Gordon Stirrett
WEALTH MANAGEMENT

Newsletter

WINTER 2019

The start of a new year often makes us reflect on our lives, taking a look at where we've been, and setting new intentions for the future. This is particularly apt when it comes to mapping out financial goals—and then putting the right plans in place to ensure success.

In this issue of the Gordon Stirrett Wealth Management newsletter, we look at the recent enhancements to the Canadian Pension Plan. We focus on the new increases to the Tax-Free Savings Account, while highlighting the many benefits already in place with this popular investment vehicle. Plus, we give a refresher on the basics and benefits of RRSPs.

We also shine the spotlight on two attractive offerings from Manulife. First, there's Travel80® Term Travel Insurance, a multi-year travel medical insurance with rates based on your age at application, and the first policy of its kind in Canada. Then there's Manulife One, an innovative way of banking that allows you to combine your loans, savings, and income into a single all-in-one account.

Finally, we highlight a charity near and dear to all of us here at Gordon Stirrett Wealth Management. Originally opening its doors as the Metro Food Back Society way back in 1984, Feed Nova Scotia now supports 145 food banks, shelters, soup kitchens, and meal programs across the province. However, it still needs our collective help for finding long-term solutions to hunger and poverty. So, we explore the many ways to lend a helping hand.

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.

Changes to the Canadian Pension Plan

New enhancements to the CPP mean more benefits for you.

Back in 2016, Canada's provincial finance ministers, with the exception of Quebec, collectively agreed to proposed enhancements to the Canada Pension Plan (CPP). Starting January 1, 2019, these proposals will gradually be implemented, with full enactment anticipated by 2025.

So, what does this mean for you? Simply put, this is great news if you work and make contributions to the CPP.

Prior to 2019, the CPP retirement pension replaced **one quarter** of your average work earnings, but with these new enhancements, the CPP will grow to replace **one third** of the earnings you receive after 2019.

CPP is calculated based upon the YMPE (Yearly Maximum Pensionable Earnings). In 2018 the YMPE was $55,900 and is increasing to $57,400 in 2019.

The maximum limit used to determine your average work earnings is also scheduled to increase by 14% by 2025. Plus, your pension will also increase based on how much and how long you contribute to the enhanced CPP—increasing the maximum retirement pension by up to 50% for those who make enhanced contributions for 40 years.

From 2019 to 2023, the contribution rate for employees and employers will gradually increase by one percentage point (from 4.95% to 5.95%) on earnings between $3,500 and the original earnings limit.

YEAR	INCREASE	EMPLOYER/EMPLOYEE RATE	INCREASE	SELF-EMPLOYED RATE
2019	0.15%	5.10%	0.3%	10.2%
2020	0.15%	5.25%	0.3%	10.5%
2021	0.20%	5.45%	0.4%	10.9%
2022	0.25%	5.70%	0.5%	11.4%
2023	0.25%	5.95%	0.5%	11.9%

2024 – 2025

Beginning in 2024, a higher limit will be introduced, so you can invest more of your earnings to the CPP. As per the Government of Canada website, this new limit will be known as the Year's Additional Maximum Pensionable Earnings. It won't replace the first earnings ceiling; rather, it will subject your earnings to two earnings limits and is referred to as the second earnings ceiling. Like the first earnings ceiling, the second will increase to reflect growth in wages and is estimated to be $79,400 by 2025.

More Changes to the CPP

Not only will you receive higher benefits in exchange for making higher contributions, but the CPP retirement pension, post-retirement benefit, disability pension, and survivor's pension are also scheduled to increase. Plus, there are new enhancements to children's benefits, as well as the death benefit.

CPP Retirement Pension

You can apply for and receive a full CPP retirement pension the month after your 65th birthday. However, you can also receive a reduced pension as early as age 60, or as late as age 70 with a permanent increase.

Post-Retirement Benefit

If you're under the age of 70—and are still working while receiving your CPP retirement pension—you can continue to contribute to the CPP. These contributions automatically go toward your post-retirement benefits, thereby increasing your retirement income.

Disability Pension

You can receive a monthly benefit if you're under the age of 65 and become severely disabled to the extent that you're unable to work at any job on a regular basis. Plus, for retirement pension recipients under 65 who have made sufficient contributions to the CPP but are unable to regularly work due to a disability, there's a new monthly benefit.

Survivor's Pension

If you're a separated legal spouse and the deceased had no common-law partner, you may now qualify for this benefit. Also new, if you were under age 35 when your spouse or common-law partner died and you're not yet 65 or receiving the CPP survivor's pension—or if you previously lost a CPP survivor benefit because you remarried—you may now be eligible to receive the survivor's pension.

Children's Benefit

For the dependent children of disabled or deceased CPP contributors, the children's benefit provides a monthly flat-rate payment that's adjusted annually. (In 2019, the rate is $250.27.) To qualify, children must be under the age of 18 or are under 25 and in full-time attendance at a recognized university or school.

Death Benefit

This one-time, lump-sum payment is provided to (or on behalf of) your estate if you die and are a CPP contributor. As of January 1, 2019, the death benefit amount for all eligible contributors is a flat rate of $2,500.

Discover how you can capitalize on CPP changes by contacting us. For more information on the overall changes, visit the Government of Canada website, www.canada.ca.

Tax-Free Savings Account

Say hello to a new limit (and goodbye to taxes).

Following on the heels of the new enhancements to the Canada Pension Plan, the Tax-Free Savings Account (TFSA) dollar limit is now increasing to $6,000 for 2019. Originally introduced in 2009 TFSAs have proven extremely popular among millions of Canadians and for good reason. For those who have not yet contributed to a TFSA, and were over the age of 18 in 2009, the 2019 cumulative contribution limit is $63,500

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.

Plus, as the *Financial Post* notes, "Because TFSA withdrawals aren't considered to be income, they don't negatively impact income-tested benefits and credits, like the Guaranteed Income Supplement, Old Age Security payments or the age credit."

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, once you are 18 years of age, you can contribute at any time during your entire lifespan, 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.

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

Travel80® Term Travel Insurance

The insurance policy to consider if you love to travel.

As we begin the new year, Canada continues to remain one of the world's largest spenders on international travel, with Canadians taking almost 27,000,000 trips out of the country in 2018. It's a staggering figure, considering our population of just over 36,000,000, and we're expected to do even more international travel for 2019.

If you happen to be one of these frequent fliers, cruisers, or road trippers, then good news: You can now indulge your love of travel without having to buy emergency travel insurance every time you take a trip—and without having to worry about changes to your health that may affect eligibility.

The first policy of its kind in Canada, and offered through Manulife, Travel80 Term Travel Insurance is a multi-year travel medical insurance, with rates based on your age at application. The younger you are, the lower the rate will be for the life of your policy—plus, if you're claim-free for 10 years, you can receive 50% of your paid premiums back.

> *"The largest outbound travel market sector is the 55 plus group which continues to increase, and while travel frequency does decline after age 74, the difference today is that this age group is more mobile, healthier, and in some cases, wealthier than their predecessors. These factors have and will continue to have a positive impact on outbound travel."*
>
> – Canadian Tourism Research Institute, May 2018

So, when should you think about buying Travel80 Term Travel Insurance?

- **Buy if you're planning to be a frequent and long-term traveller** so you can have coverage for as many 30-day trips (or longer) as you like. If you want to stay longer, you can top up your coverage without answering any eligibility questions.
- **Buy when you're young** so that your age is locked in; your premium is based on your age when you apply.
- **Buy while you're healthy** so you can have guaranteed renewable coverage until you're 80, even if your health changes.

Please contact us to learn more about Travel80.

**Travel80 Term Travel Insurance is currently not available to residents of New Brunswick or Quebec.*

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 half a century later, they remain widely misunderstood and underutilized. We asked Joel Neynens, CFP TEP and Principal at Gordon Stirrett Wealth Management, to give us 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 for the previous year, up to a designated maximum (for the 2018 tax year, the maximum is $26,230). So if you made $100,000 in 2018, you could contribute up to $18,000 in 2019. This contribution would help reduce your tax bill by $7,122 as a resident of Nova Scotia.

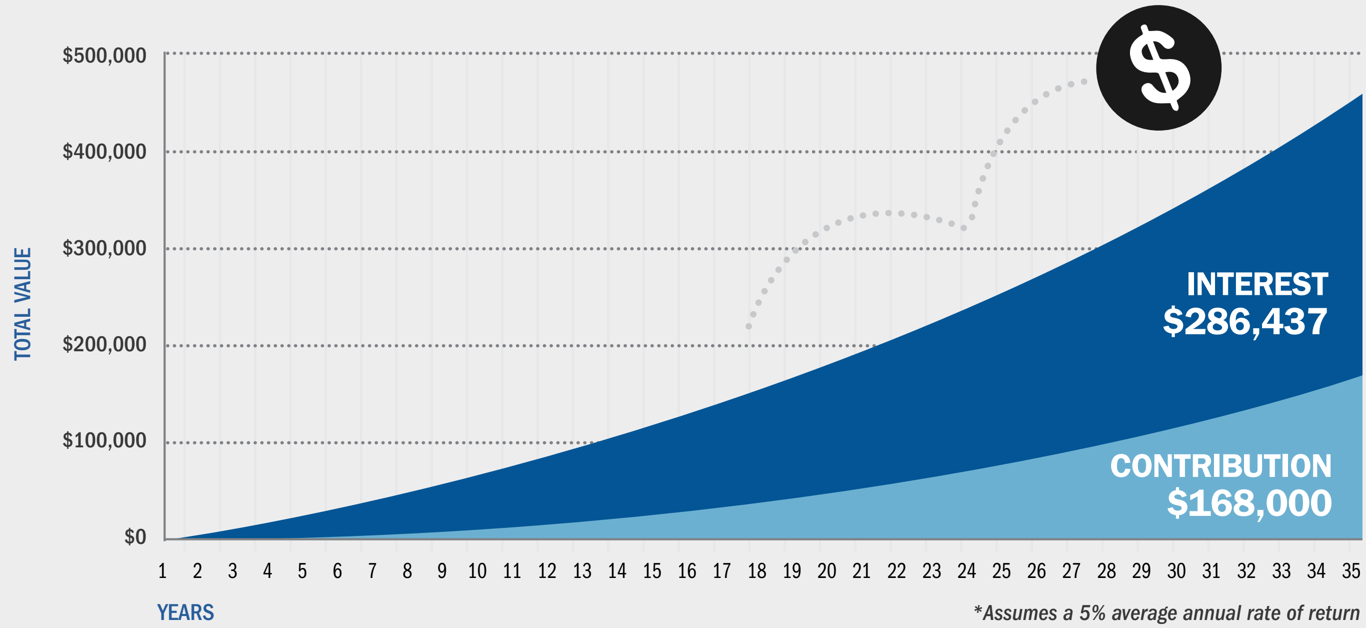
UNUSED CONTRIBUTIONS

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 2018 can be found on your most recent 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 the following 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*.



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 1, 2019.

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.

The One Account for Retirement

A flexible way to prepare for the “what ifs?” in your life.

As Canadians approach and enter retirement, most of us arrange our finances carefully so that we’ll have a stable income from month to month once we stop working. Typically we receive income from several sources including personal savings, company pension plans, and government programs. However, although we’ve taken care to ensure we have a stable retirement income, we often don’t fully prepare for the fact that we probably won’t have stable retirement expenses. In other words, we don’t build in enough financial flexibility.

Manulife One is an innovative way of banking that allows you to combine your loans, savings, and income into a single all-in-one account—ideal for homeowners who wish to save interest or pay off their mortgage more quickly. But what if your mortgage is mostly or completely paid off? What if you’re already retired or plan to retire within the next 10 years? If you’re in this position, you have even more reason to switch to Manulife One.

Preparing for the “What Ifs?”

Even the best retirement planning may not address the unexpected twists that life throws your way. Without a reliable backup plan in place, these “what ifs?” may become an undue source of stress:

- What if I’ve underestimated my retirement expenses?
- What if I have unexpected medical costs?
- What if I need to help out the kids?
- What if the house needs repairs?

Putting a Backup Plan in Place

Even if you're confident that you're financially prepared for retirement, it never hurts to have a backup plan. Manulife One gives you access to the equity you've built in your home, up to your borrowing limit, whenever a need arises. Because Manulife One acts as your day-to-day chequing account, accessing your home equity is as easy as writing a cheque, transferring money to another account, or even using your bank card.

What else makes Manulife One such an effective backup plan?

NO WITHDRAWALS ARE REQUIRED, AND THERE'S NO MINIMUM WITHDRAWAL AMOUNT.

YOU'RE FREE TO PAY BACK VARIABLE RATE DEBT IN YOUR MAIN ACCOUNT AT ANY TIME AND WITHOUT PENALTIES.

WHEN YOUR ACCOUNT HAS A POSITIVE BALANCE, YOU EARN A HIGH RATE OF INTEREST ON EVERY DOLLAR.

PLUS, MANULIFE PAYS FOR ALL THE APPRAISAL/LEGAL FEES—AND WITH A POSITIVE BALANCE OF $5,000 OR MORE IN YOUR ACCOUNT (ON TOP OF EARNING THE SAME RATE AS AN ADVANTAGE ACCOUNT), MONTHLY FEES ARE WAIVED.

So, don't spend your golden years worrying about the "what ifs?" of life. 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.

Source: Manulife Bank

2019 Nova Scotia Combined Federal & Provincial Marginal Tax Rates

MARGINAL TAX RATES (%)			
2019 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 $47,630	30.48	15.24	21.23
over $47,630 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 $95,259	38.00	19.00	29.88
over $95,259 up to $147,667	43.50	21.75	36.20
over $147,667 up to $150,000	46.50	23.25	39.65
$150,000 up to $210,371	50.00	25.00	43.68
over $210,371	54.00	27.00	48.28

2019 Nova Scotia basic personal amount: $8,481

2019 Federal basic personal amount: $12,069

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

Canada Pension Plan Benefits 2019

(maximum benefits available)

2019	ANNUAL TOTAL	MONTHLY
Death Benefit	$2,500.00	$ –
Retirement Benefit	$13,854.96	$1,154.58
Disability Benefit	$16,347.60	$1,362.30
Survivor's Benefit (under 65)	$7,519.56	$626.63
Survivor's Benefit (over 65)	$8,313.00	$692.75

CPP 2019	Age 60	Age 65	Age 70
Max Amount Per Month	$738.93	$1,154.58	$1,639.50
Max Amount Per Year	$8,867.17	$13,854.96	$19,674.04

RRSP Contribution Limits

Year	18% of Earned Income From the Prior Year to a Maximum of:
2019	$26,500
2020	$27,230
2021	Indexed

Old Age Security Benefits 2019

$601.45/Monthly $7,217.40/Annually

For 2019, benefits are repayable if net income exceeds $77,580. The repayment is 15% of excess to a maximum of the OAS received. OAS is eliminated once income reaches $125,696.

OAS 2019	Age 65	Age 70
Max Amount Per Month	$601.45	$817.97
Max Amount Per Year	$7,217.40	$9,815.66

Feed Nova Scotia gives new meaning to comfort food.

As 2018 came to a close, the team here at Gordon Stirrett Wealth Management reflected on the many things for which we're grateful: our family, friends, and clients, the ability to make a tangible difference in our communities, and our commitment to supporting local, charitable organizations.

One such organization is Feed Nova Scotia. Based out of Halifax, this registered charity distributes food to 145 food banks, shelters, soup kitchens, and meal programs across the province. We were very proud to donate to its capital campaign last year, and also have it as Gordon Stirrett Wealth Management's main charity of choice at Christmas time. However, the unfortunate reality is that Feed Nova Scotia continues to require sustenance year round.

1 in 6 households in Nova Scotia struggles with food insecurity. To help meet the immediate need for food support, Feed Nova Scotia distributes almost 2,000,000 kilograms of donated food each year. They also work to find longterm solutions to hunger and poverty in the province. As a charity that's not funded by government, Feed Nova Scotia relies on community aid to fulfill its mission.

So for 2019, here are a few ways that we can all lend a helping hand to Feed Nova Scotia:

Donate Food & Funds

At least 41,000 Nova Scotians rely on food banks and meal programs for support. Donated food is shared amongst 145 food banks and meal programs across the province. Donated money helps distribute the food, build membership capacity, and raise awareness. From a food perspective, every $2 donation lets Feed Nova Scotia distribute enough food for 3 meals. Since Feed Nova Scotia is a registered charity, income tax receipts are issued for eligible donations.

Donate Time & Talent

Are you looking for a way to make a difference in someone's life? Volunteers are the heart and soul of Feed Nova Scotia. With their generous donation of time and talent, they make it possible for at least 41,000 Nova Scotians to receive much-needed food support. Currently, there are a variety of volunteer opportunities available in special events, administration, data entry, drivers and driver assistants, and in the warehouse.

Donate Your Voice

Food is a basic human right, yet 1 in 6 households in our province lack sufficient access to food. As necessary as it is to provide food support, true food security will never be realized through food support programs alone. Take time to learn about the issues, and use your voice to help push for policy change to address the root causes of hunger and poverty.

For more information, please visit FeedNovaScotia.ca.

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