Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

WINTER 2017 NEWSLETTER

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Carl's Comments

In our last newsletter we mentioned that the three most likely outcomes of the election would be favorable for stocks. We've had a nice rally since the surprise Trump victory.

What does a Trump presidency mean? Tax reform, tax relief and less regulation are likely and are very favourable for corporations. Corporate profit margins and even growth should benefit.

There are many issues where the Republican Party and Trump differ, trade policy being an example. Republicans are more pro-free trade and Trump seems to be very much the opposite. Protectionism would be negative for economic growth and would likely push up inflation. Trump has proposed a lot of stimulus for infrastructure. Traditionally, Republicans have been less excited about that, so it remains to be seen how much stimulus will be approved.

Trump appears to be unpredictable and this concerns me as it adds to political uncertainty. This translates into all asset classes becoming riskier. As we've already seen, risks to rising inflation have certainly increased under Trump.

Sectors that should benefit include industrial, material and defense. Trump has also been vocal about boosting infrastructure, which is favourable for machinery engineering, construction, and building to name a few.

It appears that many sectors should benefit from a Trump administration however, we are entering the later stages of the business cycle and many stocks are very expensive. If you think of cycles like our seasons, we are in late autumn and not much grows in the winter. My evaluation of money managers includes those that I believe will steer away from lurking landmines in favour of better risk adjusted return opportunities.

A New Year brings optimism, but perhaps going into this New Year we should be more realistic. The Dow Jones index is at an all-time high. Many stock valuations are ridiculously high and political risk, likely never higher. It may not be the time when risk will be rewarded. In 2017, we might have to lower our investment return expectations as well as our exposure to risk.

From our family to yours, warm wishes for a healthy and prosperous 2017!

New Statements and Reporting for 2017!

We have been working closely with our mutual fund dealer, Worldsource Financial Management, making exciting changes to serve you better. These changes include; enhanced statements, additional reports as well as more information on your performance and a breakdown of costs you pay in actual dollar amounts. These statements and reports are aligned with our on-going commitment to providing full disclosure.

One downside is the additional paper all of these reports will produce. In order to reduce some of the paper, you may consider signing up for e-Delivery of your online statement(s). You will receive an email when your statement is ready and you can simply login to your Worldsource profile to view the current portfolio, transaction history, your most recent statement and up to 3 years of past statements. To sign up, please call or email.

Our Service Offerings

As our valued client, we hope that you are benefitting from our array of services. We have categorized many of our offerings below and note this list is not exhaustive. If we can be of assistance in these areas, please get in touch with us to discuss.

Financial Management	Asset Management
Mortgage and debt analysis	Portfolio/pension analysis
Cash flow analysis	Diversified product offering
Cash flow projection	Portfolio Managers & Analysts
RRSP/Leveraged Loans	Retirement/education/saving
Establish financial goals	Repositioning/rebalancing
Tax Planning	**Risk Management**
Tax analysis	Compliance
Tax minimization strategies	Life insurance, Critical Illness, Disability, Long Term Care
Personal tax planning	Maximizing risk-adjusted returns
Business tax planning	Asset Allocation to reduce risk
Tax return coordination	Review of money managers
Retirement Planning	**Legacy Planning**
Retirement income analysis	Estate planning analysis
Assessment of objectives	Wills and POA
Retirement expense analysis	Charitable giving
Retirement cash flow projection	Access to legal and accounting networks
Retirement education	Business succession planning
Life Planning	**Client Experience**
Eldercare issues	Client discovery
Intergenerational wealth meetings	Client service & admin support
Support during life transition events	Statements and reporting
Referrals to other professionals	Online account access and electronic statements
Other non-financial advice	Ongoing tracking and monitoring

Breaking down MERs

A Management Expense Ratio (MER) represents the cost associated with owning a mutual fund. It indicates on an annual basis how much a fund pays in management fees and operating expenses and includes taxes. Most times, reported performance returns are after costs. This is the actual amount in your pocket (before taxes, if any). To illustrate, a fund with an MER of 2.5% might breakdown the cost and services as follows:

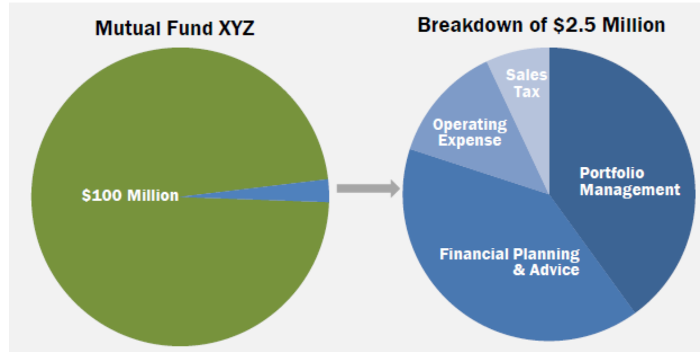


Image credit: CI Investments. Understanding MERs.

The mutual fund company, the portfolio managers, the advisor's dealership (i.e. Worldsource Financial Management) and the advisor and his or her team combined are all compensated for the services provided through the MER. There are other compensation structures and we encourage you to ask us if you have any questions.

Tax Tip:
Consider converting 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.

Use Care with In-Trust Accounts

Informal trust accounts are commonly used by a parent or grandparent as a tax efficient opportunity to provide a savings plan for a minor beneficiary. Unlike a formal legal trust, these trust accounts are easy to set up with no legal costs. If set up properly, income splitting is possible as income and dividends are taxable to the donor while capitals gains are taxable to the beneficiary. If the account is funded with the child's own funds (i.e. inheritance, Canada Child Tax Benefit or 2nd generation income), all income is taxed to the beneficiary. Once the beneficiary reaches the age of majority, attribution rules cease and the beneficiary can pay tax on all income earned. The assets can still remain in trust and need not be moved into another account in the beneficiary's name for tax reporting.

Care must be taken to ensure that the in-trust account complies with applicable tax rules. The provisions of our Income Tax Act state that income and capital gains earned by a trust may be attributed back to the donor. This can happen if the terms of the trust are such that the property may only be disposed of with/by direction of the donor.

The CRA generally interprets this to mean that the provision will apply if the donor is also the trustee of the account.

It is the responsibility of the trustee(s) to document the source of the funds in an in-trust account and to account for the appropriate income tax treatment. Additionally, even though an in-trust account is not a formal trust, it is still considered a trust for tax purposes, and a T3 trust return should be filed by the trustee each year.

Added care must be taken because a beneficiary is legally entitled to claim the trust assets once the age of majority is attained at may use the funds in any way they choose.

Death of Interested Parties

If the donor dies, attribution ceases and all future income earned in the account will be taxed in the child's hands. If the trustee dies, then the trustee's executor will review the Will to see if a replacement trustee was named. If a placement trustee was not named, then the account could remain in the name of the estate until the beneficiary attains the age of majority. If the beneficiary dies before reaching the age of majority, the funds in the trust belong to the child's estate. The donor cannot decide who gets the funds in an in-trust account if the beneficiary dies.

Source: Invesco. Tax & Estate. In-trust Accounts (12/16)

TFSA – 2017 Amounts and Balances

Years	TFSA Annual Limit	Cumulative Total
2009-2012	$5,000	$20,000
2013	5,500	25,500
2014	5,500	31,000
2015	10,000	41,000
2016	5,500	46,500
2017	5,500	52,000

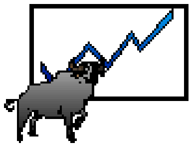
The cumulative total is $52,000 so long as you were 18 years of age in 2009. At the current rate of inflation, the TFSA contribution limit will increase to $6,000 per year in 2019.

2017 Clawback Planning

Old Age Security (OAS) Recipients whose net income (including OAS) for 2017 exceeds $74,788 will be required to repay the lesser of 15% of their net income over $74,788 and 15% of their OAS. When net income reaches just over $121,000, all OAS received will have to be repaid. Taxpayers approaching age 65 with annual income over $70,000 may consider deferring OAS payments as to not be subject to this clawback. Once a taxpayer begins receiving OAS, the only way to reduce this clawback is to reduce net income.

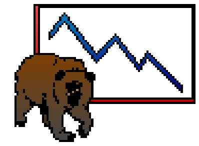
Age Amount Seniors may claim the Age Amount of $7,225 for 2017 so long as their net income does not exceed $36,430. For those with net income between $36,430 and $84,597, the age amount is reduced by 15% of their net income over $36,430. Once income exceeds $84,597, the age amount is reduced to zero. To increase the claim, reduce net income. If age-eligible, an RRSP contribution may be the solution.

Source: Knowledge Bureau. Clawback Planning for 2017. Nov 29/16



FFPG FUND REPORT

Compounded to December 22, 2016



Fund	YTD %	1 yr %	3 yr avg %	5 yr avg %	10 yr avg %
CANADIAN EQUITY FUNDS					
BMO Growth & Income Advisor	18.42	18.31	2.60	5.42	4.87
Fidelity Canadian Growth Sr. B	14.35	14.82	13.98	19.35	8.71
Dynamic Small Business Sr. A	20.50	2115	8.31	7.83	9.70
Sentry Canadian Income Sr. A	9.71	9.47	8.82	11.10	8.97
Fidelity Dividend Plus Sr. B	8.94	8.82	8.48	8.56	8.34
Fidelity Canadian Large Cap Sr. B	10.86	10.75	8.64	13.05	10.33
IA Clarington Strategic Equity Income Sr. A	10.97	11.05	6.56	9.22	n/a
IA Clarington Canadian Small Cap Sr. A	21.23	21.73	6.81	14.70	7.54
IA Clarington Focused Cdn. Equity Cl. A	33.73	33.99	4.95	n/a	n/a
US/INTERNATIONAL/GLOBAL EQUITY					
Dynamic Global Discovery Sr. A	-0.62	0.07	11.05	12.67	5.23
Fidelity Small Cap America Sr. B	-1.00	-1.33	13.40	21.66	10.21
Trimark Global Endeavour Fund Sr. A	1.59	1.26	10.99	14.79	5.78
Sentry U.S Growth & Income Sr. A	4.17	3.52	13.69	17.31	n/a
BALANCED FUNDS					
AGF Monthly High Income MF Series	16.83	17.54	1.89	4.04	4.68
CI Signature Canadian Balanced Cl. A	6.07	6.21	5.57	6.94	4.55
Dynamic Power Balanced Sr. A	0.40	0.68	4.03	5.74	4.02
Dynamic Value Balanced Sr. A	5.46	5.06	3.87	7.12	4.32
Fidelity Monthly Income Sr. B	6.74	6.84	5.55	7.07	6.06
Fidelity Canadian Balanced Sr. B	5.60	5.51	6.89	7.79	5.81
Fidelity Income Allocation Sr. B	3.55	3.57	5.87	6.32	6.38
IA Clarington Focused Balanced Sr. A	18.07	18.42	2.89	n/a	n/a
Sentry Conservative Balanced Income Cl. A	6.14	6.31	4.34	n/a	n/a
Mackenzie Cundill Canadian Balanced Sr. C	12.04	11.89	2.80	8.67	4.68
ALTERNATIVE FUNDS *YTD as of Nov 30/16					
Vertex Fund Class B	-4.61	-6.14	-0.40	4.11	4.87
Vertex Managed Value Sr B	27.19	26.50	9.25	16.69	7.66
Arrow Curvature Mkt Neutral Cl A (capped)	1.41	2.21	5.29	5.91	n/a

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

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