The David Miner Holiday

Communiqué

Winter 2015

"I've been rich and I've been poor. Rich is better."

\- Sophie Tucker

Happy Holidays!

Happy Holidays! In November, Dorinda and I travelled for a couple weeks. We visited Mexico City for a few days, and then flew to Miami. From there we drove down to Key West then headed back to Palm Beach for a 3 day Fidelity Investments Conference. We had not taken time off since early March, so it was nice to get away.

Best Wishes for a Healthy and Happy 2016!
\- David and Dorinda

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Market Commentary

At the time of this writing, the Canadian stock market (S&P/TSX Composite) is down over 12% year-to-date and the U.S. stock market (S&P 500) is down over 3%. Declining energy prices are most often cited as the reason for stock market weakness of late. Nevertheless, strong diversification across stock and bond markets around the world, coupled with gains from changes in currency prices, has put most of our clients in reasonably positive return for the year.

"Yesterday's home runs don't win today's games."

– Babe Ruth

But on a daily basis, it is sometimes difficult to see clearly in the thick of industry doom and gloom. Looking at the U.S. stock market since 1920 for example, 54% of days were positive and 46% of days were negative. Per the chart below, however, 74% of years were positive and 26% were negative. 100% of all 20-year periods are positive. The longer we invest, the higher the probability of positive returns.

S&P 500: 1926-2015

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Source: Returns 2.0

Fortunately, not all markets go up or down in tandem. Diversification across stock markets (Canadian, U.S., and international) and holding some of our assets in fixed income investments, allows us to enjoy long-term investment return while reducing volatility (i.e., even more positive returns over a given time frame). I always remind people that the best teams in baseball do not win every inning or even every game. Like a baseball player, every good investor experiences an occasional bad inning; it is focus and discipline that win out over time.

Fidelity Managed Solutions

David and Dorinda exploring Mexico City.

Managed solutions, often called wrap programs or "fund-of-funds" are often an excellent strategy to manage risk and achieve solid long-term return. Through managed solutions, the day-to-day tactical management (i.e., the allocation to various markets and sectors) is left to professional portfolio managers and risk managers, not to the advisor. If you are a client of David Miner & Associates, there is a strong probability that your portfolio contains some or all managed solutions.

Morningstar Canada awarded Fidelity Managed Portfolios the Best Fund of Funds Award in the industry, for the second year in a row.

New TFSA Limits Announced

Daughters Victoria (far left) and Amelia (center), Kiran (Amelia's husband), and two friends, smiling after completing a half-marathon in October.

With the new Canadian Federal Government, new TFSA limits have been introduced. The table below shows TFSA contributions limits since inception.

TFSA contribution amount by year

- 2009 $5,000
- 2010 $5,000
- 2011 $5,000
- 2012 $5,000
- 2013 $5,500
- 2014 $5,500
- 2015 $10,000
- 2016 $5,500

The total contribution amount on Jan. 1, 2016 for a Canadian who has never contributed to a TFSA will be $46,500, if the individual was 18 or older in 2009 and therefore had accumulated all the available contribution room since the TFSA was created.

Coming up with a lump sum annual contribution to an RSP and/or a TFSA is not always easy. Many clients enjoy the benefits of a monthly saving plan. Putting away a small amount every month is much easier to budget than a large annual lump sum. Contact us if you would like information on a systematic monthly saving plan for you.

Taxes Deferred = Taxes Saved

Taxes are a part of life. The only way to completely avoid taxes is to have no income and no money; not an attractive strategy!

While we do what we can to exploit sheltered plans like RSP's and TFSA's, there are limits to what we can invest in those plans. For taxable (i.e., open or non-registered accounts), the corporate class fund is an intelligent solution. Traditional investment structures like the mutual fund trust or the portfolio of individual securities trigger income and capital gain to the investor as realized in every year. Through the corporate class fund, taxable income can be significantly reduced. Much of the investment return is retained in the unit value of the fund as unrealized capital gain. Capital gain is triggered when units are sold, the exception being switches within the corporate class structure. And only 1/2 of capital gains are taxable as income.
So corporate class allows us to both reduce tax and defer paying tax. Pretty smart!

For those investors that want monthly cash flow, we can use return of capital distributions called "T-SWP's" to generate income while deferring most of the tax, and continuing to enjoy the strong tax benefits of corporate class structures.

We have not gone into a lot of detail here, but we can make it simple for you. Contact us if you wish to discuss.

CRA Online: Stay on top of your RSP and TFSA

The Canada Revenue Agency ("CRA") has *finally* put Canadian's tax information online! It's easy to access and foregoes the need to frantically rummage through files to find your Notice of Assessment in time for the RRSP deadline! The CRA's website includes so much useful information, such as: RRSP contribution limits, information on your home buyers plan and repayments, and TFSA contribution room. They also provide details of your tax returns, tax information slips (such as a T4 slip), and Notice of Assessments. All of these are now available for all previous years in which taxes were filed, up to at least 10 years. It also allows for quick housekeeping items such as changing your address, applying for child benefits, making payments, and general know-how information.

With the RRSP deadline quickly approaching, we suggest registering on the CRA website, especially to have your personal RRSP and TFSA contribution room at your fingertips. Here's how:

1. Go to: http://www.cra-arc.gc.ca/
2. Click on your preferred language: *English* or *French*
3. Click: *I want to: Log in/Register*
4. Click: *My Account* (or *My Business Account* if you are interested in information pertaining to your own business, if applicable)
5. Click: *CRA Register* and follow the prompts. You will need your SIN and your previous year's tax return for authentication purposes

To ensure privacy, a security code will be mailed to your address currently on file at the CRA. Upon receipt, logging into the website again is required to authenticate and unlock access to the remainder of information using this code. In the interim, limited access is available.

Every year we get dozens of inquiries about contribution room on RSP's and TFSA's. We are here to assist, but sometimes we do not have all of the information available to provide you with a complete answer. Register on the CRA site today. It's easy!

"The best way to keep money in perspective is to have some."

-Louis Rukeyser

David and Dorinda enjoying a roof-top view in La Condesa in Mexico City