

# The Francis Forum

Spring Edition 2019



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## INSIDE THIS ISSUE

- 1 Introduction: Homebuyer Changes
- 2 Federal Budget 2019 and Personal Finance
- 3 Trudeau is Right About Income Tax
- 4 Ten Powerful Habits: Change your life and career
- 6 Upcoming Events and Activities

## This is What the Federal Budget Means for Homebuyers

The recent federal budget included Housing Affordability Measures that may be applicable to your situation, now or in the future. There are three key measures intended to help: an incentive for first-time homebuyers, an increase in the amount of RRSP funds first-time buyers can access for a down payment, and allowing divorced individuals to use their RRSP funds under the Home Buyers Plan. Let's take a closer look at each:

### FIRST-TIME HOME BUYER INCENTIVE (available Fall 2019)

This new measure is basically a shared equity program designed to reduce mortgage payments for first-time buyers with the minimum down payment. The Canada Mortgage and Housing Corporation (CMHC) will provide 5% of the cost of an existing home, or 10% of a new home in what amounts to an interest-free loan that isn't payable until you sell the property. The extra encouragement to purchase a newly built home is expected to boost home construction and help address a housing shortage in many areas.

There are a few caveats. If your household income is more than \$120,000, you aren't eligible for the program. And your total borrowed amount (including the incentive portion) can't be more than four times your household income. With a 5% down payment and a household income of \$120,000, the maximum purchase price would be approximately \$505,000.

The program is expected to be launched this Fall. We're still waiting for some details on how the incentive is paid back, and how increases or decreases in equity will be handled. Stay tuned! In the meantime, I can certainly run some numbers to determine if this is something you, or someone you know, may want to take advantage of later this year.

### BOLSTERING THE HOME BUYERS' PLAN (available now)

The Home Buyers' Plan (HBP) allows first-time buyers to withdraw up to \$25,000 (\$50,000 per couple) from their RRSP to help with down payment and closing costs, without having to pay tax on the withdrawal. HBP withdrawals are not added to a person's income when withdrawn, but instead must be repaid over a 15-year period. The budget proposes to increase the maximum withdrawal amount to \$35,000 per qualified buyer, which is effective immediately.

### DIVORCED INDIVIDUALS ELIGIBLE FOR HOME BUYERS' PLAN

The budget also proposed that those experiencing the breakdown of a marriage or common-law partnership can now participate in the Home Buyers' Plan. This measure will be available for withdrawals made after 2019, and is great news. After all, a financial plan that starts with homeownership can help both parties make the best possible start on a new path.

**The bottom line on budget 2019?** There are some good measures for some homebuyer groups that needed a boost. The new first-time buyer incentive program has certainly added another layer of complexity to the already complicated mortgage world that includes two different stress tests. Getting expert advice throughout your mortgage years is more important than ever.

Written by Jean Lamarche – our INVIS Mortgage Specialist



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Spring Edition 2019

## Federal budget 2019: Eight ways the budget will affect your personal finances

The federal budget doubles down on help for first-time homebuyers, but it also sets its sights on students, environmentally minded car buyers, low-income seniors and people worried about outliving their money in retirement.

Pre-election budgets are like that. Something for everyone. Here's a rundown of the main groups who will be affected by personal finance measures in the budget:

**Homebuyers, Part One:** Under a new program called the First-Time Home Buyer Incentive, a fund administered by Canada Mortgage and Housing Corp. will provide 5 per cent of the cost of an existing home and 10 per cent of a new home through what amounts to an interest-free loan to be repaid when the property is sold. Key points: Users must have a down payment of at least 5 per cent -- but less than 20 per cent -- and a household income under \$120,000. Also, the purchase price of the home cannot be more than four times the buyers' household income. This effectively limits purchases to just below \$480,000, which is close to the national average resale home price. The program is expected to start in September, with further details to come this year. For help buying homes in expensive markets such as Toronto and Vancouver, there's ...

**Homebuyers, Part Two:** The maximum tax-free withdrawal from registered retirement savings plans under the federal Home Buyers' Plan rises to \$35,000 from \$25,000, effective immediately. Also, people will be able to use the HBP if they experience the breakdown of a marriage or common-law partnership and don't meet the usual requirement of being a first-time buyer.

### **Federal budget 2019 highlights: 10 things you need to know**

**Postsecondary students:** The budget provides a major break on interest costs for Canada Student Loans and Canada Apprentice Loans. Starting in 2019-2020, the interest rate on the overwhelmingly popular floating rate version of student loans falls from the prime rate plus 2.5 percentage points to prime. Fixed-rate loans fall to prime plus two percentage points from prime plus five points. Both current and new borrowers will benefit. Further relief comes from a move to eliminate interest charges on student debt during the six-month grace period on loan payments that starts when a student graduates. The government estimates total savings of \$2,000 for the average borrower as a result of these measures, which apply to federal student loan programs.

**Low-income seniors:** People receiving the Guaranteed Income Supplement will be able to earn more money by working without having some of their benefits clawed back. Starting next year, the amount that can be earned without affecting benefits will rise to \$5,000 from \$3,500. There will also be an additional 50-per-cent exemption of up to \$10,000.

**Procrastinating retirees:** Contributors to the Canada Pension Plan who are 70 and older and haven't applied for their retirement benefits will be proactively enrolled starting next year. The government says about 40,000 people over 70 are missing out on CPP payments averaging \$302 per month. Benefits will be applied at the higher rate that people get for delaying benefits until age 70 rather than starting them at the standard age of 65 or as early as 60.

**People considering an electric car:** An incentive of up to \$5,000 is available to people buying electric battery or hydrogen fuel cell vehicles with a list price below \$45,000.

**High-income people who receive employee stock options:** The tax break on stock options will be limited for employees of larger, mature companies (not startups), with an annual cap of \$200,000 on stock options eligible for preferential tax treatment.

**People interested in longevity insurance:** The budget clears the way for the creation of advanced life deferred annuities that would kick in at the end of the year you turn 85. With an annuity, a lump sum investment is turned into a preset flow of cash for life. This particular annuity would be a way to ensure you don't run out of money if you live to an advanced age.

<https://www.theglobeandmail.com/investing/personal-finance/article-federal-budget-2019-eight-ways-the-budget-will-affect-your-personal/>



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Spring Edition 2019

## Trudeau is right: 40% of Canadians don't pay income taxes, which means someone else is picking up the bill

Many people were upset with Prime Minister Justin Trudeau this week for saying “low-income families don't benefit from tax breaks because they don't pay taxes.”

Of course, some were upset because they felt it was untrue. But Trudeau was speaking the complete truth when it comes to income taxes (HST, realty taxes and other consumption taxes are another story). It is just a truth that he may not want many Canadians to know.

On average, two of every five Canadian households do not pay anything towards federally and provincially funded expenses such as health care, education, community and social services, national defence, public safety and even the good old Canada Revenue Agency. One household of every five pays much more than 70 per cent of all of those costs. It didn't used to be this way, but it is now.

The Fraser Institute's Canadian Tax Simulator 2017 looked at Canadian households with income ranging from zero to \$80,843, representing the bottom 40 per cent of households by income, and found they paid 4.6 per cent of all the personal tax paid. That seems like a low number, but it still isn't zero.

How does 4.6 per cent become zero? It happens when the tax that is paid is then given back (and more) by the federal and provincial governments. As it turns out, quite a few benefits are paid out to Canadians with household income in the lower 40 per cent — particularly those with children. The CRA even has a wonderful online calculator that will quantify just how large those benefits might be.

To better illustrate this zero-per-cent tax bill, I ran three different scenarios through the calculator. All three scenarios were made up of a family with two working parents and three children (aged one, four and six) living in Northern Ontario, paying \$15,000 a year in rent.

Of course, not every household looks like this or has three children, but the numbers for this household are quite staggering. It effectively does not pay any tax, and then receives \$14,758 tax free from other Canadian taxpayers.

What if we move up the income range to what is roughly the 30th percentile, or \$60,420 of household income, split equally? This household should pay \$7,596 in income taxes, according to the Ernst & Young tax calculator (assuming no deductions), and would receive \$13,738.32 in tax-free benefits. In other words, it effectively receives \$6,142 from other Canadian taxpayers. A household at the very top of this group, the 40th percentile, or \$80,844 of income, should pay \$11,690 in income taxes (again, assuming no deductions), and would receive \$10,282.44 in tax-free benefits. It effectively pays \$1,408 in tax.

Keep in mind that people in this group are no different than anyone else and want to avoid paying taxes if possible. If there are any charitable donations, sizable health-care expenses, RRSP deductions, or any other kind of deduction, this household has probably been able to eliminate that \$1,408 in taxes. These examples are not meant to be a definitive study of taxpayers, but are merely being used to prove a point. The Fraser Institute truly underestimates the numbers when it says that the top one per cent is paying 17.9 per cent of income taxes, and the top 20 per cent are paying 64.4 per cent. Consider that if the bottom 40 per cent pays much less than zero per cent of income taxes, after adding the exceptionally large Canada Child Benefit and several other tax-free payouts, then someone else is picking up their tax bill. The top 20 per cent is likely paying 70 per cent or more of all income taxes.



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Spring Edition 2019

Is this tax fairness? It is certainly fair to some. In the United States, taxation has been moving in a completely different direction. But when we hear about the “evil” one per cent in the U.S., we must recognize that the Canadian one per cent is paying a huge amount of our tax bill. Indeed, taxes are meaningfully rising for higher-income Canadians. In Alberta, the top tax bracket was 39 per cent in 2014. Today, it is 48 per cent, a 23 per cent increase. In Ontario, the top tax bracket was 46.4 per cent in 2013. Today, it is 53.5 per cent, an increase of 15 per cent. The prime minister is absolutely right: tax cuts do not help 40 per cent of Canadians because they do not pay any effective income tax. How do you like them apples?

<https://business.financialpost.com/personal-finance/taxes/trudeau-is-right-40-of-canadians-dont-pay-income-taxes-which-means-someone-else-is-picking-up-the-bill>

## Ten Powerful Habits That Will Change Your Life and Career

Your habits will either make or break your existence as it directly affects your source of happiness and success. Some habits are more powerful than others and simply put; your everyday habits determine your attitude and future progress both in life and in your career. The following are ten powerful habits that will improve your life and career direction.

### 1. Practice Meditation

Meditation is a powerful habit that trains your mind to relax by freeing it from negative or stressful thoughts. It not only cleanses your mind and promotes a sense of calm, but it also assists with reducing stress; one of the major causes sleep deprivation and fatigue. When you meditate, you also increase your cognitive and creative thinking skills which make you highly efficient in your career. Thus, the temptation to engage in other harmful habits such as smoking, excessive alcohol intake and gambling is significantly reduced. In summary, meditation will keep you healthy and improve your performance in every aspect of your daily life.

### 2. Practice Gratitude

Often overlooked, gratitude is a powerful practice that brings enormous changes to your life and career. Generally, in our lives and careers, a positive and grateful attitude unlocks opportunities for personal and professional growth. A simple “thank you” makes you seem more friendly, attractive and trustworthy to others.

The regular practice of gratitude enhances your psychological health by reducing toxic emotions such as acrimony, thereby increasing your levels of happiness day in, day out. You will eventually start feeling more resilient to traumatic and stressful events, with a reduced temptation to react, thus helping you make better decisions.

### 3. Self Motivation

In simpler terms, self-motivation is the ability to stay motivated for one’s own interest. It is a key ingredient to living a successful life as it allows you to discover your strengths and weaknesses by which you can fortify the former and overcome the latter. Self-motivation also allows you to become more independent from external factors and you go about in achieving your goals based on your abilities.

With regular practice, you will experience more self-discipline in your everyday life as you are able to control your thoughts and actions which bring out your best attributes. You will be able to stay focused on your goals and accomplish them effectively.



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## 4. Overcome Fear of Failure

The fear of failure is a harmful and negative habit that stops individuals from achieving their potential. Though it is impossible to go through life without experiencing failure, overcoming your fear of failure is a giant step that will guide your life and career in the right direction.

The foremost step in ridding your life from fear is to embrace failure as a learning process; when you learn from your mistakes, you develop both in your personal and professional life. Begin by exploring all possible outcomes in any given situation so that you have knowledge of potential benefits and consequences.

## 5. Have a Clear Vision

Your vision is the road map of your life that guides you to your intended destination and also focuses your efforts with persistent zeal. Having a clear vision helps you remove factors that obstruct you from achieving what matters most.

When you develop a vision with a brighter and better future, it enhances your productivity and empowers you to make the necessary changes needed to have a successful life and career. Only your vision allows you to transform your dreams into achievable realities by giving you a sense of purpose to get through in your life and career.

## 6. Invest in Self Care

In the fast-paced world we live in, we often forget how vital it is to care for ourselves. A failure to do sometimes leads to physical discomfort and deterioration in our performance levels.

Self-care refers to the activities which are done regularly to reduce stress and boost our long-term well being. Some common examples include maintaining a healthy diet, exercising regularly and getting enough sleep. Ultimately, proper self-care increases your levels of productivity both personally and in your career by reducing the risk of fatigue.

## 7. Active Listening

The concept of good communication involves both listening and hearing; which are two entirely different things. Listening is a conscious process of paying full attention and focus on what you hear and fully understanding it. It is a powerful habit to develop as it has a massive influence on your personal and professional relationships. Good listening skills can help to expand your knowledge base and reduce misunderstandings with others. Active listening also makes you more likeable which creates a feeling of goodwill in your relationships.

## 8. Self Development

Self-development involve investing in yourself so you are better prepared to manage the challenges that may come your way. This concept allows you to identify the values and beliefs you wish to pursue in your life and career. It also determines the major areas of your life that need improvement. This way, you can further develop your skills for a better sense of direction to increase your value. Furthermore, self-development allows you to nurture your skills and make most of your relationships in life.

## 9. Maintain Positive Relationships

Having strong relationships are vital habits that bring positive changes in your life and career. Humans are social animals, and our success is largely built on the type of relationships we have with others. The more you get along with someone, the easier it is to live or work together. Positive relationships provide you with the much-needed support in tough times, and it is the best way to stay strong and optimistic.

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## Spring Activities

### The Ottawa International Writers Festival

April 26<sup>th</sup> – May 1<sup>st</sup>

<http://www.writersfestival.org/>

### Ottawa Children's Festival

May 11<sup>th</sup> – 13<sup>th</sup>

<http://ottawachildrensfestival.ca/>

### Canada Tulip Festival

May 11<sup>th</sup> – 15<sup>th</sup>

<http://www.tulipfestival.ca/>

### Gatineau Park

Full site access mid-May to late October

<http://ncc-ccn.gc.ca/places-to-visit/gatineau-park>

### Tamarack Ottawa Race Weekend

May 26<sup>th</sup> – 27<sup>th</sup>

<http://www.runottawa.ca/>

### Great Glebe Garage Sale

May 26<sup>th</sup>

<https://glebeca.ca/event/great-glebe-garage-sale-2019/>

## Upcoming Events:

Stay tuned for the latest happenings

### Client Seminar:

April 24<sup>th</sup> – Naturopathy and Personal Health

### Client Seminar:

May 14<sup>th</sup> – Empowerment Education; Sustainable Personal Change

June 22<sup>nd</sup> – Family/Children Movie day

Toy Story 4

Client Seminars will pause for the summer and restart in September

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