

**Quarterly Newsletter March 31, 2016**

**Market Focus**

**CBC News March 26, 2016**

The Canadian dollar was up three-quarters of a cent and stock markets turned around after a speech by Federal Reserve chair Janet Yellen [indicated the U.S. central bank will move cautiously](#) on further rate hikes.

The loonie was up 0.71 of a cent to 76.54 cents US, mainly because the U.S. dollar fell against most other currencies.

Yellen's remarks that the Fed needs to "proceed cautiously" on rates were interpreted to mean there will not be a rate hike in April, eliminating the fear that had hung over the markets.

The Dow, which had fallen in early trading, reversed course at midday and was up 97 points to 17,633 at the close. That's its highest level this year.

The TSX, which slumped in the morning because of lower oil prices, also rose. It was up 24 points at 13,414.

"Markets are rightly taking Fed Chair Yellen's speech as being dominated by a dovish slant with the US dollar depreciating against most currencies and the front-end of the Treasury curve becoming dearer alongside slightly firmer stocks," said Scotiabank vice-president Derek Holt in a note to clients.

"We continue to think it is highly unlikely that the Fed will hike at the April 27 [meeting] and today's guidance may make a June hike a stretch."

**Oil prices dropping**

West Texas Intermediate, the main North American contract, was down 86 cents to \$38.52 US a barrel. Brent crude, the international oil contract, fell by 93 cents to \$39.34 US a barrel.

Oil prices have risen more than 45 per cent since mid-February ahead of a meeting next month of the world's major producers to discuss an output freeze. But investors remain doubtful the players will reach an agreement and in the meantime, the worldwide glut of oil remains.

There also has been a sustained rally in commodity prices, with gold leading the pack, up \$20 today to \$1241 US an ounce.

That's good for Canadian markets, which have a heavy weighting to mining and resource stocks.

Since the beginning of the year:

- Gold is up 16 per cent.
- Silver, 10 per cent.
- Platinum, 10 per cent.
- Copper, 5 per cent.

"Commodity prices have rebounded across a broad front since mid-February amid some easing in concern over the outlook for China's economy," said Scotiabank commodities expert Patricia Mohr.

She anticipates further strengthening of prices into 2016, as capital spending recovers and hedge funds look to move commodities prices up from their lowest point in a decade.



## Federal budget 2016: Highlights of Bill Morneau's first budget

### [CBC News](#)

Finance Minister Bill Morneau has tabled a budget that forecasts big deficits over the next five years and beyond to finance a new tax-free monthly child benefit, more money for First Nations, infrastructure spending and extended employment insurance benefits to hard-hit regions. We have also attached a Federal Budget analysis from Invesco for more information.

Here are some highlights of Bill Morneau's first budget:

- **Deficit:** \$29.4 billion this year, \$29 billion the next before falling - [but no surplus forecast](#) before the next election.
- **Debt:** Expected to grow by \$113 billion by 2020-21, but debt-to-GDP ratio to stay mostly flat at around 32 per cent.
- **Growth:** Deficit based on 0.4% annual growth - much lower than economists predict.
- **Canada Child Benefit:** [New monthly tax-free payments](#) starts July 1 to replace UCCB and other tax measures: up to \$6,400 a year per child under 6, and \$5,400 those aged 6 to 18. But this amount begins to claw back for households with an income over \$30,000 and is eliminated entirely for incomes over \$190,000.
- **Tax credits:** Children's arts and fitness tax credits phased out by end of 2017. But teachers get a \$150 credit for teaching materials.
- **EI:** [Changes make it easier to qualify for benefits](#), and extends benefits for workers in 12 hard-hit regions. Plus: a bigger-than-expected cut in EI premiums next January.
- **Infrastructure:** [\\$120 billion over 10 years](#), focusing first on public transit, water, waste management and housing infrastructure.
- **Indigenous Peoples:** [\\$8.4 billion over five years](#), with \$2.6 billion of that to improve primary and secondary education on reserves. Other funding for drinking water and housing, as well as family and child services.
- **Student grants:** Increased 50%, to \$3,000 for low-income and \$1,200 for middle-income students.
- **Arts:** \$1.9 billion over five years [for arts and culture organizations](#), including the Canada Council, Telefilm Canada and the National Arts Centre. \$675 million to "modernize and revitalize CBC/Radio-Canada in the digital era."
- **Seniors:** Guaranteed Income Supplement increased by up to \$947 annually.
- **OAS:** Remains available at 65
- **Veterans:** Reopens nine service offices, increases amounts payable to injured veterans and indexes some benefits to inflation.



## **B.C. Budget 2016**

B.C.'s Liberal government released its 2016 budget today, a document aimed at priming voters for a 2017 election.

### **Here are 10 things you need to know:**

#### **Housing affordability**

1. The purchase of a newly built home valued at up to \$750,000 will now be exempt from the property transfer tax, saving the buyer up to \$13,000.

The measure will be funded through an increase in the property tax transfer rate on homes with a value above \$2 million, from two to three per cent.

2. Tracking foreign ownership: people buying homes in B.C. will again be required to disclose their citizenship.

The data, which has not been collected since 1998, will be used to measure the impact of foreign investment on home prices. The government hasn't said what measures it might consider once the data is collected.

#### **PST and MSP**

3. A new commission will consider ways to modernize the existing sales tax, introduced in 1948. Of note, the review will not consider a return to the harmonized sales tax.

4. Changes to premiums that exempt children will save single-parent families a minimum of \$864 per year, but many couples who earn \$45,000 or more will pay \$20 more per month.

#### **Children in care**

5. The Ministry of Children and Family Development will receive \$217 million over three years.

Some of the funds will be used to help implement recommendations in the Plecas report and hire 100 additional social workers.

#### **Prosperity fund**

A \$100 million B.C. prosperity fund will be created out of the 2015-16 budget surplus.

The government says it will be used to help eliminate the debt, invest in health care, education, transportation and family supports.

#### **Other measures**

6. **Disaster prevention:** \$85 million will be spent to prevent wildfires through measures such as reforestation and habitat restoration. Another \$55 million will go to emergency preparedness, such as flood protection in vulnerable communities.

7. **Disability assistance:** Everyone on disability will receive an increase of up to \$77 per month in place of the existing transportation subsidies some receive, such as a \$52 bus pass. Bus passes will now be optional.

8. **RESP grant:** Eligibility for the one-time \$1,200 grant to a child's Registered Education Savings Plan introduced in 2013 has been extended by a year. Children born on or after Jan. 1, 2006, are now eligible.

9. **Home renovation tax credit:** A program currently offered to seniors will also provide up to \$1,000 per year for persons with disabilities to renovate their homes to improve accessibility.

10. **Balanced budget:** The budget will be balanced for the fourth year in a row.



## **IRS wants its share of Canadian tax shelters owned by U.S. citizens**

CBC News

Thousands of U.S. citizens living in Canada are finding that Canadian investment shelters — such as tax-free savings accounts and registered education savings plans — are not recognized as sheltered by U.S. tax authorities.

Since the Foreign Account Tax Compliance Act (FATCA) came into effect in 2014 to help uncover the foreign holdings of U.S. taxpayers, the more than one million Americans living north of the border have discovered they must take a different approach to investment than their Canadian counterparts.

Not only must every U.S. person declare every asset they hold in Canada, but it's become clear that not all Canadian accounts are created equal in the eyes of the IRS.

The U.S. recognizes the tax-sheltered status of registered retirement savings plans (RRSPs) and registered pension plans (RPPs) through its tax treaty with Canada.

But other Canadian tax-sheltered holdings either require additional reporting or are subject to tax, among them:

- Tax-free savings accounts (TFSA).
- Registered education savings plans (RESP).
- Estates.
- Capital gains on a principal residence.
- Canadian mutual funds.

## **Word of warning about TFSAs**

PwC Canada tax partner Beth Weber said all income from a TFSA has to be reported annually — an amount that might not be much for younger investors, but could be substantial for long-established accounts that have grown well.

Americans have to be very careful about their investment strategies, she said. Even those who have been compliant for years are finding they face additional reporting requirements.

"The big issue we're dealing with now is currency fluctuation. If you are reporting in Canadian dollars and the IRS believes you are reporting in U.S. dollars, the math won't look anything like each other, particularly now with the Canadian dollar dropping so fast," Weber said.

An RESP is particularly difficult because the U.S. regards it as a foreign trust, which requires the filing of a separate form at an additional cost.

Any income earned on an RESP is taxable in the U.S., Weber said. And when a child withdraws the money to pay for his or her education, the Canadian government taxes the money. There is no benefit to having paid U.S. tax.

"You lose the benefit of the tax deferral," she said.

For couples where one partner is Canadian, Weber recommends that the RESP be held in the name of the Canadian spouse.



## **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 March 31, 2016.

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

<u>Male</u>				<u>Female</u>		
Age	30	40	50	30	40	50
100K	\$ 9.31	11.64	21.13	7.34	9.76	15.76
250K	\$ 15.22	19.12	40.95	11.70	15.75	29.47

## **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.*

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