



# Wealth Management Update

TD Wealth Private Investment Advice

Fall 2014

## Higher Taxes/Ontario's Fiscal Reality<sup>1</sup>.

We have all heard for many years that the balancing any provincial budgets requires a review of expenses and revenues. Reduced spending and increased taxation, is the goal. Ontario's budget deficit is the largest of all Canadian provinces at \$12.5 billion representing 1.7 per cent of our gross domestic product (GDP). Christopher Ragan from the *Globe & Mail* explains that we should review each component separately to uncover our real issue. Expenses related to our core provincial program costs are the third lowest at 16.7 per cent of GDP, with only Alberta and Saskatchewan spending less. So Ontario spends \$8,676 per person, per year on essential programs like health care. Because we have so many people, the average cost is spread out for a given level of service need. Prince Edward Island spends 26 per cent of their GDP. On the revenue side, we sit second lowest at 16 per cent of GDP. Coincidentally PEI is again the highest at 27.7 per cent. This would suggest a conclusion that Ontario has a revenue problem. Therefore, the lion's share of the issue needs to be addressed using increased taxes. Therefore, a faster growing economy or actual higher tax rates are two of the only real choices for improvement.

## Ontario's New Pension Plan.

The Liberal Premier, Kathleen Wynne has decided with the backing of her solid majority, to introduce a new public pension plan, unique to Ontario. Although not yet law, it is certainly going to be strongly worked on in her next four years in office. Here is what we know to date. Canada Pension Plan (CPP) is only \$12,500 gross per year; two

thirds of Ontarians do not have any work-based pension; the Federal government wants to eliminate debt, not adjust any CPP payments. So here is Kathleen's answer: employers must deduct 1.9% from employees' salaries on the first \$90,000, and then employers would match. Small, periodic contributions providing a form of forced savings and a deduction from tax. Whether this new plan ever comes to fruition, or whether we succeed in gaining yet more reductions to those already generous public servant pensions remains to be seen. I wonder if all the interested parties, both private and public, may now see that we need to address many components of our finances to have any hope of improving the retirement lives of so many Ontario workers.

## June Client Relationship Model Pamphlet.

In your June TD Wealth statements, there was an important brochure, explaining new regulations for what details clients should know about prior to a trade. It has been my approach to counsel clients on the management costs of their investments: mutual fund/exchange traded fund MER costs; advice costs on cash/bonds/GICs; early redemption fees. Please contact my office directly if you want some clarification from that pamphlet.

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