



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors / Portfolio Manager

WEALTH MONITOR

ARE INCREASING CPP PREMIUMS HURTING SMALL BUSINESSES?

From 2019 to 2023, the CPP contribution rate for employees will gradually increase from 4.95% to 5.95% on earnings between \$3,500 and the Year’s Maximum Pensionable Earnings (YMPE) limit (\$55,900 for 2018). Moving forward, CPP will eventually aim to replace one third of an individual’s average work earnings rather than one quarter, as has previously been the target. The thesis is that this will result in less reliance on other sources of income, such as the Old Age Security program, workplace pensions and private savings to make up the rest of your retirement income.

In addition to the above, by 2025, the maximum earnings limit is also set to gradually increase by 14%, creating the Year’s Additional Maximum Pensionable Earnings (YAMPE). This is a new concept and for earnings between the YMPE and YAMPE, the employee and employer will each pay premiums of 4%. This means that not only are contribution rates increasing on the existing amount of pensionable earnings, but for employees receiving a salary above the previous earnings limit there will now be another tier of mandatory pension contributions.

Although the intention of this change is to increase the amount of income Canadians receive in their retirement years (through enforcing a larger amount of savings during their earning years), some small business owners feel these higher premiums could hinder the growth of their businesses. Further, self-employed individuals will feel the effects of these changes to a higher degree than a *traditional* employee, as they bear twice the cost of CPP contributions: as a self employed-individual, it is mandatory to contribute both the employer’s portion of premiums as well as the employee’s.

A recent *Globe and Mail* article interviewed small business owners and found that some felt these increases could result in a need to cut hours and delay hiring, which would obviously affect the level of service that customers are used to and, in turn, could result in a loss of trade/clients. This is reinforced by findings from the Canadian Federation of Independent Business (CFIB) who state:

“69% of business owners said they may need to freeze salaries and benefits to accommodate the hike, and more than a third said they may have to eliminate jobs.”

As a result, the CFIB (among others), are calling on federal and provincial governments to review these changes and freeze any proposed increases in payroll tax hikes.

WINTER 2018



“Christmas begins on the first of December with an office party and ends when you finally realize what you have spent...normally around the end of April the following year.”

– PJ O’Rourke

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MSC NEWS

Staff Updates:

We would like to congratulate **Sandra Vieira**, our Office Manager, on her 10th anniversary with MSC. Many of you will have met Sandra and know how integral she is to the Team! Thank you for all your hard work Sandra, here's to another 10 years!

Conference Season Wrap-Up:

Now that we are through symposium/conference season, we recently held our annual in-house lunch and learn session which provides an opportunity for everyone at MSC who has attended conferences to share and discuss interesting topics and ideas that have cropped up throughout the year.



Conferences of note included:

- Institute of Advanced Financial Planners (IAFP) Annual Symposium – Ottawa/Gatineau
- Dimensional Fund Advisors (DFA) Advanced Conference – Chicago
- Society of Trust and Estate Practitioners (STEP): Global Congress (Vancouver) & National Conference Canada (Toronto)
- Canadian Tax Foundation, BC Conference – Vancouver

As always, we will continue to uphold our commitment to professional development and share with you any information/industry developments which may be of use to your financial situation.

WHAT HAPPENS IF MY EXECUTOR PASSES AWAY?

If you have a complex estate, the importance of naming an appropriate executor is seemingly apparent. What can get overlooked, however, is the importance of maintaining a suitable alternate executor. A potential scenario could occur where your executor passes away in the process of administering your estate and you have outlived your alternate executor. The result is that your executor's role would likely be assumed by the executor of their estate. If you have a complex estate and your executor does not, their choice of executor would likely not be an appropriate person for you. Very few people would consider another person's estate requirements when selecting their own executor!

If the new executor has no interest in taking on the responsibility and the beneficiaries of the estate cannot decide on an alternate executor, it is plausible for months to go by, legal fees to build up, and even for a judge to appoint a Public Guardian to administer the estate.

In summary, if you have a complex estate that will require a specific level of knowledge/skill set, you should probably have an independent third party or trust company named as an alternate executor. This doesn't prevent you from naming an individual as well, but from the perspective of risk management, it could prove a savvy contingency plan: *Individuals pass away, corporations don't.*

If you have any questions, please speak with your MSC Advisor. We're always happy to hear from you!



THE ISSUES FOR CANADIAN CANNABIS INVESTORS AT THE U.S. BORDER

The legalization of cannabis on October 17th was one of the most talked about events in recent memory, both within Canada and around the world. If you have been following this saga in the financial media, you will no doubt be aware of the hype surrounding cannabis stocks and the many speed bumps that continue to blight the industry post-legalization. One of the central issues that has yet to be ironed out is that of Canadian cannabis investors crossing the U.S. border.

State Laws in the U.S. vary greatly regarding use and possession of the substance. Currently, marijuana is legal for recreational purposes in 10 states, including Washington, Oregon, California and Nevada (the majority of the West Coast) and for medical purposes in 33 states. Despite the general trend of legalization throughout the States, it is Federal Law that prevails when crossing the international borders to the U.S.

Under U.S. Federal Law, cannabis is considered a Schedule 1 substance (along with heroin and ecstasy). Interestingly, cocaine, opium and methamphetamines are considered Schedule 2 substances. As such, use and/or possession of cannabis is illegal in the U.S. for any purpose. The recent legalization of cannabis in Canada has meant that this subject has become a hot topic for the U.S. Customs and Border Protection (CPB) agents.

A recent article by Tax Law Professionals, Moodys Gartner, highlights the increased scrutiny that Canadian Investors and Executives in the cannabis industry are facing at the border:



“CBP recently confirmed the policy that involvement in the cannabis industry, including investment and serving in executive roles with cannabis companies, may be deemed as participation in international criminal organizations. This risk is even greater for Canadian individuals who have invested in US cannabis-related businesses, even if the US cannabis-related business operates only in states where cannabis has been legalized.”

The most recent update from the United States Department of Homeland Security on the issue, reads:

*“If you’re a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible and you are allowed to enter the U.S. * However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible.” Note: The Burden of Proof is on the Canadian citizen.*

This ambiguity extends to cannabis users with multiple reports of Canadian travelers who have admitted to consuming cannabis at some point in the past (legally) being denied access to the U.S. or even receiving an irrevocable lifetime ban from entering the country. Moodys Gartner advise that:

“Authorities from the US and Canada are currently working together to reach some sort of resolution that would keep many Canadians from becoming inadmissible to the US for activities that are or will be legal in Canada. . . It is imperative now, more than ever, that travelers to the US obtain qualified legal advice to ensure that all risks specific to the traveler are addressed proactively.”

** emphasis added by MSC.*

MSC IN THE PRESS

MSC Advisors appeared:

August 7, 2018

Globe & Mail, Chris Atchinson [“Don’t underestimate the threat of personal liability lawsuits?”](#) (Ian Black)

August 24, 2018

Globe & Mail Financial Facelift [“Facing a major cash-flow shortfall, how should Faith deploy her substantial investable assets?”](#) (Ian Black)

September 6, 2018

Globe & Mail, Kira Vermont [“There’s a smart way to shut down the bank of mom and dad.”](#) (Ngoc Day)

October 4, 2018

Globe & Mail, Diane Maley [“A guide to money management: Who should handle your nest egg?”](#) (Ian Black)

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Facebook site to read our latest articles.
www.macdonaldshymko.com

HOLIDAY WISHES

With holiday season around the corner, we are thankful to be connected with you as your personal advisor. We also would like to wish you and your loved ones all the best as you celebrate and enjoy each other’s company this festive season.

Sometimes, the many details that make up a holiday may seem trivial: preparing that favorite family recipe; reaching out to a special someone you’ve been meaning to call; coming home from the office early to see the family (even if your tasks aren’t yet complete!). But remember, this season and year-round, over time, small acts can compound to produce enormous results.

While we would usually emphasize this point as it relates to your financial well-being, let’s take a break from money matters for a moment, and appreciate how this applies to all aspects of life, family and friendships.

Again, we wish you and yours a warm and wonderful holiday season. May it be filled with cherished memories, large and small!

THANK YOU FROM MSC

Who else do you know that we can help?

MSC is a client referral-based firm and we thank you for referring your family, friends and coworkers to us. We appreciate our clients’ ongoing loyalty and trust in our services; we are fortunate to have many long-term client relationships that have continued for decades, some more than 40 years!

Please feel free to send this newsletter to others you think may benefit from a Fee Only Financial Planner. Our newsletters can also be viewed at the address below:

www.macdonaldshymko.com/financial-resources/articles-and-newsletters



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