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WWW.CAREYVANDENBERG.COM

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604 541 2690 1 866 274 1222

SOUTH SURREY / WHITE ROCK OFFICE
13230—16TH AVENUE
SOUTH SURREY, B.C. V4A 1P3

VANCOUVER OFFICE
2050—1050 WEST PENDER STREET
VANCOUVER, B.C. V6E 3S7

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TODAY'S HURDLES ARE DIFFERENT YET THE SAME

Something I do virtually every day is update myself on changing economic and financial information. Through this first of the morning work, I also get a sense of what the feeling is out there. That can be an air of downright fearfulness to uber optimism with a poles apart range in between.

As a financial professional with an advisory role, I can think back and revisit what the public feeling was at any particular historic event. This is something I have gotten better at over time. About 7 or 8 years ago I said to a good friend of mine "it feels too good". I couldn't put my finger on it. It just seemed that things were buzzing along and everyone was optimistic. That made me uneasy.

I believe, for Joe & Jane Public, that is definitely not the case today. The exceptions today are how so many are getting so caught up in technology companies and the belief that as long as a company is big and it pays a dividend you will be okay (how wrong and dangerous that thinking can be). Outside of that, today I'd say it's very cautious optimism with the expectation that something bad is going to happen again, at anytime. Frankly, I feel much better in this kind of environment. Ironically, it is more predictable and much easier to read and navigate.

However, no matter what the economic feeling is, there are always things that could slow or create a stumble in progress. Today, these include:

Ukraine and Russia: The ongoing drama could lead to Cold War II. This could stifle energy supplies and simply make everyone on edge since a Cold War produces distrust among nations.

China significantly makes missteps in converting from the export driven economy we have known it to be (us buying their stuff) to an economy that is selling products and services to its ever growing middle class (they buy their own stuff). The result of mistakes China makes on this could be a slower global economy. Not necessarily a bad thing as it keeps interest rates lower for longer. This is good for all those consumers and governments with debt.

Uncertainty about the mistakes the U.S. government may make with pulling in the fiscal reins. Mistakes will inevitably cause bumps in the investment markets. A market bump in the summer last year was directly related to this.

Those are the possible stumble creators we face today. Here are some of the things I have walked with clients through:

"Black Monday" in 1987. I remember it distinctly. It was quite a pleasant day weather wise. Following that...Tiananmen Square, the U.S. Savings & Loans crisis, Desert Storm, World Trade Center bombing, Asian currency crisis, Russian debt default, Rwandan Genocide, Sarin Gas in Tokyo, Oklahoma City bombing, Mad Cow disease, Hong Kong going back to Chinese rule, Bill Clinton impeachment, Attack of Serbia by Nato, 9/11, Enron, Iraq War, Subprime Crisis, 2008 / 2009 economic meltdown including GM and Chrysler bankruptcies, European financial problems and dissolution of the Euro worries.

Those events and the risk associated with them dissipated. So will the most recent 3. Things change but yet they actually stay the same.

Inheritance—What To Do With It and What It Can Do For You

When new clients come to me to prepare a financial plan, one of the bits of info. I ask for is the completion of a Lifestyle Questionnaire (LSQ). Along with variety of questions to understand what a person's personality is like and their vision for the future, there is a question that asks about how much they expect to inherit. If you are curious, you will find the LSQ at www.careyvandenberg.com/lifestyle.php

What an inheritance can do is allow you to stop working earlier than you thought, reduce the amount you are saving so you can spend more today, give you the ability to live a much better retirement lifestyle or at least, give you a retirement that is better than "enough to eat and a roof over my head". Here are things you may want to do:

If you have debt, use the inheritance to pay it off. With the money that you were making in payments on your debt, set up a monthly RRSP contribution to the extent you have RRSP room. Any excess can go into a TFSA on a monthly basis. After that is topped up, a monthly investment into an investment account.

Another path to take if you have debt to pay is pay that debt off and borrow back an equal amount of money. Use the newly borrowed money to invest. You will have the same amount of debt but at least now the interest on the new loan for investment purposes, is tax deductible.

You don't have any debt? Take the money and invest it in an investment portfolio that will grow yet won't increase your tax bill. Topping up RRSP contributions that you haven't made in the past should be a first consideration. Maybe an RRSP contribution doesn't make sense at all for you. Perhaps instead, a TFSA would work better in your case. That is best determined by meeting with a Financial Planner and looking at your entire situation more closely. What you don't want to do is simply burn through the money with consumer goods. You can actually have it all if you play it right.

Common Risks For Common Law Relationships

A common law relationship and marriage are in many respects very much the same. From a legal standpoint however, there is a very big difference in regards to who gets what if you go your separate ways.

When a marriage ends in divorce, the value of all the property is basically split 50/50 through what is called "equalization". That simply means that you add up your assets, subtract the value of all the debt in either of your names and the sum of that is split 50 /50. When a common law couple splits up, each gets back what they brought into the relationship. That sounds cut and dried however it gets murky when funds start to get co-mingled or if one spouse carries more of the financial weight during the relationship. It is for this reason that many lawyers recommend a cohabitation agreement, which is the common-law version of a pre-nup, before you start sharing the kitchen.

Household purchases and living expenses— the best way is to not simply put your money together to buy all of the furniture but rather for each person to buy items for specific rooms. This way, it becomes clear who bought what and who gets what should things go south.

In a marriage, when debt is paid down it was assumed it was done with family money. So, should the marriage breakdown it doesn't matter who paid down what, it is all equalized and split 50/50. This isn't the case with common-law relationships. If the debt is in your name, it's yours. It doesn't matter if you paid down part of your partners loan while you were together. This can also open up a whole can of worms if one spouse agrees to take more charge of the child rearing and less on the income earning and the partnership dissolves. Having said that, splitting up is especially messy and tumultuous when kids are involved, no matter how the relationship is conjugated.

10 Ways To Avoid An Audit By CRA

1) Avoid conflict. Many audits are triggered by a neighbour who doesn't like you, an estranged spouse out for vengeance or a dismissed employee.

2) File your tax return on time. Late filed returns always get more CRA eyes on them than those filed on time.

3) Do not try to explain things on your return with an attached letter, notes or amending your tax return.

4) Unless you have a very accurate travel log to support your car expenses, be reasonable in the percentage you claim for your car for business.

5) Don't make up expenses if you don't have supporting evidence to verify the expense.

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6) If you are separated or divorced, have it in your separation agreement who will claim which expenses and which credits. A common mistake is both spouses claim the same deductions and credits. The CRA hates that.

7) Report your foreign income, especially countries that Canada freely shares information with (ie. US and UK). Penalties can be especially large for these slip ups.

8) Report all rental income on the property owner's tax return. Don't try to put rental income of a property owned by you on your lower income earning spouse's tax return.

9) If you are an employee or commission earning sales person that has deductible expenses, don't throw in personal expenses in there.

10) File a tax return if you leave Canada. This applies if you move or are transferred for work. You need to say on the return when you left Canada.

Don't Put Your Kids On The Title Of Anything You Own

It seems to be a common thought that, putting your kids on title on your house as you age is a good planning idea. Some may do it to save on probate fees. Others may think it will make an eventual full inheritance, easier. In virtually all cases, these assumptions are wrong.

Transfers like this are considered a partial sale. If it is your principal residence this kind of ownership change is a partial sale. If your adult child has a principal residence of their own, 50% of any future price gains on your home are now taxable. So, as a general rule, this kind of change in ownership is not a good idea.

With a cottage or other non-principal residence property or investment portfolio, the change will trigger a partial sale as well however, in these cases you will be triggering a capital gain. Because it isn't your tax free principal residence, you will have income tax to pay. Given, you will have to pay tax at some point but now you are paying it early and when you may not have other cash to cover that cost.

Even putting your adult child's name on your bank account is not a good idea. If the money in the account is still just for you, you aren't really changing ownership and therefore the money you have in the account will still be subject to probate fees. A way around that is to each report 50% of the income on your respective tax returns however, if your adult child earns more than you, you are paying more tax and that could be the case for years.

Another caveat is that if you have more than one adult child, they could claim the money is theirs and upset the family harmony. This can be avoided with a document stating the intention of the account.

A Charitable Fund In Your Name

Most of us donate money to charitable organizations and do it in a very haphazard way. Someone comes to our door or a friend is participating in a charitable event and we give money. You can do it a bit differently, much like Bill & Melinda Gates. You can have a charitable fund in your own name too.

You can do this with as little as $25,000. You aren't giving a donation of that amount, you are simply setting up the fund with an initial amount. Only a few financial institutions offer this. They have set up a structure where you can establish " _your last name__ Family Giving Foundation" and not be subjected to all the upfront and administrative costs that a private foundation like the Gates were billed for. With the set up of your family charitable giving fund, you can then have some or all of the earnings be given as donations. You now have a charitable fund that can be handed over to family members and keep the fund giving to causes you care about, in perpetuity.

Tech Gems— Creating A PDF With Your Smartphone or Tablet

How many times do you have a paper, magazine article, recipe etc that you want to keep and file electronically. The only solution you can think of is taking a picture of it. The format isn't the best for your purposes (jpeg etc) and you now have a picture file which gets mixed up with all of your other pictures. Stop the madness. There is a better way.

With Google Drive you can take a picture within the app itself. In GD there is a camera icon that says "Scan". You simply take a picture of the document on your desk or in your book and the app automatically crops out all of the area outside of the actual page. It automatically saves it to Google Drive where you can rename it, file it where you want, or simply email it to someone. Much better ;)

Hhhhhmmmmm……

In the 5 years from 2008 to 2013 the Canadian equity market (S&P / TSX) rose 52% however earnings are 47% below the 2008 level. Investment Executive, Feb 2014

Canadian bank stocks in aggregate have produced annual returns of 8.5% over the past 5 years. The "standard deviation" (or to be simplistic, the ups and downs) has been 22%. Canadian high yield bonds on the other hand have produced returns of 14.1% per year over the past 5 years with only 8% standard deviation. AE Report Fall 2013

The purchasing power of the U.S. dollar has fallen from $1 in 1913 to about 4 cents today. That's the product of an annual inflation rate of 2.7%. Evidence why holding money in savings accounts lose money over time. National Post

A house on Blenheim in Vancouver's Westside was purchased in 1991 for $248,000. It sold last July for $1.475 million. Sounds like an out of this world return however the annual compounded return works out to 8.1% per year.

"Housing crash fears are overdone"…. rising interest rates in 2016 could cause house prices to gradually decline 5 to 10 per cent over a couple of years. Bank Of America Merrill Lynch, March 2014

If you spend $150 / week on groceries today, in 20 years the same groceries will cost $270.92 (assuming 3% inflation). The $20.90 you spent on various things in 1971 was $123.10 in 2013, a 6 fold increase. Why then are so many amazed that the sticker price of a house, car, food, gas etc has gone up by at least that same amount?

Canada has terminated the Immigrant Investor Program which saw 65,000 wealthy visa applicants dumped from the scheme's backlog. 80% were destined for Vancouver and 81% were from the Far East.

Vancouver's median household income is among the lowest in Canada at $68,970 (2011). Nationwide it's $72,240.

A teacher in Ontario who is 54 and has taught for 32 years earning $85,000 in their best 5 income years is eligible for a full pension of $52,500 per year, indexed for inflation, for potentially longer than they actually worked.

The lowest rate mortgages (a 5 year fixed rate mortgage @ 2.84%) are often only available for those with down-payments of less than 20% who require mortgage default insurance. Globe & Mail

There are 53 regulatory bodies in Canada for the financial industry.

In 1981, there were 171,000 owner-occupied condo units in Canadian cities. In 2011 there were over 1.1 million.

A piece of clothing made in China, can be labelled "Made In Canada" if the branding and design have happened here because that is 51% or more of the actual cost of the clothing. Financial Post

Evidence is showing that people in the "overweight" range (a BMI of 25 to 30) have the highest life expectancy, NCBI

Sales of microwave ovens have steadily declined over the past 10 years while toaster ovens have increased in popularity. This is due to a shift in eating habits which favors freshness and quality over speed and convenience.

Detroit—The population was over 1.8 million in 1050. Today? Under 700,000. Unemployment is 18.3%. Property prices have declined by 77% over the past 50 years, adjusted for inflation. There are 78,000 abandoned structures. It takes 58 minutes for police to respond to a call. In other cities it's 11 minutes. There are 9,700 city employees and 21,000 retired employees drawing a pension. Their pension will be cut due to Detroit's bankruptcy.