InTouch

Basic Financial Services Inc.
Sterling Mutuals Inc.
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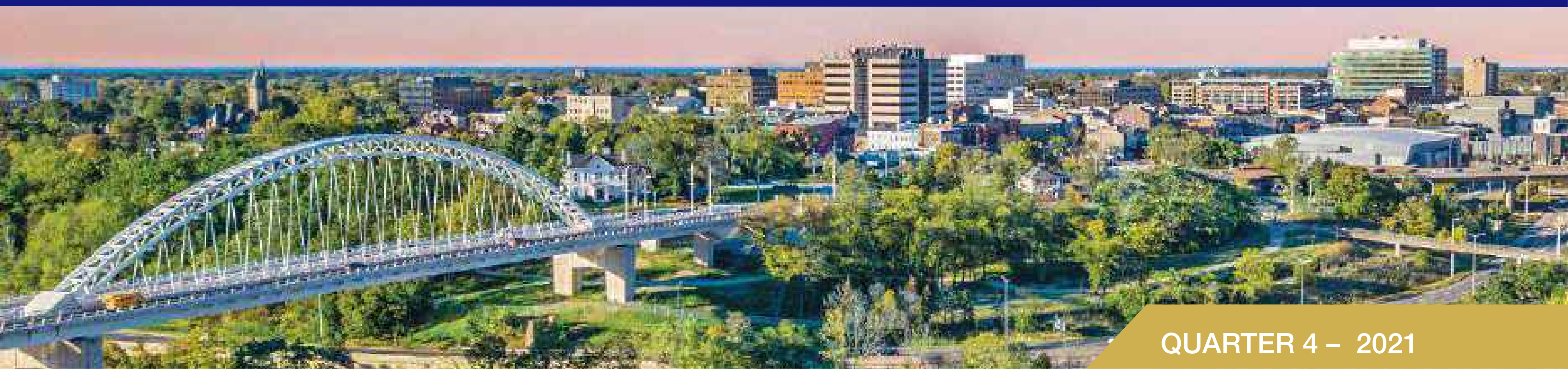

QUARTER 4 – 2021

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Our customized services include:

- Retirement Income Planning
- Investment Management
- Asset Planning
- Wealth Protection
- Risk Management
- Tax Planning
- Tax Preparation & Filing

BASIC
FINANCIAL SERVICES INC.

We are happy to release another issue of In Touch. We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

What's Happening

We had a beautiful summer here in the Niagara Region, however we kept very busy. The team has grown over the summer, and we are pleased to announce the addition Johanna Jones and Michael Jodouin. Both Johanna and Michael hold their CFP ®(CERTIFIED FINANCIAL PLANNER®) designations and bring an absolute wealth of knowledge and experience to your team. Aligning with our "Client First" philosophy was paramount and both Johanna and Michael hold this value in high regards.

Johanna Jones, PFP®, CFP®
CERTIFIED FINANCIAL PLANNER®
Johanna's strong background in communication and adult education are the building blocks of her passion for financial planning. Earning her designation as a CERTIFIED FINANCIAL PLANNER® (CFP®) and Personal Financial Planner (PFP®) she is able to continue educating our clients in their financial journey. Johanna spent over 10 years in the Financial Services Industry, and she continues to deliver an "at-ease" client experience ensuring she serves in their best interest at all times. She compliments Basic Financial's team approach with a Client First philosophy ensuring clients are treated with integrity and honesty. When Johanna isn't reading industry news or continuing her education, she is spending time with her family and friends on and off the hiking trails.

Michael (Mike) Jodouin, CFP®, CIM, FMA
CERTIFIED FINANCIAL PLANNER®
Insurance Advisor

Finance was at the forefront of Mike's career path since he could remember. His mother made the difficult decision to give up her career in nursing when she started a family with her husband. Tragedy struck and Mike lost his father at the age of 8 and understood quickly what it meant to struggle financially.

Unfortunately, there was no life insurance benefit from the death of his father and little income coming into the household, Mike experienced first-hand how significant insurance (or lack there of) plays a role in a family's struggle. Right out of school, Mike earned his CERTIFIED FINANCIAL PLANNER® (CFP®) designation and vowed to himself that he, his future family (and any other family he meets along the way), will never have to endure those hardships if he had any say in it. With a Client First philosophy, Mike provides customized planning in the security of wealth to our clients. Mike says it well; "I am a by-product of my circumstances in life. My job is to ensure I can deliver some light during a families' darkest time. It helps preserve the integrity of the family unit, the families' future and it just feels good knowing I'm making a positive difference in someone's life". Mike loves connecting with nature (especially on a golf course), spending time with his beautiful wife Rizza and daughter Arya and is a huge sports fan (especially Martial Arts).

Market & Economic Update

On September 20th, Canadians hit the election poles and voted the Federals Liberals to a minority with 159 seats and the Federal Conservatives not far behind with 119 seats. After the dust settled, the Federal Government almost looked the same as before the election.

The Liberals have announced a number of initiatives during the election with a focus on "Building a Better Canada, For Everyone." Given that this will be another minority government, the Liberals will require the support of another party to implement their policy reform. Therefore, it's unclear which one of their proposals will pass into law – although many will most likely be modified in some way.

The one thing made clear by all parties – we will be spending more than we bring in for many years.

The federal budget deficit for 2021 is forecasted at $157 billion dollars and potentially a narrower deficit the following year of $58 billion. This means the Federal Government will spend $157 billion dollars more than it brings in, coming on the back of Covid-19 and the massive $314 billion dollar deficit we saw in 2020. For context, the federal deficit was $39 billion one year prior in 2019.

The Liberals are looking to introduce several tax recovery measures starting with increased funding to the Canada Revenue Agency to combat the wealthiest who avoid paying taxes. Although many believe the CRA will start aggressively targeting house flippers. Many stories were written about the Liberals taxing the sale of your home and within context the headlines were a little misleading.

The Liberals plan on establishing an "anti-flipping" tax on residential properties, starting in the 2022 tax year, which would disallow the principal residence exemption for individuals that sell their principal residence within 12 months of its purchase or transfer of title. Exemptions will be available for changes in life circumstances (e.g. pregnancy, death, new job, divorce or disability).

Where do they plan on raising taxes? It has been proposed to increase the federal corporate income tax rate by 3 percentage points for banks and insurance companies that earn more than $1 billion per year, and introduce a temporary Canada Recovery Dividend that would be paid by certain banks and insurance companies. Secondly, it has been proposed to create a federal minimum tax of 15% for high-income individuals.

On the flip side, the Liberals plan on introducing a number of new tax savings opportunities in the form of "credits" for various benefits:

- Introduce a multi-generational home renovation tax credit, which would allow families to claim a 15% tax credit on up to $50,000 in renovation and construction costs incurred to add a secondary unit to their home for an immediate or extended family member, providing up to $7,500 in savings.

- Increase the refundable eligible educator school supply tax credit rate to 25% (from 15%), effective January 1 2022, expand the eligibility criteria to include technological devices and ensure teaching supplies are eligible (whether used at home or at school).

- Extend the "simplified" home office expense deduction to the 2021 and 2022 taxation years and increase the available deduction to $500 (from $400 in 2020).

- Introduce a labour mobility tax credit that will allow workers in the building and construction trades to deduct up to $4,000 of eligible travel and temporary relocation expenses, providing a benefit of up to $600 per year.

- Introduce a 15% tax credit to cover up to $500 of home appliance repair costs performed by technicians.

- Introduce a tax-free First Home Savings Account for Canadians under 40 to save up to $40,000 towards the purchase of their first home. This account has features of both a TFSA and RRSP.

- Double the First-Time Home Buyers Tax Credit, from $5,000 to $10,000

Looking at just a few of the proposals above, one thing is clear – comprehensive planning is needed more than ever. We feel many of these proposals will be modified in some way and we are monitoring the changes and will incorporate any benefits during your planning meetings. Our goal is to ensure your planning is current and incorporates all previous and new changes moving forward.

Sources: https://nationalpost.com/news/politics/election-2021/canada-federal-election-2021-platforms#housing

https://www.pwc.com/ca/en/services/tax/publications/tax-insights/liberal-party-tax-platform-2021.html

We will continue to monitor the markets and broad economy throughout the year and report back. If there is a need to adjust if change happens, we will be reaching out to you directly.

As always, please feel free to reach out if you have any questions, comments or would like to book some time to speak. We offer both face-to-face or electronic meetings via Zoom. If you feel the information above may be helpful to a family member or friend, feel free to share or visit our website www.basic360.ca

Sincerely, your team at Basic Financial Services!

If you don't wish to receive this newsletter, let us know and we will respect that by removing you from any future newsletters.

Articles of Interest

Should you always split your pension income?

Narayan wants to know the best ways to save income tax, given the disparity between his income and his wife's.

By Jason Heath

Q. Is it always advantageous to use pension income splitting? I have a very high pension income, but my wife does not have much.

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A. Income splitting is a strategy to move income from a high-income taxpayer to a lower income family member, with an aim to lower the household's overall tax bill. There are many ways to do this, but perhaps none is easier than pension income splitting in retirement.

Pension income splitting allows eligible pension income to be reallocated from one spouse to another. Practically speaking, it results in a tax deduction on line 21000 of a T1 tax return—a split-pension deduction—or the higher-income spouse. The recipient spouse claims an income inclusion on line 11600 for the split-pension amount. The result is that the income is effectively moved from one spouse to the other.

Married or common-law taxpayers jointly elect to split their pension income when they file their tax returns, so this is a retroactive tax strategy. This allows pension income splitting to be fine-tuned after the initial preparation of both spouses' tax returns.

Eligible pension income has limits both before and after age 65. Before a pension income recipient reaches age 65, the most common sources of eligible pension income to split with their spouse include defined benefit (DB) pension income and taxable foreign pension income, like U.S. Social Security.

After age 65, more income sources become eligible, including Registered Retirement Income Fund (RRIF) withdrawals, defined contribution (DC) pension withdrawals and annuity income. Note that Registered Retirement Savings Plan (RRSP) withdrawals are not eligible, so to split RRSP income with a spouse, you need to convert your RRSP to a RRIF.

Common pensions, like Canada Pension Plan (CPP) and Old Age Security (OAS) are not eligible for pension income-splitting. A CPP retirement pension is eligible for pension sharing (you need to send an application to Service Canada, and you can only split the portion earned during your relationship). You can apply before or after you start to receive benefits to have your pension and your spouse's pension split equally. This may result in more CPP benefits being payable to the spouse who did not contribute as much to CPP.

Unfortunately, for those with U.S. retirement savings, Individual Retirement Accounts (IRAs) are not eligible for pension income splitting regardless of the age of the account holder.

To answer your question about whether it always makes sense to split your pension income, Narayan: It depends.

If your wife has a lower income, it will probably make sense to split some of your eligible pension income with her, up to the 50% allowable transfer. There could be situations when, depending on your respective tax deductions and credits, you may not want to transfer pension income or may not want to transfer the maximum. Tax software, whether professional or retail software, can be used to determine the optimal transfer amount that results in the least combined income tax payable on your incomes.

One example of a situation when splitting pension income with a lower income spouse could trigger more tax payable is if that lower income spouse is receiving OAS and they are subject to a clawback of their pension, but the higher income spouse is not receiving or subject to OAS clawback. The pension recipient's income could be higher, but the effective tax rate of their lower-income spouse could be higher due to the OAS clawback. In this instance, splitting pension income may increase your combined tax.

Many taxpayers have more ability to control the timing and degree of their tax payable in retirement due to their different sources of potential income. You can only spend your after-tax income, so the tax you pay will have a big impact on your retirement lifestyle and, ultimately, the size of your estate for your beneficiaries.

Pension income splitting is just one tool that is available to retirees to minimize their tax payable.

Jason Heath is a fee-only, advice-only Certified Financial Planner (CFP) at Objective Financial Partners Inc. in Toronto, Ontario. He does not sell any financial products whatsoever.

Source: https://www.moneysense.ca/columns/ask-a-planner/should-you-always-split-your-pension-income/

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5 Essential Safety Tips for Online Shoppers

By Marc Saltzman

As we continue to navigate the pandemic, many of us will be shopping Black Friday sales online. And we won't be alone.

Stay at home orders have already had their impact on the retail landscape. According to a recent StatCan COVID-19 study, retail e-commerce sales nearly doubled from February to July 2020.

However, retailers aren't the only ones hoping to cash in on the influx of online shoppers. Fraudsters are constantly adapting their tactics online in hopes of tricking shoppers out of their hard earned money or collecting their personal and financial information.

With that in mind and as we approach the holiday gift-giving season, here are some tips to ensure a safe and smooth online shopping experience.

1. Look for the lock.
Always use a secure internet connection when making a purchase. Reputable websites use technologies such as SSL (Secure Socket Layer) that encrypt data during transmission. You will see a little lock icon on your browser (and usually "https" at the front of your address bar) to confirm it's a secure connection.

2. Pay securely.
On a related note, only shop on sites that take secure payment methods, such as credit cards and PayPal, which is electronically linked to your credit card or bank account. Never send cash or a cheque. When shopping at an unfamiliar merchant site, look for some sort of security seal of approval, such as DigiCert, Better Business Bureau or VeriSign.

3. Update your software.
Whether you shop on a smartphone, tablet, laptop or desktop, always keep the operating system up to date to avoid cybercriminals exploiting a weakness. Also use good anti-malware ("malicious software") that includes anti-virus and a firewall.

4. Do your homework.
When on auction sites like eBay, check the seller's reputation and read comments before buying a product to see what the experience was like for past customers.

Also, don't forget about the No. 1 tip about shopping: if it seems too good to be true, it probably is. You won't find an iPhone 12 for $300.

5. Use good passwords.
A good password is at least eight characters long and includes letters, numbers and symbols. Or use a passphrase, which is a long string of words together, and include a number and symbol, too. For example, the sentence "My dog Emma has a birthday April 16!" could be used to create a passphrase like "MdEhabA16!

Source: *https://www.everythingzoomer.com/money/personal-finance/2020/11/27/5-tips-safe-online-shopping/*