New policy holders will see a decrease in their ability to build up investment gains above death benefit premiums on a tax-free basis.

The new formula for calculating insurance will make policies a little more expensive or reduce death benefits, says Jason Safar, a PricewaterhouseCoopers partner specializing in personal taxes.

Business owners, large and small, will gain less from the sale of their operations as assets such as goodwill and trademarks will become fully taxable as investment income. Currently, half of the proceeds can be distributed tax-free as a dividend.

Investors will also no longer be able to rebalance their non-registered mutual fund investments in corporations structured as "switch funds" on a tax-deferred basis. As of the new year, capital gains from such moves will be taxed in the same way as equities.

Provincially:

Cash-strapped Newfoundland and Labrador is the only province hiking its income tax rates next year, the second time it's doing so in six months. Rates in all tax brackets will rise, with those earning between about $35,000 and $70,300 paying 14.5 per cent, up one percentage point from July and two points from 2015. The province is also raising entry fees into provincial parks and campsites.

Quebec is bidding adieu two years early to controversial health premiums introduced in mid 2010.

Ontarians will get an eight-per-cent rebate on rising hydro bills and see the maximum total cost of borrowing for a payday loan lowered to $18 per $100 borrowed from $21 per $100.

The province is also doubling the first-time homebuyers' maximum land transfer tax refund to $4,000 and is introducing its carbon cap and trade system.

British Columbia is scrapping medical services plan premiums for children and young adults attending school.

Alberta is reducing its small business corporate income tax rate from three per cent to two per cent. It is also introducing a carbon tax on the purchase of fossil fuels, offset with a rebate for low- and middle-income earners.

The federal government and provinces have already mostly implemented tax changes announced in their 2016 budgets.

"There are a few changes that are unique for 2017 but the average Canadian is not going to see much difference between 2016 and 2017," said Jamie Golombek, managing director of tax and estate planning for CIBC Wealth Advisory Services.

Jason Safar, of PricewaterhouseCoopers, said more changes are possible in 2017. He said the federal government could eliminate more tax credits and could feel pressure from possible personal and corporate tax cuts in the United States.

"I do find it interesting to consider that given (Donald) Trump's election in the U.S. and the promise of lower tax rates in the U.S., what is going to happen with Canadian tax rates?" Safar said.

Finally, various tax amounts -- including maximum RRSP contributions, tax brackets and maximum amounts of various credits -- will increase in 2017 to reflect inflation but the tax-free savings account limit remains at $5,500.

Pattie Lovett-Reid: 5 tax resolutions for 2017

By Pattie Lovett-Reid

Every year, I try to sit down with tax expert Jamie Golombek, simply because if you follow his advice, you will have more money left in your pocket and less money paid to the government. This year was no exception.

Here are Jamie Golombek's top five tax resolutions to help you minimize your tax burden and maximize your financial position in 2017 and beyond:

1. Contribute $5,500 to your TFSA for 2017

Last year's TFSA dollar limit was also $5,500 so if you didn't maximize their 2016 contributions, you can still do so this year or in any future year. If you were 18 years old in 2009 – the total cumulative contribution amount in 2017 is now $52,000.

2. Contribute to your RRSP for the 2017 tax year

If you expect to be in a lower tax bracket when you retire than you are in this year, consider making an RRSP contribution. While much of the focus over the next 60 days will be on the 2016 contribution deadline of March 1, 2017, why not get a head start on your 2017 contribution. The RRSP limit for 2017 is the lesser of 18 per cent of 2016 earned income or $26,010.

3. Contribute at least $2,500 to each child's RESP to receive a $500 CESG

If you have children, 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. Avoid a huge tax refund next spring

Plan now to avoid a tax refund next spring. If you regularly get a large tax refund each spring, consider applying now for a reduction of tax at source using CRA Form T1213, which must be completed new each calendar year. The increased cash flow can be redirected directly into your RRSP, TFSA or RESP.

5. Update your will and pledge to review it annually

Make sure you have updated wills to take into account any changes in your personal, family or financial circumstances. You should pledge to make it a priority to review your will in

Travel Plans

Travel insurance

If you plan to go abroad this winter, 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 an insurance broker or your travel agent. 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.

As insurance brokers, travel insurance can be purchased through our office. Please contact us for more information.

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, 2017

All rates subject to change.

Male				Female		
Age	30	40	50	30	40	50
100K $	10.21	12.33	23.04	8.05	11.21	17.28
250K $	15.53	20.70	45.90	12.15	16.88	33.52

Year end tax slips

Please note that 2016 tax receipts from some fund companies may be mailed to you in the same envelope as their year-end statements.

Office News

Thank you for your understanding regarding our cancellation of the open house due to sickness. We will be rescheduling for this summer and will advise the date. We have welcomed a new staff member to our team Angie Patrick. You will be hearing her voice when she contacts you for an appointment and will meet her in person, the next time you visit our office. 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.

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1st Grader Answers

A first grade teacher had twenty-five students in her Clarkston, MI class. She presented each child in her class the first half of a well known proverb and asked them to come up with the remainder of the proverb. It's hard to believe these were actually done by first graders. Their insight may surprise you. While reading, keep in mind that these are just 6-year-olds, because the last one is classic... although sad to see it said!

1. Don't change horses........................... until they stop.
2. Strike while the................................. bug is close.
3. It's always darkest before................... Daylight Saving Time.
4. Never underestimate the power of..... termites.
5. You can lead a horse to water but....... how?
6. Don't bite the hand that..................... looks dirty.
7. No news is... impossible.
8. A miss is as good as a......................... Mister.
9. You can't teach an old dog new.......... math.
10. If you lie down with dogs, you'll........ stink in the morning.
11. Love all, trust.................................... me.
12. The pen is mightier than the............. pigs.
13. An idle mind is................................. the best way to relax.
14. Where there's smoke there's............ pollution.
15. Happy the bride who.........................gets all the presents.
16. A penny saved is............................... not much.
17. Two's company, three's..................... the Musketeers
18. Don't put off till tomorrow what....... you put on to go to bed.
19. Laugh and the whole world laughs with you, cry and............................. you have to blow your nose.
20. There are none so blind as................ Stevie Wonder.
21. Children should be seen and not....... spanked or grounded.
22. If at first you don't succeed.............. get new batteries.
23. You get out of something only what you.. see in the picture on the box.
24. When the blind lead the blind........... get out of the way.

And the WINNER is... the last one...

25. Better late than............................... pregnant.