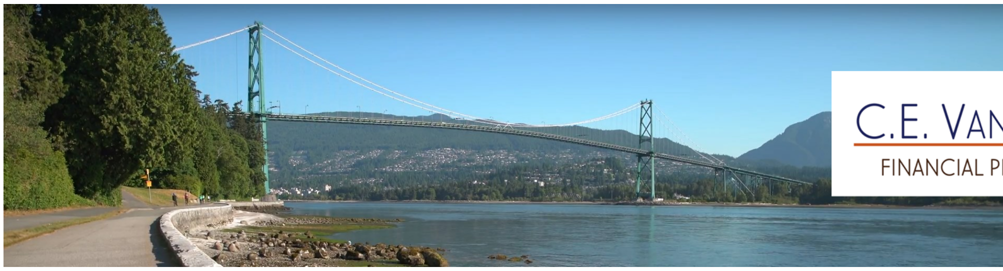

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Where We Are & What It Means To You

This title is something I will keep as an ongoing 1st article theme in mutual gains, going forward. Hopefully this will help as timely insight, and through it, keeping your thoughts, emotions and actions, firmly grounded.

The graph below is one based on US economic data. It may seem confusing at first glance but it tells a lot. I think it will be very clear to you, what it shows, as we walk through it. This is US data however, as the saying goes, as the US goes, so does the rest of the world (in most cases).

When you move from left to right, you will see the blue line, which shows level of economic growth, stepping up quite strongly above black line (zero economic growth). After each of those run ups, that blue line moves downward, dipping in some cases well below the red line. That is recession territory. The horizontal grey bars show the time the US economy was in recession. 7 recessions since 1967.

(Continued on page 2)

We will listen carefully
to what you are saying
and be attentive to your desires
as well as your fears
so together we can build
and enjoy
a harmonious
and responsive relationship
in attaining your life's dreams
and through that
We will be attaining ours.

$69,500 TFSA Limit Isn't The Limit For Everyone

On January 1st the new TFSA total contribution limit increased to $69,500. This is $6,000 higher than it was last year. However, this new limit doesn't apply to everyone.

The TFSA was launched in 2009. To contribute to a TFSA in 2009 you had to be 18. Canadian residents, born in 1992 and later, start to accumulate TFSA room the year they turn 18, not the year the TFSA program was started.

Here are the TFSA dollar amounts by year and then I'll give you an example of what that this all means for someone in their 20's:

For 2009, 2010, 2011 and 2012 = $5,000

For 2013 & 14: $5,500 = $5,500

For 2015 = $10,000

For 2016, 2017 and 2018 = $5,500

For 2019 & 2020 = $6,000

Someone who turned 18 in 2012, would have $48,500 in total TFSA contribution room last year with another $6,000 added to that limit as of January 1st 2020.

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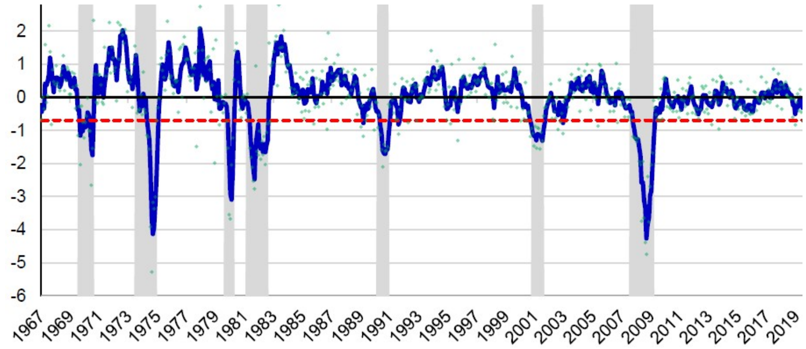
(Ups & Downs.Continued from page 1)



When you move to the far right, you'll see that since the "Great Recession" (the last grey, vertical bar; 2008/2009), economic growth (blue line) has stayed within a much tighter band than in previous times, between recessions.

Only a few months ago, concerns of recession were the big financial topic. The catalyst was simply that, "we haven't seen a recession in 10 years so we are about to go into one".

What the economic activity of the last 10 years shows is that we haven't seen any strong economic growth. Like anything that moves outside of the ordinary or to extremes, you will get a rubber band like, snap back; the farther it goes outside the average, the farther it will go to the opposite side of it.

Through 2017 and most of 2018, interest rates were trending upward, responding to warming economic growth. This was despite growth being still fairly subdued. The US government in this case, didn't want the economy to change dramatically and it hasn't.

That was until very late in 2018, when recession fears started to be a concern. These worries became enflamed with US-China trade squabbles as well as Brexit and its effect on the EU. The result was a bigger than usual dip in equity markets in November and December 2018. The government's response? Drop interest rates which in effect, is the economic growth gas pedal.

What all of this shows is that the government has been reacting very quickly to any sign of moving outside of the tight, "not too hot, not too cold" economic environment we have been in for the last 10 years. However, with the debt binge that the world went on for the decades leading up to the Great Recession, there is a lot of repairing still to be done and thus, high economic growth isn't in the cards for, most likely, for many years. On top of that, the world's population is getting older which means subdued spending and less fuel for inflation. This means less chance of the spikes upwards, than we have seen before.

How about the downside? There has been progress made on US-China trade. As well, Brexit's questions are becoming fewer as the deal should be finalized by the end of January. These 2 areas, in a sea of economic triggers and buttons, set a clearer foundation of which the world can build on, going forward. Having said all of that though, if we hit some more uncertainty and fear, it could be a very good time to invest some non-committed cash you may have on the sidelines.

For the foreseeable future, we most likely will continue in this narrow band. However, should we move below the red line, the highest probability is that it will be a very shallow dip or "slowdown" rather than a recession. From that 1 measure, this generally means less downside.

From an investment perspective, prices being paid for high quality businesses are not anywhere near extremes that have been shown during those red spikes in economic growth. If the ownership stake you have in various businesses are not selling for overly high prices, they won't tend to move to the other extreme, overly cheap prices. There are of course, individual companies that do present good buying opportunities all the time, whether it be good economic times or bad, as they go through their own, company specific, uncertainties.

From a long term, financial planning perspective, recessions shouldn't be a concern to you anyway. They come and go like any weather pattern. When we eventually do go through one, it will end in relatively short order, giving us another several years of uninterrupted economic growth to look forward to and benefit from.

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There is another twist to this. If you are a in a province where the "age of majority" is 19, you won't be able to open a TFSA until the year you turn 19. However, your TFSA contribution room clock started when you turned 18. (19 year age of majority applies to 4 provinces and 3 territories; BC, NB, NL, NS, NT, NU and YT).

New 1st Time Home Buyers Down-payment Help

In BC, property assessments are out and most properties in the Lower Mainland have declined, from what they were worth, a year prior. Declines, many in the double digits, still doesn't make property in larger BC cities, cheap. They simply have pulled back to levels a few years ago.

Another first time buyer sweetener came into play last September 2nd and adds to the long running Home Buyers Plan, to make buying a home, easier. CMHC's 1st Time Buyer Incentive, is a program designed to reduce mortgage payments for 1st time home buyers who 1) have a minimum of a 5% down-payment and 2) whose household income is no more than $120,000.

So how does it work? Essentially, CMHC (an arm of the Federal Govt) will become your ownership partner of your home, through a "shared equity mortgage", with no interest charged, by supplying an additional 5% of the price of an existing home or 10% of the price of a new home. This means, you have increased your downpayment by 100—150% and thus, you will have a lower mortgage and of course, with that, lower mortgage payments. Total savings could be up to $267 / month at today's mortgage rates (on a new home).

The catch? Although, no interest will be charged on CMHC's part of your down-payment, CMHC will share in the property's price apprecia-

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tion. Example: If CMHC supplied you with $25,000 on a $500,000 home purchase and you sell your home for $600,000, you would have to pay them back $30,000. Your property gained 20% therefore, they will gain 20% on their "investment". If you sell for a lower price, what you have to pay them back will also be proportionately lower. They in fact, become a silent partner investor, in your home. The longest you can hold the property for, without paying them, is 25 years and you can pay the incentive back at any time without penalty.

WITH SHARED EQUITY LOAN		WITHOUT LOAN	
PURCHASE PRICE	$512,000	PURCHASE PRICE	$512,000
MIN. DOWN PAYMENT (5.12%)	($28,200)	MIN. DOWN PAYMENT (5.12%)	($28,200)
CMHC INSURANCE	$19,432	CMHC INSURANCE	$19,432
5% SHARED EQUITY LOAN	($25,500)		
MORTGAGE	$479,632	MORTGAGE	$505,232
MONTHLY PAYMENT (3.49%)	$2,392	MONTHLY PAYMENT (3.49%)	$2,520

MONTHLY SAVINGS: $128 ANNUAL SAVINGS: $1,536

Note: With the maximum household income for this program at $120,000, the maximum home price that income can support is of approximately $505,000 with a 5% downpayment. Data supplied by our mortgage broker team member, Peggy Sheppard (Invis)

Last Year To Get Up To $1,000 For Your 17 Year Old

Post secondary education costs have been increasing faster than inflation. This makes paying for any kind of education or training after high school increasingly more expensive, in relation to earnings, which haven't increased nearly as fast.

RESP's still are the best solution to help pay for post secondary education. The main reason for this is the 20% grant (CESG) money the Canadian government pumps in; a total of $500 / year for your $2,500 maximum RESP contribution. You get free money and you can make money on their money. All of those dollars can be 100% for your kids (or grandkids) use.

If you have a family member who turns 17 in 2020, this is the last year you can get your 20% government money. If you didn't contribute to the RESP in 2019 you can catch up for a maximum of 2 years worth of contributions. So, instead of $2,500 you can contribute $5,000 and $1,000 will be added shortly after you make the contribution. It could very well make sense to use a line of credit or set up a loan to make the RESP contribution.

Most kids coming out of high school today will do some kind of post secondary education or training at some point. Many turning 17 will be taking that path as early as this coming September. So, why not have the government give you $1,000 to help pay for that? Or, how about your 16 year old? You can get $2,000 from the government if you contribute to an RESP this year and next. 15 year old? Get $3,000. You get the picture. Do it now.

Yes, You Can Collect CPP While Working But…

There seems to be a common question whether you can collect your CPP while you are working. Well, you can. In fact, as soon as you turn 60 you can start collecting your monthly CPP even if you are still working full bore. Although, you probably shouldn't.

When moving into retirement, whether over a period of a few years or an immediate switch, the objective for most, is to not see a decrease in your net cash flow. In other words, you want to be able to cover all your expenses in retirement, as you did while working. When you are working your expenses may be higher due to transportation costs (you may only need one car and could be driving less, when not working) and you still have to make RRSP contributions, to name 2 big ones. Income tax is usually lower in retirement.

What you don't want is to take your CPP and OAS (if you are 65 or older) and have a taxable income that is now, higher. One, it can make it actually harder to fully retire, as you simply get used to having this, even higher, income. Two, delaying your CPP and OAS will actually give you more income for the rest of your life. Delaying means more retirement income for potentially, 30 years or more. Three, taking CPP and OAS increases your taxable income today. This means, net (after tax), your CPP and OAS may actually be less than what it could be should you have waited.

Of course, the determination on what is best, is very case specific and should only be worked through, with your Financial Advisor; looking at all the pros and cons on what is in fact, the best strategy. There are many variations of how you can structure things for maximum dollar value to you, either way. Once you decide to take it however, there is no turning back meaning you could be paying (literally) for the wrong decision made, for many years.

Do You Have A Trusted Contact Person?

We all know we can't live forever, although some of us act like we can. Life's reality though is, as we age, a certain amount of us will have a decline in mental capacity or we simply may become more trusting and therefore, more likely to get exploited, financially.

A "Trusted Contact Person" is someone you choose. This TCP is someone who a financial intermediary, such as a Financial Advisor, can check with, if they suspect you, their client, may either not really understand what they are doing, due to decreased capacity. Or, it could be a case where they suspect someone may be taking financial advantage of you.

Your "Trusted Contact Person" may be one of your offspring, a close friend or a sibling. They are a person a Financial Advisor can double check with, should they seem something is out of the ordinary, in a request you may put have put to your Advisor. That request could be a very large withdrawal from your portfolio, that is completely out of your character, particularly when you have been quite conservative in the spending of your money.

Giving your Financial Advisor the name and contact info. for your "Trusted Contact Person" is a great line of defence in protecting you from yourself. This can either be by a breakdown of your own capacity, which you may not yourself, realize. It could be for simply trusting someone, more than they should be. I know it's a difficult to think how this could happen to you however, it could, and as you age, it is more likely that it will. But that is what insurance does, protect you against things you can't control. Your Trust Contact Person is your insurance.

Tech Gems— Otter (App)

Along with client “RUPA” meetings (Review Update Plan Attain), I attend, buy phone, online or in person, a lot of “due diligence” meetings through the year, where a lot of information is disseminated. I am a stickler for having my MS Surface open before these kind of meetings start so I can type away, as bits come to me that I deem necessary of jotting down.

Another way of taking notes passively is through an app like Otter. Otter records the meeting and while so doing, is writing out the words so you have an audio copy and a text copy. I have found the audio to text transcription to be quite accurate and very fast. It has “cross conversation speaker identification which means, it recognizes different voices and starts a new line for a new voice. As well, if there are slides, you can take a picture which will slide right into the flow of the talk. The other cool part for us penny pinchers is this app is free for up to 6000 minutes / month (100 hours). That is a lot of meetings. If there are any other apps like it that are better… and free, I’d sure like to hear about it.

HHHmmm...

• The S&P 500 Total Return Index average from 1945-2015 was 12.37% (per year). Manulife Investment Management, Nov. 2019 #GetRichSlow #StickingWithItWorks

• For successful financial planning in the long term: don’t worry so much about day-to-day market performance when trying to meet your goals, but rather focus on how much you are saving and how you are saving it. Morgan Stanley, Dec. 2019 #DisciplineAlwaysWins

• Research at Virginia Commonwealth University shows that mortality rates for U.S. adults ages 25-64 continues to increase. While life expectancy in other industrialized nations continues to inch up, in the US, it has been going in the opposite direction, decreasing from a peak of 78.9 years in 2014 to 78.6 in 2017, the last year covered by the report. The reasons for the increase? Mid-life mortality drug overdoses (up 386.5% from 1999—2017), deaths from hypertensive diseases (78.9% higher), deaths linked to obesity (swelled 114%) and suicides (rose by 38%). USA Today, Nov. 2019 #USPhenomenom

• About half of new vehicle loans today are for 7 years or longer. Close to 30% of trade-ins in recent months have had negative equity, which means that the customer owed more on the car than it was worth. Globe & Mail, Nov. 2019 #GetPoorSlowly #BorrowForALittleMore

• Almost 70% of US auto sales today are trucks or SUVs. Toyota anticipated this years ago, prepping factories for Tundra, Tacoma, 4Runner, and Rav4 production. Its sales rose 4.5% last quarter and it's enjoying $2,300 in profit off every car sold. Ford's profit per car is $1,400 and Tesla's is just $268. Robinhood Snacks, Nov. 2019 #BoringMoneyMaker

• There were 851 vacant homes in the City of White Rock (BC) in 2016. The total number of dwellings was 10,856. (Empty homes = 7.84%). Peace Arch News, Nov. 2019 #RentsAreHighBecause? #RentalSupplyIsThere

• CRA used to automatically charge a TFSA overcontribution penalty with no leniency. In response to numerous innocent overcontribution errors, they changed their policy in 2016. The CRA now sends a warning letter to first-time over-contributors and only assesses the penalty tax if the taxpayer does not remove the excess contribution from their TFSA. Advisor.ca Dec. 2019 #ShouldHaveFromDay1

• 8% of all AmEx spending in 2018 came from Delta Airlines. The Delta/AmEx card earned Delta Airlines $1.4B in 2010. That’s up to $4B in 2019. Delta’s AmEx card is now estimated to bring in 35% of Delta's profits. Robin Hood Snacks, Dec. 2019 #StealthyEarningsDriver

• Google has evolved from its founding philosophy of “organizing the world’s information,” to one that is far more active in deciding how that information should appear, by interfering with its search algorithms and changing your results. Wall Street Journal, Nov. 2019 #YourChoiceIsntYours #MindManipulation

• Nov.11th is “Singles Day” in China and the largest shopping holiday in the world, by far. Robinhood Snacks, Nov. 2019 #NotUSAAnymore

• On January 4th 2020, here were the gas prices (all converted to Cdn dollars): Greater Vancouver area $1.35 / litre. Bellingham, Washington 88 cents / litre. For 25 years, 99% of my gas has been purchased in the US saving an estimated $15,000 (along with saving over $10,000 buying a car there and many other goods over the years that have been cheaper, in a more competitive and efficient, US market). #HighestPriceInNorthAmerica #35%Lower10MinutesAway #JoyOfLivingCloseToUS

• Canada was the world’s 4th largest crude oil exporter in 2018, with Saudi Arabia, Russia, and Iraq sitting above us on the list. Iran, Nigeria, Angola, Libya, and Venezuela were right below us. Within that top 10, no country was even close to Canada in its care for the environment (Yale/Harvard Environmental Performance Index). We are also ranked 1st for human rights (Cato Institute) and were by far the least corrupt (Transparency International). Diminishing Canada as a supplier would have at least 2 effects: 1st, it would cause demand to be filled by one of more of the world’s less responsible producers. 2nd, it would almost certainly raise prices. Unfortunately, both of these outcomes would result in a significant wealth transfer to the world’s worst actors. Dixon Mitchell Investment Counsel, Dec. 2019 #BeingSmartGreen #PragmatismOverIdealism

• I have a fiduciary responsibility toward my clients, and sometimes that means telling them what they don’t want to hear, or pushing back when what they want is not in their best interest”. Too many “Financial Advisors” and financial product sales people and companies just aren’t willing to do that. #IsYourAdvisorAYesPerson? #TellingItLikeItIs