Volume 20, Number 1
1st Quarter, 2015

Published by
The ECC Group

The Personal Financial Advisor

In This Issue

THE FIRST QUARTER

Chris Snyder CFP, RFP

As Benjamin Franklin said many years ago, “The only things in life for sure are death and taxes”. To this, one could also add change and uncertainty. Every day we hear of lower oil prices (the price is hovering around $50 per barrel, however the price at the pump has gone from about $1.43 to $0.85 and is back up to $1.08) There is a disconnect here. Interest rates that were cut several months ago are subject to speculation that they might go down even farther, even though others have predicted higher rates for years. We have a weaker Canadian dollar, partly because of oil prices but partly because of the stronger US dollar. We have a concern about what this will do to the rest of the economy. This is countered by improving employment figures in both Canada and the USA. There are the international threats that keep getting huge media attention. The Ukraine, Ebola which is now under control, ISIS, terrorist threats...real and imagined.

One could certainly be spooked by all of this. Perhaps we should add fear to our list of certainties. Uncertainties have been going on for years and will likely continue in one form or another forever. What is different is we are continually reminded of them by media. Through all of this we say what do we do with our investments? Our message is always the same - proper asset mix, professional money management, look, think and act long term. The result at the time of writing in spite of ongoing volatility was the TSX was up 4.1%, the S&P 500 was up 10.1% year to date.

What is ahead? I can only give you a boring answer… more of the same death, taxes, change, uncertainty and fear… stay with it.

DEALING WITH AGING PARENTS

Chris Snyder CFP, RFP

(Excerpted from Chris Snyder's book "BE SMART WITH YOUR MONEY")

Lawrence, 88, was still physically agile; however, he was losing his eyesight, was becoming forgetful and had lost his interest in all things financial. Bills were left unpaid and he had not filed his income tax for several years. In fact, he was getting nasty letters from the CRA about his taxes. He lived alone, as his wife had died several years before. His daughter, Virginia, visited him every week. After about two years she accidentally noticed that he was not keeping his financial affairs in order. She noticed a bill from the hydro company threatening to cut off his electricity as he had not paid it for over a year. "What is that?" she said. "What is what?" he replied. "The unpaid hydro bill." "Oh" he said, "I thought I had paid it."

Realizing the situation, she called her lawyer who quickly had a new Power of Attorney drawn giving Virginia and her brother power, as well as revoking the previous Power of Attorney which was filed with whomever Lawrence might have given a previous Power of Attorney to. While forgetful, Lawrence was still of sound mind so this could still be done.

Had it been left any longer, the lawyer may not have declared him of sound mind and an application would have had to be made to the Office of the Official Guardian to have him so declared and to verify the choice of Power of Attorney so the Substitute Decisions Act would be enforced. Virginia fortunately was financial astute and brought his affairs in order quickly.

Others only find out about their parent's situation after they die, and it becomes costly and heartbreaking to go through the files and clean up the estate. Finding boxes of old tax returns is common. My mother was tidy and well organized as she had every tax return dating back to 1942 when my father died. She worried about keeping these returns. In fact, she could have tossed out all but the last six or seven years. As a matter of interest, I did keep her first return which showed her total income for 1942 was $936 - an early lesson about the impact of inflation.

Many people, though, do not have a good filing system or adequate records. As in Lawrence's case, children often need to become involved early and assume partial or full responsibility for their parents finances. This transitional period is fraught with emotional concerns.

Parents' concerns include:

- Not having enough money - especially with the possible expense of a retirement or nursing home;
- Retaining control and independence;
- Feeling financially and emotionally secure;
- Confusion - particularly with the various tax forms, investment statements and bills to be paid;
- Worries that there will not be enough money for their partners to live on and for their children to inherit;
- Estate planning issues. Many parents are reluctant to discuss finances with their children and some feel guilty that they have not accumulated more money. Some parents also believe their children do not know very much, and question their ability to help;

continued on page 3

continued from page 2

DEALING WITH AGING PARENTS *continued…*

Chris Snyder CFP, RFP

(Excerpted from Chris Snyder's book "BE SMART WITH YOUR MONEY")

- Fears that one or more of the children are trying to get their hands on their assets. This can be particularly true in dysfunctional families;
- Worries about their investments. Do they have the right mix and will they have enough income, particularly with today's low rate interest environment?
- Reluctance to discuss finances because of their own lack of financial knowledge.

Children, too, have concerns. Many find it difficult to speak with their parents about their finances. They do not want to intrude and make it appear as if they are taking over their parents affairs and moving in on their money. If there are several children in the family, which one should take charge? This can bring out old family resentment and possibly, a feeling by the older siblings that one child is taking over.

Many children have concerns about their own competence and knowledge of financial matters. Some have little time to look after their own affairs, let alone those of their parents. This is particularly true when it comes to dealing with such things as a parents forgetfulness, making bank deposits, paying bills and doing tax returns. Children are also concerned that they may be required at some time to help maintain their parents by supplementing their income.

Next issue we will discuss "What You Can do"……….

To buy "BE SMART WITH YOUR MONEY" please go to:
http://hilborn-civilsectorpress.com/products/be-smart-with-your-money or www.amazon.com

TAX DEDUCTIONS AND TAX CREDITS

Vicki Lungu CFP

If you are currently doing your tax return, you may have noticed you could be eligible for some tax deductions on some items and a tax credit for others.

Many think of tax credits and tax deductions as the same, however, they work quite differently.

With a tax deduction, you lower your taxable income while a tax credit is a dollar-for-dollar reduction in the amount of tax payable. The value of a tax deduction depends on your marginal tax rate while the tax credit is the same for everyone.

Tax Deductions vs. Tax Credits – Which is Better? It depends.
If your taxable income is $47,000 and you have a $3,000 tax deduction, your taxable income would be $44,000. You would save $930 in taxes ($3,000 x 31% marginal tax rate- federal and provincial for Ontario).

continued on page 4

continued from page 3

TAX DEDUCTIONS AND TAX CREDITS *continued…*

Vicki Lungu CFP

If you have $3,000 in tax credits, you would reduce your tax payable by $602 ($3,000 x 20.05% combined tax credit rate for 2014 for Ontario).

If your taxable income is $80,000 and you have a $3,000 tax deduction, your taxable income would be $77,000. You would save the tax payable on $3,000, which is $989 ($3,000 x 33% marginal tax rate – federal and provincial for Ontario).

If you have $3,000 in tax credits, you would reduce your tax payable by $602 ($3,000 x 20.05% tax credit rate for 2014).

In effect, the more money you make, the higher your tax bracket, the more tax you pay and the more a deduction is worth to you.

In short, a deduction saves you exactly the amount of the deduction multiplied by your marginal tax rate.

Most Common Tax Deductions:

- RRSP contributions
- Childcare expenses
- Professional, union dues
- Interest and carrying charges
- Business losses
- Rental losses
- Capital losses
- Employment expenses

Non-Refundable Tax Credits

The majority of personal tax credits are considered to be non-refundable because they can only be used to reduce your tax payable to zero. If your tax credit exceeds the amount of tax payable, you will not receive a refund for the difference.

For example, if your basic federal tax is $2,500 and your total non-refundable personal tax credits total $3,000, your tax payable would only be reduced to zero and you would not receive a refund for the $500.00 difference.

With tax credits, your marginal tax rate doesn't come into play at all. The result is that a tax credit is worth the same in real dollars to everybody, regardless of their income level and tax bracket.

Tax Credit Amount vs. Actual Tax Credit

It should be noted, there is a difference between the actual tax credit and the tax credit amount. The tax credit is a percentage of the credit amount.

Tax credits are calculated based on the lowest federal and provincial tax rates. For 2014, the lowest federal and provincial rates are 15% (federal) and 5.05% (Ontario). Therefore, if you have a $1,000 tax credit amount, you will save $200.50 (15% + 5.05%) regardless of your tax bracket.

continued on page 5

continued from page 4

TAX DEDUCTIONS AND TAX CREDITS *continued…*

Vicki Lungu CFP

The chart below illustrates some of the federal and Ontario tax credit amounts and what it means to you. Note also, some credits can be transferred to your spouse.

	2014 Federal Tax Credit		2014 Ontario Tax Credit		
	Amount	Credit 15%	Amount	Credit 5.05%	Transferable to spouse
Basic personal amount	$ 11,138	$ 1,671	$ 9,670	$ 488	N
Spouse/common-law partner amt*	$ 11,138	$ 1,671	$ 8,211	$ 415	N
Age amount (65 or older)*	$ 6,916	$ 1,037	$ 4,721	$ 238	Y
Disability amount	$ 7,766	$ 1,165	$ 7,812	$ 395	Y
Pension income amount	$ 2,000	$ 300	$ 1,337	$ 67	Y
Canada Employment credit	$ 1,127	$ 169	0	0	N

*Maximum amounts. The credit is reduced when income exceeds certain limits.

There are other credits that do not have a set tax credit amount but have some other limits. They include:

Medical Expenses

The combined tax credit is 20.05% of expenses in excess of the lesser of $2,171 (2014 limit) and 3% of net income. This is most beneficial if claimed by the lower income spouse and can be claimed for any 12-month period ending in the current tax year (ex: June 1, 2013 to May 30, 2014) or any other 12 month period.

Charitable Donations

You receive a combined tax credit of 20.05% of the first $200 of your charitable donation and 40.16% on anything above $200. This is most beneficial if combined and claimed by the higher income spouse. If you want to know how much you will save, go to the Charitable Donation Tax Credit Calculator: http://www.cra-arc.gc.ca/chrts-gvng/dnrs/svngs/clmng1b2-eng.html, where you can see exactly how much tax you will save when donation amounts are entered.

Public Transit

You receive 15% of the actual amount spent. Note, this is a federal credit only. It can be claimed by either spouse.

Children's Activity Tax Credit

You receive 15% of up to $1,000 paid by parents to register a child under 16 in an eligible program.

Children's Arts Tax Credit

You receive 15% of up to $500 paid by parents to register a child under 16 in an eligible program.

In summary, the biggest lifetime expense you will ever encounter is neither a home nor a university education, but taxes.

The importance of an effective tax plan cannot be overstated. Effective tax planning will help you take advantage of all deductions and credits and structure your financial affairs so you receive the most for your money.

We also recommend you review your tax situation with a financial advisor familiar with tax issues.

AGES & STAGES – LIFE'S FINANCIAL STAGES

Chris Snyder CFP, RFP

(Excerpted from Chris Snyder's book "BE SMART WITH YOUR MONEY")

**In our last issue we discussed Ages 0-17. The following outlines what to expect in other ages and stages. Note the years mentioned are approximate and there could be considerable overlap.*

Age 17-23

This is the approximate age of post-secondary school education. Chances are that they will have summer jobs that may help pay for university. Some may be entrepreneurial. It is also a very social time — a time when many young people want to impress others. There may be bigger and more sophisticated high tech items to buy, and the opportunity to learn about real costs, such as the monthly cost of cell phones, with the attendant costs of browser and roaming charges and the temptations to buy online.

If they live far away from home at university, they will have to learn how to budget and manage their finances — buying books, food, tuition, entertainment and other living costs. Many a student has floundered because they did not know how to budget. They will also think about their career, and the amount they think they will earn could be a factor in choosing a career.

They also are introduced around this time to credit and the hard reality of having to pay off their debts. Some will choose earning money immediately to continuing with school.

Age 24-30

This is usually the time you have your first big job. Money now makes it possible to buy a car, rent an apartment, travel, pay off a student loan, file the first income tax return, start saving and think about ownership. You may even plan to marry. It is a time to sock away money for that first house and a great time to learn to live on your own without parents' help. At this point you may have two incomes, no children, and many dreams. It is time to get serious about your career, buy your first home, and learn to manage your credit card. It is also a time when couples must start to communicate with each other about money.

Age 30-55

When it comes to money, this is the time of most financial distress for many people. All of a sudden families may go from two incomes to one — having become accustomed to a lifestyle requiring two incomes. Now they have children to support and daycare to pay for. The need for two incomes may force both parents to work. One parent can be at home, but their lifestyle may need to be altered. The costs of raising a child begin to mount up — clothes, daycare, babysitters, lessons, children's camps, special educational needs and family holidays. Other costs rise as well — mortgage payments on your home, trying to juggle your job(s) with your family, working late hours, promotions, moves, saving for your retirement.

Financial stress can result from not having enough to make ends meet, carrying too much debt, deciding — or not deciding — how we spend our money, golf clubs versus a new stroller. Some of your investments may go wrong. You may want to show the world that you have made it with a big car, expensive house or grandiose holidays.

continued on page 7

continued from page 6

AGES & STAGES – LIFE'S FINANCIAL STAGES *continued…*

Chris Snyder CFP, RFP

(Excerpted from Chris Snyder's book "BE SMART WITH YOUR MONEY")

Life-changing events such as divorce or loss of a job can happen, with the attendant emotional and financial costs. This is a time when budgets are crucial to help you define your wants and needs and priorities and to act appropriately. It can be a time of huge emotional ups and downs, calling for prudent, well-thought-out behaviour.

Age 55-65

Hurray! The children are educated — you are empty-nesters. Now you have some income to travel, but retirement may be only ten years or less away. The children may come home or you may need to help them financially because of a divorce. There are always questions "Do we have enough on which to retire?" "What if I am forced or want to retire early?" An inheritance may fall in and grandchildren may arrive.
This is the time to get your debts paid off, build up your retirement accounts, think through your retirement plans and enjoy some time to yourselves.

Age 65 onwards

You may have decided to work longer, possibly out of financial necessity or comfort, or you may love your work and want to work indefinitely.

The big question is "Will I have enough money to retire?" "Will I be able to do what I want to do – travel, creative writing, enjoying our family?" You no longer have an income-generating power. This can be scary.

Your parents will die and some of your friends will get sick and die. You will be reminded of life's fragility and your own mortality. You, in turn, may lose some of your cognitive faculties and need to rely on your children for help. Powers of Attorney and Wills are especially important at this stage. Many people also want to simplify their financial lives, both for themselves and their heirs. You will need to ask yourself "what is my legacy, both in terms of contributions to the world and the assets and values I leave behind?"

While these are always questions you may ask yourself, they now become more poignant, and estate planning becomes a focus. How do you leave your assets? What about your son who has three children and earns very little? Will his children receive the education they should have? How about being remembered by your family and friends? You may have accumulated enough to give much of it away. If so, how can this be done most effectively?

The conclusion in all of this is that while life has its ages and stages, each has its own set of questions and financial challenges. Money issues may change, but they will never go away.

To buy "BE SMART WITH YOUR MONEY" please go to:
http://hilborn-civilsectorpress.com/products/be-smart-with-your-money OR www.amazon.com

NUMBERS

Here is the update of the most recent economic indicators as of March 20, 2015

ECONOMIC DATA

Canada-Key Indicators	Level	Report Date	At Dec. 2014
Real GDP (YoY%)	2.8	31-Dec-14	
Core CPI(YoY%)	2.2	31-Jan-15	2.2
Unemployment Rate(%)	6.8	28-Feb-15	6.7
Net Chng Emplmt(000s)	-1.0	28-Feb-15	-11.3
Consumer Confidence	107.7	31-Jan-15	104.9
Retail Sales (YoY%)	4.0	31-Dec-14	4.0

US-Key Indicators	Level	Report Date	At Dec. 2014
Real GDP(YoY%)	2.4	31-Dec-14	2.4
Core CPI(YoY%)	1.6	31-Jan-15	1.6
Unemployment Rate(%)	5.5	28-Feb-15	5.6
Consumer Confidence	96.4	28-Feb-15	93.1
Retail Sales (YoY%)	1.7	28-Feb-15	3.3

Commodities	Price	Change YTD
Crude Oil WTI(US$/bbl)	45.72	-14.2%
Natural Gas(US$/MMBtu)	2.79	-3.3%
Gold(US$/troy oz)	1182.63	-0.2%
Copper(US$/lb)	2.76	-2.2%

Currencies	Rate	Change YTD
CAD/USD	0.7967	-7.40%
USD/CAD	1.2552	8.0%
USD/JPY	120.04	0.2%
EUR/USD	1.0821	-10.6%
GBP/USD	1.4949	-4.0%
EUR/CAD	1.3581	-3.4%
GBP/CAD	1.8765	3.7%

EQUITY MARKETS

Canada	Level	YTD	YTD C$
S&P/TSX Composite	14942	2.1%	2.1%
S&P/TSX 60	873	2.1%	2.1%
S&P/TSX Small Cap	579	0.0%	0.0%

US	Level	YTD	YTD C$
Dow Jones	18128	1.7%	9.9%
S&P 500	2108	2.4%	10.6%
Nadsaq	5026	6.1%	14.6%
Russell 2000	1266	5.1%	13.5%

International	Level	YTD	YTD C$
DAX	12039	26.0%	21.7%
FTSE 100	7023	7.0%	10.9%
Nikkei	19560	20.1%	28.7%
MSCI EAFE	1887	6.3%	14.9%
MSCI World	1775	3.8%	12.1%
MSCI EM	970	1.4%	9.5%

FIXED INCOME

Indices/Rates	Level	YTD
DEX Universe Bond	1005	4.5%
DEX Real Return Bond	577	8.7%
LIBOR 3-month	0.2668%	4.4%

Government Bond Yield	3-mo T-Bill	10-year Bond	30-year Bond
Canada	0.52	1.305	1.939
US	0.01	1.931	2.506
Spread	0.51	-0.626	-0.567

The Personal Financial Advisor

100 Simcoe Street, Suite 110
Toronto, ON M5H 3G2
Tel.: 416-364-0181
Fax: 416-364-5394
Toll Free: 1-800-665-0181
E-mail: info@eccgroup.ca

The Personal Financial Advisor is published by the ECC Group.

The ECC Group are fee-based financial advisors, and have offices and affiliates in Toronto, Montreal and Vancouver.

The information contained in this letter is obtained from various sources believed to be reliable, but cannot be guaranteed.

Circulation Enquiries: Nicole Harvey

Editorial and Consulting Enquiries: J. Christopher Snyder, CFP, RFP; Ian G. Johnson, CFP, CDFA., Vicki Lungu, CFP