Gordon Stirrett WEALTH MANAGEMENT | Newsletter

WINTER 2020

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Each year, millions of Canadians make New Year's resolutions, and consistently one of the most common ones is "save more, spend less." In this issue of the Gordon Stirrett Wealth Management newsletter, see how we can help you set priorities, manage risks, and put the right solutions in place for 2020.

With tax season right around the corner, we revisit the basics and benefits of RRSPs. We also look at the advantages of the Tax-Free Savings Account.

We highlight the value of life insurance—including the differences between term and permanent life insurance—and discuss the financial flexibility of opening a Manulife One account. We also cover the pros and cons of joint ownership. Plus, mortgage industry leaders, The Bentley Group at Premiere Mortgage Centre, share some of the many reasons to consider a mortgage broker.

Finally, we shine the spotlight on ElderDog Canada, a charity that's very important to all of us here at Gordon Stirrett Wealth Management. This 100% volunteer-run, non-profit organization is dedicated to assisting and supporting older adults in the care and well-being of their canine companions. Because there are times in life when you need to rely on someone, whether it's for experienced financial advice or helping take care of a loved one.

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.

RRSPs: The Basics

An overview of Registered Retirement Savings Plans.

Introduced by the federal government in 1957 as a way to encourage Canadians to start saving for their retirement, Registered Retirement Savings Plans (RRSPs) are one of the most commonly used retirement tools. Yet, over six decades later, they remain widely misunderstood and underutilized. Here is an overview on “the work horse of the retirement savings world.”

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 earned income from the previous tax year, up to a designated maximum (for the 2019 tax year, the maximum is $26,500). So if you made $100,000 in 2019, you could contribute up to $18,000. This contribution would help reduce your tax bill by $7,009.

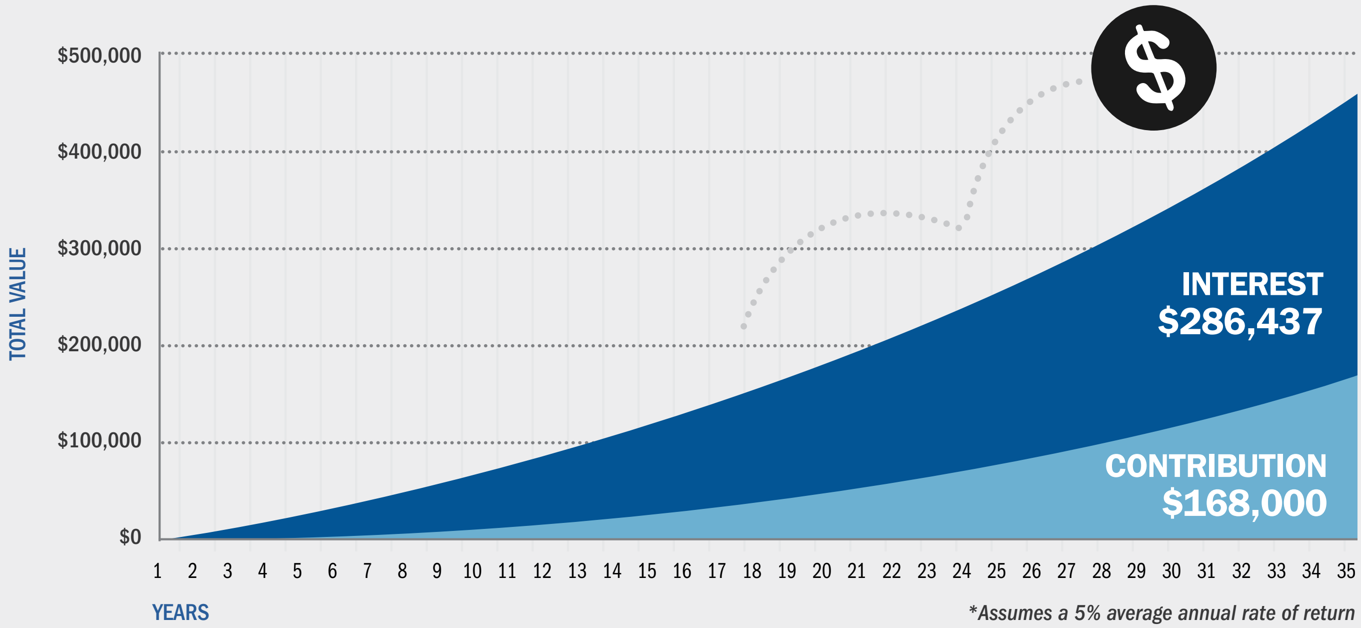
UNUSED CONTRIBUTIONS

Many people don’t make the maximum RRSP contribution each year. The unused contribution is carried forward each year, which means you can make those contributions at a later date. Your RRSP contribution limit for 2019 can be found on your most recent CRA Notice of Assessment.

COMPOUND INTEREST

One of the added benefits of RRSPs is the fact that they encourage saving early and often. Though this is often overlooked, the implications of starting a savings routine early can be significant.

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

The Benefits

Although many people may be confused about the tax benefits of RRSPs, they actually help you in two ways:

REDUCE INCOME TAX

RRSP contributions help reduce the income tax you pay for the year you make the contribution. Additionally, any growth experienced within the RRSP is tax deferred until funds are withdrawn as income in the future.

POTENTIALLY PAY LESS TAX ON WITHDRAWALS

When you start withdrawing the investment (and its earnings) in retirement, it is treated as taxable income. However, as most people have a lower income in retirement than when they were working, it means they will likely pay less tax on their withdrawals than they saved for making the initial RRSP contribution.

The Deadline

For tax purposes, the deadline for contributions is March 2, 2020.

Last But Not Least...

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 certain situations—especially if you use your tax return to pay back the loan as quickly as possible, thereby reducing the impact of interest.

Talk to us today to find out if an RRSP loan is suitable for your situation.

Tax-Free Savings Account

A great way to stash your extra cash...without paying taxes.

More than just a savings account, a Tax-Free Savings Account (TFSA) can hold a variety of investments—and, best of all, the earnings generated by these investments aren't taxed.

For 2020, the Tax-Free Savings Account (TFSA) dollar limit is $6,000, which matches the amount the Canadian government set for 2019.

Since they were first introduced 11 years ago, TFSAs have proven extremely popular among millions of Canadians, and for some very good reasons:

1 TFSAs REALLY ARE TAX-FREE.

When you contribute to a TFSA, the funds grow tax-free throughout your lifetime, will never be taxed while in the plan, and may be withdrawn—tax-free—at any time.

2 THERE ARE NO AGE LIMITS OR EARNED INCOME REQUIREMENTS.

To make an RRSP contribution, you have to be 71 or younger and must have some type of earned income. However, with TFSAs, you can contribute at any age over 18, and without having to meet any earned income requirements.

3 YOUR WITHDRAWALS CAN BE RECONTRIBUTED.

Should you want to make a withdrawal from your TFSA, the amount you withdraw can be put back in your TFSA starting the following year—and it won't impact your contribution room either.

4 IT'S CALLED A SAVINGS ACCOUNT, BUT IT'S FAR MORE VERSATILE.

Virtually any investment you can hold in a registered retirement savings plan (RRSP) can go into your TFSA.

5 YOU CAN ACCUMULATE YOUR TFSA CONTRIBUTION ROOM.

Also like RRSPs, Canadians over the age of 18 can accumulate their TFSA contribution room to use at a later date.

For example, if you've never contributed to a TFSA, in 2020 you could theoretically contribute $69,500 ($5,000 per year for 2009 through 2012, $5,500 per year for 2013 and 2014, $10,000 for 2015, $5,500 per year for 2016 through 2018, and $6,000 per year for 2019 and 2020). That amount and any investment gains could then be withdrawn tax-free whenever you choose.

Please contact us to learn more about how a TFSA may fit into your financial plan.

Life Insurance: An Essential Part of Any Financial Plan

But which life insurance plan makes financial sense for you?

There are always more exciting ways to spend your money than to pay for insurance. But not having coverage when you need it is just too scary to ignore. Finding a balance between the coverage you need and what you can afford is a key aspect of sound financial planning. Here's a look at the basics to help you get started.

> ***It's a good idea to check in on your life insurance once a year to be sure that your coverage is adequate, and that your premiums are competitive.***

How Is Life Insurance Priced?

The premium (the cost to buy insurance) is based on many factors including your age and health status, the length of the term, and the amount of insurance you want to obtain. In general, premiums are more expensive as people age and the risk to the insurer increases.

What's the Difference Between Term and Permanent Life Insurance?

In Canada, life insurance proceeds can be received tax-free by a named beneficiary. However, there are some distinct differences between the two options:

Term Life Insurance – The most commonly used form of life insurance is term insurance, meaning it covers you for a certain period of time, typically 10, 15, or 20 years, or until age 65. Term insurance can be used to replace the income lost when you die. The amount of insurance is usually based on your income multiplied by the number of years your family would require that income. It can also be used to cover specific expenses such as paying off the mortgage. Any insurance proceeds in Canada can be received by a named beneficiary tax-free whether it is term or permanent insurance. Term life insurance is a practical tool that can provide valuable protection for your financial plan at a low cost.

Permanent Life Insurance – This protects you for the rest of your life, and provides coverage in the event of your death, no matter when death occurs. If you have dependents, it can provide a tax-free, lump sum of money that can be used for any number of items. These can be immediate expenses such as funeral and burial costs, or address longer-term needs such as providing a monthly income and helping with retirement. Permanent life insurance can be an attractive option for those who want to lock in a reasonable premium while they are younger, to avoid paying much higher ones when they are older.

Please contact us to see which life insurance plan is right for your situation.

Why Switch to Manulife One?

It's the flexible way to prepare for the "what ifs?" in your life.

Manulife One has the power to rejuvenate your finances, opening opportunities you never thought possible. Review the different advantages below:

1

CONSOLIDATE YOUR DEBTS TO REDUCE YOUR BORROWING COSTS.

A Manulife One account allows you to consolidate all of your debts (credit cards, loans, etc., up to your borrowing limit) at a low-interest rate. Then, you can reduce your interest costs and become debt-free sooner by repaying your higher-cost debt from your Manulife One account.

2

USE YOUR INCOME AND SAVINGS TO REDUCE YOUR BORROWING COSTS EVEN FURTHER.

When you transfer your savings and/or short-term investments into a Manulife One account, they immediately go towards paying down the principle that you borrowed. Similarly, every deposit that you make into the account reduces your debt, saving you interest costs until you need to withdraw funds again. Over time, what you save in interest will likely be more than what you would have earned.

3

SIMPLIFY YOUR BANKING BY BRINGING YOUR INCOME AND DEBT TOGETHER.

With a Manulife One account, your income and your debt are combined. So you don't need to write cheques or transfer funds from one account to another—and you never need to worry about missing a mortgage payment. In addition, your Manulife One account lets you do transactions like:

- Pay bills by cheque or online (including pre-authorized bill payments)
- Pay for store purchases with a debit card (including getting cash back)
- Withdraw or deposit funds at ABMs

Plus, whatever is left over in your Manulife One account at the end of the day goes directly towards **reducing your borrowing costs**. So all your money is working for you 365 days a year.

4

CUSTOMIZE YOUR MORTGAGE.

You can customize some of your debt by creating sub-accounts. These sub-accounts let you lock in a portion of your Manulife One account at a variable or fixed interest rate, and with an open or a closed term. This helps keep track of a portion of your debt separately from your main account. It also helps your debt get paid off by a certain date because each sub-account has a fixed payment schedule and amortization period.

5

ENJOY FINANCIAL FLEXIBILITY.

Some traditional mortgages make it difficult or inconvenient to repay your debt more quickly. But with Manulife One, the debt in your main account is automatically reduced any time you make a deposit to your account. This gives you the financial flexibility to pay down your debt on your terms, not on your bank's terms.

More flexible than a reverse mortgage, Manulife One also gives the financial flexibility you need to deal with unexpected expenses or take advantage of great buying opportunities when they come up—and you don't have to jump through hoops to do it. You can access the equity you've built up in your home (up to your borrowing limit) at any time just by writing a cheque, making a debit purchase, or transferring money electronically.

So, enjoy the simplicity of managing all of your major banking needs through a single, easy-to-use account—and feel confident that you're prepared for whatever unexpected twists life brings in the future.

Our Mortgage Partner,
The Bentley Group at Premiere Mortgage Centre

Make the right down-payment decision on your financial stability.

For many of our clients, one of the biggest financial assets they have is the family home, which makes a mortgage an integral part of their financial plan. To ensure our clients have the best possible advice in this ever-fluctuating market, we are proud collaborators with mortgage industry leaders, The Bentley Group at Premiere Mortgage Centre.

The Bentley Group's mortgage expertise and long-term view of their clients' goals are perfect complements to our own approach to financial planning. Because they deal with mortgages on a daily basis—and are on top of the industry's shifting rules, rates, and options—we know they'll have the latest information and insights you need to tackle your mortgage objectives.

In fact, according to the company's mortgage market professional Scott Bentley, "Our mortgage planners are like your personal mortgage champion. They're dedicated to finding the right mortgage—with the right rates, terms, and features—to meet your needs now and in the future. That can easily save clients thousands of dollars over their lifetime."

The Bentley Group's key lending partners include many of the major banks that people know and trust, as well as credit unions, insurance companies, and mortgage-specific lenders. Each has deep roots, strong reputations, and proven track records, and they all operate under strict regulatory guidelines.

But are the same types of flexibility and terms available like lump sum payments to help you pay off your mortgage faster?

"Absolutely," says Bentley. "The terms and conditions, features, and penalties are built into mortgage contracts and can vary greatly from lender to lender. Actually, one of the most crucial considerations with a mortgage is the calculation of a pre-payment penalty or breakage fee should a borrower need to get out of the mortgage contract before the term is up. In some cases, those penalties can amount to many thousands of dollars.

"Another example is that some banks and lenders have created 'no frills' mortgage products that allow them to offer a slightly lower rate, but in exchange for that, strip away some of the features we personally think are crucial to a mortgage. That's where it pays to have someone like us really understanding the client's current situation and navigating the process."

If you have questions, feel free to call Scott at 902.877.5626 or email him at scott.bentley@premieremortgage.ca.

Understanding Joint Ownership

Discover the benefits and potential risks of this popular estate-planning tool.

Joint ownership has become increasingly popular in the estate-planning process. A way of dividing an asset between two or more individuals, joint ownership can basically be broken out into two types of arrangements:

Joint Tenancy with Right of Survivorship is a type of agreement "in which the ownership of an asset passes directly to the surviving owners upon the death of one of the owners." This is most commonly used between married couples or between a parent and their child/children.

Tenants in Common is an arrangement where an asset can be owned by two or more people at the same time—and that one of the titleholders can bequeath, sell, or transfer their share of the asset without the consent of the other owners.

However, before entering into either type of joint ownership agreement, you should consider the benefits and potential risks.

The Benefits

TRANSFER ASSETS EASILY – Upon the death of one owner, the surviving owner/s automatically become the possessor of the asset. There's no need to change title or administer the asset through the estate of the deceased joint owner.

AVOID PROBATE – Joint ownership allows you to bypass the probate process. Assets are directly distributed to the designated person/s, while minimizing possible delays and probate fees, which can cost anywhere from 3% to 7% or more of the total estate value.

The Potential Risks

TAX CONSEQUENCES – There may be tax implications to joint ownership, as it results in an immediate disposition of property for income tax purposes. As per *Advisor's Edge Magazine*, "This triggers any unrealized capital gains and results in immediate tax. Under the Income Tax Act, assets may be rolled-over tax-fee only to a spouse, but not to other persons (with a few exceptions)."

ESTATE DISTRIBUTION CONCERNS – If an estate is to be divided equally, but a jointly owned asset hasn't been considered, the joint owner is not required to share the asset. Or if the majority of assets are held in joint ownership, the estate may not have enough assets to cover specific bequests. Either of these scenarios could result in contentious and expensive legal action.

LOSS OF CONTROL – If you add another person as a co-owner, you'll no longer have exclusive control over the jointly owned asset. This means that the co-owner could withdraw funds from shared financial accounts or the decision to sell a property would need to be made jointly.

EXPOSURE TO CREDITORS AND MATRIMONIAL CLAIMS – Assets that are jointly held may be open to claims by a joint owner's business or personal creditors or even their ex-spouse. In certain circumstances, this could force a sale of an asset to pay or contribute to the claims or payment of debts of a joint owner.

Please contact us to see if joint ownership is right for your situation.

In The Community

Ageing dogs, ageing people: ElderDog Canada honours and preserves the animal-human bond.

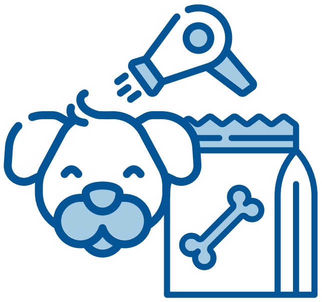
ELDERDOG
CANADA

There are times in life when you need to rely on someone, whether it's for experienced financial advice or helping take care of a loved one. Gordon Stirrett Wealth Management is a proud supporter of ElderDog Canada—a non-profit organization dedicated to assisting and supporting older adults in the care and well-being of their canine companions.

THIS 100% VOLUNTEER-RUN ORGANIZATION HELPS TO:

- Assist and support older adults in the care and well-being of their canine companions
- Promote the welfare of older dogs whose lives have been disrupted due to the illness, relocation, or death of a human companion
- Educate about the human-animal bond in general and the significant role of companion animals in the health and well-being of seniors
- Support and conduct research into the human-animal bond with a focus on seniors and canine companionship

In order to achieve these goals, ElderDog runs a variety of programs including:



Dog-Care Support for Seniors

With the help of their volunteers, ElderDog provides a range of dog-care assistance and support including assisting seniors with exercising their dogs, delivering or picking up dog food, light tasks associated with animal hygiene and grooming, and temporary care during hospitalization.

Long-Term Care for Older Dogs

For older dogs who have lost a human companion due to a residence change, illness, or death, and are left without a caregiver, ElderDog works to provide care and companionship through foster care in an approved foster home, adoption to an approved home, and pre-planned long term care in an approved home.

Planned Gifts & Perpetual Care

One of ElderDog's main goals is to provide care for older dogs who have lost a human companion and perpetual care for dogs whose human companions have left a legacy to provide such care. Planned gifts and perpetual care options can include:

- Recurring donation to ElderDog Canada (monthly or quarterly)
- Financial gift of care for a specific dog or dogs
- Financial gift to support a special ElderDog project of your choosing
- Bequest to ensure the care and well-being of a canine companion in perpetuity
- Bequest to name ElderDog as a beneficiary of an estate
- Dedicated gift or legacy in memory or honour of a specific dog, human-canine relationship, or to commemorate the human-animal bond in general

If you are interested in donating or volunteering with this wonderful organization, please visit ElderDog.ca, and see how you can help keep love in the home.

2020 Nova Scotia Combined Federal & Provincial Marginal Tax Rates

MARGINAL TAX RATES (%)

2020 Taxable Income	Interest & Regular Income	Capital Gains	Canadian Dividends*
first $25,000	23.79	11.90	13.54
over $25,000 up to $29,590	24.32	12.16	14.14
over $29,590 up to $48,535	30.48	15.24	21.23
over $48,535 up to $59,180	35.98	17.99	27.55
over $59,180 up to $74,999	37.70	18.85	29.53
over $74,999 up to $93,000	37.17	18.59	28.92
over $93,000 up to $97,069	38.00	19.00	29.88
over $97,069 up to $150,000	43.50	21.75	36.20
over $150,000 up to $150,473	47.00	23.50	40.23
$150,473 up to $214,368	50.00	25.00	43.68
over $214,368	54.00	27.00	48.28

2020 Nova Scotia basic personal amount: $8,481

2020 Federal basic personal amount: $12,298

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

Canada Pension Plan Benefits 2020

(maximum benefits available)

2020	ANNUAL TOTAL	MONTHLY
Death Benefit	$2,500.00	$ –
Retirement Benefit	$14,109.96	$1,175.83
Disability Benefit	$16,651.92	$1,387.66
Survivor's Benefit (under 65)	$7,659.36	$638.28
Survivor's Benefit (over 65)	$8,466.00	$705.50

2020	Age 60	Age 65	Age 70
Max Amount Per Month	$752.53	$1,175.83	$1,669.68
Max Amount Per Year	$9,030.36	$14,109.96	$20,036.16

RRSP Contribution Limits

Year	18% of Earned Income from the Prior Year to a Maximum of:
2020	$27,230
2021	$27,830
2022	Indexed

Old Age Security Benefits 2020

$613.53/Monthly $7,362.36/Annually

For 2020, benefits are repayable if net income exceeds $79,054. The repayment is 15% of excess to a maximum of the OAS received. OAS is eliminated once income reaches $128,137.

OAS 2020	Age 65	Age 70
Max Amount Per Month	$613.53	$834.40
Max Amount Per Year	$7,362.36	$10,012.80

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