April - June 2015

Assante® WEALTH MANAGEMENT

Be well-advised.

MONEY *matters*

WHAT IS NEW IN TAX PLANNING IN 2015?

A number of new changes to tax credits and brackets have come into effect in 2015 that you should take into account in your tax planning.

There are also some important dates that you should keep in mind:

- Individual tax filing deadline: April 30th, 2015
- Self-employed business tax filing deadline: June 15, 2015
- Since February 9, 2015, NETFILE has been available for filing 2014 tax returns
- Quarterly deadlines if you pay taxes to CRA by instalment are:
    1. March 15, 2015
    2. June 15, 2015
    3. September 15, 2015
    4. December 15, 2015

With the tax filing deadline looming on April 30th, you should take note of the following new points to consider for your tax planning in 2015.

2015 Tax Brackets

Indexing of federal income tax brackets means that you can earn more taxable income before being taxed at the next higher tax bracket.

Every person employed in Ontario and every pensioner in the province can claim $9,863 in 2015 as their basic personal amount. This income will be exempt from tax. The basic personal amount was $9,670 in 2014.

continued ▶▶▶

Tina Tehranchian, MA, CFP, CLU, CHFC
Fellow of FPSC ™
Branch Manager
Senior Financial Planner

more in this Issue

"On January 1, 2015, the universal child tax benefit increased from $100 to $160 per month for children under the age of 6."

Different types of income (interest, dividend and capital gains) are taxed at different rates.

The following are the combined federal and Ontario tax brackets in 2015 and 2014:

Combined Federal & Ontario Tax Brackets and Tax Rates Including Surtaxes

2015 Taxable Income	2015 Marginal Tax Rates				2014 Taxable Income	2014 Marginal Tax Rates			
	Other Income	Capital Gains	Canadian Dividends			Other Income	Capital Gains	Canadian Dividends	
			Eligible	Non-Eligible				Eligible	Non-Eligible
first $40,922	20.05%	10.03%	-6.86%	5.35%	first $40,120	20.05%	10.03%	-6.86%	5.35%
over $40,922 up to $44,701	24.15%	12.08%	-1.20%	10.19%	over $40,120 up to $43,953	24.15%	12.08%	-1.20%	10.19%
over $44,701 up to $72,064	31.15%	15.58%	8.46%	18.45%	over $43,953 up to $70,651	31.15%	15.58%	8.46%	18.45%
over $72,064 up to $81,847	32.98%	16.49%	10.99%	20.61%	over $70,651 up to $80,242	32.98%	16.49%	10.99%	20.61%
over $81,847 up to $84,902	35.39%	17.70%	14.31%	23.45%	over $80,242 up to $83,237	35.39%	17.70%	14.31%	23.45%
over $84,902 up to $89,401	39.41%	19.70%	19.86%	28.19%	over $83,237 up to $87,907	39.41%	19.70%	19.86%	28.19%
over $89,401 up to $138,586	43.41%	21.70%	25.38%	32.91%	over $87,907 up to $136,270	43.41%	21.70%	25.38%	32.91%
over $138,586 up to $150,000	46.41%	23.20%	29.52%	36.45%	over $136,270 up to $150,000	46.41%	23.20%	29.52%	36.45%
over $150,000 up to $220,000	47.97%	23.98%	31.67%	38.29%	over $150,000 up to $220,000	47.97%	23.98%	31.67%	38.29%
over $220,000	49.53%	24.76%	33.82%	40.13%	over $220,000	49.53%	24.76%	33.82%	40.13%

Source: www.taxtips.ca

Family Tax Cut Credit

The Family Tax Cut credit, otherwise known as income splitting was announced on October 30, 2014. It is a non-refundable tax credit of up to $2,000 for couples with children under age 18 and is based on the net reduction of federal tax that would be realized if up to $50,000 of an individual's taxable income was transferred to his/her eligible spouse or common-law partner. This would allow the couple to take advantage of the spouse's lower tax bracket.

Enhanced Universal Child Tax Benefit

On January 1, 2015, this monthly taxable benefit increased from $100 to $160 per month for children under the age of 6.

Also, for children aged 6 through 17, a new benefit of $60 per month has replaced the existing child tax credit, resulting in an increase of up to $720 per child, from $338.

Increase in Child Care Expenses Deduction

The child care expense deduction has now increased to the following amounts:

- For children under the age of seven, the child care expense deduction has increased to $8,000 per child (vs.$7,000 per child in the past).
- For children aged 7 through 16, it has increased to $5,000 per child (vs. $4,000 in the past).
- For children of all ages, the disability tax credit has been increased to $11,000 from $10,000.

Doubling of Children's Fitness Tax Credit

This non-refundable tax credit has doubled to $1,000 per child and starting in 2015, it will become refundable, so low-income persons (who otherwise would not pay tax and cannot use a tax credit) can also benefit from it.

ARE LOWER OIL PRICES HERE TO STAY?

While oil prices have seen their third largest decline since World War II, and one of the most dramatic ones in recent history, other commodities have also been gradually declining in price in recent months. Most experts foresee that this weakness in commodity prices will continue throughout 2015 before beginning a modest turn around in 2016.

According to the World Bank's latest Commodity Markets Outlook, released on January 22, 2015, this year may well see a rare occurrence for world commodity markets – a decline in all nine key commodity price indices.

Oil prices dropped 55 percent in seven months, from a high of $108 per barrel in mid-June 2014 to $47 in January 2015. The previous record declines in oil prices happened in 1985/86 (a 7-month decline of 67 percent) and in 2008 (a 75 percent drop).

A confluence of events and conditions has contributed to the dramatic drop in oil prices in the second half of 2014. These include growth in unconventional oil production, decline in demand, and slowdown of emerging markets, appreciation of the U.S. dollar, declining geopolitical risks, and a decision by the Organization of the Petroleum Exporting Countries (OPEC) to maintain market share rather than maintain higher oil prices.

According to a press release by the World Bank on January 22, 2015, "Global supply and demand conditions have conspired to generate lower price expectations for all nine of the World Bank's commodity price indices – an extremely rare occurrence, "said **Ayhan Kose, Director of the World Bank's Development Prospects Group.**

The proximate causes of the steep drop in oil prices, however, have two key similarities with one previous episode.

"Both the current oil price collapse and the one experienced in 1985/86 followed an increase in oil production from unconventional sources and OPEC's abandonment of price targeting, "said John Baffes, **Senior Economist in the World Bank's Development Prospects Group.**

The current forecast sees oil prices averaging $53 per barrel in 2015, 45 percent lower than in 2014. The weakness in oil prices is likely to impact trends in other commodity prices, in particular those of natural gas, fertilizers, and food commodities.

By 2016, a recovery in the prices of some commodities is likely to be underway, although the increases will be small compared to the depths already reached.

"This year may well see a rare occurrence for world commodity markets – a decline in all nine key commodity price indices."

-World Bank's Commodity Markets Outlook – January 22, 2015

Source: The World Bank – January 22, 2015 press release

What are the Implications of Lower Oil Prices?

Lower oil prices can benefit the world economy due to increased money in the pockets of consumers and businesses.

According to Eric Lascelles, chief economist at RBC Global Management, in an "Update on oil" published in December 2014, "...the combination of lower oil, lower yields and weaker exchange rates should provide a boost of between 20-70 basis points to most major economies over the next year. For the U.S. economy, the impact is not purely good as shale producers are hurt by the price action. However, overall it is still a net positive for the U.S. economy."

With regards to the Canadian economy, while Alberta and Newfoundland will be hurt by lower oil prices, the effects of the blow to the economies of the Western provinces will be buffered to a large extent by the weak Canadian dollar.

For the rest of Canada, lower oil prices will have a positive impact. Lower Canadian dollar is good for our exporting and manufacturing sectors and will boost Ontario's auto industry. A weak currency and lower oil prices will also increase demand from the U.S. for Canadian goods and services.
The government will certainly suffer as a result of lower oil prices and balancing the federal budget will be challenging, with expected surpluses likely vanishing.

While low oil prices stoke fears of deflation especially in Europe, where deflation is already a major concern, the boost that low oil prices can give to the world economy can counter the deflationary effects to a large extent. It can also compel central banks in Europe to start quantitative easing which can be positive for the stock market.

MORE CANADIANS EXPECT TO BE WORKING PAST AGE 65 THAN EVER BEFORE

If you have been thinking about working past age 65 and thought you were part of a minority of the population who are thinking along those lines, you may be surprised to learn that you are actually part of the majority.

The number of Canadians who expect to be working full time past the age of 65, now surpasses those who think they will be fully retired by that age, according to a national survey by Ipsos Reid conducted in December 2014 on behalf of Sun Life, that included online interviews with a sample of 3000 working Canadians between the ages of 30 and 65, plus 400 retirees.*

According to the results of this survey that was published in February 2015, six in ten respondents now expect to work past age 65, while 27 per cent think that they will be fully retired by the time they reach that age. The last time this survey was done was in 2008 and at that time 51 per cent of the respondents expected to be fully retired by age 65, while 48 per cent thought they would be working past that age.

A number of factors, including the financial crisis, a drop in employer funded pension plans, low interest rates, increased longevity and volatile financial markets have contributed to the majority of Canadians deciding to stay in the work force beyond the traditional retirement age of 65.

Before the recession, about half of the survey respondents said that they were going to work past age 65 due to financial need. However, in the recent survey, sixty percent of workers said that they are delaying retirement because they need to, while forty per cent said they are going to do so because they want to.

Interestingly, while a larger number of respondents say they will work longer either due to necessity or by choice, on average the respondents said that they expect to retire at age 64, a lower age than in previous years.

Also, the percentage of people who said they will have enough money to enjoy the lifestyle they want rose to 65 per cent from 59 percent a year earlier.

Statistics Canada's data shows that employment has been generally increasing among those who are 55 years and olderand while the participation rate among older workers decreased last year, it remains higher than where it was pre-recession.

According to a poll by the Royal Bank of Canada that was published in the same week in February 2015, only 39 per cent of respondents said that they saved for retirement in 2014.

*Source: The Globe and Mail, February 18, 2015, Page B4

<u>What is the Difference? – Legally Married Spouses versus Common Law Spouses</u>

By Lorraine A. Bortolussi - Family Law Lawyer, Accredited Family Mediator, Collaborative Family Law Practitioner, Family Law Arbitrator – www.bortolussifamilylaw.com

Couples in common law unions will often say that they do not need a document to prove their commitment to each other. They say, "What difference does a piece of paper make"? In their view, there is no difference between their common law union (cohabiting but not married) and that of a couple that is legally married. Despite this romantic notion, the fact remains that legal, married status versus unmarried status does make a difference and does affect the outcome of the issues arising out of a separation.

When a couple separates, whether they are common law or legally married, an immediate need to understand one's rights and obligations arises. Unmarried spouses who are cohabiting are often under the misconception that they have the same legal rights as legally married spouses. There are significant differences between the property rights of legally married spouses and common law spouses.

"The number of Canadians who expect to be working full time past the age of 65, now surpasses those who think they will be fully retired by that age."

-Ipsos Reid survey on behalf of Sun Life - December 2014

Property Rights: In Ontario, the Family Law Act provides a system of property settlement for legally married spouses. The spouse with less family property on date of separation has the right to a payment of money (equalization) from the spouse that holds the greater value of family property in their name. Calculating this payment of money (equalization) can be complicated but in the end, the purpose is to ensure that both legally married spouses end up with an equal value of property accumulated during the marriage.

Legally married spouses also have the right to possession of the matrimonial home. Both spouses have a right to continue living in the matrimonial home after separation, even if only one spouse owns the home. This right to possession continues until matters are settled in a Separation Agreement, court order or divorce. The locks should not be changed until then.

Common law spouses do not have the same property rights as legally married spouses. Common Law spouses do not enjoy the right to equalization of property nor to possession of the matrimonial home. They are only entitled to property they legally own. Establishing property rights outside of titled ownership in a common law union is difficult and is the exception. Depending on the length of the cohabitation, whether children are involved and the extent of valuable contribution(s) to the property, a non-titled common law spouse may succeed in establishing a right to a part of the value of the property on the basis that it would otherwise be unfair. These trust claims usually require litigation and are usually vigorously defended by the titled spouse.

Support: Entitlement to spousal support for a common law spouse requires three years of cohabitation. Less than three years of cohabitation requires that the couple has a child born of their relationship and that there is a relationship between the parties of some permanence.

For legally married spouses, proving cohabitation for a period of time is not required. Entitlement to support is based on an assessment of needs and ability to pay and the amount and duration of support are based on the means, needs and circumstances of the couple during the marriage.

Support for children of a married couple is governed by the Divorce Act and the *Federal Child Support Guidelines*. Support for children of common law spouses is governed by the Family Law Act which applies the *Federal Child Support Guidelines*. Although there are some technical differences in the legislation, usually, the result in the child support that a court will award in the two circumstances does not differ greatly.

It does not matter whether common law or legally married…on separation there are many important issues that need to be resolved. Speak to a lawyer specializing in Family Law to help you get what you're entitled to.

ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with with Assante Capital Management Ltd., one of Canada's largest wealth management firms, offering integrated financial solutions to create wealth and prosperity for you and your family. The 750 advisors serve over 300,000 Canadian families across the country and take pride in the exceptional service they offer to clients through trusted face-to-face relationships and a level of service excellence second to none. Money Matters is published as a special service for clients of Tina Tehranchian.

9130 Leslie St, Suite 302, Richmond Hill, Ont. L4B 0B9
Tel: (905)707-5220 | Fax: (905)707-1035
Email: ttehranchian@assante.com
Web: www.tinatehranchian.com

Insurance products and services are provided through Assante Estate and Insurance Services Inc. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources however no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please make sure to see me for individual financial advice based on your personal circumstances. Services and products may be provided by an Assante Advisor or through affiliated or non-affiliated third parties. Assante Capital Management Ltd. is a member of the Canadian Investor Protection Fund and is registered with the Investment Industry Regulatory Organization of Canada. Please visit www.assante.com/legal.jsp or contact Assante at 1-800-268-3200 for information with respect to important legal and regulatory disclosures relating to this notice.

"Unmarried spouses who are cohabiting are often under the misconception that they have the same legal rights as legally married spouses. There are significant differences between the property rights of legally married spouses and common law spouses."
-Lorraine A. Bortolussi – Family Law Lawyer