

CANADA TURNS 150

As Canada turns 150, the government offers gifts of a, mostly, financial nature.

In international news, despite political turmoil and uncertainty, investors see markets soar.

Happy Birthday Canada!

The World Outside Our Doors

Federal Tax Rates 2017

HAPPY BIRTHDAY CANADA!

This year we celebrate our 150th birthday and one of the best presents Canadians will receive is the continued growth and change in our personal savings and tax landscape.

Historically, Canadians have been taught to “save your pennies”, or invest in the ever-popular Canada Savings Bonds (CSB’s). However, both will soon be memories as the 2012 Federal Budget eradicated the production of pennies, and the recently revealed 2017 Federal Budget included the discontinuation of CSB’s. Investment in CSB’s reached its peak in 1976, when its bonds represented 45% of Canada’s total marketable debt outstanding. Since then interest in the program has waned and it currently accounts for less than one percent of total federal market debt.

Canada Savings Bonds weren’t the only things that the 2017 Federal budget tackled. The Liberal government also continued its review of federal tax credits.

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HAPPY BIRTHDAY CANADA continued

FOUR TAX CREDITS ARE ELIMINATED

Tax credits are generally non-refundable in nature and are used to reduce federal or provincial/territorial taxes payable to zero. In 2016, in his first Federal Budget, Finance Minister Bill Morneau announced the elimination of four tax credits including the hugely popular children's fitness and arts credits, as well as the education and textbook credits for students. Morneau's 2017 budget continued with this review, as the Public Transit Tax Credit and the Investment Tax Credit for child care spaces have been targeted for elimination in 2017.

CANADA CAREGIVER CREDIT INTRODUCED

However, while these tax credits were eliminated, other tax credits such as the disability, medical, caregiver and tuition tax credits were all expanded. In the case of the disability tax credit, nurse practitioners can now make the certification that allows Canadians to become eligible to claim the credit, while the medical expense tax credit now covers the cost of medical treatments to conceive a child where an infertility condition may not exist. The budget also proposed to roll the infirm dependent tax credit, the caregiver credit and the family care giver tax credits, into one tax credit called the "Canada Caregiver Credit" and expand the tuition tax credit to cover occupational skills courses offered by universities and colleges that are not at the post-secondary level.

Canada's 150th birthday gives all Canadians an opportunity to celebrate and reflect on many things including the savings vehicles which are still available to us. These include the Tax Free Savings Account (TFSA) which is a program that began in 2009 and allows

Canadians over the age of 18 who have a valid social insurance number to save on a tax-free basis up to \$5,500 (in 2017) to a maximum of \$52,000 if they have never contributed to a TFSA in the past.

And of course, any mention of savings in Canada without a call out to the Registered Retirement Savings Plan (RRSP) would be incomplete. While the RRSP is nowhere near 150 years old it does turn 60 this year. Created in 1957, it was called a registered retirement annuity. Back then, Canadians could contribute up to 10% of their income to a maximum of \$2,500. Today Canadians who are younger than 71 can contribute up to 18% of their earned income from the previous year, to a maximum of \$26,010. And like the TFSA, unused contribution room is not lost, but rather may be carried forward and used in future years.

OPPORTUNITIES ABOUND

While the Federal budget did not touch the capital gains inclusion rate which continues to stand at 50%, Canadians should be aware of the opportunities that are available to us, both from a savings, cultural and a social standpoint. To mark our sesquicentennial, our Federal government has created a website that includes highlights of the significant events that have shaped our country. You can find this website [here](#).

Happy birthday indeed!

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...WHILE THE RRSP IS NOWHERE NEAR 150
YEARS OLD ...

THE WORLD OUTSIDE OUR DOORS

MARKETS RISE DESPITE POLICIES

Although calendar year 2016 saw Canada produce some of the best investment returns among developed equity markets, the first quarter of 2017 was mostly an international story. During the quarter the Dow Jones Industrial index passed the 20,000 mark for the first time ever and the S&P 500 returned 5.23% in Canadian dollar terms. Emerging markets also staged a first quarter rally of 10.57% (MSCI EM Net Total Return Index) despite widespread predictions that emerging markets wouldn't perform well in light of President Trump's protectionist policies. Meanwhile the S&P/TSX Composite returned 2.41% over the course of quarter.

THE PEOPLE SPEAK

The first quarter of 2017 was also an eventful one beyond the markets. In March, the U.S. Federal Reserve raised its benchmark interest rate to a range between 0.75% and 1.00%, marking the second rate hike in three months but just the third since the global financial crisis in 2008. Meanwhile the UK triggered Article 50 near the end of the quarter, thus beginning the lengthy process of officially exiting the European Union. Finally, the Dutch election followed a similar result in Austria (in December) and saw the rejection of anti-euro politicians with the defeat of the Party for Freedom. While perhaps too soon to state that the widely predicted breakup of the Eurozone is not as imminent as some euroskeptic's have led us to believe, this election result does provide some comfort. However, all eyes will soon turn to France to see whether Le Pen's anti-euro stance will also be rejected.

Since the credit crisis, economic growth has been aided by expansionary monetary policy that has seen historically low interest rates, as well as unprecedented amounts of stimulus, flow into economies. As this cycle of monetary easing seems to be in the process of slowly winding down, the discussion of late has turned from monetary stimulus to fiscal stimulus. The U.S. election created the expectation of tax cuts and deregulation. However, the failure to "repeal and replace" the

Affordable Care Act (also known as Obamacare), has perhaps dampened the expectations that a Republican coalition can push this agenda through.

MONETARY STIMULUS VS FISCAL

Political news has dominated the headlines over the past few quarters and seems likely to continue to do so going forward. Although modest, the North American economy has provided one of the longest post-recession growth periods with good employment and restrained inflation. Going forward policy makers will need to continue to weigh the impact of modest tapering (to borrow a term from the recent past about tantrums) of monetary stimulus and the gradual implementation of fiscal stimulus. Headline news will most likely continue to dominate financial markets and, as a result, create volatility. However, investing has never been a short term endeavor and portfolio diversification (the mix of stocks, bonds, countries and sectors) should be carefully considered and reviewed.



FEDERAL TAX RATES 2017

Federal Personal Income Tax Brackets and Tax Rates

2017 Taxable Income	2017 Marginal Tax Rates				2016 Taxable Income	2016 Marginal Tax Rates			
	Other Income	Capital Gains	Canadian Dividends Eligible	Non-Eligible		Other Income	Capital Gains	Canadian Dividends Eligible	Non-Eligible
first \$45,916	15.00%	7.50%	-0.03%	5.24%	first \$45,282	15.00%	7.50%	-0.03%	5.24%
over \$45,916 up to \$91,831	20.50%	10.25%	7.56%	11.67%	over \$45,282 up to \$90,563	20.50%	10.25%	7.56%	11.67%
over \$91,831 up to \$142,353	26.00%	13.00%	15.15%	18.11%	over \$90,563 up to \$140,388	26.00%	13.00%	15.15%	18.11%
over \$142,353 up to \$202,800	29.00%	14.50%	19.29%	21.62%	over \$140,388 up to \$200,000	29.00%	14.50%	19.29%	21.62%
over \$202,800	33.00%	16.50%	24.81%	26.30%	over \$200,000	33.00%	16.50%	24.81%	26.30%

Federal Basic Personal Amount

2017 Personal Amount	2017 Tax Rate	2016 Personal Amount	2016 Tax Rate
\$11,635	15%	\$11,474	15%

IMPORTANT DATES

APRIL 30, 2017
Tax Filing Day

MAY 24, 2017
Bank of Canada Meeting

JULY 1, 2017
Canada Day
150th Birthday Celebrations