



Quarterly Newsletter December 31, 2017

Happy New Year.

Market Focus

IA Clarington 2018 market outlook

look back at 2017 and ahead to 2018



A very strong economic story unfolded in 2017: the global economy finally posted synchronized growth. Indeed, for the first time in more than 10 years, all 35 Organisation for Economic Co-operation and Development (OECD) countries trended upward. China has continued its major structural reforms, putting its economy on a more sustainable path for growth. Despite some uncertainty stemming from the 2016 Brexit vote, economic activity has accelerated in the European Union. We believe that the outcome of the French election in the spring of 2017 was a game changer, as it helped dispel concerns of a possible breakup of the Eurozone.

Looking ahead, overseas economic activity should remain quite strong, since a few major central banks, mainly the European Central Bank and the Bank of Japan, continue to maintain a very accommodative stance.

Despite the initial shock of Donald Trump's unexpected election victory, the U.S. economy's momentum has remained strong, spurred on by surging business confidence in a pro-growth agenda that includes deregulation and potential tax cuts. The current absence of inflationary and wage pressures should allow the U.S. Federal Reserve to proceed with an orderly normalization of its monetary policy, ensuring a prolonged U.S. business cycle.

The Canadian economy thrived in 2017, growing faster than its counterpart south of the border. Not only is job creation on the rise, but capital spending has improved, mainly driven by a rebound in the energy sector. As an indication of its resilience, the Canadian economy shifted from last place within the G7 in 2015 to first place in 2017. Despite some uncertainties related to the North American Free Trade Agreement (NAFTA), we believe that Canada will continue to post above-average growth for some time to come, given its accommodative monetary and fiscal policies, as well as strong migration inflows.

Markets expect the Fed to raise interest rates two or three times in 2018, and the Bank of Canada to follow suit with one or two rate hikes starting around mid-2018. As long-term yields seem well anchored around current levels, we could see further flattening of the yield curve next year.

Finally, volatility was remarkably low in 2017. The elevated valuations we currently see for most asset classes lead us to expect muted returns for next year, along with a return to higher volatility. The year ahead should be a good year for active management.

– Clément Gignac

Senior Vice President & Chief Economist, iA Financial Group Portfolio Manager, Industrial Alliance Investment Management Inc.

Ten year-end facts Canadians need to know-Fraser Institute

As we end 2017, here are 10 year-end facts Canadians should understand and consider as we enter 2018:

- The total tax bill for the average Canadian family will exceed \$35,000 in 2017, or 42.5 per cent of their income—more than what the average family spends on housing, food and clothing combined.
- While the federal government has claimed it “cut taxes for middle-class Canadians everywhere,” the reality is that 81 per cent of middle-class families in Canada are paying higher federal income taxes under the government’s personal income tax changes—on average, \$840 more a year.
- More than 60 per cent of lower-income families (those in the bottom 20 per cent of earners) in Canada now pay higher federal income taxes because of the federal government’s tax changes.
- And that does not include the impact of the federal carbon tax mandate, the coming CPP payroll tax increase, the lowering of tax-free savings account contribution limits, or the proposed changes to the tax treatment of incorporated small businesses.
- Canada’s high and increasing personal income tax rates on its best and brightest workers have made the country uncompetitive compared to other developed countries. The federal government increased the top federal tax rate to 33 per cent from 29 per cent, and increases to top provincial rates have been made in Ontario, Alberta, British Columbia and other provinces. Seven of our 10 provinces now have a top combined federal-provincial rate above 50 per cent.
- The top 20 per cent of income-earners in Canada—families with an annual income greater than \$186,875— will pay 64 percent of all personal income taxes and 56 percent of all taxes (i.e. income, payroll taxes, sales taxes and property taxes, etc.).
- As if this isn’t enough, the federal government has failed to achieve its election promise to run \$10 billion deficits in its first two years and thereafter balance the budget. Instead, since coming into office, it has run deficits of \$18 billion in 2016 and \$20 billion this year, additional deficits of almost \$80 billion are forecast over the next five years. There’s no immediate plan to balance the budget.
- Large annual deficits mean government debt in Canada is ballooning. Federal net debt increased to \$727 billion in 2016-17 with provincial net debt collectively at \$633 billion. All told, federal and provincial debt currently stands at \$1.4 trillion and has increased by more than 60 per cent in the past decade.
- Prime Minister Trudeau is on track to increase per-person federal debt more than any other prime minister in Canadian history who didn’t face a world war or economic recession.
- The federal government has claimed deficit spending will help grow the economy through expenditures such as the promised \$100 billion in infrastructure investment over the next 10 years. But only \$6.6 billion of that will be spent in 2017 (only about a third of the \$20 billion deficit), and less than 11 per cent of the \$100 billion will be spent on projects that have the potential to strengthen the economy.

As we close off 2017 and look forward to 2018, let’s hope we see a refocus on policies that will actually improve the economy and lives of Canadians.



Canada adds 79,000 jobs in December, pushing jobless rate to lowest level since 1976

By Pete Evans, [CBC News](#)

Canada added 79,000 jobs last month, blowing past expectations and pushing the jobless rate to its lowest level since 1976.

The jobless rate was pushed down two-tenths of a percentage point to 5.7 per cent, Statistics Canada reported Friday. That's the lowest on record since comparable data became available 42 years ago.

Economists polled by Bloomberg were expecting a flat showing, with about 2,000 jobs added. Every province added jobs during the month, but more than half of the new jobs came in Alberta and Quebec, with each adding more than 26,000 jobs.

"Quebec was probably the most compelling story throughout the year, with job growth running strong and the unemployment rate plunging to a record low [of 4.9 per cent]," Bank of Montreal economist Robert Kavcic noted in a report to clients.

The loonie jumped on Friday's news, gaining almost three-quarters of a cent to change hands at 80.74 cents US shortly after the numbers came out at 8:30 a.m. eastern time. The strength of the report also prompted investors to peg the odds of a rate hike from the Bank of Canada this month at about 70 per cent. Before the jobs report, a hike was being given less than 50/50 odds.

December's numbers bring a close to the data for 2017 as a whole, which ended up being Canada's best year for jobs since 2002, with 423,000 jobs added.

Most of the jobs added in December were part time, but for the year as a whole, the vast majority — 394,000 — were full time.

Scotiabank economist Derek Holt called the numbers "another ridiculously strong employment report that is marked by over 150,000 new jobs in two months," singling out strength in both full-time work and also private sector jobs.

"The job market is absolutely booming north of the border," Holt told his American readers.

MSP rates halved next year

BC Finance Minister Carol James

Medical Service Plan premiums are being cut in half on January 1, as originally announced by the previous BC Liberal government.

On top of the 50 per cent rate cut, the income threshold for full exemption from MSP premiums will be raised by \$2,000.

"MSP premiums are unfair and place a significant burden on British Columbians," Finance Minister Carole James said. "I'm proud that we are moving away from these regressive fees and creating a more equitable system by eliminating MSP premiums entirely within four years."

The NDP government has created a task force to determine the best way to replace the revenue from eventually completely eliminating MSP premiums. The task force will submit its report to government at the end of March.

As of January 1:

- * An individual earning up to \$26,000 per year will pay no premiums.
- * A couple earning up to \$29,000 per year will pay no premiums.
- * A senior couple earning up to \$35,000 per year will pay no premiums.
- * A single parent with two children earning up to \$32,000 per year will pay no premiums.
- * A couple with two children earning up to \$35,000 per year will pay no premiums.

Personal Investor: TFSA total contribution room increases another \$5,500 in 2018 Dale Jackson BNN

Canadian adults can contribute another \$5,500 to their tax free savings accounts in 2018.

For the 10 per cent of TFSA holders who regularly contribute the maximum amount that might be disappointing considering the former Conservative government capped the allowable amount at \$10,000 before the Liberals pulled it back.

For the 90 per cent of TFSA holders who don't max out their TFSAs, it's more opportunity to invest in just about anything – stocks, bonds, mutual funds, ETFs, and even options. Gains on those investments are never taxed and funds can be withdrawn at any time.

The total contribution limit since the TFSA was launched in 2009 will be \$57,500 in the new year. If you turned 18 after 2009 contribution space has been accumulating from that year forward.

Here's a chart of how TFSA contribution room has accumulated:



TFSA CONTRIBUTION LIMITS		
TAX FREE SAVINGS ACCOUNT LIMITS		
Year	Annual limit	Total limit
2009-12	\$5,000	\$20,000
2013-2014	\$5,500	\$31,000
2015	\$10,000	\$41,000
2016-2017	\$5,500	\$52,000
2018	\$5,500	\$57,500

If you make withdrawals, you can regain the contribution space in the following calendar year. All that money coming and going might make it difficult to keep track and over-contributions could result in a penalty.

To find your contribution allowance, check your 2016 tax return statement from the Canada Revenue Agency or your personal CRA account.

One important note: the CRA only tracks TFSA contributions up to the preceding calendar year, so contributions will only be included up to the end of 2016. That means 2017 contributions are not included, and you must add them yourself.

GIC's

Looking for the best GIC rates. We are agents for several financial institutions that offer GIC's. There posted rates are usually better than banks. Please contact us for more info.

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. 5, 2018

All rates subject to change.

Age	<u>Male</u>			<u>Female</u>		
	30	40	50	30	40	50
100K \$	10.21	12.33	23.04	8.05	11.21	17.28
250K \$	15.07	20.48	45.45	11.70	16.65	32.62

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 are not guaranteed, their values change frequently and past performance may not be repeated. Please read the applicable Fund Fact Sheet before investing. [Mutual fund 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.

All information is for general information purposes only and is not intended to provide legal, accounting, tax or personalized financial advice. Please speak to your own advisor concerning your personal situation.

“To unsubscribe from receiving commercial electronic messages from Investia Financial Services Inc., click [here](#).”

A. A. A. D. D. - Classic Retirement Syndrome



Recently, I was diagnosed with A. A. A. D. D. - Age Activated Attention Deficit Disorder.

This is how it manifests itself:

I decide to water my garden.

As I turn on the hose in the driveway, I look over at my car and decide my car needs washing.

As I start toward the garage, I notice that there is mail on the porch table that I brought up from the mail box earlier.

I decide to go through the mail before I wash the car.

I lay my car keys down on the table, put the junk mail in the rubbish bin under the table, and notice that the bin is full.

So, I decide to put the bills back on the table and take out the rubbish first.

But then I think, since I'm going to be near the mailbox when I take out the garbage anyway, I may as well pay the bills first.

I take my cheque book off the table, and see that there is only one cheque left. My extra cheques are in my desk in the study, so I go inside the house to my desk where I find the can of coke that I had been drinking.

I'm going to look for my cheques, but first I need to push the coke aside so that I don't accidentally knock it over. I see that the coke is getting warm, and I decide I should put it in the refrigerator to keep it cold.

As I head toward the kitchen with the coke, a vase of flowers on the counter catches my eye: they need to be watered.

I place the coke down on the work surface, and I discover my reading glasses that I've been searching for all morning.

I decide I better put them back on my desk, but first I'm going to water the flowers.

I set the glasses back down on the work top, fill a container with water and suddenly I spot the TV remote. Someone has left it on the kitchen table.

I realise that tonight when we go to watch TV, I will be looking for the remote, but I won't remember that it's on the kitchen table, so I decide to put it back in the lounge where it belongs, but first I'll water the flowers.

I pour some water in the flowers, but quite a bit of it spills on the floor. So, I set the remote back down on the table, get some towels and wipe up the spill.

Then, I head down the hall trying to remember what I was planning to do.

At the end of the day:

The car isn't washed.

The bills aren't paid.

There is a warm can of coke sitting on the work surface.

The flowers don't have enough water.

There is still only one cheque in my chequebook.

I can't find the TV remote.

I can't find my glasses and I don't remember what I did with the car keys.



Then, when I try to figure out why nothing got done today, I'm really baffled because I know I was busy all day long, and I'm really tired. I realise this is a serious problem, and I'll try to get some help for it, but first I'll check my e-mail.

PS. I just remembered, I left the water running.....