

the
ESSENTIAL SCOOP

SEMI-ANNUAL NEWSLETTER FROM YOUR ESSENTIAL WEALTH GROUP TEAM

Happy New Year!

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Welcome to the winter edition of our semi-annual newsletter. We hope everyone had a wonderful holiday season and that 2019 is off to a great start! As a reminder, we publish this formal communication twice a year, but also post regular updates on our social media accounts and website.

We hope you enjoy this issue and always welcome your feedback and any suggestions for topics you would like us to include in the future.

HOLIDAY OPEN HOUSE

Thank you to everyone who came out to celebrate the holiday season with us at our annual open house last month. We are pleased to announce that together we raised \$1,480 and collected 171 pounds of food for The Food Bank of Waterloo Region!

Our office also spent an afternoon sorting non-perishable items and receiving a tour of The Food Bank warehouse where we were able to better understand the impact this wonderful organization has on our community. Did you know that in 2017, 34,408 individuals were served by the Community Food Assistance Network of Waterloo Region? 35% of which were children under the age of 18.

“

We can't help everyone, but everyone can help someone."

- Ronald Reagan

If you're interested in donating or learning more about The Food Bank please visit their website at <https://www.thefoodbank.ca/>. You can also find more photos from the event on our Facebook page!



MARKET UPDATE

2018 RECAP AND 2019 OUTLOOK

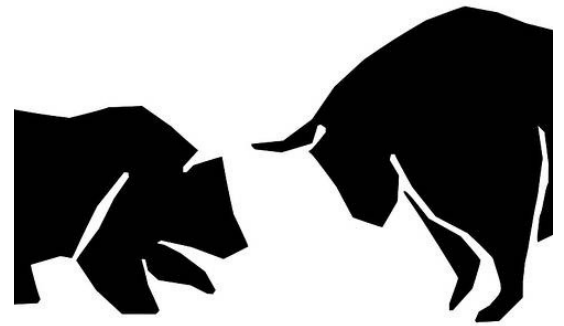
With this update, we hope to provide you with a brief overview of how the markets have performed over the past year, as well as some perspective for evaluating your portfolio's results in this context.

How did the markets do this year?

Let's address the elephant in the room...or should we say bear? After an unusually calm year of solid performance in 2017, we experienced a much bumpier ride in 2018. Downward volatility resurfaced in the first quarter, and though markets moved generally higher through the summer months, a sharp sell-off in the fourth quarter meant that most asset classes registered negative returns for the year and the S&P 500 suffered its worst quarter since 2008.

Some perspective on volatility.

Although it is always difficult to pinpoint a single reason, several economic and geopolitical developments have been linked to 2018's market gyrations. These include increasing trade friction between the U.S. and its trading partners, particularly China, and the fraught Brexit negotiations between the U.K and the European Union. Rising short-term interest rates in North



**If you want to see the sunshine, you have to weather the storm."
- Frank Lane**

America are leading to tighter financial conditions, while slower economic activity has weighed on commodity prices – particularly oil – and the materials and energy sectors. Regardless of the cause, we understand that market turbulence can be unsettling and this year's volatile performance was particularly surprising for many investors following last year's steadiness. The reality; however, is that downside market volatility is normal and in fact, is not always a bad thing. Professional money managers often welcome market declines as a necessary ingredient for positive returns as it creates opportunities to add to existing positions or buy higher-quality businesses at reduced prices.



What's in store for 2019?

In contrast to last year's consensus outlook that pointed to a synchronized global economic expansion, many experts now believe we are in the late stages of the economic cycle, with global growth slowing and downside risks increasing. Nevertheless, developed economies are expected to grow throughout the coming year and inflation remains moderate. Global interest rates are low by historical standards, allowing corporations the flexibility to strengthen their balance sheets and invest in the future of their businesses. These conditions suggest a cautiously optimistic outlook for markets in 2019.



The intelligent investor is a realist who sells to optimists and buys from pessimists."
- Benjamin Graham

According to IA Financial Group Chief Economist Clement Gignac, the likelihood of seeing the U.S. economy sink into a recession in 2019-2020 is less than 25%. Given the Canadian economy is highly integrated in the U.S. economy, the economic cycle should also continue in Canada in 2019. We will undoubtedly still have to deal with volatile markets in the first half of 2019 but based on historical data, stock markets tend to recover quickly from losses incurred from a correction (even a major one such as this) especially if not followed by a recession.

Cycle of Market Emotions



Our advice: stay diversified and invest for the long term.

While trying to time the market is a bit like rolling dice, the way investors react to the ups and downs is actually quite predictable. You might notice in the chart above that the point of maximum fear is also the point of maximum opportunity. It can be difficult to set aside short-term distractions and maintain a long-term perspective when negative headlines dominate as they have in recent weeks but looking back over the longer term, the most recent market decline can be seen as a setback in a strong run upward. From its lows reached following the financial crisis in March 2009 to the end of last year, for example, the S&P 500 was still up more than 270%.

Studies have shown that investors who attempt to time the market often end up missing the best upside days and under-perform relative to those who stay invested and ride the waves.

\$10,000 Investment from November 2007 - November 2017



Source: Bloomberg. S&P/TSX Composite Total Return Index, November 30, 2007 to November 30, 2017. It is not possible to invest directly in an index. Assumes reinvestment of all income and no transaction costs or taxes. Value of investment calculated using compounded daily returns. Missing 10, 20 and 30 best days excludes the top respective return days.

Many investors quickly revert to being loss averse when stock don't perform as expected and want to run to the "safety" of GIC's and treasury bills but unfortunately this can lead to poor buy and sell decisions that do not coincide with your long-term objectives. Investing and risk are a package deal. You cannot have one without the other but our mandate has always been to place our clients in diversified products that are suitable for them based on many factors including their time horizon and goals.

We would like to thank you for the trust you place in our team and please reach out to us if you have any questions or concerns.

The information in this newsletter is derived from various sources as at December 31, 2018, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, Richardson GMP, iA Investment Management, National Post, Bloomberg, Yahoo Canada Finance, and Trading Economics. Index information was provided by TD Newcrest and PC Bond, and all quoted equity index returns are on a total return basis (including dividends). This material is provided for general information and is subject to change without notice. Although every effort has been made to compile this material from reliable sources; no warranty can be made as to its accuracy or completeness, and we assume no responsibility for any reliance upon it. Before acting on any of the above, please contact us for individual financial advice based on your personal circumstances.

News and views

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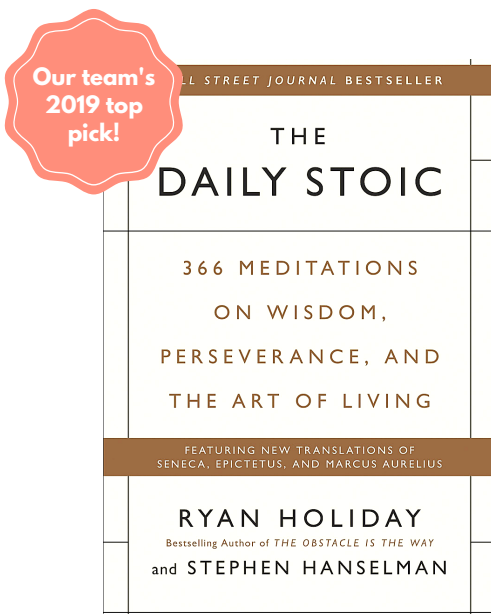
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DID YOU KNOW?

We have a blog section on our website where we post articles on everything from market updates and investing essentials to upcoming client events. All of our past and future newsletters are also available for download. Be sure to check back often and follow us on our other social platforms for regular team updates!

www.essentialwealthgroup.com



Great advice to take into the new year!

*"Control your perceptions.
Direct your actions properly.
Willingly accept what is outside
your control."*

The Daily Stoic by Ryan Holiday is filled with everyday wisdom and inspiration for living with more peace and joy.

IMPORTANT TAX FILING NUMBERS




BASIC PERSONAL AMOUNT	\$11,809
MAX EI INSURABLE EARNINGS	2018 - \$51,700 2019 - \$53,100
LIFETIME CAP. GAINS EXEMPTION	\$848,252

LOW-INTEREST LOANS The current family rate is 2%

MEDICAL EXPENSES The maximum you can claim is 3% of net income or \$2,302, whichever is less.

DONATION TAX CREDITS After March 20, 2013, the first-time donor super credit is 25% for up to \$1,000 in donations, for one tax year between 2013 and 2017. This program has now expired.

RRSP CONTRIBUTION LIMIT Annual maximums:
2018 - \$26,230 *Reminder: contributions to be applied to your 2018 tax return must be made by March 1, 2019.
2019 - \$26,500

 **INCREASED!**
TFSA CONTRIBUTION LIMIT

The annual limit for 2019 is \$6,000, up from \$5,500 in 2018.

HOW TO CALCULATE YOUR RRSP ROOM

18% of the previous year's earned income

(-) LESS

any pension adjustments

(+) PLUS

any unused carry-forward room

Earned income includes: • Income from employment • Net rental income • Net business income • Certain support payments received • CPP/QPP disability payments

Earned income does not include: • RRSP/RRIF income • Interest income • Capital gains • Dividends • CPP/QPP (other than disability) • Old Age Security • Workers' compensation • Retiring allowance



IMPORTANT

If you signed up for electronic delivery, your tax slips will be made available ONLINE ONLY via your MyPortfolio+ login

PENSION INCOME AMOUNT

If you reported eligible pension, superannuation or annuity income you may be entitled to claim up to \$2,000.

OAS RECOVERY THRESHOLD "CLAWBACK"

If your net world income exceeded \$75,910 for 2018, you may have to repay part of, or the entire amount of OAS pension collected. This is commonly referred to as the OAS "clawback".

AGE AMOUNT

This can be claimed if you were 65 years of age or older on Dec 31, 2018. The maximum amount that can be claimed for 2018 is \$7,333.

HOME BUYERS AMOUNT

If you purchased a home last year, you may be eligible to claim up to \$5,000 of the purchase cost, and get a non-refundable tax credit of up to \$750.

FAMILY CAREGIVER AMOUNT

If you have a dependent who is physically or mentally impaired, you may be able to claim up to an additional \$2,150 in calculating certain non-refundable tax credits.

CHILD DISABILITY BENEFIT

Up to \$2,771 (tax-free benefit) for families who care for a child under 18 with a severe and prolonged physical or mental impairment.

CANADA CHILD BENEFIT

The maximum CCB benefit for 2018 (non-taxable) is \$6,496 per child under age 6 and up to \$5,481 per child aged 6 through 17. Amount based on family net income.

DISABILITY AMOUNT

\$8,235 (non-refundable credit), with a supplement up to \$4,804 for those under 18 (the amount is reduced if child care expenses are claimed).

CHILD CARE EXPENSE DEDUCTION LIMIT

The maximum amounts that can be claimed:
\$8,000 – children < age 7
\$5,000 – children 7-16
\$11,000 – children who are eligible for the disability tax credit

MY
2019
Resolutions

STOP

in 2019 I will stop:

START

in 2019 I will start:

WANT

what I really want in 2019 is:

IMPROVE

what I will improve upon in
2019:

LEARN

what I would like to learn in
2019:

TIPS:

1. Start small and be realistic. Make resolutions you think you can keep.
2. Talk about them. Tell friends and family who can keep you accountable.
3. Track your progress. Each success will help keep you motivated.
4. Don't beat yourself up. No one is perfect and obsessing over the occasional slip up won't help. Try to have fun with the process.



With you, every step.™

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Insurance products provided through Hollis Insurance.