WealthBUILDER

Spring 2021

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Spring is a time of optimism. Optimism is at the heart of all investing: that a dollar invested today will grow and make our future even better. We're optimistic about the future and we tend carefully to your investments to help them grow. We're available to meet virtually when it's convenient for you. Let's talk soon!

Tax-smart investing is a year-round affair

Tax is top of mind in the Spring as we face the filing deadline, although it's often too late to implement any changes that affect the previous year. The truth is, when it comes to investing, there is no tax season – it's a year-round concern. These three tips will help you take a smart approach.

1. Understand the different ways investments are taxed. In Canada, income from different types of investments is taxed differently. Interest income, often earned from Guaranteed Investment Certificates (GICs) or bank account interest, is taxed like earned income, at your highest marginal rate. It is the least efficient from a tax perspective. Dividend income is taxed at a lower rate thanks to the Dividend Tax Credit, and income from capital gains is even more tax efficient, as only 50% of the gain is taxable. Equity-type investments such as stocks are the most likely sources of dividend and capital gains in your portfolio.

2. Take a holistic approach to tax across your portfolio. A holistic approach involves looking not just at the tax treatment of individual investments but across your portfolio as a whole. It may also be helpful to consider your financial situation beyond your investment portfolio, including real estate investments, cash savings, and your wages. For instance, if you are drawing income from your investments as well as earning wages from work, you'll want to make these different types of income work together in a tax-efficient way. Similarly, if you are close to retirement, you may want to begin rebalancing your portfolio to be ready to generate tax-efficient income.

3. Find the right balance between tax-advantaged accounts and non-registered investments. Canadians have access to several tax-advantaged account structures including, of course, Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs). Each has its advantages. While contributions to an RRSP can offer an immediate tax benefit, you'll pay tax at your full marginal rate on withdrawals. TFSAs offer no benefits on contributions, but all withdrawals – on the original investment and all profits – are tax free. Your goals, your age, and your financial situation will determine the best strategy for tax efficiency.

Being tax savvy with your investments is a key element of building wealth over the long term and generating tax-efficient income when you need it. Professional advice is key.

Investing into the recovery: three ideas to consider

As a COVID-19-triggered global recession turns toward a vaccine-led economic recovery, what are the economic and investment themes likely to be in play in the markets? Here are three ideas to consider.

First, a few words of caution: It's important to remember that no two recessions and no two business cycles are identical and, thus, it's impossible to predict future market performance. Keep in mind, also, that concepts like the business cycle are not absolute nor rigid, and not all experts will agree what stage an economy is at. Nevertheless, patterns do exist. Investment theory tries to make sense of those patterns and the available economic data to help us understand what might be going on at a given time.

1. Don't let fear keep you on the sidelines for too long. History has shown that stocks can deliver some of their best returns early during the market cycle – even though, to many on "Main Street," it feels like the downturn isn't over yet. This effect may feel especially true during this pandemic, when the businesses suffering most are small neighbourhood ones like restaurants or hairdressers.

2. Don't shy away from stocks, especially large company stocks. At the end of a recession, interest rates are often low, which is positive for equities. Large companies, in particular, may be well positioned to put cheap capital to profitable use. A rebound in corporate earnings (typical of the early stages of a recovery) is also positive for stock valuations. Further, many of the businesses that have done well during the pandemic are large corporate entities with the financial heft to endure economic crises or supply the products and services that are in demand in our lockdown lifestyles. Companies providing digital and at-home services, in particular, continue to fare well.

3. Do consider what's changed. Returning to positive markets doesn't mean returning to yesterday's economy. Consider what has changed during the pandemic, including consumer spending habits and technology adoption, to determine which sectors will prosper going forward.

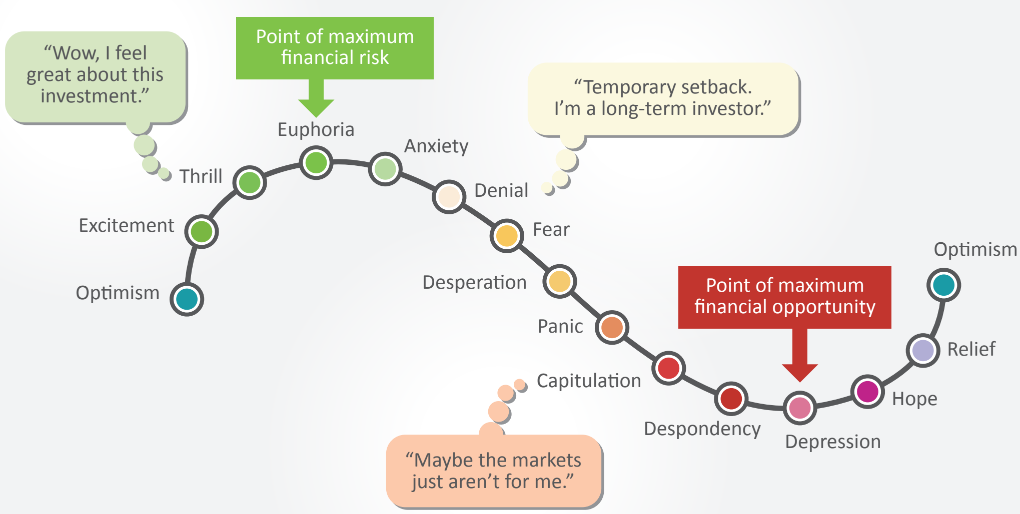
It's important to make a distinction between short-term effects and profound, substantive changes to our society and economy. Lockdowns have decimated companies in the travel, tourism, and hospitality sectors; meanwhile, grocery, home improvement, and digital services have excelled. But, as societies open up, will these trends reverse? Some have predicted that consumers, once freed from lockdown, may go on a travel and hospitality binge lasting two or three years.

Long-term trends, such as the move online for many businesses, were already under way and have rapidly accelerated during the pandemic. And, it seems likely this will continue apace even after recovery.

Whatever is happening in today's markets, remember that your investment decisions should be driven by your personal portfolio goals and your individual tolerance for risk. Seeking professional investment advice is the best way to assess the opportunities ahead. ◀

Can you overcome the cycle of market emotions?

The cycle of market emotions demonstrates how hard it can be for some investors to take advantage of opportunities that a recovery presents.



New normal or 'roaring twenties'? Either way, a financial review is due

It may have felt that life was on hold for much of 2020. This year, however, marks the beginning of the 'post-Covid' world even if it isn't quite here yet. Some are predicting a mini-boom as the economy opens up; others say there still more difficult structural changes for the economy to absorb.

Are you – and your finances – ready for what's to come? You may have new financial realities to manage. New investment opportunities may be available. To get ready for whatever is in your future, consider reviewing your complete financial situation.

Here are some key elements of your financial strategy worth reviewing:

Optimize RRSPs. Registered Retirement Savings Plans (RRSPs) are a key financial tool for most Canadians. When did you last revisit yours? How much are you saving, how are you investing, what is your final value target – all these questions are worth revisiting regularly.

Do you have multiple RRSP accounts? Maintaining separate accounts can result in investment gaps and duplication. Consolidating your RRSPs may make them easier to manage and improve your asset allocation. You might also save money on administration fees.

Coordinate pensions, RRSPs and TFSAs. People often make RRSP investments without considering their employer-sponsored pension plans. Yet when RRSPs and pensions work together, the result can be a larger nest egg to meet your retirement needs. If you are using your Tax-Free Savings Account (TFSA) to save for retirement as well, then consider coordinating all three for maximum benefit.

Also factor all your plans into your personal asset allocation. A defined contribution plan in which you make investment choices can be fully coordinated with your RRSP and TFSA. A defined benefit plan with a guaranteed payout can be considered in a similar way to a fixed-income asset, so your other investment plans could be more aggressive than they might otherwise.

Minimize tax. Are you holding your investments in the most tax-efficient manner? For example, the interest income generated by investments held outside a registered plan is fully taxable at your marginal rate. Inside a registered plan, it's tax-deferred. Repositioning your holdings may save you hundreds or even thousands of dollars in tax every year.

Tax rules can be complex, of course. Professional assistance can help you explore the possibilities and avoid the potential tax traps.

Manage your mortgage. Finding the best rates and features when taking out or renewing a mortgage can reduce your long-term interest costs substantially and cut years off your mortgage. Paying down your mortgage early frees up additional cash for investment elsewhere.

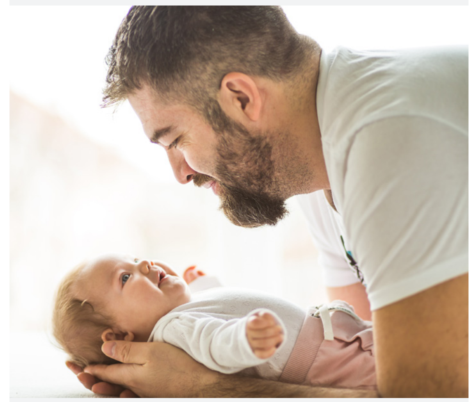
Review insurance. You may not think of insurance as part of your total financial approach, but it's not a factor to overlook. Adequate life and disability coverage is necessary to protect your income, your family, and yourself. Duplicate coverage may mean you're paying more than you need to and diverting funds away from other financial priorities.

Remember, your investment strategy is an important part of your plan for financial success and well-being. It's not the only element, however, and by making sure that all the parts of your personal financial situation work together, you can enhance the value and power of each. Professional advice is key. ◀

What's changed for you?

Review this checklist – any of these changes could affect your financial or investment strategies and goals.

- New job. Will a new job change your monthly budget? If your new job comes with a salary increase, will a boost to your monthly investment plan help advance your long-term success?



- Family and life changes. Marriage, divorce, childbirth, and other family changes all have financial implications too. And don't forget about how your insurance and estate needs might change.
- Financial milestones. Reaching a key goal can offer new opportunities. One example: if you've paid off your mortgage, should you supercharge your retirement plans with any surplus cash?
- Economic conditions. Some things are out of your control, like an economic slowdown or a change in fortune for the industry your work in. But you retake some control by reassessing your financial and investment strategies.
- Your investor profile. Have your investment goals or your attitude towards risk changed recently? Keeping your investor profile up to date with your current thinking is a key part of managing your investments successfully.

COVID-19 has changed how we think about finances and retirement

Confronting mortality for the first time and helping out family with COVID-driven financial hardships has led to a shift in Canadians' thinking about their own financial futures, according to a new report.[1] It has prompted more than two million Canadians to have end-of-life discussions about wills, medical care and funeral wishes with family or close friends for the first time.

It has also led over eight million Canadians to rethink the timing of their retirement. One in three of those are thinking about retiring later, predominantly for financial reasons: the need for more income, a reduction in savings, loss of investment value and increased uncertainty about how much money will be needed in retirement. Close to one in 10, however, are thinking about retiring earlier, often because they realized that they were looking forward to retirement, or they want to spend time doing other things that are more important to them than work. ◀

[1] Age Wave/The Harris Poll. *The Four Pillars of the New Retirement.* Released August 2020. As reported by Global News. https://globalnews.ca/news/7249118/8-million-canadians-rethinking-retirement-covid-19-edward-jones/

Future focus: don't overlook RESP benefits

It's understandable to have focused on current financial challenges during the past year, but if you have children or grandchildren, don't forget the financial demands that post-secondary could entail. Consider this: a 2018 survey by Macleans found that average annual costs for a full-time post-secondary student (including tuition and living expenses) was $19,499.[1] That's almost $78,000 for a four-year degree or diploma in today's dollars.

Registered Education Savings Plans (RESPs) have two great advantages as a way of saving for those education costs. The first is "free money" from the federal government. The Canada Education Savings Grant (CESG) provides 20% of your RESP contributions up to $2,500 – meaning the grant can add a maximum of $500 to an RESP each year. The grant has a maximum value of $7,200.

The second benefit is that investment earnings within the plan are tax deferred and when the funds are taken out for education, they are taxed in the student's hands. This often results in little or no tax. Professional investment advice can help you choose the right investments for this highly useful education savings vehicle. ◀

[1] Macleans. *The Cost of a Canadian University Education in Six Charts.* April 1, 2018. https://www.macleans.ca/education/the-cost-of-a-canadian-university-education-in-six-charts/

Unfamiliar or unbelievable? Watch out for investment scams

Investment fraudsters and their scams have been around for decades. Unfortunately, the COVID-19 pandemic offered new opportunities for their nefarious activities. The Canadian Securities Administrators (CSA) have called attention to promoters of investments in bogus Covid-19 treatments and employment offers to work as unregulated stock sellers to those suffering job loss due to the pandemic.[1]

Experts offer the following advice to help you identify investment scams:

- **Unbelievable.** The old adage about investments that sound "too good to be true" should be a warning to investors. According to the North American Securities Administrators Association (NASAA) the most common red flag is "guaranteed high returns with no risk."
- **Unfamiliar.** If you haven't heard of an investment or its seller, beware! The NASAA also says investors should watch out for investments and their sellers that are not registered.

If you find yourself drawn to a particular investment opportunity, talk to us first. One of the advantages of working with professional investment advisors is that we can help you steer clear of a potential investment mistake you might regret. ◀

[1] Canadian Securities Administrators. *Canadian Securities Regulators Warn Public of Coronavirus Related Investment Scams*. Media release: March 2020.