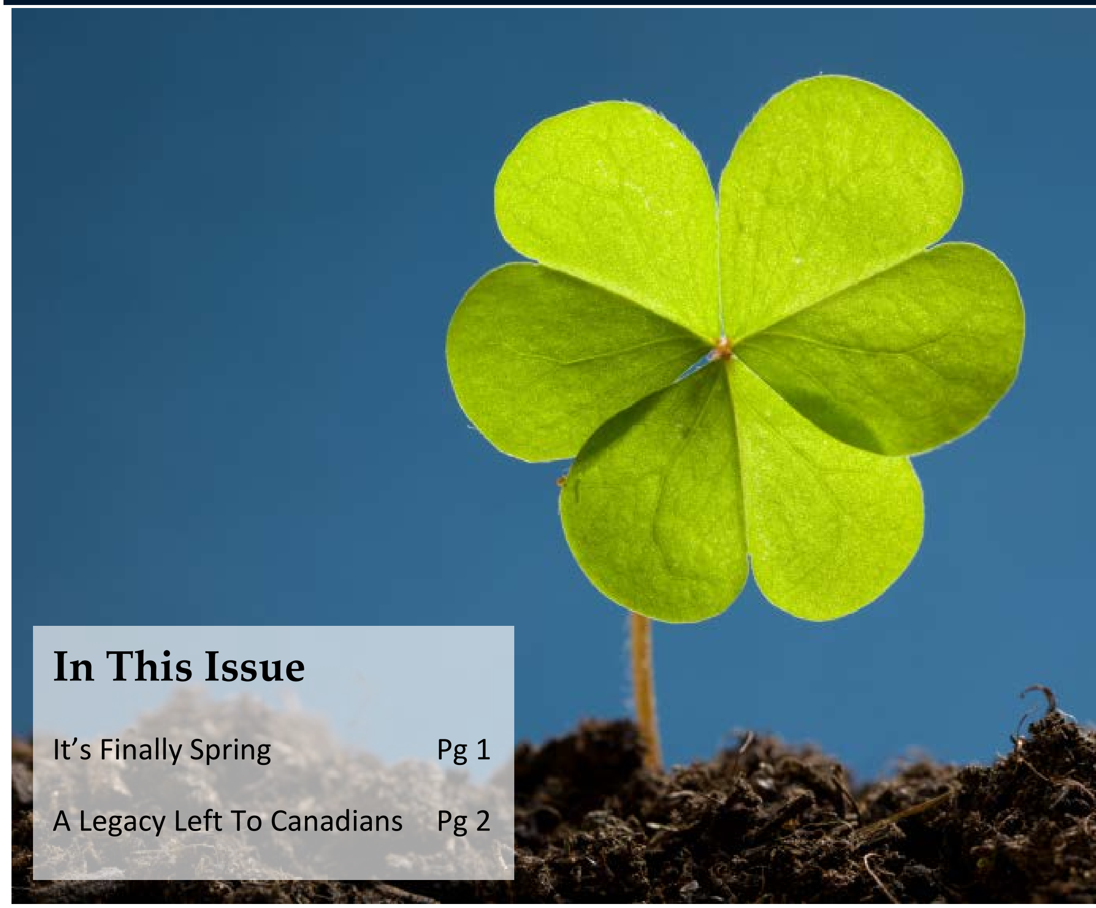
THE PERSPECTIVE

Spring 2014



In This Issue

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It's Finally Spring!

Winter, Snow, Polar Vortex, Frost Quake! Raise your hand if you are one of the millions of people whose fingers are crossed that these words are a thing of the past. If you feel like this winter was one of the worst you can remember, you're probably right. A "misery index" released by meteorologists from the U.S. National Weather Service shows that the winter of 2014 was indeed one of the most miserable on record.

However, one bright spot is that while we hibernated, Canada put forth a tremendous effort in the Sochi Winter Olympics, and while we didn't surpass our Vancouver 2010 gold medal count, gold medals won in men's and women's hockey satisfied a nation's expectations and hopes.

And now we can finally look forward to spring which has already brought the vernal equinox which is the day of the year when light and dark are balanced. True or not, it's said that on this day you can balance an egg on its end. Although we still have a little way to go to really enjoy the warmth and light that spring brings, we can begin to think about what we can do to renew ourselves and to better balance our lives.

It's Finally Spring!

While the first quarter of 2014 has seen political unrest in Eastern Europe between Russia and the Ukraine, a new Prime Minister in Italy and weak news about the state of China's industrial production, the story of the first quarter has really been about balance.

Under the leadership of new Federal Reserve Chair Janet Yellen the US has continued to claw back their bond purchasing program known as "Quantitative Easing". Designed to stimulate economic activity in the wake of the 2008 credit crisis, quantitative easing at its zenith called for the monthly purchase of $85 Billion of US bonds by the Central Bank. In December 2013 Ben Bernacke finally ended speculation about when the US Federal Reserve would begin to reduce Quantitative Easing when he announced his intention to reduce the amount of QE from $85 billion to $75 billion a month. Two federal reserve committee meetings later have seen the Fed continue along this course, tapering the purchase of Treasury bonds by a further $20 billion (down to $55 billion per month) and remain on course for a complete exit of Quantitative Easing by the end of the year.

The theme of balance was also echoed in Canada when Finance Minister Jim Flaherty delivered what will be his last budget in February. In this budget he promised to bring balance to federal spending in 2015. Perhaps it is this balance that will form part of Flaherty's legacy as if budget 2014 projections prove true; there will be a surplus in Federal spending for the first time since the 2007/2008 fiscal year.

So while the winter of 2014 saw consumers retreat to their homes, where they cozied up to their television sets to cheer on their favorite athletes, the spring has finally sprung and consumers are expected to spend once again, thus helping the global economy continue to grow at a slow yet steady pace.

A Legacy Left To Canadians

Arguably the second most important job in Canada's federal government is that of Finance Minister. Prior to his resignation on March 18, 2014 Jim Flaherty served as Canada's Minister of Finance since 2006. During this tenure he delivered 10 federal budgets all of which were aimed at least to some extent to ensure that the government, families and individuals were fiscally responsible.

On April 10, 2014, less than a month after resigning from his post, "the best finance minister in the world" left us. His legacy after eight years at the helm of the second most important job in the government will almost certainly be his handling of the 2008 "Credit Crises", the greatest financial and economic crisis the world has seen since the great depression. The "Credit Crisis" saw the death of Lehman Brothers. the nationalization of most of Iceland' Banks, and the bailout of American financial institutions Freddie Mac and Fannie Mae. Yet despite this turmoil Canada's economy did not falter, as Flaherty initiated programs to buy up billions of dollars of government-backed mortgages, that helped to sustain lending and borrowing in Canada.

While his work during the credit crisis will be what is most remembered, perhaps it is the work that he did for families, home buyers and the disabled that will define him. During his tenure he introduced:

Pension Income Splitting

Introduced in the 2007 budget and effective as of 2008 pension income splitting allows spouses to split up to 50% of income generated from eligible pension sources and is a strategy that can be advantageously employed when spouses are in different tax brackets.

The Children's Fitness Tax Credit

Announced by the government in the 2006 federal budget it provides a $500 tax credit that can be applied to the costs of children's fitness programs such as those which require significant physical activity contributing to cardio respiratory endurance, **plus** one or more of:

- muscular strength,
- muscular endurance,
- flexibility, and/or
- balance

The Children's Art Tax Credit

Introduced in the 2011 Federal Budget, the Children's Arts Tax Credit is available for a wide range of activities that contribute to a child's development, but which are not eligible for the Children's Fitness Tax Credit. The credit is provided for up to $500 of eligible expenses per child, and is otherwise based on eligibility conditions for the Children's Fitness Tax Credit

Family Caregiver Tax Credit

The Family Caregiver Tax Credit provides tax relief to individuals who provide ongoing care and support for infirm dependent relatives, including, spouses, common-law partners and minor children. This 15% non-refundable tax credit is based on an amount of $2,000 and has been available since 2012.

Caregivers may claim the benefit of this Tax Credit by claiming an enhanced amount for an infirm dependant under one of the following existing dependency-related credits: the Spousal or Common-Law Partner Credit, the Child Tax Credit, the Eligible Dependant Credit, the Caregiver Credit or the Infirm.

RESPs Asset Sharing Among Siblings

The 2011 budget allowed for transfers between individual RESPs for siblings, without tax penalties and without triggering the repayment of Canada Education Savings Grants (CESG), provided that the beneficiary of a plan receiving a transfer of assets had not reached 21 years of age when the plan was opened. This measure allows transfers of amounts between siblings where people other than parents or grandparents contributed to the plans, for example, uncles and aunts.

The Registered Disability Savings Plan (RDSP)

The RDSP was introduced in 2007 and has been available to the public since 2008.The RDSP is a savings plan designed specifically for people with disabilities in Canada. This tax-deferred savings vehicle is intended to assist parents and others in planning for the long-term financial security of their relatives and others with disabilities that are eligible for the Disability Tax Credit.

Always encouraging Canadians to save more, Flaherty also introduced the Tax Free Savings Account in his 2008 budget in order to do just that and because he did not want to see Canadians fall into the same trap as their cousins to the south he reduced mortgage amortizations from 40 to 25 years (he did initially increase them to 40 years but had a change of heart), cut the ratio of debt that borrowers could carry, and brought a host of conventional mortgage restrictions ("Guideline B-20").

In short Jim Flarherty paved the way for Canadians to take ownership of their financial houses and as his son Quinn Flaherty eulogized, "Put your feet up, lay your head back, close your eyes and relax we will take it from here."