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From the Desk of Laszlo

Winter 2019

New for 2019

\$6,000 annual new limit for the TFSA. The total contribution limit for TFSA's is now \$63,500.

CPP premiums are going up for everyone. 5.1% versus 4.95% if you are employed. 10.2% for those of us who are self employed. This is going up every year to eventually increase the CPP Pension. While this is welcome for some, remember, the government does NOT contribute one cent to the CPP. It is purely made up of employer and employee contributions.

Private corporations now have to watch how much money they leave inside of their personal companies. If one earns more than \$50,000 of passive income (which includes rental income), the tax consequences are pretty severe.

Forget 2018, Notice 2019

Happy New Year everyone. 2018 was a very interesting year not just for news stories but for financial assets. Unless you owned speculative investments in marijuana or FAANG stocks (Facebook, Amazon, Apple, Netflix, Google), you probably saw your investments stagnate or drop slightly in value. Interestingly enough, if you did own any of those "exciting" companies in December, you would have been in a full correction of 20% or more.

It has always been my firm belief that receiving income inside of one's investments has always been the best way to safeguard against downside risks. So if an investment drops in value, as long as you are getting compensated by dividends and interest payments, it lessens any downturn in an overall account while buying additional shares at lower prices. I consider it like a rental property. The rental property values may fluctuate, but if you have a renter paying consistent rent, you are being compensated. This is how income orientated investments work over time.

Many of the Strategic Income Investments I have used show this. They strategically balance the investments inside of a portfolio to contain any and all sorts of income orientated investments. While it isn't glamorous, over time, it produces steady returns.

The one big headline for 2018 has been interest rates. For the first time in a decade, interest rates went up for all of the year. This has the effect on any income investment of lowering their value. This is exactly what happened in 2018. Any and all income investments were being reset with each subsequent interest rate hike. Now, in 2019, interest rates are a little less able to rise. Sure, we might have one or two interest rate hikes, but until some political and trade uncertainty is resolved, raising interest rates may not be the best course of action for central banks at this time.

This then leads us back to December 2018 statements. For the first time in a number of years, you may have a negative return. Much of that loss was in the month of December. It was however returned in the first two weeks of January and the interesting thing to note is many of the professional managers were active buyers during the down days of December. I noted that cash positions dropped inside many investment portfolios as they picked up great income producing assets and good companies. So that is something to consider when you read a snapshot of time on the statements.

Going forward, the markets will be volatile and this is actually the normal.

Written by Laszlo Szojka

2018 RRSP DEADLINE IS FRIDAY MARCH 1, 2019