PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Winter 2018 - 1st Edition

Important Dates and Numbers

Maximum RRSP limit for 2018: 18% of earned income up to maximum of $26,230
TFSA limit for 2018: $5,500, if over age 18
Cumulative TFSA limit: $57,500 if (over age 18) since 2009

Maximum RESP contribution: Unlimited annual up to lifetime maximum of $50,000 per beneficiary
Annual RESP contribution for maximum Canada Education Savings Grant: 20% of first $2,500 per beneficiary ($500 grant) plus 20% of next $2,500 per beneficiary if carryforward room is available (additional $500 grant). Maximum annual CESG = $1,000/year per beneficiary

Pedro and Nik's Tips and Tricks

- **Pedro:** We have a great relationship with our foreign exchange desk and get institutional pricing. If you need to convert CAD to USD or vice versa we can do it effectively at no cost. Speak to me if you would like further information.
- **Nik:** For anyone who donated to the Ride to Conquer Cancer last year, don't forget to claim your charitable donation receipt on your tax return this year. I'm doing the ride again this year and any support that you can give me is much appreciated!

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Legal Horsepower

Recently, Raymond James has added some additional horsepower to our in-house support team. Janet Mason has been added as senior trusts & estates counsel with Raymond James Ltd. She graduated from Osgoode Hall Law School with a specialized degree in litigation, dispute resolution and administration of justice. She operated her own private practice in litigation from 2006-2014. Janet is here to assist you with:

Case Review (for clients or potential clients with plus $1 million in investible assets)

Janet can provide an unbiased, high-level analytical review of your unique situation in the context of current objectives, referred to as a 'case review'. This holistic review is based on information and documents provided by you, such as your wills, powers of attorney and trust documents.
Janet presents the potential concerns, considerations and strategies to you by conference call. A case review generally results in a written deliverable.

The legal information provided allows you the opportunity to speak to a professional who will take the time to answer your questions. The information conveyed should prepare you to have an informed discussion with your own team of professionals in relation to their unique situation and objectives.

Janet will also provide legal information on discrete questions, as available, such as providing for an adult disabled child, the obligations of an executor or attorney under a power of attorney, considerations for blended families, and the importance and use of shareholder and domestic agreements.

Janet's services are available to you as part of the fees that you already pay. For more information, please contact Andrea or Vikki.

Tax & Estate Horsepower

Alongside Janet Mason, Raymond James has also added the services of Trevor Parry, M.A, LL.B, LL.M (Tax), CLU, TEP, who joins us as a tax and estate planning specialist. Trevor was formerly the national sales director for a boutique actuarial consulting firm specializing in solutions for incorporated professionals, owner managers and senior executives. He was directly or indirectly involved in establishing over 2000 individual pension plans and 500 retirement compensation arrangements. He also has considerable experience in constructing advanced insurance based strategies.

All of these are options (think tools in a toolbox) which form part of a larger planning conversation to be had with Andrea and Vikki.

- Succession planning
- Structuring businesses for sale
- Advanced retirement and pension planning
- International and cross-border tax management
- Strategic philanthropy
- Enhanced educational funding
- Innovative living benefits strategies
- Post mortem planning

Darren and Andrea have known Trevor for a number of years and can speak very highly of his competency and professionalism. Trevor's services are available to you as part of the fees that you already pay. If you'd like to discuss how his services may benefit you, please contact Andrea or Vikki.

You Don't Take Your Account Statement To The Supermarket

Below is a guest article from Nick Murray, a behavioural finance guru Darren has been following for many years. Nick's sage advice has helped guide many clients and advisors through the decades by making them better investors through behaviour modification and understanding.

I PRESENT TO YOU, AS A NEW YEAR begins, one of the enduring mysteries of human psychology as it relates to the essential financial challenge of longer and longer retirements.

In its simplest form: Americans are fully aware that, financially, retirement is an ***income*** problem. That is, they intuitively know that the challenge is to create a retirement income which stays ahead of their living costs, even as those living costs rise inexorably over time. That isn't the mystery.

The mystery is that they then turn around and invest as if retirement were essentially a problem of ***protecting principal at all costs***—even though fixing principal often involves ***fixing income,*** leaving retirees defenseless against rising living costs.

The way I've always invited investors to focus on the essential contradiction here is with the epigram you don't take your account statement to the supermarket. What I mean is that you don't defray your living costs with your principal, but with your income. And if you're convinced that those living costs—at the supermarket and just about everywhere else—are going to be rising throughout your retirement, it only makes sense to be investing with the goal of a commensurately rising income.

Which brings us to the issue of the dividend history of quality common stocks.

In 1960, the cash dividend of the Standard & Poor's 500-Stock Index was $1.98. As I write a few days before the winter solstice, it is on track to end the year at something close to $48.23. This represents a long-term rate of income growth of 5.76% per year, in an economy where the Consumer Price Index has compounded at about 3.00%.

The results in recent years have been even more remarkable. The Index dividend in 2012 was $30.44. From there to $48.23 this year will represent a five-year compound annual growth rate of 9.64%—in an economy where the CPI has barely increased 8% ***overall.*** Even I wouldn't suggest that this blazing performance is sustainable. It's surely not. But in five years during which America's central bank followed a zero interest rate policy, dividend growth has been an especially welcome boon to yield-starved retirees.

Most people, in their obsession with principal, will miss this. Which is a shame, because a long-term focus on the principal of the S&P 500 as well as its income should serve only to make one even more comfortable with a diversified portfolio of quality equities. You see, the S&P 500 Index ended 1960 at 58. At the moment, it's around 2,600. That is, it's up about 45 times versus an increase in the CPI of a little over eight times (the latter per the Bureau of Labor Statistics).

If going back all the way to 1960 is just too much ancient history for you, consider 1997 as your baseline. The dividend that year was $15.52, so it's more than tripled in the intervening twenty years. And the Index itself closed out 1997 at 970; today it's up well over two and a half times, despite two massive but temporary declines of 49% in 2000-02 and 57% in 2007-09. Investors who came for the dividend growth—and tuned out the volatility—got to stay for the long-term growth of principal.

Past performance is surely no guarantee of future results. But if you're going to be spending the last three decades of your life trying to get your income to offset rising living costs, the trend of the growth of dividends (both long- and short-term) probably deserves more attention than you may currently be paying it.

Your annual meeting with your financial advisor seems likely to be coming up soon, and this would certainly be a potentially impactful agenda item. Happy New Year!

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