THE PERSPECTIVE

WORLDSOURCE
FINANCIAL MANAGEMENT

Summer 2014

In This Issue

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Save Money This Summer

Canada is a country of extremes, from a high of 5959 metres (Mount Logan in the Yukon) above sea level to a low of sea level Canada spans roughly 9,984,670 square kilometers. Over such a diverse landscape that has its northern most point on Ellesmere Island in Nunavut and its southernmost, on Middle Island in Lake Erie, it should be expected that Canadians are accustomed to diverse weather. And we are, as our climate varies from temperate on the west coast of British Columbia to subarctic in the north. In fact while parts of northern Canada have snow for most of the year non-coastal Canada tends to have a continental climate, not to mention the summer humidity experienced in Southern Ontario. Meanwhile parts of Western Canada have a semi-arid climate and arguably Vancouver Island has Mediterranean-esque weather.

With such environmental diversity it is not entirely unexpected that Canadians would be used to extreme weather. However, there is extreme weather and then there is the record setting $3.2 Billion in weather related insurance claims that the Insurance Bureau of Canada has stated was covered in 2013. If you don't remember, it was 2013 that saw Albertans engulfed in floods in June, followed by the wild July storms in Ontario and the ice storm that hit Ontario and Eastern Canada over the Christmas holidays.

Save Money This Summer

Despite these recent chaotic weather patterns there are opportunities to save money this summer from both a lifestyle perspective as well as from a tax perspective. This summer you may want to:

- Grow your own food - Growing your own food can really cut down on grocery bills
- Turn off the air conditioning or program it to be cooler only when you are home
- Cook outside – Keep the heat generated by your stove outside
- Dry your laundry outside- the sun's rays are free
- Replace your air conditioner filters

Summer Tax Savings

There are two federal government programs that allow parents to meet the hefty price of summer fun. These programs come in the form of the Children's Fitness and the Children's Art Tax Credits. Both of these programs allow for a non-refundable federal tax credit of up to $500 per child for those who were under 16 at the beginning of the year.

The Children's Fitness Tax Credit has been available since 2007 and allows parents to realize tax savings of up to $75 per child for programs that are at least eight weeks long or five consecutive days.

The Children's Art Tax Credit has only been available since 2011. Similar to the fitness credit, it also allows parents to realize tax savings of up to $75 per child for programs that most would typically classify as arts related, such as drama, music, design or dance.

Although these tax credits provide some relief to the added cost of summer, more lucrative tax deductions are also available to those parents who have not exceeded the maximum child care deductions of $7,000/year/child under the age of seven and $4,000/year/child age seven to 15. The tax savings associated with these deductions are claimed by the lower earning spouse and as a result are dependent on that individual's tax bracket. These savings can be significant and can allow parents to claim deductions on camp fees of up to $175 per week for children under the age of seven and $100 per week for kids age seven to 15.

First Half Review – Investors Rewarded with Strong

The first half of 2014 is now behind us! What started off as a banner year for Canadian athletes in the Sochi winter Olympics (where Canada won 25 medals including ten gold medals) has continued on the venerated grass courts of Wimbledon where young Canadian tennis players Milos Raonic and Eugenie Bouchard broke through to the semi-finals and finals respectively. While Canadian athletes reaped the rewards of their efforts during the first half of 2014 so too have Canadian investors who in the middle of June finally saw the S&P/TSX index close above its pre 2008 credit crises high.

In fact, thus far Canadian equities have led the way in 2014, with the S&P/TSX Composite Index gaining 12.86% (Guardian Capital LP), handily outpacing most other developed markets such as the S&P 500 and MSCI world's indices which were both up 7.54% and 6.58% respectively (Guardian Capital LP).

While the Canadian economy has continued to gain traction there is some concern about the US economy which due to an unusually harsh winter suffered a drop in economic output in the first quarter of the year. This drop in economic activity in the first quarter was largely caused by weakness in the housing sector, net exports and healthcare spending and has changed course in the second quarter which has seen improved economic data led by higher employment. Financial markets are nonetheless still wrestling with the US economies ability to sustain growth especially with the continued tapering of quantitative easing as the US Federal Reserve once again reduced monthly bond purchases from $45 billion to $35 billion (in June) which is now less than half the $85 billion a month it was pumping into the economy in 2013.

While the Sochi Olympics captured our attention in the first quarter, geo political risks led by Russia's efforts to reclaim the Crimean Peninsula from the Ukraine captured our attention in the second quarter as did the renewed fighting seen in Iraq.

In Europe, the second quarter was dominated by elections and saw the rise of anti-Europe parties throughout the European Union especially in France where the "Anti-EU National Front" gained 26% of the vote. June also saw the European Central Bank (ECB) cut interest rates to record lows and announce that for the first time it will begin charging banks on overnight deposits, in an attempt to force them to increase lending to smaller businesses. While the ECB stopped short of promising a US style Quantitative Easing program it did announce its intention to do more in order to stimulate economic growth.

Meanwhile China has also struggled as the economy continues to be weighed down by the housing market. In a recent survey by Bloomberg, economists expect that GDP growth in China will the lowest level in 24 years.

Although, the sustained efforts of the world's central banks in providing monetary stimulus to financial markets appears to have positioned global economies to continue upon a path of slow recovery, there are still risks. Perhaps the biggest of which is the lack of volatility across asset classes which can sometimes be interpreted as over optimism amongst investors. As always optimism needs to be paired with balance.