Summer 2020

Canaccord Genuity Wealth Management

WEALTH Perspectives

Penni Johnston Wealth Advisory

Maintaining a Longer-Term Perspective

We have been met with many new and uncomfortable realities as a result of COVID-19, from fear of the invisible, to distancing and isolation, and industries and economies being shut down virtually overnight. The effects have been unprecedented: record unemployment levels, oil futures prices falling to negative lows and then rebounding, and declines in economic growth not seen in decades.[1]

In the spring, equity markets reacted in a similarly extraordinary manner, falling and then rallying quickly. Typical bear markets last between 18 to 36 months, yet this spring we saw one compressed into a matter of weeks.

The global pandemic is far from over, but there has been progress in "flattening the curve" and as economies begin to reopen.

What does the road ahead look like? As humans, we grasp for certainty. Yet, uncertainty has always played a common role in the financial markets and events such as these can make things even more unclear. One such example: economists attempting to quantify the effects of the shutdown on second-quarter gross domestic product predicted U.S. GDP estimates of between -8 and -50 percent.[2] Opinions continue to significantly vary about the path forward.

During uncertain times, one of my most important roles is to act as a risk manager. With a focus on preserving hard-earned capital, I maintain a disciplined approach to control risk in your portfolio. At the same time, I am constantly monitoring investments based on current market conditions and navigating the changing landscape.

While there are a confluence of factors that make today's situation unique, we must not forget that we have experienced many different hardships over time. Since 1928, we have endured the Great Depression, a world war, recessions, health pandemics, market busts and lengthy bear markets. Despite periods of great disturbance, the S&P 500 Index grew from 13.4 to its current level of around 3,000[3] — a compounded annual growth rate of over 6 percent, not including dividends reinvested. Time — if you can stick with it — has been a powerful force in investing because it compounds growth.

We also should not overlook the unprecedented fiscal and monetary measures put in place. Global policy makers continue to do as much as possible to minimize the implications of the crisis.

Nobody knows the direction of the markets in the short term, but the long-term trend has been up. I understand the challenges that come from an uncertain near-term outlook. As much as possible, investors should stay focused on their goals and maintain a longer-term perspective. Look beyond today as better times will prevail.

1. At 6/1/20; 2. bloomberg.com/news/articles/2020-03-22/fed-s-bullard-says-u-s-jobless-rate-may-soar-to-30-in-2q; 3. macrotrends.net/2324/sp-500-historical-chart-data, 6/1/20.

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To My Clients:

Welcome to my new newsletter. This is part of my continuing effort to stay connected with you. While the office has been closed temporarily, I continue to be available to you remotely.

This has been a very difficult period for so many people. Please know that I continue to work hard for you and your investments. If friends or relatives could use some reassurance during these times, I would be happy to offer my perspectives.

I hope you find some time to enjoy the summer weather.

RETIREMENT WITHDRAWAL STRATEGIES

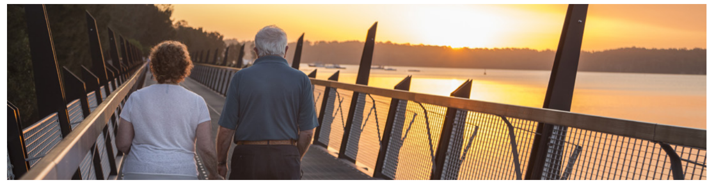
Changes to the 2020 RRIF Withdrawal Factors

Back in March, the Federal Government reduced the 2020 minimum withdrawal amounts for Registered Retirement Income Funds (RRIFs) by 25 percent "in recognition of volatile market conditions and their impact on many seniors' retirement savings."

Should retirees be taking advantage of this change? While the lower withdrawal requirement allows investments within a RRIF more time to potentially recover from a market downturn, there may be other opportunities for seniors who don't require RRIF income.

One option would be to continue withdrawing RRIF funds, but instead transfer investments "in kind" from the RRIF to a Tax-Free Savings Account (TFSA), subject to available TFSA contribution room. The withdrawal from the RRIF will be taxable in the year of the transfer, but should investments recover, the TFSA will generate no taxable income on future withdrawals or investment income, unlike the RRIF.

There may be an additional tax opportunity. For seniors who have a lower marginal tax rate today than they expect to have in the future (including at death), drawing RRIF income above the minimum levels may be a way to potentially lower an overall lifetime tax bill. RRIF withdrawals will be taxed at the current, lower tax rate, instead of



at a higher anticipated future marginal tax rate. If these funds are invested in a TFSA, any future gains will not be subject to the higher future marginal tax rates. Note that withholding taxes will apply to RRIF withdrawals in excess of the minimum amount. Also keep in mind that the effect on any income-tested government benefits should be considered when contemplating this strategy.

Note that the reduction in the minimum withdrawal factors for the 2020 year also applies to Life Income Funds (LIFs) and other locked-in RRIFs. If you have already withdrawn more than prescribed by the reduced withdrawal factor for 2020, you are not permitted to re-contribute any excess to your RRIF.

Please call for assistance with this or any other RRIF matters.

1. https://canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-benefits-credits-support-payments.html

INVESTING BEHAVIOUR

During Uncertain Times: The Benefits of Dollar-Cost Averaging

As we have seen with equity market reactions in recent months, short-term price movements are often unpredictable and nobody knows when the next upturn will begin. Such turns can occur when the outlook is bleak — when the natural inclination may be to sell, not buy. In hindsight, all down markets look like buying opportunities. But in the moment, it's not always easy to commit money to an investment that has gone down, particularly in a bear market.

Investors who use a dollar-cost averaging (DCA) program to build their long-term portfolios can have an advantage. A DCA program mandates regular, modest investments, rather than one major lump-sum commitment. As such, investors need not focus on predicting market movements.

DCA can fit nicely with personal cash flow, acting as a way of saving on a steady basis. Payments can be made at any regular intervals, such as monthly or quarterly. DCA can work particularly well with funds as you can buy exact dollar amounts of a fund, which may not always be possible with share purchases. However, there is no reason why DCA can't be used to build any security position, especially in these times in which broad declines have affected many securities.

The example (chart) uses actual S&P/TSX Composite Index returns to depict a DCA program through the extended bear market period from 2000 to 2002. Each quarter, $1,000 was invested. Despite poor market performance, the DCA program resulted in a modest gain of $1,130 ($17,130 less $16,000), plus the ownership of significantly more units which benefitted the portfolio as time went on. Had a lump sum investment of $16,000 been deployed at the beginning of 2000, it would have returned a small loss, with an overall value of $15,633 and only 1,902 units owned compared to the 2,084 units under the DCA program.

During times of uncertainty, DCA can be a useful strategy. It allows you to take the emotions out of investing, while continuing to put money to work. Even during down or bear market times, DCA is a good reminder that a thoughtful investing plan can result in real progress toward achieving your wealth-building goals.

Profiting Through a Bear Market: DCA & S&P/TSX Index, 2000 to 2003

Quarter	Index/ 1000	Units Purchased	Units Owned	Total Value
12-31-99	8.4138	118.85	118.85	$1,000
03-31-00	9.4624	105.68	224.53	$2,125
06-30-00	10.1995	98.04	322.58	$3,289
09-29-00	10.3779	96.36	418.94	$4,348
12-29-00	8.9337	111.94	530.87	$4,743
03-30-01	7.6080	131.44	662.31	$5,039
06-29-01	7.7364	129.26	791.57	$6,124
09-28-01	6.8386	146.23	937.80	$6,413
12-31-01	7.6884	130.07	1067.87	$8,210
03-28-02	7.8515	127.36	1195.23	$9,384
06-28-02	7.1456	139.95	1335.18	$9,541
09-30-02	6.1804	161.80	1496.98	$9,252
12-31-02	6.6145	151.18	1648.16	$10,902
03-31-03	6.3433	157.65	1805.81	$11,455
06-30-03	6.9831	143.20	1949.01	$13,610
09-30-03	7.4211	134.75	2083.76	$15,464
12-31-03	8.2209	--	2083.76	$17,130

Note: Example only; past performance is never indicative of future performance.

ESTATE PLANNING

Creating a Will During COVID-19: Exercise Caution

In light of COVID-19, many people have turned their minds to their estate plans. One news report indicated some Canadians have flocked to online will-creation sites — one of which saw sales up by 700 percent from the same period last year.[1]

A will is the cornerstone of any estate plan and creating one on your own is not difficult these days using a will kit or online tool. However, there may be reasons why more thoughtful planning can be beneficial.

The will itself may not be valid. While you can create legal documents online, they may not be legally binding. Canadian law currently requires that will documents be physically printed and stored offline. In order to be valid, a will must be signed in the presence of two witnesses who are required to sign the document. Due to social distancing, some provinces have issued emergency orders to permit virtual witnessing of legal documents.[2] However, at the time of writing, there has been some confusion as to the procedures to be followed to ensure validation. There are also concerns about situations involving lack of capacity or undue influence.[3] In addition to this, there may be other nuances in provincial laws and/or language that may affect the validity of a will.

Legal does not mean "effective." Even if the document is valid, do you fully understand family law or succession regulations within your province, Canadian income tax and investment rules, or even the current U.S. estate tax law? These can change over time, and also create risks or potential future consequences to your estate plan. Today's families are more complex than ever, with divorces, remarriages and blended family arrangements. In these cases especially, careful

wording in a will can help to ensure that assets are distributed after death as intended. Equally important, a will that has been quickly drafted, such as one created in reaction to the current pandemic, may not thoughtfully consider all aspects of the estate.

Is Your Will Updated?

If you have a will in place, how old is it? Perhaps a review may be warranted, especially if circumstances have changed.

Seek Expert Advice

The support of a professional can not only ensure the validity of a will, but also its accuracy. Taking the time to do a deep discovery with an estate planning professional can help to ensure that your plan completely reflects your needs and desires. We can help provide a financial perspective, if required.

Poor documentation or vague instruction can lead to misunderstanding, conflict or even court battles. Don't let this be your legacy.

1. ctvnews.ca/health/coronavirus/should-you-create-or-update-your-will-in-light-of-covid-19-1.4879831; 2. investmentexecutive.com/news/industry-news/ontario-quebec-allow-legal-documents-to-be-signed-virtually/; 3. torkinmanes.com/our-resources/publications-presentations/publication/virtual-witnessing-of-wills-and-powers-of-attorney-permitted-in-ontario-during-covid-19

ADAPTING TO NEW REALITIES

Are You Working From Home?

Working from home has become the new reality for many office workers. If you are new to the work-from-home experience, keep in mind that there may be potential tax benefits.

The Current Situation

To be allowed a deduction for home-office expenses, the Canada Revenue Agency (CRA) requires one of the following conditions to be met: i) The workspace is where you mainly do your work (more than 50 percent of the time); or ii) You use the workspace only to earn employment income, and it is used on a regular and continuous basis for meeting clients, customers, or others in the course of your employment duties.

Three different types of workers may qualify: employees, commissioned salespeople and self-employed workers. Deductible expenses vary based on the type of worker, but generally include electricity, heating, maintenance, and supplies. Property taxes and home insurance can be claimed by commissioned salespeople and self-employed workers. Self-employed workers may also claim a portion of mortgage interest and capital cost allowance. The portion that can be claimed is based on the area attributed to the home office, as a proportion of the total finished area of the home.

For individuals who are not self-employed, in order to potentially deduct certain expenses, your employer must complete *CRA Form T2200: Declaration of Conditions of Employment.* Also note that any expenses reimbursed by the employer, such as internet costs or office supplies, cannot be claimed.

Potential Changes to the Rules?

The current CRA rules normally require that you spend more than 50 percent of total work time in the home office during the tax year in order to claim these deductions. However, some accounting professionals have indicated that there may be exceptions. Given the current unprecedented circumstances in which people have been mandated to work from home for a portion of the year, the CRA may consider cases on an individual basis.[1]

In the foreseeable future, it is likely that this threshold will be met by more workers as continued distancing efforts are expected to result in fewer workers returning to traditional office spaces.

For detailed information on allowable expenses, and related rules, consult the CRA or seek advice from an accounting professional.

1. theglobeandmail.com/investing/globe-advisor/advisor-news/article-pandemic-led-flight-to-home-offices-brings-tax-perks/?fbclid=IwAR24-wttdbsJ4SfloK1d5gRR77hoUEYUyeBa0GshEy5s9oi23TXpheggZQc

Investing Mistakes to Avoid

Uncertain times often highlight the mistakes that investors can make with their portfolios. During buoyant markets, making money may not seem difficult. However, the reckoning often comes when markets turn down. Suddenly, mistakes can become glaringly apparent.

Here are some of the more common investing errors:

Overlooking Diversification — The concentration of assets in too few areas can be a common problem. Despite the broad-based market declines in response to COVID-19, certain sectors have performed very differently. Some technology companies have outperformed as a result of self-isolation practices, whereas industries dependent on travel and tourism have suffered significant short-term setbacks. Even during non-crisis times, regardless of the high quality of investments, there is always the danger that a bad quarter or certain industry developments may adversely affect equity values.

No single asset class has consistently performed at the top over time. The solution: maintain a healthy balance of diversification across your assets.

Tax Errors — Don't overlook the effect of taxes on your investments. Remember that different forms of investment income can be taxed differently. In a non-registered account, the nominal return from dividends of an eligible Canadian corporation would be higher than the same fixed-income return on an after-tax basis. Capital gain returns are generally taxed at even lower rates. Pay attention to asset location: different income can be taxed differently depending on the type of account (i.e., registered, non-registered) from which income is generated. Using tax-advantaged accounts such as Registered Retirement Savings Plans and Tax-Free Savings Accounts may be great ways to minimize taxes.

Also important: don't be reluctant to sell a security because taxes will be triggered. If the fundamentals suggest change or a portfolio needs to be rebalanced, don't let the tax tail be in control.

Failure to Adjust — The financial markets are constantly changing and the prospects of specific companies, industries or even entire classes of securities can be attractive today, but not tomorrow. Be ready to adapt. Equally important, your needs may change and your holdings may require periodic adjustments as circumstances evolve. Remember, you are not marrying a particular security: the purpose of investing is to earn a solid return, not own XYZ company forever.

Acting on Emotion — Fear and greed are said to be the drivers of market sentiment. When euphoria prevails, unsavvy buyers often rush to purchase investments. In contrast, market downturns may offer bargains, yet many investors sit on the sidelines, or, worse, may liquidate portfolios.

Having an investment plan with well-defined objectives can help control emotional pressures. Working steadily towards measurable goals helps to focus on outcomes rather than the process. Other tactics may include a dollar-cost averaging program, which helps to prevent emotion from dictating investment purchases. Avoiding daily attention to the performance of investment accounts may also help to limit emotional responses.

Compliments of Penni Johnston-Gill — Canaccord Genuity Wealth Management

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