



Insights

Summer 2015

CANACCORD Genuity
Wealth Management

To us there are no foreign markets.™

We hope everything is well and that you have your summer calendar filled with many fun plans and activities.

Summer is always a great time to spend and enjoy with your family and friends. In this edition of *Insights*, we provide a summary of some of the key areas of interest, as it pertains to the government's recent budget and its impact on families, seniors and business owners. We also highlight the many different insurance options our team can provide our clients – whether life, disability, and critical illness insurance. We are also insurance brokers, and have contracts with all of the top life insurance companies.

Insights into the Federal Budget

The April 21, 2015 federal budget included a number of tax measures that will impact individuals and small business owners. Being that it is an election year, it was not surprising that there were plenty of proposals that would apply to a variety of voters. As we wait for the Budget to become law, we thought you would appreciate this overview of the tax measures that are of most interest to individuals and small business owners. These budgetary items are in addition to the announcements in the Fall 2014 Economic Statement (See sidebar).

TAX FREE SAVINGS ACCOUNTS (TFSAs)

Doubling of the annual TFSA contribution limit is likely the most anticipated tax measure in the Budget, since the Conservative Party had announced in its 2011 Party Election Platform that it would double the TFSA annual limit to \$10,000 once the federal budget was balanced. The new limit for 2015 and future years is increasing to \$10,000 (double the original \$5,000 limit); however, the Budget advised that future annual contribution limits will no longer be indexed to inflation. This is a welcome initiative for all Canadians and will benefit not only high income investors but

also lower income Canadians who may find the TFSA a more attractive retirement planning vehicle than an RRSP.

Since the TFSA's creation in 2009, the total cumulative contribution limit is now \$41,000. If you've already contributed the old \$36,500 maximum, you can transfer an additional \$4,500 in cash or non-registered investments into your TFSA. We can help — speak with us.

REGISTERED RETIREMENT INCOME FUNDS (RRIFs)

An RRSP must be converted to a RRIF before the end of the year the annuitant turns age 71. A RRIF requires you to take out a minimum amount each year. This mandatory amount, which varies by age, is equal to a percentage of the fair market value of your RRIF assets on January 1st each year based on a factor schedule (see below). It's this forced withdrawal – whether or not you need the money – that has raised the concern of many seniors who would prefer to leave their retirement nest egg in a tax-sheltered environment as long as possible without being forced to draw down the funds and pay tax before the funds are needed. The problem is



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exacerbated when forced RRIF withdrawals cause seniors to lose part (or all) of their Guaranteed Income Supplement (GIS) or Old Age Security (OAS) benefits, since both are “clawed back” based on your net income, which includes RRIF withdrawals.

Discussions about this issue have been ongoing for many years. Since the last time the RRIF factors were adjusted in 1992, life expectancy has increased while interest rates on fixed income investments have fallen considerably. The combination of these two factors results in RRIF holders facing a dramatic erosion in the purchasing power of tax-deferred savings in their later years.

The Budget has addressed those concerns and will lower the RRIF minimum withdrawal factors that apply to those ages 71 and older. These new percentages will take effect once the budget has become law.

Mandatory Minimum RRIF Withdrawal Factors (%)

Age at start of year	Existing Factor	New Factor
71	7.38	5.28
72	7.48	5.40
73	7.59	5.53
74	7.71	5.67
75	7.85	5.82
76	7.99	5.98
77	8.15	6.17
78	8.33	6.36
79	8.53	6.58
80	8.75	6.82
81	8.99	7.08
82	9.27	7.38
83	9.58	7.71
84	9.93	8.08
85	10.33	8.51
86	10.79	8.99
87	11.33	9.55
88	11.96	10.21
89	12.71	10.99
90	13.62	11.92
91	14.73	13.06
92	16.12	14.49
93	17.92	16.34
94	20.00	18.79
95 and over	20.00	20.00

OTHER BUDGET ITEMS

Another budget item aimed at seniors and others who qualify for the Disability Tax Credit is a new Home Accessibility Tax Credit. This 15% non-refundable tax credit applies to up to \$10,000 of renovations, such as wheelchair ramps, walk-in bathtubs and wheel-in showers.

Small businesses will get to keep more of their earnings. This year’s budget proposes to reduce the small business tax rate to 9% by 2019 (from 11% currently). The reduction generally applies to the first \$500,000 of business income.

Small business owners also will get a tax break if they sell their companies and donate the private company shares to charity. To be eligible, a sale must take place in 2017 or later.

For farmers, the biggest budgetary nugget to take effect immediately is an increase in the lifetime capital gains exemption (LCGE), as it applies to capital gains realized on disposition of qualified farm or fishing property. Stuck at \$500,000 from 1988, the LCGE on farm and fishing property was increased in 2007 to \$750,000, then increased again last year to \$800,000 and indexed to inflation. The 2015 Budget proposes a new \$1 million exemption that will apply to dispositions of qualified farm or fishing property.

We hope you find these highlights useful. If you’d like to discuss how these measures may affect your financial plan, please don’t hesitate to contact us.

Fall 2014 Economic Statement

These measures were introduced before the release of the 2015 budget, and were applicable and claimable for the 2014 tax year.

Family Tax Cut

Tax credit worth up to \$2,000 based on a notional transfer of up to \$50,000 income between parents where a child under the age of 18 resides in the household.

Universal Child Care Benefit (UCCB)

- Increases to \$160 from \$100 a month for children under the age of six
- New \$60 monthly payment for children ages six through 17

Child Tax Credit (CTC)

- Repealed, as it is effectively replaced by the UCCB additions

Child Care Expense Deduction

- Increased by \$1,000 per child

Children’s Fitness Tax Credit

- Doubled for 2014, up to \$1,000 from \$500



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Life Insurance

Getting the most for your money.

Your wealth is much more than a portfolio of stocks and bonds. It includes your home, your income, perhaps a vacation property, collectibles like artwork and even the potential of an inheritance. Our goal is to take a holistic approach to your life and financial planning which allows us, and you, to gain a big picture view of your overall wealth. A comprehensive financial plan provides you with a strategic approach to protecting and harmonizing the benefits of those various assets, often enabling you to realize your life goals sooner.

One of the key benefits of working with our open architecture platform is that it allows us to present you with the full range of life, disability and critical illness insurance solutions from all Canada's major carriers. Sophisticated software allows us to compare pricing from Canada's top insurance companies and analyze which products and companies make the most sense in your situation.

In the past twelve months we've saved clients thousands of dollars in insurance premiums simply by doing a competitive analysis. In one case, we saved a client over \$5,000 a year simply by applying for new coverage which she received.

If you haven't reviewed your life insurance portfolio, give us a call and let our team of specialists determine if you are getting the best value for your money, and recommend if any changes should be considered.

As a valued client, there is no cost for this second opinion. In fact, it may save you money. As I'm sure a wise person at one point in time must have said, "a dollar saved is the same as two dollars earned". If we can help you save money, it would be our pleasure to assist.

A comprehensive financial plan provides you with a strategic approach to protecting and harmonizing the benefits of those various assets, often enabling you to realize your life goals sooner.





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Coming Soon... INCOME65™

Stay tuned for more details relating to our INCOME65™ program. This is a process we've engineered and designed specifically for our clients who are nearing and/or are in retirement. As part of the INCOME65™ booklet, which forms the basis for our process, we highlight the various risks and challenges facing retirees, and we provide concrete details and a step-by-step process for creating a financial plan that can provide security and a sustainable retirement income stream in and throughout retirement.

We are waiting for the federal budget to become law, so that we may detail with certainty the new RRIF withdrawal factors, etc. As such, we hope to have our booklet finalized in the near future, and we look forward to sharing and discussing this process with you.

INCOME ™

Our business continues to expand, and we greatly appreciate the confidence you have placed in us. *Thank you* for your referrals. We are looking for more clients just like you. If you feel we may be able to help someone close to you, please don't hesitate to pass along our information. We would be pleased to assist.



LYSNES MAGREEHAN
WEALTH MANAGEMENT

John Lysnes, BA (Econ)
Investment Advisor
T: 519.885.8050
john.lysnes@canaccord.com

Mike Magreehan, BBA (Hon), CFP
Investment Advisor
T: 519.885.8051
mike.magreehan@canaccord.com

Chantelle Jack
Licenced Assistant
T: 519.885.8052
chantelle.jack@canaccord.com

LMwealth.com

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Wealth Management

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