Canaccord Genuity Wealth Management

Insights

LYSNES MAGREEHAN WEALTH MANAGEMENT

2019 Q1 Newsletter

Happy New Year! Welcome to 2019. We trust you had a wonderful Christmas break with your family and loved ones filled with the richest of blessings. We hope you had time to relax, refresh and rejuvenate as we all face a new year filled with new opportunities. We are appreciative of our relationship with you and look forward to working with you again in 2019. From our team to your family, we wish you a blessed New Year filled with good health, happiness, peace and prosperity.

TFSAs and RRSPs – Have you made the most of these tax-efficient investment accounts?

2018 RRSP limit
$26,230

The deadline to make a contribution toward your 2018 income tax return is **March 1, 2019.**

2019 RRSP limit
$26,500

2019 TFSA limit
$6,000

Cumulative contribution total to date
$63,500

Should you make a TFSA contribution or an RRSP contribution, or both? It truly depends. Talk to us and we will help you make the most tax-efficient decision for your dollars based on your personal tax status.

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Market Volatility is Normal: Staying the Course is Critical

While there is no question that market volatility can be unsettling, historically, the market has recovered from intra-year declines and provided positive returns for investors over time.

This last quarter started rocky right out of the gate. October is typically one of the more difficult months in the market for a variety of reasons, and with every other November being an election year in the US, this only added to investor uncertainty and unease.

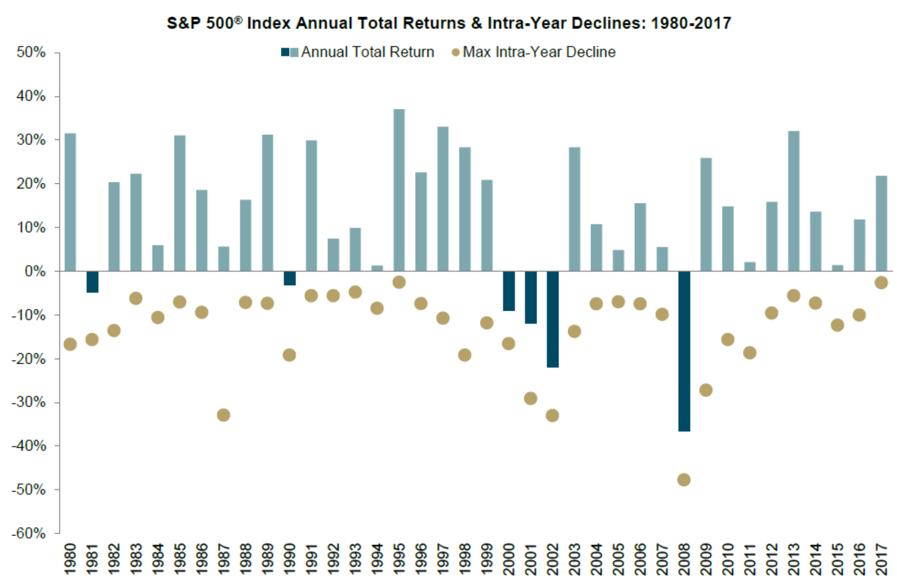
The final quarter of 2018 decimated investors, as global markets were substantially lower and volatility was substantially higher. Virtually all asset classes were under severe pressure at different times. Our view is that we are not out of the woods yet, and will cautiously treat this environment as one where we are interested in adding exposure at opportune times with excess portfolio cash flow.

To put the 2018 market selloff into perspective, consider the chart below showing annual returns for the S&P500 since 1980. Note the following three key takeaways:

1. **More positive years than negative**
   - Overall, the trend has been positive since 1980. The S&P500 index has shown a **positive return in 32 out of the 38 full years, which is 84% of the time.**
2. **Market declines of more than 10% throughout the year are normal**
   - Despite the positive long-term uptrend, it is important to highlight that over this same period, the largest drop in price from peak to trough for the index in any given year has been an average -13%. In other words, ***intra-year* declines of more than 10% are quite normal.**
   - After the 1987 stock market crash, the calendar year return was still positive.
3. **Despite declines, markets recover and post gains**

While declines of 10% is normal, **the average annual calendar year <u>gain</u> has been roughly 13%** per year (including reinvested dividends).

Intra-year decline is the difference between the highest and lowest point in the market during that year



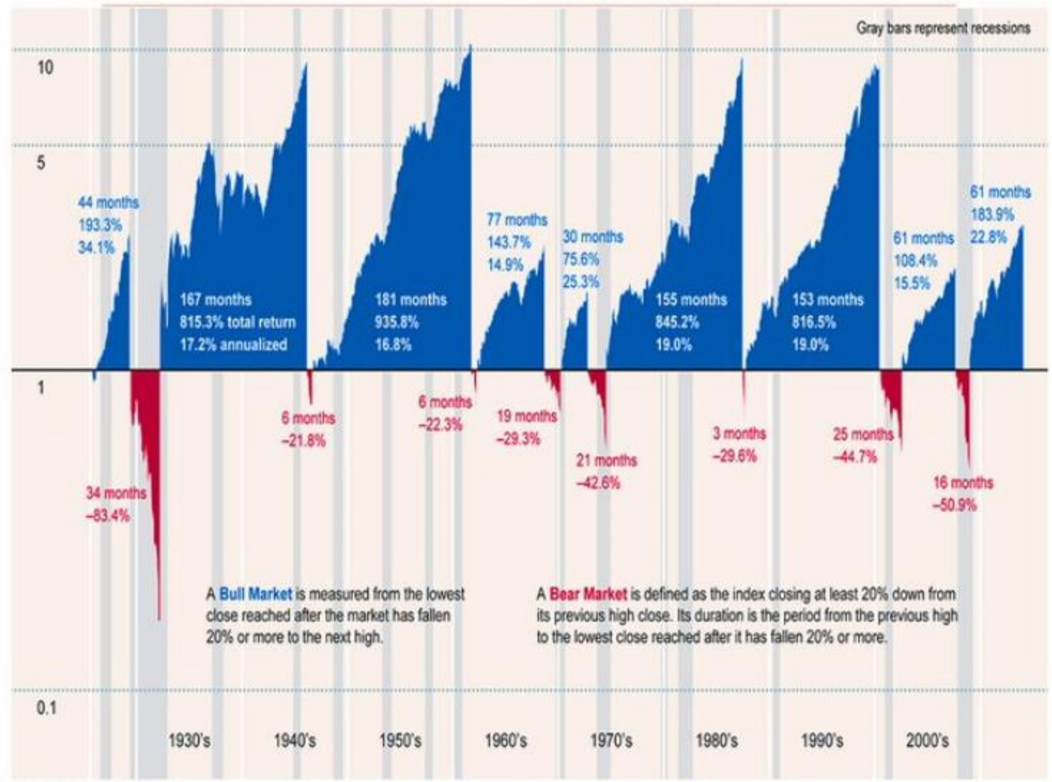
Source: S&P, Bloomberg

History never repeats exactly, though it often rhymes. By being students of history, and learning from prior periods, we can glean perspective on considering those historical events and how they ultimately unfolded and impacted the market. While past performance is not a pure predictor to future performance, it allows us to academically consider historical impacts.

Consider the following chart showing returns on the market have been very much to the upside, though they have been interrupted by periods of severe drawdown volatility. From 1928 – 2017, the annualized return of cash (three-month US Treasury bills) was 3.3%, bonds (ten-year US Treasury notes) was 4.8%, while stocks (S&P500) was 9.6%.

A $100 investment in each asset class in 1928 would have grown to $2,015 (cash), $7,300 (bonds) and $399,000 (stocks) in 2017. Longer-time horizons impressively favour stocks over other asset classes.

Since the future is inherently unknown, and humans are prone to error and succumb to emotional decision making, we continue to recommend a diversified approach to investing so that we have a far greater success rate at achieving our client's desired investment outcomes.



Source: S&P Indices

In the News – Canadian Chiropractor Magazine

Mike is a long-time contributor of investment and financial strategy articles to the Canadian Chiropractor Magazine.

This latest article is Part 2 in a series – "Planning for a Healthy Retirement". Mike highlights:

- The importance of Cash Flow investment strategies and compound returns;
- RRSP and TFSA beneficiary considerations;
- Potential U.S. tax implications for U.S. citizens living in a Canada and Canadian Snowbirds;
- CPP Survivorship Pension - often misunderstood.

Sound financial planning strategies can be maximized – and properly implemented cash-flow investments can be compounded. By embracing the responsibility of planning now, you will drastically reduce your burdens of regret in your golden years. Rather, you can approach the next chapter of your life with confidence and anticipation, knowing you have considered life's many exciting and changing dynamics. Good advice, good solutions, great life. Here's to a healthy retirement!

Check out the article on our website: **www.LMwealth.com**

INCOME65: Digital Assets & Your Will

Many Canadians appreciate the importance of creating a legitimate Will and appropriate Powers of Attorney – this is a wise estate planning exercise.

However, as our lives become increasingly digital, we believe it is best practice to include an addendum to your Will detailing proper records and instructions pertaining to your digital assets. While this aspect of your financial affairs falls under the scope of a qualified lawyer, our efforts here are to provide responsible input as to best practices.

Digital assets can include user names, passwords, and websites that possess and hold your details online – bank accounts, paperless bills, cloud credentials (family photos), social media accounts, subscriptions (Amazon Prime, Netflix), etc.

Digital estate planning is still in its infancy and laws and legal guidelines are just being set because the user agreements of the companies where your digital information is being stored are still adapting to the changing times. Speaking with a qualified lawyer to ensure your Will, Powers of Attorney, as well as your wishes pertaining to your digital assets, is prudent.

Due Diligence

With all of the moving parts in the market this year, as well as the recent tax policy changes in both Canada and the US, we have had a busier quarter than usual with regards to our due diligence meetings.

Our firm arranged an Education Day in our board room where we hosted experts from multiple fields to speak on various matters of importance – including legal, estate planning, tax strategies, insurance, actuarial, banking and investment. Here are some of the meetings we held this past quarter:

- Paul Marion – Managing Director with Canaccord Genuity's Estate Planning division
- Sandy McIntyre –Capital Market Strategist, CI Investments
- Stephen Sweeney – Partner, Miller Thomson
- Fraser Lang – Senior VP, Gordon B. Lang & Associates
- Kevin Shantz – US Tax Associate with MAC on US Tax Filing Obligations
- Jacqueline Power – Director Tax & Estate Planning with Mackenzie Investments
- Keith Masterman – VP, Tax, Retirement and Estates with CI Investments
- Dave Kirzinger – CEO with Rise Properties
- Nick Kyprianou – CEO RiverRock Mortgage Investment Corp.
- Christopher Volkes – VP, Third Eye Capital
- Steve Locke – Senior VP, Head of Fixed Income, Mackenzie Investments

We also held update meetings with Centurion Apartment REIT, Manulife, Espresso Capital, Vanguard ETFs, First Asset ETFs, Frontenac Mortgage, Dynamic and Fidelity.

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Good Advice, Good Solutions, Great Life