

JA UPDATE

John Armstrong, CFP®

Fall 2015

We Have Joined Sterling Mutuals Inc.!

On May 29, 2015 Armstrong & Quaile Associates Inc. amalgamated with Sterling Mutuals Inc. of Windsor, Ontario. We are excited to be joining this like-minded organization, and look forward to working with the strong team that they have in place. There are many similarities between the two firms, and we believe that this will be a good fit for Armstrong & Quaile clients.

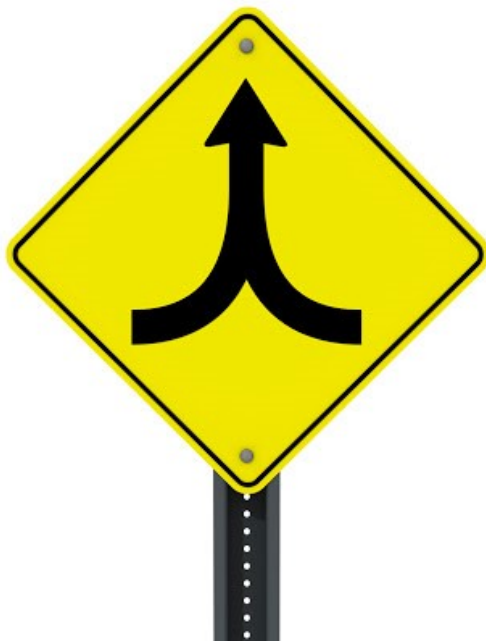
Both firms are Mutual Fund Dealers Association members and focus on the needs of independent financial advisors and their clients. Sterling has made significant investment into its account maintenance and reporting system, and some synergies will be achieved by combining the best of the Armstrong & Quaile reporting systems with that of the Sterling system.

Continuity of Our Branch Location & Services

We would like to assure clients that we will continue to provide services to investors for many years to come. In fact, other than some changes to signage and the branding of things like account statements and forms, we do not expect that clients will see much change in the way we operate. All of our preferred investment product suppliers continue to be available to us through Sterling, so the amalgamation does not impact the investments held by our clients. John Armstrong has no management role with the amalgamated firm. This will allow an increased focus on the client work that has always been his key professional passion! Please let us know if you have any questions.

"I have known the key management personnel at Sterling for many years. I have confidence in their leadership and I look forward to working with them."

- John Armstrong



In This Issue

- TFSA Contribution Room
- Changes to RIF Minimums
- Improved Cost Transparency
- Recent Market Volatility

TFSA Maximum Annual Contribution Has Increased—For now

In the budget released by the Federal Government earlier in the year, Tax Free Savings Account contribution limits were increased. Here are the details:

Tax-Free Savings Account



⇒ Effective immediately the annual contribution limit increases to \$10,000 per year.

⇒ Those who have already contributed the old maximum amount of \$5,500 for 2015 may deposit an additional \$4,500 to make up the difference.

⇒ If an investor has contributed the maximum amount each year since the TFSA came into being in 2009, they have contributed \$41,000. This includes the increased amount for 2015 and assumes that there have been no withdrawals and re-contributions.

⇒ Going forward, each year will provide an additional \$10,000 in contribution room. This amount will not be increased incrementally to reflect inflation as was true in past. A change of legislation will be necessary to increase contribution limits in future.

⇒ As has always been the case, TFSA contribution room can be carried forward indefinitely, and amounts withdrawn from the TFSA in any given year create contribution room in future calendar years. In other words, you can re-contribute amounts you have taken out.

But wait.... The federal election campaign has made it clear that not all parties agree on this increase. Several parties have stated that they would move the annual contribution level back to the \$5,500 limit for future years. So is there any action that TFSA holders should take prior to the end of this year?

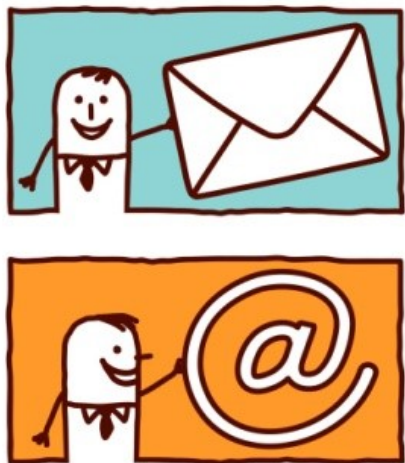
Q: Should I remove the additional \$4,500 that I used to maximize my contribution in 2015?

A: It is extremely unlikely that the party elected would penalize those who have already contributed to the maximum level. It would be both an administrative nightmare and very politically unpopular. Until very specific direction is provided, we do not feel that any action should be taken.

Q: If I have not maximized my 2015 TFSA contribution, should I do so immediately in case the annual contribution amount increase is repealed?

A: For similar reasons, we believe that the \$10,000 amount and the ability to carry it forward will remain intact for 2015. Changes would likely not apply until 2016 or even 2017. Scrambling to get the money in for 2015 is probably not necessary.

TFSA's offer all Canadians aged 18 years and older the opportunity to grow their money without incurring taxation on the growth. A wide variety of investment types can be held within a TFSA, and in fact the investor benefits most by holding their most growth-oriented investments within a TFSA. It is unfortunate that more Canadians have not embraced the use of a TFSA. Stay tuned for details on legislative changes to the TFSA.



Clearer Reporting of Investment Costs is on the Way in 2016

In the second half of 2016 the reporting you receive from your investment dealer will contain additional information that has not been provided before. This is one of the amendments that makes up CRM II (see sidebar). An important part of this will be a detailed breakdown of costs that you incur through your investment accounts. We believe that additional transparency surrounding investment costs is a very positive thing.

CRM II

CRM II stands for Client Relationship Model, Phase II. Simply put, it is an initiative of the Canadian Securities Administrators (CSA), and it is an amendment package which changes the way the investment industry is required to operate.

The goal of CRM II is to ensure clients receive comprehensive information on both the performance of their investments and the costs associated with those investments, including all applicable fees and remuneration paid to advisors and dealers.

It is important to keep in mind that the costs outlined in the reporting are not new or additional costs, but rather a clear reporting of the existing costs. This will include a breakdown of the compensation paid to the advisor by a third party, including the portion of any mutual fund management expense ratio paid to the advisory firm as a service fee. While we have always tried to explain clearly how we are compensated for the services we provide, we feel that client's will find this additional information useful.

We have already started bringing up this new reporting in many of our client meetings, and will continue to do so between now and July 2016. If you have any questions pertaining to this please let us know.

Changes to Annual RIF Minimums

The 2015 Federal Budget also brought about changes to the way annual minimum RIF payments are calculated. These changes focus on the period after an investor reaches age 71, the idea being that this is the point at which an investor is required by law to convert their RSP accounts to RIF accounts and start drawing income. This table illustrates the changes.

This change provides more flexibility for investors in terms of determining the timing of their registered investment income. The new factors will apply for 2015 and subsequent years. As always, RIF plan holders are able to draw more than the minimum amount from their plans in any year they see fit.

Because financial institutions calculate the minimum figures at the beginning of the year, it is expected that most will use the pre-budget calculation. If RIF plan holders do take more than the new required minimum at any time during 2015, they will be allowed to recontribute the amount to the RIF plan as long as they do so prior to February 29, 2016. This recontribution is of course optional.

Age	Old Factor (%)	New Factor (%)
71	7.38	5.28
72	7.48	5.40
73	7.59	5.53
74	7.71	5.67
75	7.85	5.82
76	7.99	5.98
77	8.15	6.17
78	8.33	6.36
79	8.53	6.58
80	8.75	6.82
81	8.99	7.08
82	9.27	7.38
83	9.58	7.71
84	9.93	8.08
85	10.33	8.51
86	10.79	8.99
87	11.33	9.55
88	11.96	10.21
89	12.71	10.99
90	13.62	11.92

John Armstrong is a **CERTIFIED FINANCIAL PLANNER**. Financial planning and financial planning education are his key areas of interest and expertise.

Achieving balance in our lives is critical; a balance between work and family, a balance between living for today and planning for the future. Because we all have competing goals, striving for balance influences many decisions in our day-to-day lives. One thing is certain, the juggling act we do requires a long-term view. Sometimes we need to take a step back to put things into perspective.

It may sound cliché, but having a plan in place goes a long way in helping to achieve both our long and short-term goals. Simply put, planning assistance is the service we provide. We are committed to helping you find that long-term view for the good of today and tomorrow.



John Armstrong 

STERLING
MUTUALS INC.
Independent Financial Network

Newsletter Editor: Rich Weiler

Contact Us

279 Weber St. N
Lower Suite 3
Waterloo, ON
N2J 3H8

Phone: 519-576-5766
Fax: 519-576-0192

E-mail: johna@jarmstrong.ca

Website: www.jarmstrong.ca

A Comment on Recent Market gyrations

We find ourselves in another period of above-average investment volatility as global markets struggle to find direction. Investors are dealing once again with a barrage of information from the media. One day the sky is falling, and the next day, things are going to be okay.

Here are a few things that may help to keep things in perspective:

- ⇒ Stock market corrections are a normal and healthy part of the market cycle. While unpleasant in the short term, they often provide investment managers with excellent buying opportunities, possibly benefiting the portfolio over the longer term. Corrections are also not necessarily indicators of something more ominous on the horizon.
- ⇒ Much of what you hear in media coverage deals with specific short term market factors. Many of these have

very little impact over a longer period of time, and are not of great concern to investors with a medium to long term time horizon.

- ⇒ It seems unlikely that this is a transition point from the current 'Bull' market to a 'Bear' market. There are concerns over slowing global growth, but current economic conditions in the US do not point to a recession. Many economic indicators like jobs growth and housing starts are positive. It seems more likely that economic growth will continue to be sluggish, but steady. The current situation has very little resemblance to the Financial Crisis of 2008-2009.
- ⇒ Diversification is very helpful during periods of downward volatility. A well structured investment portfolio, holding a number of asset classes and industry sectors, usually fairs much better than the highly reported stock indices. So far in 2015, currency has also helped portfolios that hold assets denominated in currencies other than the Canadian dollar. The 12% decline in the C\$ versus the US\$ has greatly benefitted portfolios holding an allocation to US stocks.

- ⇒ The rate of return assumptions used in developing our Retirement Income Models takes into consideration periods of negative performance. While these periods bring the average portfolio returns down somewhat, the impact over the longer term is often inconsequential.
- ⇒ The last correction experienced in the US stock market was in August of 2011, and it resulted in a negative rate of return for the calendar year. While very big news at the time, this correction has been largely forgotten by many investors.

We can expect this higher level of volatility to continue over the weeks and months ahead as the global economy finds direction. It is likely that the markets will continue to speculate on the significance of global economic data and will attempt to anticipate the impact of interest rate changes by the central banks.

Note: Mutual funds are sold by simplified prospectus only. Before investing, obtain a copy of the prospectus and read it carefully. Unit values and investment returns for mutual funds are not guaranteed and will fluctuate. Mutual funds are sold through Sterling Mutuals Inc. CFP® is a certification trademark owned outside the U.S. by Financial Planning Standards Board Ltd. (FPSB). Financial Planning Standards Council is the marks licensing authority for the CFP marks in Canada, through agreement with FPSB. Views expressed here are that of the advisor and are not necessarily shared by Sterling Mutuals Inc.