Gordon Stirrett WEALTH MANAGEMENT

Newsletter

WINTER 2017

It's always a good time to take stock of your life, especially in January when the new year and all its potential sits ahead of us.

In this edition, we review some of the key areas of your finances that may need a second look – and some tweaking – at this time.

We dive into priorities and values, and the role they play in the decisions you make about your finances. And we provide some tips on SMART goals that, hopefully, will help you stick to your plan.

We also take a look at debt and your overall net worth, a topic that can be a little daunting after the holidays.

In addition, we address a tool we think will help many of our clients: a simple, well-organized collection of all the information that your loved ones would need if you were suddenly unable to take care of your own affairs. We provide a sneak peek on page 10.

We also review some of the 2016 policy changes that can impact your household, including tax rates, changes to tax-free savings account contribution limits, and the primary residence rule around the tax exemptions associated with selling the family home.

Finally, we are very pleased to share some great news about a local athlete that we support. Kailey Stewart is a member of the Canadian delegation to the 2017 Special Olympics World Winter Games in Austria. She has shown the true spirit of a champion and we wish her all the best in this outstanding achievement.

If you have questions about a story in this newsletter or anything else, please don't hesitate to reach out. We are always happy to hear from you.

PASS IT ON

If you know someone who could benefit from a talk with us, please let them know. We're always happy to help.

Start the Year Off on a High Note

There's always an air of optimism as you enter a new year. It's a chance to make a fresh start. To create some new goals, and assess your progress on old ones.

When we're talking about finances, the goals you aim for can be very broad. Much depends on your age, family, and employment status. We see people in their 30s and people in their 90s. We see people starting young families, some who are caring for aging parents, and others who are worried about their grandchildren. Each person has unique priorities that often change throughout their lives as they move from one stage to another.

Let's take a look at the big five topics that are usually considered when making financial goals:

RETIREMENT We all want a dignified retirement without being a burden on others. The new year can be the perfect time to take stock of some of your assumptions about retirement, and to identify any changes that have come up in the past year that may have an impact on your thinking about retirement. As with most financial matters, the earlier you tackle an issue, the easier it is to find a suitable solution.

OTHER SAVINGS Right behind retirement, a lot of people have other savings goals. Their children's education, a dream vacation, a cottage, or a larger home are some of the more common items. Taking stock of the financial target, and how much you can comfortably put away each month to reach it are key steps to obtaining the goal.

DEBT Whether it's credit cards, mortgages, or other loans, the burden of owing a lot of money can be emotionally draining, not to mention putting your overall financial stability at risk. When debt reduction is the goal, a two-pronged approach is often required: 1) increasing debt payments; and 2) decreasing unnecessary spending.

INSURANCE While it's often not the first thing that comes to mind, insurance planning should be a priority item. Most people work very hard for their money, and have made sacrifices to achieve their success. Protecting your assets, including your ability to continue to earn a living if you face a serious disease or disability, is an important goal to consider.

ESTATE PLANNING One of the most effective ways to alleviate the potential legal, administrative, and financial burden for your family and other loved ones is to get your affairs in order. Everyone can benefit from making it a goal to either develop or update this important documentation each year.

Everyone faces a different situation with unique needs and priorities. The trick is evaluating and assessing, and developing a realistic plan around each area. For instance, if you only have $500 leftover at the end of each month, and you have separate goals around paying down your mortgage and beefing up your retirement savings, you'll need to decide if you want to choose one or the other, or put $250 in each account. We'll share more about values and prioritizing in the next article.

7 Tips For Sticking To Your Financial Goals In 2017

No matter what you'd like to improve this year, setting and achieving your goals is easier when you take a systematic approach. These seven steps can help determine what goals to set, and how to implement the best plan to get you there.

1

GET REAL If you only have a vague sense of your financial situation, it's awfully hard to know what you need to do to improve it. But if you have a solid grasp on things (I still owe $250,000 on my mortgage and want to pay it off in 10 years, or I'm spending more than a quarter of my income on entertainment), then you have a great place to start.

2

PRIORITIZE Once you have done your reality check, you have a good sense of all the things that you could or should work on. From there, you can determine what's most important now (i.e. my $10,000 in credit card debt), and what can wait until later (we'll need a new roof in five years).

3

MAKE A PLAN When you know what you want to do, the next step is to figure out how to do it. So, if your goal is to increase your retirement savings to a certain amount by the time you reach the age of 65, the plan may involve increasing your monthly RRSP contribution or potentially taking advantage of an RRSP loan so that you can maximize your unused contribution room.

4

BE PRACTICAL It's great to have a goal and a plan. But if it's too hard or changes your enjoyment of life too much (you're trying to save money by going from three trips a year to none), you're not likely to stick to it. Try to make the key aspects of your plan challenging enough that you'll see results, but not so tough that you abandon them after two months.

5

WRITE IT DOWN Lots of research proves that when we write something down, it sticks in our brains. Writing down your goals and your plan for achieving them is also a great way to remind yourself why you decided to take that action in the first place (organize important accounts and documents so your executor won't have to scramble if anything happens to you).

6

AUTOMATE Many actions tied to goals such as paying credit card bills before they start to incur interest, or making monthly contributions to an RESP, can be automated. This simple step can save your brain (and your will power) from having to deal with it when life gets in the way. Automating can make sticking to your plan painless.

7

TELL SOMEONE Finally, some people find it much easier to stick to their financial goals if they talk it over. You may have a spouse or partner that you need to discuss your goals with (especially if you're not necessarily on the same page in terms of priorities). Talking about it helps solidify it in your mind, and can keep you accountable to yourself and the other person.

If you'd like to discuss your financial goals, please talk to us. We are always happy to hear from you.

The Delicate Balance of Values, Priorities, and Goals

In the previous article, we provided some tips for sticking to your goals. Some of them are pretty simple and make it almost effortless. So why do people have such a hard time achieving their goals?

The trouble is that goals only stick if they matter to you. It has to be something you not only know is right, but also feel strongly about. Otherwise, the next great idea that comes along will distract you from your path to the end goal.

This is where the three topics come together; values, priorities, and goals. They work synergistically but they are very different ideas.

VALUES

There are lots of things you can value, like honesty, hard work, friendship, and integrity. They don't tend to change dramatically over time.

But when it comes to your finances, the values are a little different. You might value financial independence, being free of debt, investing in a good education (for you or your family members), doing a job you love versus one that pays more, or the ability to retire early. While you may see shifts in the prominence of these values over your lifetime, they're likely to remain pretty stable.

Values go beyond likes and interests. These are things that are deeply important to you. So, for instance, you may love fancy cars, but you value living within your means so you choose to drive a simple sedan instead of taking on the financial responsibility of something a little flashier.

PRIORITIES

We talk about priorities a lot. And there's a reason. Most of us have dozens of things clamouring for our attention and money on any given day. But it's our priorities that keep us on track. That's why most people show up to work every day instead of playing hooky. They prioritize their paycheques and the many financial responsibilities they have over their personal interests and hobbies.

We mentioned in the previous article that financial priorities are highly personal, and depend on your stage in life. They can also be complex. We don't often have the opportunity to choose just one priority. There are usually several important things in your life that require a monetary commitment. For instance, many people balance a mortgage, car payments, household expenses, education and retirement savings. That's a lot to juggle!

But what happens if a couple in this situation decides they want to retire early?

This becomes a detailed prioritizing challenge. Do they downsize their family home so they can put more of their income into their retirement savings?

Should they cut out any extras like vacations and entertainment? Would they be willing to take on additional work to increase their savings? Can they choose a retirement lifestyle that will cost less money?

All of those options involve priorities. Choosing to give up something now for something later. Sacrificing free time for that new goal. Modifying expectations about their retirement lifestyle.

GOALS

A goal is something we set out to achieve. There's a common acronym for goals called SMART that we alluded to in our previous article:

S

SPECIFIC The more concrete and defined the goal is, the more likely you are to attain it. For example, put away $10,000 each year for retirement is far more effective than just saying you want to make sure you can retire comfortably.

M

MEASURABLE Similar to being specific, if you can track, monitor, and measure your goal, you stand a much better chance of achieving it. In the above example, the more measurable goal would be contributing $384.62 to your RRSP each pay period.

A

ACHIEVABLE if you said you wanted to retire comfortably, would $10,000/year make it happen? It depends on your current age, when you want to retire, how much you have saved, your other sources of retirement income, your projected expenses, and your life expectancy. Saving $10,000/year is a great start, but you probably need to do a little homework to see if this one action will help you succeed with this goal.

R

REALISTIC You also need to ask yourself if the actions required to get to your goal are probable. In this case, can you really contribute $384.62 every two weeks? Do your other financial responsibilities allow for this? If so, one way to make it a reality is to have it contributed at the source or automatically debited from your bank account so you are not tempted to spend it on something else.

T

TIMELY Finally, goals with a clear definition of the duration of time involved are far more likely to be achievable. In this case, the goal needs to have an end date (have enough saved by the age of 65) and it requires a regular timely contribution, like every two weeks.

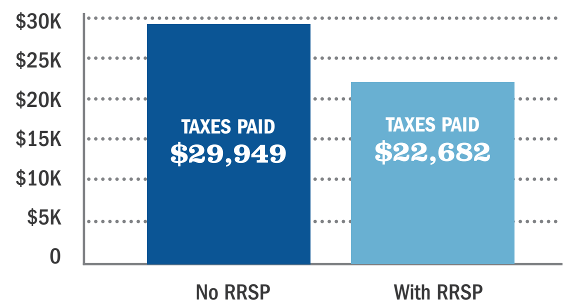
RRSPs: The work horse of the retirement savings world

Registered Retirement Savings Plans (RRSPs) are one of the most commonly used retirement tools. Introduced by the federal government in 1957 as a way to encourage Canadians to start saving for their retirement, RRSPs are still underutilized and often misunderstood.

THE BASICS

RRSPs are a form of tax deferral. Each Canadian over the age of 18 is eligible to contribute up to 18% of their taxable income for the previous year, up to a designated maximum (for the 2016 tax year, the maximum is $25,370). So if you made $100,000 in 2016, you could technically contribute up to $18,000 in 2017. This contribution would help reduce your tax bill by $7268.

TAX PAYABLE ON INCOME OF $100,000 IN NOVA SCOTIA



UNUSED CONTRIBUTIONS

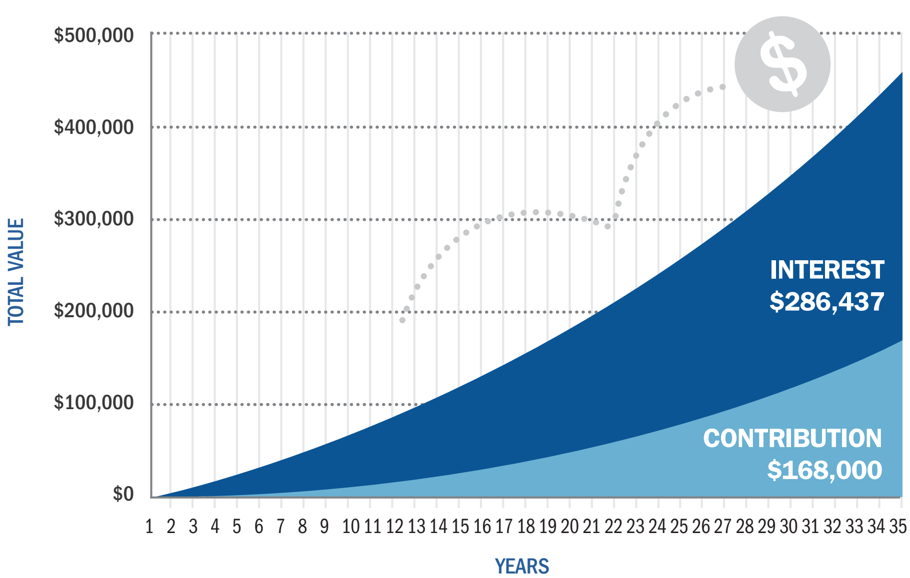
Many people don't make the maximum RRSP contribution each year. The unused contribution is effectively carried forward each year, which means you can make those contributions at a later date when the situation is right for you. Your RRSP contribution limit for 2016 can be found on your Notice of Assessment.

COMPOUND INTEREST

Of course, one of the added benefits of RRSPs is the fact that they encourage saving – early and often. This is often overlooked, but the implications of starting a savings routine early can be significant, even if the savings amount is small.

In this example, John, age 30, starts contributing $400 per month into an RRSP. By the time he reaches age 65, he will have accumulated $454,437*.

**Assumes a 5% average annual rate of return*



Common Questions

There are a few things that are not well understood about RRSPs.

WHAT ARE THE TAX BENEFITS? Many people are confused about the tax benefits of RRSPs, which actually help you in two ways. RRSP contributions help reduce the income tax you pay for the year you make the contribution. However, when you start withdrawing the investment (and its earnings) in retirement, it is treated as taxable income. And as most people have a lower income in retirement than when they were working, it means they will pay less tax on their withdrawals than they would have on their paycheques.

WHAT IS THE DEADLINE? For tax purposes, the deadline for contributions is March 1, 2017. But many people miss out on the benefit of compound interest by waiting until the deadline to make their contribution. A preferable approach would be to determine your RRSP contribution for the year, and start making contributions towards that as early as you can to take advantage of the compound interest.

SHOULD I TAKE OUT A LOAN? Many people miss the chance to receive the full tax deduction because they aren't able to make their maximum RRSP contribution. Taking out a loan to cover the maximum amount can make sense for some people in some situations — especially if you use your tax return to pay back the loan as quickly as possible, thereby reducing the impact of interest.

THE DEADLINE for RRSP contributions for 2016 is March 1, 2017

Putting Your Affairs In Order

If something were to happen to you tomorrow, how easy would it be for those you leave in charge?

We get it. It's not a pleasant activity to think about something terrible happening to you. But as adults with children or parents or siblings who will be left to take care of our 'stuff', it's our responsibility to make sure things are well organized and as simple as possible.

We're developing a new tool to help you put all the information in one organized place.

This tool could be helpful to a spouse or Executor if you are deceased or physically or mentally incapable of taking care of your own affairs. Whether your surviving partner needs to make sure the power bill gets paid or your executor needs to know where you've kept your will, this simple guide prompts you to gather all the pertinent info and record it in one place.

Here's a look at the key areas:

WHO TO CONTACT

- Family, friends, neighbours, work and other important contacts who should be notified immediately.
- Your lawyer
- Your doctor
- Your executor

THE WILL

- Where is the will?
- Who else has a copy?
- When was it last updated?
- Are there additions? If so, where are they, and who knows about them?

INSURANCE

- Where are your life insurance documents?
- List the dollar amounts of each policy, and the intended beneficiary.

SAVINGS AND INVESTMENTS

- List all bank accounts and contact information.
- List all investment and saving accounts, with pertinent contact information.
- List all credit cards, account numbers, and contact information.
- List all pension, disability, and other government benefits, with contact information.

REAL ESTATE

- List the properties that you own.
- Provide mortgage information and lender's contact information for each property.

HOME OPERATIONS

- List the utility providers, account numbers, contact information, and billing information.
- Is there a security system? Provide the account info and access information.
- Are there service providers (cleaners, yard maintenance, etc)? Provide their contact information and details.

HEALTH AND MEDICAL

- What medical conditions do you have? Who is your family doctor? What medications are you on?
- If you care for a family member, what medical conditions do they have? Who is their family doctor? What medications are they on?

THESE ARE JUST A FEW OF THE IMPORTANT AREAS THAT NEED TO BE ADDRESSED WITH CLEAR DETAILS AND CONTACT INFORMATION TO MAKE IT EASIER FOR THOSE YOU LEAVE IN CHARGE OF YOUR AFFAIRS. WE WILL HAVE THIS NEW ESTATE PLANNING TOOL AVAILABLE SHORTLY. IN THE MEANTIME, IF YOU HAVE QUESTIONS, PLEASE GIVE US A CALL.

TAKING STOCK:
Is your insurance meeting all of your needs?

As you're thinking about the year ahead, no doubt you've also taken some time to look back at 2016. Were there any significant changes in your life? Happy surprises or disappointing setbacks?

No matter what 2016 brought you, it's wise to take some time to review your insurance needs, and make sure that your policies are protecting what matters most.

THE BASICS

The most common types of insurance are life, disability, and critical illness. There are many reasons to obtain this kind of insurance, including:

- **Life insurance** Ensure that family or other loved ones are well taken care of in the event of your death
- **Critical illness insurance** Protect household finances from the impact of a serious illness
- **Disability** Maintain a steady income in the event of a long-term disability

The bottom line is that adequate insurance coverage can provide peace of mind at almost every stage of life. And as you move through those stages, it's good to keep an eye on changes in your situation that may impact your insurance needs.

CHANGES OR MAJOR LIFE EVENTS ARE A GOOD TRIGGER TO REVIEW YOUR INSURANCE COVERAGE

SIGNIFICANT LIFE EVENTS

When things shift in your personal situation, your financial responsibilities can change too, which can impact the type or amount of insurance coverage you want to have.

The following life events may prompt you to increase or revise your insurance protection:

- Marriage
- Divorce
- New addition to the family
- Empty nest
- Death of a spouse
- Significant change in work situation (starting a new career, retiring, dramatic increase or decrease in income, etc.)
- Purchase of property
- 'Milestone' birthday

The bottom line is that we have insurance to protect the things that are most valuable to us – our loved ones, and our ability to provide for ourselves and others. Taking the time to review your insurance needs is a wise investment in all of those things.

INCOME, ASSETS, AND DEBT: Determining Your Total Net Worth

Debt is a tricky topic.

It's not black and white. All debt is not bad. But too much is definitely not good. So how do you know how much debt is OK for you?

First, it depends on the kind of debt you have and what you are using it for.

CREDIT CARD DEBT is generally one of the most expensive forms of debt as it has high interest rates ranging from 18% - 22%. It can be used to purchase almost anything, which, although convenient, may get some people into trouble with unplanned spending. If you use credit cards responsibly, and pay off your balance before you incur interest, it can be a respectable form of debt. But if you carry debt, it can get out of hand quite quickly.

MORTGAGES are often the least expensive form of debt, and have a reputation for being 'good debt' because they allow you to buy real estate, which is generally thought to be a good long-term investment. However, a mortgage is certainly not without its risks.

Buying too much of a house is tempting, and it can lead to mortgage payments that are overwhelming to the owner, leaving little left over for savings, emergencies, or other household priorities. In addition, mortgages are determined by the prime lending rate, which can vary over time. Even if you're locked into a mortgage rate, you'll have to renew at some point, and rates could be higher.

HOME EQUITY LINES OF CREDIT (HELOC) have become more popular in the last 10 to 20 years as real estate has taken off. Many homeowners obtain a HELOC to do renovations on their home, ostensibly increasing the value in their investment. In itself, this is a good thing. But it becomes tricky if you only pay the minimum amount each month. That can add thousands of dollars in interest to the 'cost' of the renovation, which diminishes the overall return on your investment.

HOW MUCH DEBT IS RIGHT FOR YOU? One way to determine your answer is to do a net worth assessment. Essentially, you add up all of your savings and assets, and subtract all of your debt. What you have left is your personal net worth.

We have a net worth calculator on our website that can give a quick look at your situation. Our tool includes a section on life insurance, which is an asset that only comes into play after your death, but it's worth considering and comparing this current and 'after death' scenario. Regardless, most people we talk to find this to be an eye-opening way to get a handle on their overall debt situation.

If you have questions about debt, your net worth, and its overall effect on your finances, please talk to us.

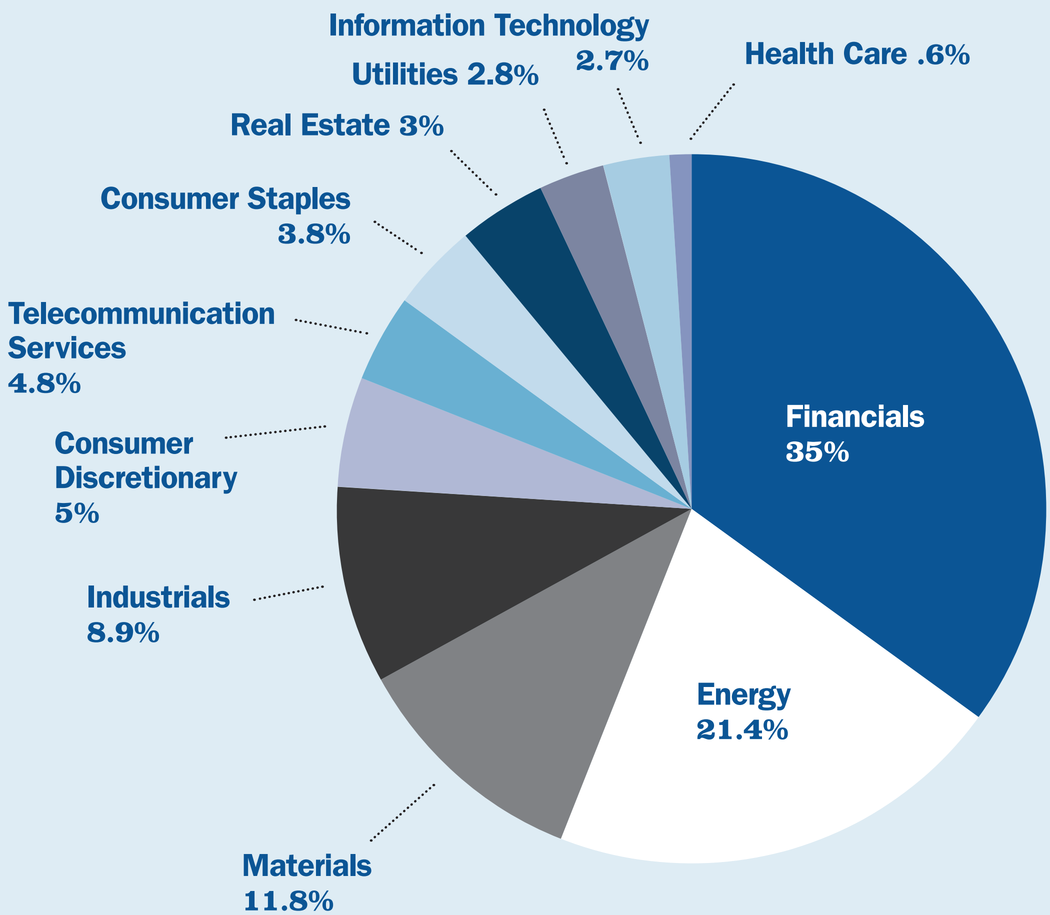
TSX Composite Index

As of Jan 23, 2017: 15,480.13

YTD Return: 1.35%

The following depicts the make-up of the Toronto Stock Exchange, indicating over 68% of stocks coming from the financials, energy and materials sectors.

Sector Breakdown (as of December 30th, 2016)



Source: Standard & Poors

The following are year-to-date returns of the major markets of the world in their local currency.

Today, global economies are more connected than ever. For example, if China is doing well, it uses more natural resources, which is good for many of Canada's industries. These connections make it essential for investors to keep an eye on world markets. We provide the following market updates to give you a quick snapshot of what's happening around the globe. If you have any questions regarding your mutual funds, please contact us.

Markets	Index Jan 18th, 2017	% change 2016 (in local currency)
United States (DJIA)	19,804.70	13.70
United States (S&P 500)	2,271.90	11.20
United States (NAScomp)	5,555.70	10.90
Japan (Nikkei 225)	18,894.40	-0.70
China (SSEA)	3,259.80	-12.00
Britain (FTSE 100)	7,247.60	16.10
Canada (S&P TSX)	15,397.90	18.40
France (CAC 40)	4,853.40	4.70
Germany (DAX)	11,599.40	8.00
Russia (RTS, $ terms)	1,151.70	23.60
Australia (All Ord.)	5,733.70	7.30
Hong Kong (Hang Seng)	23,098.30	5.40
India (BSE)	27,257.60	4.40
Brazil (BVSP)	64,149.60	48.00
Emerging Markets (MSCI)	897.90	13.10
World, all (MSCI)	431.10	7.90

Key Policies, Rules, and Rates That Changed in 2016

There were several changes to tax rules and policies in 2016. You may want to refresh yourself on the ones that impact you.

TAX RATES

Those making $45,283 - $90,563 see a reduction in their federal marginal tax rate from 22% to 20.5%. Those making over $200,000 had an increase in their marginal tax rate from 29% to 33%.

TAX-FREE SAVINGS ACCOUNTS

The limit for TFSA contributions in 2017 is $5500. Those who haven't opened a TFSA yet, could be eligible to contribute up to $52,000 in 2017.

CHILD BENEFIT

While the changes to the child benefit program don't impact taxes specifically, families with children under the age of 18 should have seen a change in the benefit cheque they receive each month.

END OF CHILD FITNESS AND ART TAX CREDIT

2016 also saw changes to the tax credit for children's fitness and art programs, both reducing to $500 and $250, respectively. This tax credit will be phased out completely in 2017.

PRINCIPAL RESIDENCE RULE

In order to claim the full principal residence exemption, Canadian taxpayers will now be required to report basic information (date of purchase, proceeds of sale and description of the property) on their income tax return when they sell their principal residence.

CHILD DISABILITY BENEFIT

Families who qualify for the disability tax credit in 2016 may receive an additional $2730 in Child Disability Benefits for each eligible child.

OLD AGE SECURITY/GUARANTEED INCOME SUPPLEMENT

The age of eligibility for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) was restored to 65 from the proposed age of 67. In addition, the GIS has been increased by up to $947 per year.

If you have questions about any of these items or how they might affect your finances, please contact us.

2017 Nova Scotia Combined Federal & Provincial Marginal Tax Rates

MARGINAL TAX RATES (%)

2017 Taxable Income	Interest & Regular Income	Capital Gains	Canadian Dividends*
first $29,590	23.79	11.90	11.63
over $29,590 up to $45,916	29.95	14.98	18.83
over $45,916 up to $59,180	35.45	17.73	25.27
over $59,180 up to $91,831	37.17	18.59	27.28
over $91,831 up to $93,000	42.67	21.34	33.71
over $93,000 up to $142,363	43.50	21.75	34.68
over $142,363 up to $150,000	46.50	23.25	38.19
over $150,000 up to $202,800	50.00	25.00	42.29
over $202,800	54.00	27.00	46.97

2017 Nova Scotia basic personal amount: $8,481

2017 Federal basic personal amount: $11,635

* Marginal tax rate for dividends is a percent of actual dividends received, not the gross amount.

Canada Pension Plan Benefits 2017

(maximum benefits available)

2017	ANNUAL TOTAL	MONTHLY
Death Benefit	$2,500.00	$ –
Retirement Benefit	$13,370.04	$1,114.17
Disability Benefit	$15,763.92	$1,313.66
Survivor's Benefit (under 65)	$7,251.84	$604.32
Survivor's Benefit (over 65)	$8,022.00	$668.50

RRSP Contribution Limits

Year	18% of Earned Income From the Prior Year to a Maximum of:
2017	$26,010
2018	$26,230
2019	Indexed

Old Age Security Benefits 2017

$578.53 Monthly
$6942.36 Annually

For 2017, benefits are repayable if net income exceeds $74,789. The repayment is 15% of excess to a maximum of the OAS received. OAS is eliminated once income reaches $119,615.

Hitting Her Stride

Kailey Stewart, local figure skater, will compete for Canada

This March, 110 athletes will represent Canada at the Special Olympics World Winter Games in Austria. Among them will be local champion, Kailey Stewart, the 23-year-old figure skater from Harrietsfield.

Ms. Stewart is preparing for her first international competition under the guidance of long-time volunteer coach, Mary Ann Crowley.

This is just one of a number of achievements for Ms. Stewart, who has been skating since she was a young girl, but really hit her stride when she connected with Crowley and the Special Olympics program in 2010.

She has competed nationally several times. In 2016, she and mixed pairs partner, Robert Fougere, received gold medals for their stellar performance at the 2016 Winter Special Olympics in Cornerbrook, Newfoundland and Labrador. In the 2015 Winter Special Olympics in Halifax, she placed second in the solo dance.

Before that, there was a string of competitions, including the 2011 Canada Games and the Special Olympics in 2012 and 2014.

Affectionately known as *Spitfire* for her speed and determination, Ms. Stewart is also an important part of the training program for other special athletes,

demonstrating the various technical aspects and encouraging the junior competitors.

We are incredibly proud to support the dedication, effort, and hard work of Ms. Stewart and her coach, and wish them all the best in Austria.

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WEALTH MANAGEMENT

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