

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

WINTER 2019 NEWSLETTER

Carl Eppstadt, Financial Planner, CLU, CHFC, CFP, CHFS
Julie Westall, Financial Planner, CFP, CIM
Hannah-Lynn Bull, Administrative Assistant

Carl's Comments

January is here and the days are thankfully getting longer! The past year was quite unforgiving for financial markets and before looking ahead, I'd like to recap. The US market was moving nicely ahead until it peaked in October. Since then, November and December have been some of the worst months since the 30s. According to Deutsche Bank, for the first time since 1901, roughly 90% of combined bond equity and commodity indices posted negative year-to-date returns and cash outperformed global equities and bonds for the first time since 1994.

History would suggest that we can profit from the dips provided, there is no recession in sight. Some economists suggest there is a chance of a recession in late 2019 or 2020. A few reasons that support this are; we are coming off of one of the longest business cycles in history, lasting 132 months; The Fed is employing a tight monetary policy; American Corporate debt levels are sky high with a record number of outstanding BAA rated bonds and finally, there continues to be much uncertainty including US China trade tensions, real estate speculation in China, the Brexit outcome, US housing market slowing and significant growth challenges at home continue.

We continue to preach that patience is the secret sauce. In the new world of instant gratification and immediate everything, investor patience can be tough. Sir John Templeton and Warren Buffett have a few things in common; 1) they are two of the greatest money managers of all time and 2) they managed to

outperform the S&P 500 index over time¹ even though they underperformed about one-third of the time on an annual basis. Investing is a long-term commitment and it requires a long-term perspective. Waiting can really help you as an investor and can be hard for all of us, even seasoned professionals. Hopefully this can bring some peace of mind when we face the occasional bout of short-term underperformance.

It's a new year and we are excited to welcome a new member to our team! Hannah is taking over Kristin's role and she can be reached at bull@futurefinancial.com. It was immediately clear to us what Hannah's email should be with a last name of Bull!



2019 Equity Market Targets

According to the RBC Global Asset Management Investment Strategy Committee, they are targeting the following 1-year total return estimates for 2019. This will include some recovery from the weakness the markets experienced in Q4/18.

Equity Market	1-Year Total Return in local currency
S&P 500	6.1%
S&P/TSX Composite	10.8%

¹ Templeton Growth Fund (after fees) 1963-1993 + 6% annualized. Berkshire Hathaway Inc.(Class A) 1965-2017 +11% annualized outperformance.

MSCI Europe	12.2%
FTSE 100	12.2%
Nikkei	11.6%
MSCI Emerging Markets	12.1%

Source: RBCAM The Global Investment Outlook New Year 2019

Advantages of Early RRSP Withdrawals

Some clients may benefit from tax savings by taking strategic early withdrawals from an RRSP or RRIF before the first mandatory withdrawal in your 72nd year. The idea is to smooth out income and income tax. If someone is retired, with little or no pension and only receiving CPP and OAS, it could make sense to withdraw from their RRSP or RRIF in those low income years.

If you are debt free and have room inside your TFSA, that is likely the best place for 'excess' RRSP/RRIF withdrawals as you can build up significant TFSA contributions and they are all tax free. Additionally, a spouse can be named as your successor meaning that the plan would transfer to them and continue to remain tax free. An alternative to a successor spousal designation is to appoint a beneficiary however, the tax free status will cease.

Another common tax strategy is to convert a small portion of the RRSP into a RRIF at age 65 (or ideally age 64 to avoid any withholding taxes on the minimum payment) when a taxpayer becomes eligible for the \$2000 pension tax credit. This is not for everyone; i.e. if you are already receiving a pension or if you are still working.

Depending on the value of the RRSP, it can also make sense to fully convert to a RRIF prior to age 71. Verify the minimum payment in dollar terms to determine if it works with your overall income strategy.

Did You Know?

The 2019 TFSA limit is now \$6000!

Contact us to make a contribution.

Don't Just Change Your Will

If you are making changes to your will that involve a beneficiary designation on life insurance, RRSPs, RRIFs, TFSA etc., the same changes should also be made in the actual policy or investment account. This will alleviate the possibility of your assets ending up in the hands of the wrong person.

Exercise caution if you make use of the standard will clause *"I hereby revoke all wills and testamentary dispositions of every nature or kind whatsoever made by me"*, as this could revoke all designations, including beneficiary designations whether that was the intent or not.

A good lawyer specializing in wills and estates should help you. Ask us if you are unsure or have questions. We help can steer you in the right direction.

Source: Advisors Edge. Preventing Beneficiary Disputes. June 29, 2010

3 Uses of Life Insurance

- 1) Wealth Creation
- 2) Estate Preservation
- 3) Tax Exempt Investing

There are many opportunities where life insurance can and should be used throughout one's lifetime. In the beginning, it can help to bridge gaps in your financial plan as well as during your working years. Later, it can be used to help with your estate plan and for efficient distribution of assets. For the affluent, it can be used as an investing tool with significant tax deferral.

To create wealth, typically you would purchase life insurance to cover financial obligations including paying off a mortgage, providing income for a surviving spouse and providing for childcare and education expenses. Often, this scenario occurs when one is early in their career, has a young family and where discretionary income is limited. In this case, a term product that is both convertible and renewable could be the perfect, affordable solution. Creating wealth can also take the form of pension protection. By purchasing a term policy, we can offset a

substantial portion of the risk associated with a potential loss of half of a spouse's pension. If you are relying on your spouse's pension, this is something that should be considered.

Estate preservation is another use for life insurance and can be a very cost effective way of funding the tax liability on the disposition of assets at death. Here, a permanent solution as opposed to a term plan would be required. Permanent plans include, Term100, Whole Life and Universal Life.

For affluent investors, tax exempt investing is yet another opportunity where life insurance can be used. Here, life insurance and investments are combined into a universal life policy. The idea is that the investments can grow and a portion of tax can be deferred. The death benefit is paid tax free to a beneficiary or to the estate.

Have insurance questions? Give us a call.

FINLIT Reading

Looking to brush up on your financial literacy? Here are some great websites no matter what your age or the investing stage you are in.

For Kids and Youth

www.talkwithourkidsaboutmoney.com
www.practicalmoneyskills.ca

For Millennials

www.halfbanked.com
www.jessicamoorhouse.com
www.youngandthrifty.ca

For Everyone Else

www.advocis.ca/finlit
www.getsmarteraboutmoney.ca
www.moneysense.ca

ROC and Investment Loans

If you have borrowed money to invest and plan to write off the interest expense, be careful with

investments that distribute return of capital (ROC). To refresh, an ROC distribution is not immediately taxable and instead reduces the cost base of the asset, deferring the tax until the investment is sold.

Investment distributions can be reinvested or received in cash. Unless ROC distributions are reinvested into the same fund or another investment, the interest portion on the borrowed money that relates to the distribution would no longer be tax deductible since the funds were no longer being used for an income-earning purpose.

Source: Advisor's Edge. July/Aug 2018. A warning on interest deductibility. Pg 12

Recently retired? Let your car insurance company know. You may qualify for reduced premiums as you are no longer driving to and from work. Also inquire about seniors or other discounts.

Mortgage free? Let your house insurance company know as you might also be eligible for some discounts.



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FFPG FUND REPORT

Compounded to January 11, 2019



Fund	YTD	1 yr %	3 yr avg %	5 yr avg %	10 yr avg %
CANADIAN EQUITY FUNDS					
Dynamic Equity Income Sr. A	3.27	-2.30	8.73	6.20	10.71
Fidelity Canadian Large Cap Sr. B	0.83	0.99	3.86	5.08	10.39
Fidelity Canadian Growth Sr. B	7.43	-7.79	10.63	9.72	10.64
Fidelity Dividend Plus Sr. B	2.05	1.89	3.93	5.08	10.39
IA Clarington Strategic Equity Income Sr. A	2.90	-1.88	6.00	4.23	Na
Sentry Canadian Income Sr. A	3.01	-7.16	2.76	4.02	10.42
US/INTERNATIONAL/GLOBAL EQUITY					
Dynamic Global Discovery Sr. A	-0.33	2.07	7.38	9.34	10.51
Trimark Global Endeavour Fund Sr. A	0.16	-8.63	3.80	7.15	13.66
Sentry U.S Growth & Income Sr. A	0.30	-3.60	5.87	8.99	Na
BALANCED FUNDS					
CI Signature Canadian Balanced Cl. A	2.29	-7.71	3.41	3.36	6.15
Fidelity Income Allocation Sr. B	0.51	1.18	2.21	3.67	8.53
Fidelity Monthly Income Sr. B	1.65	-0.41	2.99	3.36	7.95
Fidelity Canadian Balanced Sr. B	1.58	-2.44	3.53	4.20	7.32
Edgepoint Cdn Growth & Income Port Sr. A	3.13	-7.98	6.98	4.41	9.44
Mackenzie Canadian Growth Balanced Sr. A	1.61	-1.34	6.46	8.38	7.52
GLOBAL BALANCED FUNDS					
BMO Tactical Global Growth ETF Adv Series	3.91	0.34	na	na	na
Dynamic Global Strategic Yield Sr. A	0.64	-3.14	na	na	na
Dynamic Global Asset Allocation Sr. A	-0.56	3.24	4.65	7.30	9.54
Edgepoint GI Growth and Income Port Sr. A	1.49	-1.35	9.33	8.72	11.94
Fidelity NorthStar Balanced Sr. B	-0.54	-.072	-0.07	Na	na
SMALL/MID CAP FUNDS					
Dynamic Small Business Sr. A	3.31	-8.48	6.99	4.42	9.88
Fidelity Small Cap America Sr. B	1.19	2.89	4.26	9.69	17.66
IA Clarington Canadian Small Cap Sr. A	4.33	-8.85	6.70	2.47	10.11
Mackenzie US Mid Cap Growth Cl. Sr. A	2.67	11.56	12.72	11.232	13.54
Sentry Small / Mid Cap Income Sr. A	3.93	-7.72	6.96	5.28	14.61

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

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201-370 Churchill Avenue, Ottawa, Ontario K1Z 5C2 613.728.0589. www.futurefinancial.com