

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

WINTER 2016 NEWSLETTER

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Carl's Comments

I hope you all enjoyed the holidays.

Let's recap some of what happened last year. Markets experienced large price swings and high volatility, with the S&P/TSX hitting its high in April and its low in December with an almost 18% difference in between. The largest one day swings occurred in August where the market was down 3.12% one day and up 2.88% three days later. Large intraday swings were also more frequent.

Global markets weathered a number of geopolitical and economic hurdles. Among them, Greeks rejected more austerity measures but were quickly followed by politicians making a U-turn and accepting even more in an effort to stabilize political and economic chaos. Tumbling oil prices, which have not hurt the US economy anywhere near as much as the Canadian. US employment rates improved in the wake of an interest rate increase by the Federal Reserve (Fed). Back home, we saw the fall of the Conservative government with a surprising majority for the Liberals. With declining GDP, Canada was on the verge of a recession. The Canadian dollar hovered around \$0.70 to the US. Alberta saw steep declines in employment and economists were even more concerned in 2015 about very high household debt loads. No doubt these are challenging times for clients, advisors and portfolio managers.

Warren Buffett was among those challenged in 2015 and his investing style was criticized. This happened in late 1999 when critics said Buffett had not anticipated or capitalized on the boom in technology stocks and his performance

suffered. It happened again in 2008 during the financial crisis when he was apparently 'too bullish'. Buffett practices his own brand of investing and has done so successfully for over half a century. He sticks to his knitting and is not worried about short-term underperformance or about his pundits teasing him. He is a value investor buying good quality companies for the long term and adding to positions in times of weakness. He is not the sort of investor to buy Facebook, Amazon, Netflix or Google, which are trading at excessive valuations, making them entirely off-limits for most value investors.

At Future Financial, we tend to have a bias towards his style of value investing, i.e. finding good quality companies that make money, buying when nobody wants them and holding. This generally happens when there is weakness in a sector and the market hasn't duly punished both the sector and individual companies.

What do we know going forward in 2016?

The rate increase in the US finally occurred, indicating that the Fed is confident in the US economy. The market has also digested it very positively. History has indicated that in nine periods since 1958 when the Fed increased rates off the bottom, stocks performed well for the next 24 months. China is slowing and will gradually devalue its currency. Value stocks versus growth stocks are at a 14 year low, and similar data during the past four decades, was followed by multi-year periods when value beat growth shares. We are definitely due for a turnaround back to value stocks.

Oil prices have dropped to 2003 levels due to the persistent oversupply problem. The question remains, how long can this go on when the

majority of producing nations manufacturing costs exceed the current price per barrel? It's OPEC that will be the game changer in terms of excess supply in 2016.

I've touched on many topics that surrounded 2015. It was a challenging year and 2016 may be challenging as well. Volatility is here to stay but hopefully we can focus on the long-term as our friend Warren Buffett does, and try to not get too excited by market pullbacks. Use these market pullbacks to add to your positions and you will be rewarded.

As always, I welcome your emails and phone calls and best wishes for a happy new year!

What Happens to an RESP on the Death of the Contributor/Subscriber?

Unlike an RRSP or a TFSA, the proceeds of an RESP cannot flow outside the subscriber's estate into the hands of the designated beneficiary. Without a surviving joint subscriber, the RESP contract becomes a part of the deceased subscriber's estate, leaving the assets to the beneficiary of the estate instead of the intended RESP beneficiary.

This will often result in the collapse of the RESP and a distribution amongst the estate beneficiaries. To avoid this situation, the RESP subscriber can appoint a successor subscriber by will. This new appointment may be to a trusted person or a testamentary trust. In doing so, the subscriber should outline the contractual terms of the RESP including whether or not they would like the RESP continued, how it will be funded and who the intended beneficiaries are.

Sources: Toronto Estates & Trusts Monitor, Nov 2010 & Advisor's Edge Report, Nov 2015, page 12.

BIG Changes to 2015 RRIF Payments - It's Not Too Late!

If you are over 71, the minimum RRIF payment for 2015 and subsequent years has been reduced by roughly 2%. You have a choice; 1) do not adjust the amount of your 2015 RRIF payment or 2) re-contribute the excess back

into your plan. You have until the end of February 2016 to take advantage of the special re-contribution rules for 2015. The resulting RRIF payment (less re-contributions) will be added to your 2015 income.

The old and new RRIF factor tables can be found at <http://tinyurl.com/RRIFnew>. Please contact our office for more information.

Gradual Inheritances - Annuity Settlements

Segregated funds are an insurance product and include a death benefit guarantee. Death benefits can easily be paid to designated beneficiaries without having to go through probate. What if you want to limit a beneficiary's access to the funds upon your death? The annuity settlement option acts as a gradual inheritance, without the need for a formal trust account, and provides an alternative to a lump sum payment for a beneficiary who may not be prepared to manage a large influx of funds.

With a death benefit annuity settlement option, you can choose a term certain or a life annuity as well as the frequency of payment and other options including indexing. This can be paired with an immediate partial lump sum payment.

A Note on Year End Distributions

Mutual funds are required to pass on to unitholders any interest, dividends and capital gains, incurred during the year. To account for the distribution the fund's net asset value (NAV) will decrease by the equivalent amount of the payment. Unitholders will then receive either a reinvestment of additional units or a cash payment for a neutral net result. For taxation, the book value increases which, reduces the future tax consequence. For non-registered accounts, the distribution is reflected on your T3 tax receipt.

Distributions are not always indicative of a fund's short-term performance. Capital gains may be triggered at any time by the disposition of long-held investments. Incidentally, this may occur in a year where a fund's overall performance is modest or negative.

A Marriage Revokes a Will but What About a Divorce?

Unlike a marriage, divorce does not revoke your will. It does however revoke any gift left to your ex-spouse and any appointment of that person as your executor. If you have a successor or an alternate executor named, that person will assume responsibility, otherwise, there will be an appointment of an estate trustee.

It is prudent to regularly review your will, powers of attorney and beneficiaries on your registered investments and insurance policies, even if you are not planning a marriage or getting divorced.

Source: <http://torontoestatemonitor.mt4temp.lexblognetwork.com/estate-planning/Does-Divorce-Revokes-Your-Will>. Megan Connolly July 2011

Tax Tip: Convert some of your RRSP to a RRIF at age 65 in order to take advantage of the pension income tax credit and pension income splitting with your spouse.

TFSA – 2016 Amounts and Balances

As announced on December 7th, the 2016 TFSA contribution amount is back to \$5500. There is no change to existing contribution amounts. If you were 18 or older in 2009 and have not opened a TFSA, your 2016 TFSA contribution limit is \$46,500.

Not sure how much contribution room you have? There are 3 ways to check:

- 1) [Login to 'My Account'](#) from the CRA website
- 2) Download [MyCRA Mobile App](#)
- 3) Phone CRA at 1-800-267-6999

Keep in mind that the information provided will likely not include the current year's contributions as that information is not reported to CRA until year end. For a 'TFSA Room Statement' with contribution details, call CRA at 1-800-267-6999.

Deferred RRSP Deduction

If you are in the top tax bracket and have RRSP contribution room, consider making an RRSP contribution for 2015 but do not take the tax

deduction. Instead defer the deduction until 2016 where it can be used to offset income that would otherwise be exposed to the new, higher 33% Federal tax rate.

Tax Alpha

The additional after-tax return you can add to your portfolio by taking steps to minimize the tax burden.

Shopping for Life Insurance

Whether you have an existing policy or are shopping for new life insurance, we can help. We subscribe to Compulife which allows us to compare all types of life insurance and quotes from the best rated companies. When it comes to life or disability insurance, not all policies are created equal and it pays to speak to a qualified insurance agent that is not biased to one company over another. Contact us to speak about your life insurance needs.



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FFPG FUND REPORT

Compounded to January 6, 2016



Fund	YTD	1 yr %	3 yr avg %	5 yr avg %	10 yr avg %
CANADIAN EQUITY FUNDS					
BMO Growth & Income Advisor	-0.99	-14.21	-0.46	1.63	3.16
Fidelity Canadian Growth Sr. B	-0.92	10.99	21.62	13.66	7.73
Dynamic Small Business Sr. A	-0.27	-3.44	4.15	4.06	9.35
Sentry Canadian Income Sr. A	-0.43	0.83	10.77	10.11	8.33
Fidelity Dividend Plus Sr. B	-0.02	2.36	7.72	7.14	8.65
Fidelity Canadian Large Cap Sr. B	0.35	4.76	15.94	12.77	9.74
IA Clarington Strategic Equity Income Sr. A	-0.18	-1.89	7.65	n/a	n/a
IA Clarington Canadian Small Cap Sr. A	-0.49	-5.71	9.96	9.39	6.21
IA Clarington Focused Cdn. Equity Cl. A	0.00	-10.72	-1.10	n/a	n/a
US/INTERNATIONAL/GLOBAL EQUITY					
Dynamic Global Discovery Sr. A	-0.47	27.00	19.19	9.21	7.39
Fidelity Small Cap America Sr. B	-0.44	24.82	29.88	23.47	10.93
Trimark Global Endeavour Fund Sr. A	-0.15	18.77	19.92	15.05	7.84
Sentry U.S Growth & Income Sr. A	-0.71	16.09	23.78	n/a	n/a
BALANCED FUNDS					
AGF Monthly High Income MF Series	-0.03	-10.21	-0.95	0.85	4.46
CI Signature Canadian Balanced Cl. A	-0.37	-0.36	6.82	4.71	5.05
Dynamic Power Balanced Sr. A	-0.80	3.16	7.34	2.39	5.09
Dynamic Value Balanced Sr. A	-0.05	-0.13	6.87	3.10	4.72
Fidelity Monthly Income Sr. B	0.11	1.73	6.98	6.86	6.42
Fidelity Canadian Balanced Sr. B	-0.37	3.56	8.83	6.29	6.04
Fidelity Income Allocation Sr. B	0.12	4.23	7.52	7.06	7.20
IA Clarington Focused Balanced Sr. A	-0.47	-8.21	1.51	n/a	n/a
Sentry Conservative Balanced Income Cl. A	-0.27	-1.72	5.69	n/a	n/a
Mackenzie Cundill Canadian Balanced Sr. C	-0.06	-9.17	3.95	4.08	4.05
ALTERNATIVE FUNDS *YTD as of Dec 31/15					
Vertex Fund Class B	7.45	7.45	5.39	3.00	6.32
Vertex Managed Value Sr B	-7.37	-7.37	10.33	8.35	6.35
Arrow Curvature Mkt Neutral Cl A (capped)	7.52	7.52	7.08	6.97	n/a

All Mutual Funds Sold by Prospectus Only & Alternative Funds Sold by Offering Memorandum

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