

December 2020 Financial Planning Email Update

On November 30, 2020 Finance Minister Chrystia Freeland tabled a Federal Government Fall Economic Statement. The highlights are as follows:

1. Annual Deficit is projected to max out at \$381 Billion by March 2021, then reduce to pre-pandemic levels by 2025-26.
2. \$100 Billion in stimulus spending is to be implemented post-pandemic (after a vaccine is distributed) to kick start the economy out of the Covid-19 recession and reduce unemployment.
3. Canada Child Benefit is to increase by \$1,200 per child under 6 years of age for families with income up to \$120,000 and families with income of over \$120,000 will receive \$600.
4. Grants of up to \$5,000 will be available for work to improve the energy efficiency of one's home.
5. Federal government will remove GST/HST from mask and face shield purchases.
6. A \$1 Billion fund to assist provinces and territories to improve Covid-19 infection control in long-term care facilities to be initiated over the next three years.
7. Foreign-based companies selling digital products or services in Canada will be required to register for, collect, and remit GST/HST on their taxable sales. This should boost tax revenue by over a billion dollars over 5 years.
8. CRA will allow Canadians with modest expenses to claim \$400 as a tax deduction for working from home without having to keep a detailed account of their expenses or requiring a T2200 form to be completed by their employer. This deduction is allocated based on the amount of time required to work from home.

Over the years, some of the most frequently asked questions have been in reference to the Canada Pension Plan (CPP). Each year a person earns an income, they would contribute to CPP. Similarly, each year, the government assigns a yearly maximum pensionable earnings (YMPE) limit.

To receive the maximum CPP in retirement, you must have made maximum contributions by reaching each year's YMPE at least 83% of the time you contributed from age 18 to whenever your pension starts. For example, if you retire and receive your CPP at age 65 you would need to have reached the maximum earnings limit 39 of the 47 years that you worked (from age 18 to 65). So, you can see, this is not easily attainable. In fact, only 6% of those receiving CPP are receiving the maximum payout available.

To determine the best time to start to collect CPP, I look at five considerations:

1. If you have stopped working and retired and are no longer contributing to CPP, you should begin taking CPP.
2. If you receive a survivor benefit, you should take the CPP when you retire as these benefits are combined with your own retirement benefit and capped.
3. If you are single, you should take the CPP as soon as possible if you have any longevity risk at all as there would not be a survivor benefit.

4. If you are in poor health or health is a concern, keeping in mind that CPP is based upon life expectancy, you should take the CPP as soon as possible.
5. If you are healthy and still working, you should defer your CPP past age 65 to increase your benefits.

Bonnie-Jeanne MacDonald wrote an article in the Globe and Mail earlier this year analyzing the benefits of delaying receiving the CPP. Ms. MacDonald is the director of financial security research at the National Institute on Aging at Ryerson University. The following is a summary of her findings. Currently, a CPP pension can be taken as early as 60 but with a 36% reduction in benefits (0.6% per month). Delaying the CPP pension beyond age 65 can be done as far as age 70. That would bring a 42% increase in benefits versus age 65 (0.7% per month of delay). In fact, delaying benefits from age 65 to 70 would result in about a 50% increase in benefits because of the increase in YMPE over that 5 year period. Therefore, by delaying taking CPP benefits from age 60 to age 70 you get a 183% increase in benefits.

Amanda and I are both qualified Certified Financial Planner® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning.

I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns that you would like to discuss or review, please do not hesitate to email or call Amanda or I at 519-894-2661 or toll free 1-800-716-5538.

Have a great day!

Respectfully yours,

Gary H. Attack, BBA, CFP®, RFP, RRC® | CERTIFIED FINANCIAL PLANNER® professional

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203-1601 River Road East, Kitchener, Ontario N2A 3Y4 T 519-894-2661 or 1-800-716-5538 F 519-894-6656 gary.attack@holliswealth.com or gary@ghafinancial.com www.ghafinancial.com | www.holliswealth.com

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