iA Securities

WealthBUILDER

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Laura Woodman, CIM®, FCSI®
Investment Advisor

WOODMAN WEALTH

Industrial Alliance Securities Inc.
Woodman Wealth

238 Portage Ave, 3rd Floor
Winnipeg, MB R3C 0B1

408 Main Street, Suite 4A
Box 1902
Stonewall, MB R0C 2Z0

Telephone: 204-806-8388
laura.woodman@iagto.ca
www.woodmanwealth.ca

Whatever the investment markets are doing, it's important to keep in mind what ultimately matters – the good health and well-being of you and your loved ones. Despite the financial bumps, life does go on: The kids or grandkids are growing up and retirement continues to get a little closer. The best way to stay on track is to have a portfolio review where we take stock where you stand now, revisit your life goals and financial targets, and make any changes that are necessary. Whether it's for some hand-holding and perspective, or to make necessary changes, we're always here for you.

Think tax-smart investing all year round

Tax time? From an investing perspective, there is no wrong time to consider the tax implications of choosing, organizing or selling investments for your portfolio.

Choosing investments

Remember the old adage: don't let the tax tail wag the investment dog. The best investments for you are the ones that will help you meet your goals while being appropriate for your time horizon and risk tolerance. Any tax advantage should always be a secondary concern.

Organizing investments

Do you know that different kinds of investment income are taxed differently in Canada? Interest income, often earned from Guaranteed Investment Certificates (GICs) or bank account interest, is taxed like earned income and is the least efficient from a tax perspective. Canadian Dividend income is taxed at a lower rate thanks to the Canadian Dividend Tax Credit, and income from Capital Gains is even more tax-efficient as only 50% of the gain is taxable. Equity-type investments such as stocks are most likely sources of dividend and capital gains in your portfolio.

With this in mind, it may make sense to hold investments that pay interest income in registered accounts like Registered Retirement Savings Plans (RRSPs) that defer the tax, or Tax-Free Savings Accounts (TFSAs) that eliminate the tax liability.

Selling or moving investments

Taxes can be an important consideration when you sell an investment or move it from one account to another. For instance, for most investments that have a capital appreciation, the taxable gain is only triggered when you sell it. Withdrawals from your RRSPs will also incur a tax bill, unless they are for an allowed purpose such as the Home Buyers Plan. You can also trigger a tax liability, in this case a "deemed disposition," by transferring an investment from a non-registered account into your RRSP.

If you're looking to draw a regular income stream from your investments, designing a tax-efficient draw-down strategy is key. In this case, rely on professional assistance to maximize your after-tax income.

Being tax-savvy with your investments is a key element of building your wealth over the long term and generating efficient income when you need it. It can require some specialist knowledge and a holistic view of your individual situation. Professional advice is key. ◂

A great plan needs defined goals: These questions will help you define them

It's probably the most common cliché in financial matters: you need a plan based on your "unique" goals and circumstances. The truth is that the plan is not the hardest part. Instead, it's being able to articulate what your goals really are. We all start with high-level goals like "to be successful," or to "to be secure in retirement" or "to make a lot of money." But what do these mean? To explore these lofty goals in greater detail, ask yourself some of the questions below. Consider them carefully, don't rush, be honest with yourself, and try to be as specific as you can with your answers.

Work. What role does work play in your life? Is it your passion or just a way to earn a living? How long do you think you'll want to work for? Will it always be at your current job or will you want to finance a change to another career or maybe launch a business? Will you want to retire completely from work, or might you keep working in some capacity, part time or as a consultant? In the meantime, are you thinking about taking a break from work such as a professional sabbatical or a maternity or paternity leave?

Lifestyle. Are you living the life you want? Do you feel you have done a good job balancing the "now" with saving for the future? Are there things that you find yourself dreaming about then writing off as unrealistic? A cottage? A boat? Studying or retraining? Travelling or exploring the world? Don't judge yourself, just think about how you might change your life if you could.

Home. Are you satisfied with your home? Is it too small, or too big? Is it in the wrong neighbourhood for you? The wrong city? What would make your home better for you and your family? As you get older, how should your home change? Do you see yourself staying in your home after you retire? If not, what changes there?

Health. How does your health impact how you live and how you want to live? Do you want to invest more in preventative health to live a better life now and in the future? What might that look like for you? Do you have health issues that you want to plan for as you get older? Do your children, or your parents, have health issues that you expect to affect you? Do you want to be a caregiver for a loved one?

Family. How important is family, however you define it, in your life? Are there family goals – financial or otherwise – that you haven't achieved yet? Imagine your family situation in five, ten and twenty years: how do you see that changing? How does your role in the family change over those years? Are there things that you want to do for your family in the future that you haven't begun to plan for?

Mind and soul. What keeps your mind and soul nourished? What makes you happy? In the future, how will you keep the mind engaged and the soul fulfilled as you age? Might you travel the world, volunteer at home or overseas, or use your life or work skills to mentor others? Do you want to challenge yourself by learning a new skill, language or area of study? Maybe paint, draw or write? Are there people, groups or organizations that you are involved with that you want to support now and in the future?

Business. Do you own a business now? If so, what are your goals for your business and for you in that business? Will you bring family members into it or sell it at some point? Do you want to start a business soon or maybe when you retire? Does operating that business require start-up funds or new education on your part?

Legacy. What do you want your legacy to be? Do your children or family members have goals that you want to enable? Are there charities or causes that you want to benefit from your success after you are gone? Do you want to make an impact by fostering values that you hold dear in the next generation?

Don't feel you need to have all the answers to these admittedly big questions. If you start small and identify new or changed priorities, let's talk. Remember, life goals are the foundation of any meaningful financial strategy. ◄

Confidence shaken by the market downturn? Keep perspective with this timely advice

At the beginning of 2020, investors could be forgiven for having forgotten this truism of stock market investing: what goes up can also go down. The bull market in stocks had begun in 2008 and, despite some hiccups, there were no bears to be found for over a decade. The arrival of the COVID-19 coronavirus changed all that – and quickly! After days and days of sell-offs, a bear market (meaning a drop of more than 20% in value) reared its head in mid-March for many of the major indexes around the world.

When the daily news is full of stories of "sell-offs," it can be tempting to feel that maybe you should be joining in. But to keep perspective, and avoid panic, consider these six points:

1. Losses have already happened. If a market downturn leads you to sell your holdings, then you will have locked in the losses that have already happened. That means there's no way to recover those losses. Of course, prices could fall further – no one can predict the future. But selling ensures that you can't participate in any recovery in prices on holdings that you have already sold.

2. Sell-offs don't discriminate. During times of market panic or broad-based selling driven by news events, sellers often don't take the time to evaluate the quality of their holdings in the same way they did when buying them. If you, or your advisors, carefully chose a stock or a fund as a good quality, long-term holding for your portfolio, ask yourself why that's not still the case. Chances are that over time the market will recognize the inherent value of that holding and its price will return to a more reasonable level.

3. Rebounds are unpredictable. Investors who stay in the market are sure to be participating when the market recovers. There are no guarantees, of course, but markets have recovered from many calamities including 9/11, the Eurozone crisis, the Great Recession of 2007, and many more. But the shape and the timing of any recovery is nearly impossible to predict. Some rebounds are "V-shaped" with a quick fall and an equally quick recovery, while others are "U-shaped," taking longer to make a comeback. If you are looking to take money out and time the recovery before getting back in, you are attempting an almost impossible task.

4. Equities are only one part of your portfolio. Trust the power of diversification – it is made for times like this. The point of having a diversified portfolio is that when one asset class like equities is having a tough time, the other parts, like fixed-income and cash equivalents, are mitigating those losses. Sometimes looking at the overall value of your portfolio rather than the daily close of the TSX or the S&P 500 can help you keep perspective.

5. What (and when) are you investing for? Keeping your investing time horizon in mind may help you stay the course. For instance, if you are investing for your retirement and that date is 15 years away, today's downturn may be a forgotten memory by then. You certainly have time to participate in any recovery. If you're close to retirement or have shorter-term investing goals, then your portfolio will likely reflect that with a greater share invested in less volatile investments. If you're not sure where you stand, or your goals have changed, it's probably time to revisit your investing strategy.

6. Professionals are at work on your behalf. Many of the questions and concerns that you are dealing with at times like this, professional investment advisors and money managers deal with every day on behalf of you and all the other investors they serve. Plus, they have access to many more information sources, investment expertise, and more often than not, the lived experience of having guided clients and portfolios through previous market turmoil. Remember that you have that expertise and perspective already working for you.

Even the most experienced and knowledgeable investors need some hand-holding during tough markets. Don't hesitate to contact us to keep news and market events in perspective and to revisit how your investments are doing in relation to your long- and short-term goals. ◀

How have world epidemics affected global markets before?

As shown in the adjacent table, the effects of global epidemics and pandemics, like those of many more common viruses, tend to be short-lived when it comes to world stock markets. No two situations are alike, however, and the ramifications of COVID-19 remain to be seen.

EPIDEMIC	YEAR	MSCI WORLD INDEX		
		1 month	3 months	6 months
SARS	2003	8.64%	16.36%	21.51%
Avian Flu (H5N1)	2006	-0.18%	2.77%	10.05%
Swine Flu (H1N1)	2009	10.90%	19.73%	39.96%
Ebola	2014	-0.09%	2.37%	4.37%
Zika	2016	-6.05%	-0.88%	-0.57%
Ebola	2018	-7.42%	-13.74%	-3.49%

Note: Past performance is no guarantee of future results.

Source: *Market Watch* (marketwatch.com), February 24, 2020. https://www.marketwatch.com/story/heres-how-the-stock-market-has-performed-during-past-viral-outbreaks-as-chinas-coronavirus-spreads-2020-01-22

Cottage concerns? Now is the time to act

With rising temperatures and longer days, many Canadians turn their thoughts to their cottages, chalets and camps. And increasingly for the Boomer generation, those thoughts include whether to pass on their vacation property to their children, and how, and when.

Like most estate planning issues, the financial part must be preceded by often difficult or dreaded discussions with family members. Because of this, action is often delayed and potential options missed out on. Starting the discussions now means time is on your side and decisions don't need to be rushed.

As the owner, what do you want? Start by being honest with yourself about your own goals. Too often everyone assumes the parents want the kids to have the cottage and that the kids want it. Maybe you'll want to sell up to finance your snowbird lifestyle or to meet other estate planning goals. Maybe you want to avoid family rancour and having to referee any sibling conflicts. Perhaps the property will form part of a larger estate fairness conversation involving other personal and business assets. Before opening the dialogue, take a moment to determine what you want.

What do the kids, and the grandkids, want? Don't make the assumption all your children and their children feel the same way about the place. Enjoying time spent at the cottage and wanting to own and maintain it are different things. Also, keep in mind that your family may have an idealistic desire to own the cottage, but are not yet aware of the financial implications. Most cottage successions involve a substantial tax liability that may affect how family members feel about the issue. Nevertheless, finding out how they feel about it now is a great place to start.

Paint a financial picture. Chances are your family members have no idea about the financial challenges related to your recreational property. Consider opening up about the maintenance costs, property taxes, and the potential capital appreciation of your place. This can be a challenge you as the current owner too, as you may be uncomfortable revealing your finances to other members of your family.

Explore different scenarios. Once you have an idea about everyone's goals and some of the financial implications, you can start to explore different ways to achieve those goals. If you have potential heirs who don't want to be a part of the next generation of owners, you could explore having some heirs buy out their share if the resources are available. For those who want to take on ownership, there are legal options like creating a trust or less formal ones like creating a co-owner's agreement covering ongoing costs and options to sell up.

Seek out professional insight. Lawyers, accountants, mortgage professionals and investment advisors can all provide advice and knowledge that is relevant to cottage succession. Chances are all of them will start with the same question: "What are you trying to achieve?" By having had some of the family discussions already, you'll have at least partial answers to those questions, and you'll get much more specific and relevant advice in return. ◄

▷ TAX TIPS

Know your slips when it comes to tax time!

For the 2019 tax year, it's all over but the filing. To get ready and to ensure an accurate return, here's a review of key investment-related tax slips:

T4 slips – Generally speaking, T4 slips report the various kinds of income you received during the year which you must report when filing your taxes. The most common of these is the *T4 – Statement of Renumeration Paid* where your salary or wages are documented. If you received Pension or Annuity, OAS or CPP benefits, these will be reported on a T4A, T4A(OAS) and T4A(P) respectively. If you had income from your Registered Retirement Savings Plan (RRSP) or your Registered Retirement Income Fund (RRIF), expect a T4RSP or T4RIF. For Quebec taxpayers, your main income slip is your Relevé 1 or RL-1.

T5 Statement of Investment Income slip – These statements come from the financial institutions that you have investments with. They report your investment income including the types of income, such as interest or dividend income, which are treated differently when taxed. In Quebec, look for an RL-3.

T5008 Statement of Securities Transactions slip – If you disposed of or redeemed securities last year, the relevant information is reported here.

T3 Statement of Trust Income Allocations and Designations slip – This is the slip that details how much income you received from investment in mutual funds in non-registered accounts, from business income trusts or income from an estate for a given tax year.

R**RSP Contribution Receipt –** When you contribute to your RRSP, the financial institution will issue this slip. Note that depending on when you made the contribution, you may have received this slip earlier in the year. ◄