Clearview Financial

INVESTOR'S QUARTERLY

SPRING EDITION.2017

SPRING IS HERE…AT LAST

For Canadians, the long anticipated arrival of Spring weather coincides with tax filing time. If you think you are missing a tax receipt for any of your investments, please let us know as soon as possible so that we can obtain a duplicate for you.

2016 TAX FILING DEADLINE:

Since April 30th falls on a Sunday this year, the deadline for filing your 2016 personal income tax return is midnight on **Monday, May 1st, 2017**. Returns post-marked May 1st will be considered received on time. If you or your spouse are self-employed, you have until **June 15th** to file your income tax and benefits return.

THE BANK OF CANADA IS HOLDING RATE STEADY AT 0.5%

The Bank of Canada announced April 12th that it would not be raising interest rates. Despite recent stronger-than-expected data showing that Canada had exceeded the bank's growth expectations, Governor Stephen Poloz remains cautious.

Canadian firms remain wary over potential U.S. related developments that could increase protectionism and reduce competitiveness in the event of corporate tax reductions and regulatory changes. Changes under discussion in the U.S. include the renegotiation of the NAFTA, corporate and personal tax cuts, regulatory easing and a potential border tariff. "A notable increase in global protectionism remains the most-important source of uncertainty facing the Canadian economy," the bank said.

WHAT'S UP WITH REAL ESTATE?

The Bank of Canada warned that climbing real estate prices in the Toronto area appear to be now driven, in part, by speculation. Both Toronto and Hamilton set a March record for the pace of price growth last month.

It had been predicted that this trend will motivate governments in Canada to impose new policy measures to make the housing market more sustainable by raising interest rates. However, Mr. Poloz dismissed this idea saying that a that a modest increase in rates will not deter a speculator who believes a house will be worth 20 per cent more in a year.

"There's no fundamental story that we could tell to justify that kind of inflation rate in housing prices… demand is being driven more by speculative demand or investor demand, as opposed to just folks that are buying a house," Mr. Poloz said. This is not just about low interest rates.

It used to be that the amount spent on a typical house was 3 x the average salary. That figure has now jumped to at least 8 x the average salary, making it close to impossible for first time buyers to enter the housing market.

SEE: 'Cooling a Hot Housing Market' on page 2

Sources: The Canadian Press; The Globe & Mail

COOLING A HOT HOUSING MARKET:
ONTARIO PREMIER ANNOUNCES NEW MEASURES

The average price of a detached house in the GTA increased to $1.21 million last month, up 33.4 per cent from a year ago. At the same time, many Toronto renters have been subjected to sudden, massive rent increases. Young people are being priced out of the housing market as demand continues to outweigh supply.

On April 20th, in response to concerns about an overheated real estate market, Premier Wynne announced 16 new measures in an effort to curb housing costs that are rising "way faster than people's paycheques." The measures include:

Non-Resident Speculation Tax — a 15% tax on residential real estate purchased in Toronto and the Greater Golden Horseshoe by anyone who is not a citizen or permanent resident of Canada. Similar to the tax introduced in Vancouver, the difference here is that there would be a rebate for buyers who become residents within a certain time frame after purchase.

Anti-Flipping Mechanism — for the pre-construction housing market. Many speculators have been buying up multiple units of new condos and homes sold in the pre-construction phase with the sole intent to sell for a profit before they take possession. Ontario Finance Minister Sousa calls these buyers "property scalpers."

Incentives for Development of Rental Units — by offering a rebate of development cost charges, Wynne hopes to encourage the building of more rental housing. This will be implemented through a $125 million, five-year program. Three areas of Provincially owned surplus land have been identified to build affordable and rental housing.

> Housing costs are rising "way faster than people's pay cheques."

Broadened Rental Control — capping annual rent increases to no higher than the rate of inflation or 2.5%, whichever is lower. This would extend to existing rental properties built after 1991, who had previously been exempted. This came about after numerous stories broke of landlords doubling rent for existing renters over the past few months. A standardized lease document for all tenants was also proposed.

Vacant Home Tax — the Province will give municipalities the power to implement a tax on vacant homes intended to encourage owners to sell or rent unoccupied units.

Review of Real Estate Rules — to ensure consumers are fairly represented, particularly when one agent represents both sides in a real estate transaction.

Source: CBCnews.ca

SHOULD I STAY OR SHOULD I SELL NOW?

Tempted to cash out of your million-dollar-plus home that you bought for a small fraction of it's current value? The big question is: where to go if you sell? If you're a retiree, it could mean downsizing from a house to a condo, or moving into a retirement residence, or relocating from the city to a small town. If you simply want to free up assets to invest, it could mean becoming a renter and living off investment income to cover expenses. A million dollar investment yielding 5% will generate $50,000 in annual cash flow. Remember, there's no predicting when the perfect time to sell is and there's no 'one answer fits all.' The right choice for you depends on a number of factors, including your retirement savings and lifestyle. Contact your advisor if you wish to discuss your options.

2017 FEDERAL BUDGET UPDATE

As the income tax filing deadline fast approaches, please keep in mind several changes that may impact your 2016 return:

The CRA is focusing on real estate earnings as a new rule requires reporting the sale of a principal residence.

FAMILY TAX CUT ELIMINATED

Also known as the 'Income Splitting Tax Credit,' this credit previously allowed individuals to transfer up to $50,000 of income to a lower earning spouse, if they have a child under 18 years old, to a maximum benefit of $2,000. The government eliminated this credit because it said it disproportionately benefitted higher income families in which one earns significantly more than the other.

CHANGES TO CHILD BENEFITS

Children's fitness and arts credits have been cut in half for the 2016 filing year. These credits are set to be eliminated in 2017, along with two for education expenses and text books. The good news is that the Canada Child Benefit replaced the Enhanced Universal Child Care Benefit last year. Unlike the Enhanced Universal Child Care Benefit, the Canada Child Benefit is a non-taxable transfer, and weighted based on income and number of children per family. Those with family income under $30,000 would receive the maximum benefit. The federal government also topped up the limits of the Child Care Expense Deduction for 2016.

PRINCIPAL RESIDENCE DESIGNATION

The CRA is focusing on real estate earnings with a new rule requiring that taxpayers report the sale of their principal residence, whether they owe tax or not, starting with the 2016 return. Primary properties have always been immune from capital gains tax, but Ottawa is getting concerned about the potential for Canadians to earn tax free income by frequent home flipping. If you're selling your principal residence so frequently that it's become your primary source of income, you may not escape the tax man

FEDERAL TAX BRACKET SHAKE-UP

Two changes to the tax rate table this year favour the middle class at the expense of top earners. A new bracket has been added for those earning over $200,000 that will see them paying 33% on every additional dollar earned above that figure, up from 29% in 2015. Canadians earning between $45,282 and $90,563 will see their tax rate drop to 20.5% this year from 22% last year.

ACCESSIBLITY RENO REBATES

Ottawa is finally recognizing the fact that many seniors wish to remain in their homes as long as possible, with a tax break for mobility focused upgrades. Seniors and those who qualify for the Disability Tax Credit can claim 15% of eligible home improvements up to $10,000 for a maximum benefit of $1,500 under the Home Accessibility Tax Credit.

Source: CI Investments

KNOW YOUR CPP OPTIONS

Our Location in the Historical Newmarket Main Street District

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If you would prefer to receive this quarterly newsletter by email, please let us know.

The amount of CPP you will receive depends on how much and for how long you have contributed to it. If you choose to start taking your CPP prior to age 65 you will receive a smaller monthly payment than if you had waited. If you choose to delay receiving your CPP beyond age 65, you will receive larger monthly payments. The amount you will receive is adjusted based on the number of months you begin receiving it prior to or after age 65.

For each month you receive CPP prior to age 65, your pension is reduced by 0.6% (7.2% per year). For each month you delay receiving your CPP beyond age 65, your pension is increased by 0.7% (8.4% per year). If we knew our life expectancy, the decision would be easy. The right choice for you will depend on a number of factors including whether you plan to continue working beyond age 65 and the amount of other pension money (including RIF income) you expect to receive.

CONTRIBUTING TO CPP AFTER AGE 65

Since January 2012, Canadians have had the choice of contributing to the CPP after age 65 (up to age 70) if they are working and receiving their CPP retirement pension. By default, contributions are mandatory for employed persons until age 70 but you can "elect not to contribute." Once you are over 65 and receiving CPP, the decision to contribute or not will depend on a number of things including your earnings and whether you're an employee or self-employed.

POST-RETIREMENT BENEFIT

The benefit of contributing to CPP after age 65 while receiving a CPP pension is that you'll be eligible for a monthly Post-Retirement Benefit (PRB). After starting your CPP pension, each year after that you contribute to the CPP will generate an additional PRB, paid monthly for life. If you are not already receiving CPP at age 65 and you already have 39 or more years of maximum CPP contributions, additional contributions will not increase your CPP pension at all. In this case the additional contributions are pointless.

HOW MUCH CPP WILL YOU RECEIVE WHEN YOU RETIRE?

For 2017, the average monthly CPP benefit at age 65 is $685.11 and the maximum is $1,114.17. If you're looking for an accurate estimate of your future CPP pension, with and without additional earnings / contributions that you will make if you keep working and don't apply for CPP, call Service Canada at 1-800-277-9914 or use their online CPP calculator: https://srv111.services.gc.ca/generalInfo/Index

Sources: www.canada.ca; retirehappy.ca