SimpleSmart ADVICE

Aldershot Financial Group of ACPI guides families through decisions that affect their financial well being and investments. We are the 'go to' people in Aldershot when a life event requires sound financial advice. We care. We simplify. *We've been through this before.*

April 2019 :

- Tax Refunds Are Good
- Model Portfolio
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Our monthly newsletter designed

to keep in touch with you.

Tax Refunds Are Good!

Did you prepare your own tax return this year? To hear some, Canada Revenue is making it harder to file our tax returns. Those who stubbornly cling to paper-filed returns are finding it increasingly difficult to even find a tax return package. You might be asking why anyone with access to a computer would want to grind through a tax return – like the feeling I get watching a bike commuter peddling like a madman in the pouring rain as I pass him in my comfortable, climate-controlled Golf wagon. I actually understand the biker better (I am sometimes that guy). I suppose, like the cyclist, the pencil and paper tax filer is saving money and gets the satisfaction of persevering through something that most people simply could not do.

It has never been easier to file your own tax return with the emergence of cheap (or free) tax software programs like TurboTax or SimpleTax. I still complete a few tax returns every year and appreciate how CRA now provides tax slips on-line for easy download into the tax program of your choice. For the simple tax return, this makes filing a matter of checking over the return then hitting "send". Voila, your tax refund is on its way.

Tax refund, did you say? I have read a lot lately about what a bad idea it is to get a tax refund. The bean counters tell us that we are giving our money to the government tax-free for a good portion of the year. Far better that we have less tax withheld from our pay and owe the maximum possible (since we will have enjoyed an interest free loan from that same government). To hear CIBC tell it the "intaxication" that comes with a refund can result in the recipient spending their windfall rather than using it more productively.

"The "intaxication" that comes with a refund can result in the recipient spending their windfall"

I don't buy it.

Canadians may view their tax refund (and 52% are expecting one) as unexpected money and treat it differently than they would hard earned cash (which it is). It doesn't have to be that way. People have such a hard time not spending all of their money, any windfall is a triumph in my view. Last year, according to Stats Can, the average refund was $1615. If, instead, you owed this on your tax return, chances are you've spent $1615 more than you made last year.
Praise the tax refund! Be careful not to fall into the trap of wasting it.

Here are some ideas to make your tax refund count:

1. Pay down your credit card. The average Canadian now has debt equal to 178% of their income. Interest rates are going up. It's time to get out of debt.
2. Put the money in your TFSA (my favourite) or RRSP, if you have room.
3. Take your ~~financial advisor~~ partner or friend out for lunch. Celebrate a little. Hey you managed to save some money you weren't counting on.

As I remind clients (and myself): be thankful for all of the income taxes you pay – you're making money not losing it.

Mark

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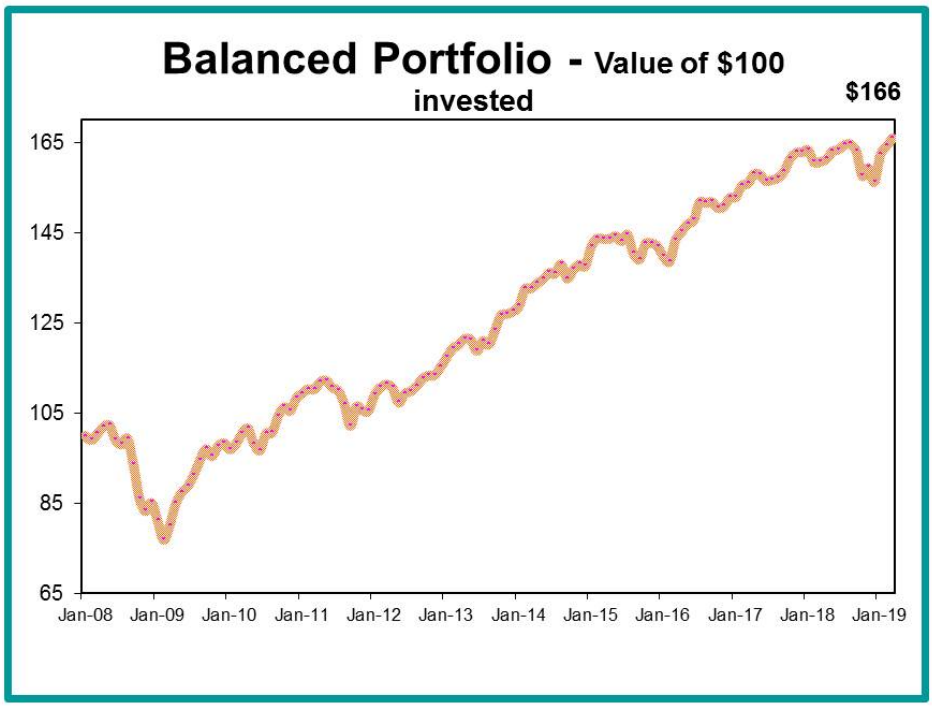
Reverse Mortgages Facts

- $ Outstanding reverse mortgage debt growing at 10x the rate of normal mortgage debt, now totalling $3.5 billion.
- $ Allows homeowners age 55+ to use equity in home without selling and without payments
- $ Proceeds are tax-free and can be used to delay selling a house or taking CPP/RRIFs early
- $ Interest rates higher than traditional mortgages and equity can be depleted quickly
- $ Involves legal, admin and appraisal expenses
- $ Home equity line of credit may be better option for retirees

Source: Wealth Professional. Canada saw near-tripling of reverse mortgage debt. March 27, 2019.

Final Thoughts



This graph represents a model portfolio using 45% DFA Five-Year Global Fixed Income Fund Class A, 15% DFA Canadian Core Equity Fund Class A, 15% DFA US Core Equity Fund Class A (from January 31, 2008 to January 31, 2009) / DFA US Core Equity Fund Class A (H) (from January 31, 2009 to March 31, 2019), 15% DFA International Core Equity Fund Class A and 10% DFA Global Real Estate Securities Fund Class A, initially invested on January 31, 2008 with pricing up to March 31, 2019 using monthly data and rebalanced on a month-end basis. The data series has been smoothed. Actual client portfolio holdings are recommended based on personal circumstances.

Commissions, trailing commissions, management fees, and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in unit/share value and reinvestment of all distributions/dividends. They do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the Fund Facts and consult your Advisor before investing.

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