MAUDE FINANCIAL INC.

January 2016

Year End Review 2015

Market volatility, the Canadian dollar, the price of oil and provincial/federal elections are the big stories of 2015.

Market volatility was a significant factor last year. The bulk of market gain happened in the first 4 months of the year. After that, markets were swinging to and fro: down in May and June, up in July, down in August and September, up in October, and flat for November and December. Therefore, personal returns varied greatly depending on when deposits were made.

The Canadian Dollar had a downward trend against the US Greenback. The Canadian currency decline positively affects foreign content in portfolios. As a result, our balanced portfolios were up between 5% and 6% in 2015.

The world price of oil declined about 31%, ending the year at $37.02 US. It is important to understand that the price of oil is determined by world supply and demand, not by what we do in Alberta and Canada. It is considered by many analysts to be the key factor in our declining dollar. On the negative side, it has had a huge downward effect on the economies and jobs in Alberta, Saskatchewan and even Newfoundland & Labrador. On the positive side, it did improve returns on our portfolios significantly as noted above.

The past year saw both Provincial and Federal elections take place. Time will tell what promises will be acted upon and what promises cannot be afforded. Government revenues have been negatively affected by the declining price of oil. Unless we are prepared for a decrease in services, that lost revenue must be replaced. For Albertans, this will mean a change in mindset and a change in taxes. I think we are about to learn that there is no free lunch.

As I always say, diversification is key to risk management. We can apply this simple logic to individuals as well as governments.

	Market	Dec 31 2014	Dec 31 2015	YTD Incl. Dividends
Canada	TSX	14632	13009	-8.32%
U.S.	DOW	17823	17425	-0.70%
U.S.	S&P 500	2051	2045	1.38%
U.K.	FTSE	6566	6242	-1.30%
France	CAC	4273	4637	10.00%
Germany	DAX	9808	10743	9.56%
Japan	NIKKEI	17451	19034	9.07%
Canadian $		$86.20	$72.29	-16.10%
Oil (US$)		53.8	37.02	-31.00%

***Source: CNN Money*

Did You Know?

- The Canadian Bankers Assoc. reports that 60% of Canadians pay off credit card balances in full each month
- Statistics Canada

- Almost one in five Canadians with a TFSA have maximized the contribution room in their account
- Canada Revenue Agency

- It's not just high-income Canadians who appear to have maxed out their TFSA, which offers a life-time exemption from taxes on any investment gains.
- The Financial Post

John's advice on TFSAs:
-they are an excellent tool for emergency fund savings in our earlier years
-in retirement years, TFSAs are best used for one-time purchases such as vehicles, trips, or renovations
-TFSA is the easiest way to pass money on to children outside of your estate

-TFSA limit for 2016 will be $5,500 per individual

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Manulife Securities Investment Services Inc.

Understanding the benefits of Tax-Free Savings Accounts

Tax free savings accounts are still a mystery to many Canadians. If you do not have a Tax-Free Savings Account, you are missing out on an amazing opportunity. Here is an overview of how Tax-Free Savings Accounts work.

What is a Tax-Free Savings Account (TFSA)?

- Flexible savings account
- Available for Canadian residents 18 years or older
- Tax-free growth on savings
- Contribution room is tracked by Canadian Revenue Agency (CRA)

Contributing to a TFSA

- Annual contribution limit provided by CRA
- No tax deduction for contributions, but you never pay tax on growth of funds in the account
- Unused contribution room will carry forward
- No restriction on the number of TFSA accounts held per person, as long as combined contributions do not exceed limits
- Direct transfers between TFSAs of one account holder do not affect contribution room

Withdrawing from a TFSA

- All withdrawals and income earned are tax-free
- Income earned and withdrawn does not affect income-tested benefits and credits such as Old Age Security (OAS) and Guaranteed Income Supplement (GIS)
- Withdrawals are added back to the available contribution room in the next calendar year
- No restrictions on how withdrawals are used

Possible uses for a tax-free savings account

- Emergency funds
- Saving for mid-size purchases
- Instead of RRSP for low-income earners
- In addition to RRSP for high-income earners
- Excess RRIF income
- RRSP refunds

We offer 3 options for Tax-free savings account. The first is a Tax-free Advantage Account, which is a high interest bank account with Manulife Bank. We use this option for clients who are accumulating emergency savings or saving for mid-size purchases.

The second option is a tax-free GIC (1-5 year) with Manulife Bank. This is a long term interest-bearing investment. This option is not that attractive at the moment because of low interest rates, but it can be used for clients who are completely risk adverse.

The final option that we offer is a TFSA through our Manulife Group Retirement Savings Plan. We use this type of TFSA for our clients with longer term goals because it uses market based investments. This option is the ideal TFSA because it has the potential for more growth in the long run.

Tax-paid money is extremely important in retirement. This cannot be stressed enough to our clients. RRSPs and pensions are designed to provide income for monthly expenses. When used for the purpose of daily living, they are very tax efficient. However, as an example, when you wish to replace a vehicle in retirement, you do not want to withdraw $20,000 from an RRSP because you will need to take out $30,000 to net $20,000. TFSAs are the perfect vehicle to accumulate tax-paid funds for the purpose of renovations, trips and vehicle replacements in retirement.

Are you interested in receiving our Quarterly Newsletter by e-mail? Send your request to info@maudefinancial.com . Please ensure that your full name is clearly marked on the e-mail.

Manulife Securities

REMINDER

GETTING ORGANIZED FOR TAX SEASON

It may only be the middle of January, but April 30th will be here before you know it. Getting all of your tax related paperwork together and in order can sometimes be a daunting task. If you are unorganized you run the risk of misplacing important receipts and documents which causes stress. Here are some helpful tips to prepare for tax season:

- ***Set up a year round file system:*** *Designate a box, accordion file, or a file cabinet for year-round paper storage and retrieval. Create folders for receipts, credit card & bank statements, anything you have spent money on or need to keep track of for tax purposes*

- ***Notification of changes in address:*** *Please keep us informed of a change of address so that all tax information goes to the correct address*

- ***Notice of Assessment:*** *Please check your "Notice of Assessment" to confirm that you have RRSP contribution room available so you do not over contribute*

- ***Give your tax-related papers a home:*** *Every January mailboxes become flooded with documents necessary for filing your taxes. At the beginning of the year designate a large envelope or file for these papers*

- **Mailed items to watch for:**

1. ***T3 Tax Slip:*** *T3 slips show income from interest, dividend and capital gains in non-registered accounts. Mutual fund companies do not issue these slips if the interest is less than $50. <u>T3 slips are usually mailed out at the end of March</u>.*
2. ***T5 Tax Slip****: T5 slips are issued if interest earned from bank accounts and term deposits is over $50. <u>T5 slips are mailed out at the end of February</u>.*
3. ***T4 Tax Slip:*** *A T4 slip, or Statement of Remuneration Paid, is prepared by an employer to tell you and the CRA how much employment income you were paid during a tax year and the amount of income tax that was deducted. <u>T4 tax slips must be issued by the last day of February</u>.*
4. ***RRSP Contribution Receipts:*** *Contribution receipts show the amount that was contributed to an RRSP from March 1 to December 31, 2015. This receipt should be sent out in January. If money is contributed from January 1 to March 3, 2015 (the deadline), the receipt will be issued sometime in March.*