Winter 2015

Financial focus

Still time to make the 2014 RRSP deadline

March 2, 2015, is the last day on which you can make a contribution to your Registered Retirement Savings Plan (RRSP) that can be deducted on your 2014 tax return.

If you're thinking of not contributing "just this once," you might want to think again.

OPPORTUNITY COST

If you are now 55 and skip a single $5,000 contribution, you could end up with nearly $9,000 less in your RRSP by age 65, assuming an average annual return of 6%. If you skip a $10,000 contribution, that lost opportunity may rise to more than $17,900.

The younger you are, the higher the potential cost. Using the same 6% assumption, skipping a $5,000 contribution at age 45 could cost you about $16,000 by retirement. A missed $10,000 contribution could cost you more than $32,000.

Skipping a contribution at age 35 has an even greater impact on retirement funding. A single $5,000 contribution missed could see you lose out on more than $28,700; skipping a $10,000 could mean missing out on nearly $57,500.

TAX COST

Opportunity cost is only part of the story. Not contributing also means not being able to claim a tax deduction that could reduce your tax bill or maybe even result in a refund. And the higher your earnings, the more valuable that deduction becomes.

NEXT STEP: Be sure to contact us — before the deadline — so we can review your options and help you make the most of your RRSP.

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Team Chartier, Grandmaison
NATIONAL BANK FINANCIAL
1 Place Ville-Marie
Suite 2201
Montreal, QC H3B 3M4

Telephone: (514) 390-7374
(514) 412-3019
Toll-Free: 1 866 626-0636
Fax: (514) 879-3118
Emails: francois.chartier@bnc.ca
helene.grandmaison@bnc.ca

Financing projects with your house

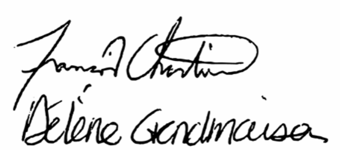
You have a renovation, investment or secondary house project for you or one of your children?

National Bank All-In-One Banking is a single solution that allows you to consolidate all your financing needs, your bank accounts and your short-term cash resources.

The All-In-One is a very advantageous line of credit with a variable interest rate. You can apply that rate to your entire credit line or opt for a fixed interest rate in order to protect yourself against the risk of rising interest rates.

Much more than just a mortgage loan, the All-In-One is a flexible tool that you can rely on for all your projects and through every stage of your life.

Our mortgage specialist will gladly meet you when and where you wish!



Why you should include U.S. investments in your RRSP

Canadian investors looking to invest their Registered Retirement Savings Plan (RRSP) contributions after the market volatility of late 2014 would do well to look to the United States.

The world's largest economy and most robust stock market offers a number of potential benefits, starting with risk reduction. More than two-thirds of the Canadian stock market is concentrated in the financial and resource sectors. As we saw in 2013 and again in 2014, resource stocks were hampered by falling oil and gold prices, which contributed to the Canadian market's underperformance of U.S. stocks. Limiting your RRSP to Canadian investments would have exposed you to greater risk.

OPPORTUNITIES ABROAD

What's more, by sticking too close to home, you also may miss out on opportunities in sectors which are much better represented in the U.S. — such as information technology, healthcare, and consumer products.

Many companies in these sectors do a great deal of their business in international markets, which provides additional diversification. In 2011, S&P 500 companies with full reporting posted almost half their sales outside the United States — led by information technology.[1]

Today, there's even more reason to look to the U.S. for your longer-term savings. The U.S. economy is hitting its stride, with manufacturing output rising, the jobs market brightening, and the U.S. dollar gaining strength. National Bank Financial Economy & Strategy Group believes that the U.S. economy will grow by 2.2% in 2014 and 2.9% in 2015.

U.S. ECONOMY IN FLIGHT

The job market has been one of the last pieces to fall into place for the U.S. economy, and the data show the labour market is on a clear uptrend. The rate of layoffs hit all-time lows in the summer of 2014, and the numbers show pent-up demand for qualified workers.[2] National Bank Financial Economy & Strategy Group believes the improving jobs picture could help support consumer spending.

Thanks to the improving economic outlook and low interest rates, which have kept the cost of borrowing low, businesses are poised to invest more in machinery and equipment. Exports are also ramping up, as the renaissance in the U.S. manufacturing sector continues, helped by lower energy costs and productivity gains.

THE RISK OF A STRONGER GREENBACK

Though there is a risk that a stronger U.S. dollar could hamper U.S. exports, National Bank Financial Economy & Strategy Group believes that the global economy is well positioned to withstand the rising greenback, especially as the falling price of oil puts more disposable income in the hands of consumers.

NEXT STEP: We can help you review your U.S. equity exposure in light of your tolerance for risk and investment objectives. Please give us a call today to review your retirement savings strategy.

1 S&P Dow Jones Indices, S&P 500 2011 Global Sales Report
2 NBF Economics and Strategy Group, Monthly Economic Monitor, October 2014

Eye-opener

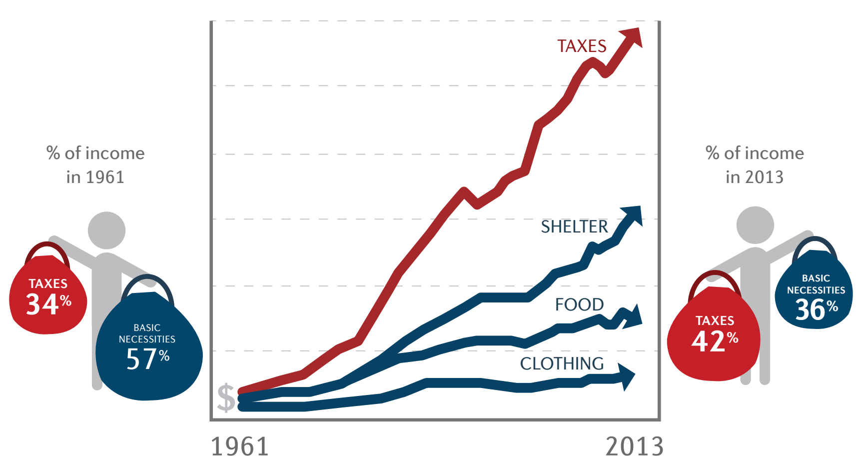
Canadians spend more on taxes than food and shelter

Feeling overtaxed? That's not surprising. According to a recent study from Vancouver's Fraser Institute, the average Canadian family spent more on taxes in 2013 than they did on food, clothing and shelter combined.[1]

These statistics illustrate just how important it is to invest as tax-effectively as possible. That's why we make every effort to ensure that the tax implications are considered for every investment decision you make.

[1] Source: The Fraser Institute, August 12, 2014

Expenses for the average Canadian family



The Money File

Are you making the most of your TFSA?

The turning of the calendar represents an opportunity for all Canadians 18 years or older to contribute an additional $5,500 [TBC], to their Tax-Free Savings Accounts (TFSAs). That brings total cumulative contribution room since the TFSA was introduced to $36,500.

If you're using your TFSA only for cash investments, you may be missing out on valuable tax-free growth potential. With more than $35,000 in contribution room available, there is an opportunity for you to create a diversified portfolio of secure cash and cash equivalents, fixed-income holdings, and growth-oriented equities. All of your investment earnings, whether interest, dividends, or capital gains, are completely tax-free, as are all withdrawals. (The downside is that you can't use capital losses to offset capital gains.)

NEXT STEP: Next time we meet, let's take a closer look at your TFSA strategy to make sure you're making the most of this powerful tax-free savings opportunity. We can also make sure that your investments are optimized for tax minimization across all your registered and unregistered accounts.

Investing

How to rebalance without paying taxes

As of October 10, 2014, the S&P/TSX Composite Index had posted a one-year gain of 10.34%.[1] For equity investors, that represents a reason to celebrate, but it also means that it may be time to rebalance your portfolio.

Suppose, for example, that we've determined the ideal asset-class balance for you is 60% equities and 40% fixed income. The outperformance of equities may mean that your portfolio no longer has the 60/40 split that aligns with your objectives and risk tolerance.

MORE THAN ONE WAY TO REBALANCE

You could rebalance by taking profits in select equity holdings and reinvesting in fixed income. However, that could leave you with taxable capital gains to report on your next income tax return. Unless your holdings are in a registered account.

A more tax-friendly way to rebalance is simply to direct new funds to underweight areas in your portfolio. This strategy has an added benefit in that underweight asset classes may be undervalued and thus represent a good investment opportunity.

CONSIDER INVESTING REGULARLY

A regular investment program, where you automatically direct cash to specific investments, is an ideal way to take advantage of current market conditions and keep your portfolio on track to help you reach your long-term goals.

NEXT STEP: The next time we review your holdings, let's review the areas that are outperforming and consider the best places to allocate new cash contributions.

Investing

Keep your perspective in difficult markets

In difficult markets, the worst possible mistake is to panic and sell right after stock and equity fund prices plummet. When prices rebound a week, a month, or a year later, the patient equity investor is there to reap the profits, while the trigger-happy seller may be out of pocket by thousands or tens of thousands of dollars.

Long-time investors know from firsthand experience that stock markets move through different cycles. Concentrating on the fundamental principles of successful investing will help you keep the proper perspective when markets go through a difficult period. These three "back-to-basics" steps will help you avoid costly mistakes and make sound investment decisions in turbulent times.

1. CHECK YOUR DIVERSIFICATION.

When individual stocks or equity funds are behaving erratically, it's easy to get sidetracked. But take a step back and review your overall investment portfolio.

Have you adequately diversified your investments into different asset classes and geographic sectors? Does your current mix of equities, fixed-income securities, and cash match the investment objectives and risk tolerance you identified when you first established your financial plan?

2. FOCUS ON THE LONG TERM.

Over a time frame of five or 10 years, the volatility of equities subsides considerably and gives you a greater opportunity to reap the full potential of growth investments.

How would you rate the performance of your equities and other investments over the long term? If you maintain your current level of savings and stick with your investments, can you reasonably expect to achieve your financial goals?

A review of long-term performance and goals may confirm that your financial plan is on track, or may suggest a need for adjustments to your regular savings contributions or investment portfolio.

3. MAKE ADJUSTMENTS WHEN NEEDED.

Difficult markets can sometimes reveal potential weaknesses, or problems, in an investor's portfolio. For example, you may discover that your risk tolerance is lower than you had thought.

In that case, you might need to adjust your asset mix to reflect more accurately your true comfort zone. Or, a portfolio review might lead you to reassess your existing assumptions about realistic rates of return.

Vol. 19, No. 1.