



CLEARVIEW FINANCIAL

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SPRING HIGHLIGHTS

INVESTOR UPDATE

SPRING ISSUE. 2018

Spring certainly took it's sweet time arriving this year, didn't it? Old Man Winter has finally departed for his vacation home down south... *Bon Voyage!*

INTEREST RATE ANNOUNCEMENT

The Bank of Canada announced it would be not be raising the interest rate just yet, as "moving too quickly could create a financial stability risk" to due to high levels of consumer debt. However, rates are expected to rise later this year from the current low levels.

Bank of Canada Governor, Stephen Poloz reported in April that our economy is "finally positive" after a long adjustment to a sharp fall in oil prices. Although he adds that 'softness' remains in several areas of the country.

ONTARIO BUDGET HIGHLIGHTS

The Liberal government presented their annual budget, "*A Plan for Care and Opportunity*," on March 28th. With the election looming, this budget focused mainly on new and enhanced investments in pharma, health and child care.

Support for Seniors: Beginning August 2019, OHIP+ will be expanded to seniors, eliminating the annual deductible and co-payment for seniors under the Ontario Drug Benefit program. Prescription medication will be free of charge regardless of income. There will also be a Seniors' Healthy Home Program starting in 2019, which will provide a benefit up to \$750 annually for eligible households led by seniors 75 and over.

Drug & Dental Program: Starting the summer of 2019, the plan for this new

program is to reimburse up to 80% of eligible prescription drug and dental expenses for individuals and their families who do not have coverage from an extended health plan.

Child Care for Preschoolers: Beginning Sept 2020, Ontario plans to implement free licensed child care for preschool-aged children between 2 1/2 years of age to kindergarten. The government indicates the average Ontario family with a preschool-aged child could save over 17K.

Tax Measures: To simplify Ontario's personal income tax system, the budget proposes to eliminate the surtax and replacing it with new rates and brackets effective for the 2018 tax year. The government said "over 83% of Ontario's 11 million tax filers would not see any increase in their personal income tax as a result of the proposed changes." Ontario will also take measures related to income sprinkling and passive investment income, closing tax loopholes related to the use of sophisticated financial instruments to create artificial tax losses.

ELECTION COUNTDOWN

With the Ontario election coming up fast this June, we're hearing the usual long list of big promises and candidate bashing from each party. But who will make good on their promises and how will they be funded? That remains to be seen. One way or another, as taxpayers we pay for any increase in services & benefits we receive. So take the time to become an informed citizen, consider the big picture, and vote wisely!

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EQUITIES STILL HAVE ROOM TO RUN

"Stocks still have room to run and will likely continue to run in a positive fashion right through into the end of 2019." - Dan Bastasic, Senior VP, Investments IA Clarington Investments. According to Bastasic, there is enough fundamental support to make equities attractive, with North American equity markets looking much more attractive the last couple of months than the past couple years.

BE PREPARED

"Our strategies are positioned defensively and are ready to buy at much more generous rates of return than what is currently offered. We believe we will be better off in the long term if we prepare ourselves for the day when the punch bowl is no longer there."
- Clement Chang, CFA, QV Investors Inc.

TAKING ADVANTAGE OF MARKET VOLATILITY

From the Equity Income Team at Dynamic: "Market sentiment is a lot more jittery right now than the actual underlying fundamentals. Global economic growth remain synchronously strong and corporate earnings growth remains equally strong, and over the long-term these are the primary drivers of equity market returns. We do expect volatility to remain elevated and plan to continue to take advantage of it to add value in the portfolios, and view the Fund's defensive holdings as an attractive way to stay invested in a still constructive but volatile market."

MORTGAGE STRESS TEST

Almost 50% of all existing mortgages in Canada will need to be renewed this year. The Bank of Canada uses the posted five-year fixed mortgage rates at Canada's biggest banks to calculate the rate used in a Stress Test to determine whether borrowers can qualify for both insured and uninsured mortgages. As Canada's Big Six banks increase their benchmark fixed-rate mortgages, the Bank of Canada is likely to increase the qualifying mortgage rate, making it more difficult for some to take on home loans.

Homebuyers with less than a 20% down payment looking for an insured mortgage, must qualify at the central bank's benchmark five-year mortgage rate. As of January 1st, buyers who don't need mortgage insurance must prove they can make payments at the *qualifying rate*, which is the greater of 2 percentage points higher than the contractual mortgage rate or the central bank's five-year benchmark rate.

Source: Investment Executive



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