

# WEALTH MANAGEMENT SERIES



# Newsletter

February 2018

## Credential<sup>®</sup> Asset Management

Mutual funds are offered through Credential Asset Management Inc.

# 2017 In Review



## Interest Rates

In July, for the first time in seven years, the Bank of Canada raised their lending rate by a quarter percentage point. By January 2018, it had been raised a total of 3 times.

## Proposed Tax Changes to Small Business

The Liberal Government proposed changes to the current tax system that rapidly came under fire by both small business and Agricultural producers.

For more information please visit the Government of Canada at <https://www.fin.gc.ca/activty/consult/tppc-pfsp-eng.asp>

## Implementation of Carbon Tax

The Liberal Government moved forward with their plan to reduce GHG emissions through a carbon tax. Provinces were asked to meet the criteria of one of two options for implementation: Cap & trade or direct pricing.

For more information please visit the Government of Canada at [https://www.canada.ca/en/environment-climate-change/news/2017/05/pricing\\_carbon\\_pollutionincanadahowitwillwork.html](https://www.canada.ca/en/environment-climate-change/news/2017/05/pricing_carbon_pollutionincanadahowitwillwork.html)

## U.S.A announces the renegotiation of NAFTA

On May 18th, Donald Trump, President of the U.S.A. makes good on one of his campaign promises by declaring that NAFTA will be re-opened and renegotiated.

## Canada announces free-trade deal with European Union (CETA).

Almost 8 years after negotiations first began by the P.C.'s, the Liberal Government confirmed that a free trade deal with the European Union had been reached.

For details on CETA, please visit the Government of Canada at <http://www.international.gc.ca/gac-amc/campaign-campagne/ceta-aecq/index.aspx?lang=eng>

**2017**  
included  
market  
changing  
events,  
with  
much of  
the  
emphasis  
on trade,  
interest  
rates,  
and an  
improved  
economy.

## Quick Facts:

### RRSP Contribution Deadline, March 1, 2018

- 18% of prev. years earned income
- Contributions are tax deductible

### 2017 TFSA Limit, \$5,500

- Started in 2009
- Must be 18 years old to contribute.

### Old Age Security Pension

Your eligibility for the OAS is tied to your residency and not your employment history. If you have never worked or if you are still working you are eligible for OAS.

- You must be a Canadian citizen or a legal resident at the time of your application.
- You must be 65 years old or older to apply.

If you currently live outside of Canada you must be:

- 65 years or older;
- Have been a Canadian citizen or resident on the day before you left;
- Have resided in Canada for a minimum of 20 years since you turned 18.

Important to note that OAS payments are considered taxable income.

### OAS Guaranteed Income Supplement, Allowance & Allowance for the Survivor

GIS are based on your marital status and your level of income. If eligible these payments are not considered taxable income. Eligibility is reviewed annually and payments can fluctuate depending on your income.

### Canada Pension Plan

- If you are employed within Canada and have contributed to the CPP, you are eligible for benefits.
- You can apply for benefits as early as age 60 or as late as age 70. The longer you wait to take your benefit, the more your benefit will increase.
- If you take your benefit before age 65 it is reduced by as much as 36%. If you take your benefit at age 70 you can add 42% to your benefit.
- Average monthly payment in 2017 at age 65 was \$641.63
- The maximum monthly payment for 2018 is \$1,134.17

Service Canada can provide you with detailed information regarding your estimated CPP amount. Contact Service Canada by phone at 1-800-277-9914 or you can register with Service Canada to access this information on line by activating a "My Service Canada" account at [www.canada.ca](http://www.canada.ca)

Source: Government of Canada website, <https://www.canada.ca/en.html>

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## What happens with my company pension when I retire?

Many pension plans give you the option at retirement to keep your funds with the Pension Plan, or the option to transfer your funds to the financial institution of your choice. Although this may sound like an easy decision, there are many factors that need to be considered. It is important to discuss the pros and cons of both of these options with a professional before making your final decision.

## Paying off short term debt prior to retirement.

The less you owe moving into retirement the better your cash flow will be. Planning in advance to pay off short term debts like vehicle loans and credit cards will give you more financial flexibility in retirement. This also applies to large debts, like a mortgage for your home or vacation property. Increasing your mortgage payment could take years off the length of your mortgage. Sit down with your financial advisor to run the numbers.

## Do I need to worry about an emergency fund?

It takes time to set up retirement accounts and process pension transfers. It may be weeks or even months before you are able to draw income from your employer savings plans. For this reason it is important to plan ahead by determining your post employment budgetary and cash flow requirements. Setting aside a healthy emergency fund will protect you during this transition period.

## Already Retired?

- Through a lawyer, update your will and designate someone you trust as your Power of Attorney
- Share your estate plans with those who will be affected by them. (Family & close friends)
- Be mindful of your income tax sources and how they are taxed
- Be financially prepared for unexpected emergencies such as home repairs or health concerns
- Review your investments regularly to make sure that they are in line with your risk tolerances.

# You Asked... We Answered Getting ready for Retirement

## Will my employer provided health benefits carry on in retirement?

Each employer is unique in the health plans that they provide to their employees. It is important to talk to your employer about if benefits will be offered to you in retirement and if yes, then which benefits will be available to you. Once you have this information you can then determine if you need to seek out a retirement benefit plan or top up what you will have through your employer. This is an important question to answer as it may add a payment to your retirement budget.

## Where will my income come from in retirement?

There are many places that could yield income for you in retirement:

**1. Company Pension Plan:** If you have paid into a savings or pension plan provided by your employer this will yield either a one time payout or a monthly payment to you. Deciding on what kind of payment best suits your retirement budget is something you should discuss with a professional.

**2. Canada Pension Plan:** If you have been employed and paid into CPP; it will yield a monthly benefit to you. Your benefit amount will depend

on how much you have contributed over your years of work. The average monthly benefit in 2017 at age 65 was \$641.63.

**3. Old Age Security Pension:** OAS Pension is provided to everyone that is a Canadian citizen or resident. This benefit is not tied to a persons employment history. The benefit amount is determined by the following factors.

- How many years you have lived in Canada after age 18
- Eligibility is 65 years of age or you can defer until age 70

### 4. Other Income:

- Old Age Security Benefit, *also known as the Guaranteed Income Supplement, Allowance & Allowance for the Survivor.*
- RRSPs & TFSA's
- Sale of property, business, operation or equipment
- Rental Income (Property or Equipment)
- Part-Time Employment

It is never too early or too late to work with a financial planner who can help you map out your resources in retirement and discuss your options.