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This is the Private Wealth Podcast with Manulife Private Wealth.

Speaker Participants

Leslie Brophy
Assistant Vice President, Head of Investments and Head of Sales, Manulife Private Wealth

Frances Donald
Chief Economist and Head of Macroeconomic Strategy, Manulife Investment Management

Hemal Balsara
Assistant Vice President, Tax and Estate Planning, Manulife Financial

Presentation

Hello everyone. Welcome to the Manulife Private Wealth Economic Outlook and Year-End Tax Planning conference call. Covering new topics every quarter, we welcome advisors and clients to connect with us to broaden their knowledge and explore Manulife's Private Wealth offering.

I would now like to turn the meeting over to Leslie Brophy, AVP, Head of Investments and Head of Sales at Manulife Private Wealth. Please go ahead.

Leslie Brophy, Assistant Vice President, Head of Investments and Head of Sales, Manulife Private Wealth

Thank you, Operator. Hello everyone and thank you for taking time to join us today. My name is Leslie Brophy. I lead the team of private wealth consultants and investment counsellors at Manulife Private Wealth. On behalf of our team, welcome to the call.

As another year draws to a close, it's a good time to reflect back on events that shaped 2019 and also look ahead to what the new year might have in store for us.

The current financial environment seems choppy and difficult to navigate, given existing geopolitical tension. At Manulife Private Wealth, we aim to help you make sense of these moments by leveraging our team of trusted professionals so that you feel better equipped to make financial decisions.

Manulife Private Wealth measures its success based on its ability to help you achieve your financial goals. To accomplish this, it's important to us that you feel knowledgeable and confident when setting solid foundations for your future.

Today's call will provide you with insights on the direction of economic growth and investment returns in 2020, as well as review tax saving strategies. I'm pleased to welcome our speakers to this segment: Frances Donald, Chief Economist and Head of Macroeconomic Strategy, and Hemal Balsara, AVP of Regional Tax at Manulife. Their remarks today will cover what's ahead in the financial markets and provide some helpful ideas for year-end tax planning.

Just so you know, we are recording this call and a copy of the recording will be available to participants on today's call upon request. If you have any questions after the call, please feel free to contact a member of the Manulife Private Wealth team.

Our first speaker, Frances Donald, makes regular appearances on *Business News Network* and *CBC* and is frequently quoted in the *Wall Street Journal, Reuters* and *Bloomberg.* As Head of the Macroeconomic Strategy team, Frances coordinates global macro research to assist Manulife's Asset Allocation team in the development of their asset class forecast. Canada's youngest Chief Economist and, in my opinion, one of the most dynamic, Frances will share with us her insight on what's shaping up for financial markets in the new year.

Frances, over to you.

Frances Donald, Chief Economist and Head of Macroeconomic Strategy, Manulife Investment Management

Good day to everybody. There's certainly no shortage of things to be talking about in the macro environment, and I know many of you are looking ahead into 2020 and trying to get a sense of what the next year will look like. On our team, four times a year, we adjust our five-year outlook, which might seem like a very bold and aggressive way to forecast but doing this allows us to keep our eye on the ball and get a sense of what the real investment themes will be that affect our portfolios and yours.

Recently, on October 31, we released one of our five-year outlook pieces and I wanted to quickly summarize some of the views and themes that are shaping our broad outlook and remind all of us that while we may get headlines here or there on trade, it really is about what the next several years look like that will matter most. After that, I will talk a little bit about the next six months and finally I'll close on some thoughts on Canada.

Big picture as we look across over the next five years, we don't have a particularly optimistic outlook. We see no significant growth above where we are. We don't see any global economy reaching what we would call a state velocity. We often refer to a 2 percent world, 2 percent growth, 2 percent inflation, certainly no recession in the next couple of years, which might seem odd but we are going to fly low and slow when it comes to growth. Now, in part, this is being driven by a China that is structurally decelerating and pushing down growth and inflation everywhere, but also global trade activity and how this is pushing down global industrial production on a longer-term basis. As a result, we expect global interest rates to stay very low at their current or lower levels for the next several years. Again, a bold call that is framing a lot of the way we think about growth.

Now from a practical standpoint, this 2 percent world effectively implies three big investment themes for us over a multiyear horizon, and again, you might be looking for me to talk more about the next three months, but I think let's puts this into context first.

The first is that in a low interest rate world, the search for yield will continue to be an issue. People want carry, they want to receive some income at the end of every month, and with 40 percent of the global bond universe now producing negative carry, mostly via Europe, that's going to become much more difficult. This is one of the reasons why we as fund managers in Manulife Investment Management often think about places like emerging market debt, for example, or U.S. assets as places that continue to be compelling because of carry version (phon).

The second big theme from our point of view is that we actually think this is a good time over the long run to be bullish on stocks, and that's for a very unique reason. That's because the Federal Reserve in our view will be at the current or low rates for the next five years. I was on CNBC a couple of weeks ago, I made a bold call that I did not expect the Federal Reserve to raise rates for the next four years. I thought either I'll come off the stage famous or fired, but actually it went our way. The reason we were able to go with that view and why we've been holding our view that the Fed will not be hiking for four years, very dramatic call, is because we stand by the underlying data that supports it. By that I mean that the Federal Reserve told us on October 31 that they would not raise rates until they saw really significant inflation.

What is really significant inflation? It is probably something that looks like 2.5 percent to 3 percent over a prolonged period of time at least 6 months to 12 months, and we just don't see any evidence of that materializing. In the past, when the Federal Reserve has cut interest rates and engaged in what they call insurance cuts, we then had to think about how soon they would hike rates again. In the past, it's been about 7 to 13 months, but in this environment, we hold a very interesting view, which is that we expect the Fed will have to stay on hold for much longer, even as growth gets a lot better. This is a Goldilocks environment. Better growth, low inflation means stocks can do well without worrying about the Federal Reserve hiking interest rates. Again, that is a three to five-year view but for those of us taking more than just a short-term perspective, I think that's a really key determinant of how we need to view this investment world.

The third big picture theme for us is that we will have a fairly flat yield curve over a prolonged period of time, much flatter than we have in past economic cycles, and that does affect some of the way that we look at individual sectors.

So I've laid the theme for you on how we think out over a many year period, but of course along that long-term flattish trend we are going to have some variability. We expect that the United States in particular is in for a bit of a rough ride over the next three to six months, but we do not forecast a technical recession, neither in the United States nor in Canada.

To give you a sense of where some of the weakness in the global economy and some of these recession concerns have come from, I'll remind you that what we're witnessing globally right now is actually a tale of two economies. The services and consumer sectors across the entire world are actually doing okay, they're growing about trend. Global consumers seem just right on track, just like U.S. consumers are doing very well. We got more data from them this morning showing that they are on trend. But the manufacturing sector of the global economy, the industrial side, the global trade side, is very much in what I would call a manufacturing recession.

The manufacturing recession is being driven not just by trade tension but by a myriad of factors, one of which is a very typical inventory destocking. We saw this in 2013, 2016. This is what used to produce recessions that companies would gather too much inventory and then have to stall production. But companies have become a lot better at knowing what has been sold. I got a message from the grocery store the other day saying that the lettuce I bought two weeks ago had been contaminated. Couldn't believe they even knew but of course if they're tracking my points card they have a good sense of what's going on in inventory. So we see less pronounced inventory corrections that we have in the past. Nonetheless, we still see some, that's been the first issue.

The second issue is we have seen a very concerted slowdown out of China that began before trade tensions and tariffs were elevated. This is China's attempt to cool its economy from far too much debt. They've been doing this for about two years and that's been dragging down global growth. Of course, last, but certainly not least, trade tensions. The trade tensions have been filtering through the economy in two key ways.

The first one is, as I mentioned earlier, structurally. We are witnessing companies in the United States and several other countries actually having to change their supply chain relationships. That means they used to do business with a CEO in China, now they're having to form new relationships, travel across to Vietnam, develop new ways of doing business. One of the ways we know this is happening is because we see trade activity decelerating not just between U.S. and China but between the U.S. and the rest of the world as well. This is evidence that companies are forming new business relationships. They're very sticky. That also means that even if we got better headlines on trade tomorrow, we certainly wouldn't see a very quick reversion as CEOs have spent 18 months trying to form new business relationships outside of China.

The second way that trade tensions have limited growth and contributed to this manufacturing recession is via confidence. This has been very, very difficult for any of us to model. We haven't be able to say with any accuracy what trade tariffs and the Trump administration's trade policy has done for confidence, but we know because we see it in the data that it has radically altered CEO and large business confidence, as that level is currently consistent with a recession and that is very problematic for growth.

Based on the way we see manufacturing activity, we know that some of this weakness will persist into the first half of 2020 and some of it will bleed over into the U.S. consumer. We're not talking about, again, a consumer recession. We still see a consumer that is structurally in a good place, but enough to see more people talk about the possibility of a recession in the first half of 2020.

Now what's so interesting about the global economy right now is that every major economy is suffering from this bifurcation, a manufacturing section that's in recession and a consumer that's doing okay, but the strength of that bifurcation just how bad it is is what's making the big difference between the stronger economies and the weaker ones.

Now, curiously, I didn't know this until I started actually looking at trade, is that Europe is at the centre of global supply chains. It has more supply chain connections than any region in the world including Asia. Europe is experiencing the worst of the manufacturing recessions. Germany, the fourth biggest economy in the world just narrowly escaped a technical recession just by about a decimal point, and that's because they are suffering the worst of the trade tension, the inventory destocking and the China slowdown.

Now, curiously, when we look into the first half of 2020 and I mentioned some of the reasons we think the U.S. will continue to slow, but we are seeing a stabilization in global data. For the first time in several years, you may begin to hear people talking about global growth looking a little bit better than U.S. growth. So on our team, we have been shifting some exposure towards non-U.S. equities as a result of that view.

Now I just want to spend a couple of quick moments on Canada before I turn it over to our next speaker.

Canada has had a very interesting spot in this global story. It too has seen a tale of two economies and the Canadian manufacturing sector hit with the additional whammy, which is structurally low oil prices that has limited energy spending in this country, a very painful time for the energy patch and often not discussed at the length that it should be because it hasn't been reflected in national data. However, we have a bit of an out-of-consensus view. We expect the Bank of Canada will only be cutting interest rates by mid 2020, not before, and maybe not at all. That seems sort of strange if we see the rest of the world continuing to suffer and the U.S. in weakness.

But the Bank of Canada has been pretty clear that it believes there are very high costs to cutting interest rates in Canada. What are those costs? Well, essentially, Canada, as many of us, all of us on this call know, has extremely elevated debt levels, unlike the United States, so if we cut rates we're making our problems much worse. This is not a problem that the United States has to deal with. What that means is that the Bank of Canada has to see that these high costs we would pay for rate cuts has to outweigh the pain of holding on right now.

So, what we're looking for is particularly bad economic data. So, data that in the past might have triggered a rate cut has to be much worse than it would have been in past cycles.

Curiously, the Canadian data has actually been fairly strong. Last week we had another core inflation freeze, six months above the Bank of Canada's inflation target. Retail sales volumes rebounded in the third quarter. Canadian job growth on a 12-month cumulative basis, Canada has added the most jobs since 2003. Most interestingly is that mortgage credit, which is one of the channels through, which Canadian bank cuts would actually support growth, has already been improving off the back of lower U.S. rates. Many of you will know that Canadian duration, our Canadian bond market is imported via the U.S. bond market. If the U.S. bond market moves, so too does the Canadian market and less so to the Canadian mortgages.

So, at this point Canada is benefitting from the lower rates of the United States, and there's no real evidence in the data that there is need for an immediate rate cut. Is it possible that the Canadian economy deteriorates? Absolutely. If we're wrong and the U.S. does head into a full-blown recession, Canada will follow. If the U.S. goes into a recession, the Canadian recession will be multitudes worse, in part because of those elevated debt levels.

For now, that isn't our base case. I will say that the risks in the entire global economy are certainly tilted to the downside. So, this is an environment in which we should remain cautiously optimistic but very aware that there are some imbalances and we are certainly closer to a recession or a weakness than we were a year ago today.

So, I'm going to stop here and pass it on to the next speaker. Thank you very much for your attention. I hope you get a chance to look at our publications. Follow me on Twitter. I post a lot of stuff about this. Let us know if we can be of any help.

Leslie Brophy, Assistant Vice President, Head of Investments and Head of Sales, Manulife Private Wealth

Thanks Frances, and congratulations on being named one of Canada's Top 100 Most Powerful Women in Canada. That speaks volumes about you and your professional achievements. Congratulations.

Frances Donald, Chief Economist and Head of Macroeconomic Strategy, Manulife Investment Management

Thank you.

Leslie Brophy, Assistant Vice President, Head of Investments and Head of Sales, Manulife Private Wealth

Our next speaker, Hemal Balsara, is the AVP of Regional Tax at Manulife, a member of the Manulife Financial Tax and Estate Planning team. Hemal works closely with Manulife Private Wealth to support high net worth clients and deliver integrated insurance and tax planning solutions. Hemal has contributed to various publications including Canadian Tax Highlights; PWC's Wealth and Tax Matters; and the Canadian Taxation of Life Insurance.

Thanks for joining us today. Hemal, over to you.

Hemal Balsara, Assistant Vice President, Tax and Estate Planning, Manulife Financial

Thank you for the introduction. It's great to be here chatting with you about some 2019 tax tips. Very simply, nobody likes to pay more tax than they have to. With a little planning and some of these tips, you can potentially lower your tax bill. The strategies that we'll be discussing will strive to reduce your taxes in one of two ways, either deductions or credits.

Your next question to me is, what's a deduction and what's a credit? Deductions will reduce your taxable income, so the tax reduction will be reflected at your marginal tax rate. For example, a deduction of $1,000 will reduce your income by that same amount. Your tax savings in dollars will be the product of the deduction and your marginal tax rate.

Tax credits, on the other hand, can be broken down into two subsets: either non-refundable or refundable. Non-refundable tax credits can also reduce your tax owing but are generally calculated at the lowest tax rate. If the total of your non-refundable credits is more than your taxes owing, you will not get a refund for the difference. Refundable credits, on the other hand, may also be available to reduce or eliminate the amount of tax you owe. However, unlike non-refundable credits in tax deductions or refundable credit can actually create a tax refund when the amount of the credit is larger than the amount of your taxes owing.

A variety of expenses can only be claimed as a tax deduction or a tax credit on your tax return if the amount is paid by the end of the calendar year. If you want to realize the tax savings sooner, consider paying the amount by the end of the year to get the benefit of the tax deduction or tax credit on this year's tax return. Timing, as they say, is everything.

We will be walking through deductions, tax credits, including both non-refundable and refundable tax credits and then walking through some additional personal and corporate planning ideas. Let's jump into this.

Deductions that will reduce your taxable income, so one of the biggest ones is is contributing to your RRSP or a spousal RRSP. Contributions made to your RRSP or to a spousal RRSP in the year or within the first 60 days of the next calendar year can be deducted from income up to your contribution limit. That magical day should be February 29, 2020; however, because it is a Saturday, the actual deadline is March 2, 2020. You can choose when to take the deduction for your contributions. RRSP deductions can be carried forward indefinitely long after your RRSPs are closed and can be spread out over several years to reduce your taxable earnings in your retirement years.

If you have unused RRSP contribution room carry forward from prior years, it may make sense to top up your RRSP to maximize the potential tax deferred growth. If you have less cash available than the amount of the RRSP contribution you would like to make, consider whether a loan is appropriate in your situation.

The next question is is if you're turning 71 by the end of this year, you must terminate your RRSP no later than December 31. There's several options available, including transferring your RRSP to a Registered Retirement Income Fund, or a RRIF, purchasing annuity or receiving a lump sum or choosing a combination of these options. You can use your spouse's age for calculating the RRIF minimum. You may want to do this if your spouse is younger than you and you do not wish to take as much from the RRIF as would be required for your age. In order to use your spouse's age, you must elect to do so before any payments are received out of the RRIF. It's important to note that once the selection is made, it cannot be changed, even if your spouse died. Also of note is that with withdrawals over the RRIF minimum are subject to withholding tax and the attribution rules could apply for a spousal RRIF.

If you have not maximized your RRSP contributions in previous years and have unused contribution room, you can make a lump sum contribution before closing your RRSP. Once your final contribution's made, the deductions can be used in any future year, whenever they are most beneficial for you in reducing your taxable earnings.

If, however, you have no carry-forward RRSP contribution room but have earned income in the year you turn 71, you'll have RRSP contribution room next year but no RRSP, you may want to consider making next year's contribution in December of this year just before your required conversion date. The penalty for this over contribution will only be 1 percent for the month; however, on January 1, your over contribution room disappears and you'll get a tax deduction on next year's return or whenever you choose to claim.

If you're over the age of 71, regardless of your age, if you have qualifying earned income, or unused RRSP contribution room and your spouse's age is 71 or younger, you can contribute to a spousal RRSP prior to December 31 of the year your spouse turns 71 and claim the deduction on your tax return whenever it's most advantageous to you. This strategy is particularly attractive if you anticipate your spouse's retirement income will be lower than yours.

In terms of spousal RRSP contributions, this is an effective income splitting strategy, particularly where there's a large disparity between the projected pension incomes between spouses involving—basically this involves having the higher income spouse contribute to a spousal RRSP and not paying the tax deduction while having the recipient spouse taxed on any withdrawal.

There's one important caveat, however. Income will be attributed back to the contributing spouse if the beneficiary spouse withdraws funds from any spousal RRSP within three years of any contribution being made to any spousal RRSP. The amount of the income attribution will be equal to or lesser of the amount contributed to any spousal RRSP in the current and prior two years, and the amount withdrawn by the annuitant. Given the three-year period is based on a calendar year basis, it may make sense to contribute to a spousal RRSP before year-end instead of early next year in order to reduce the attribution clock by one calendar year.

Spousal RRSP contributions after death. In the year of death, or within 60 days after the year-end of—your legal representative may contribute to your spouse's RRSP on the normal rules. This contribution will be deductible on your final tax return.

Another option that's available is the first time homebuyer's plan. If you're thinking of buying your first home and are planning on taking advantage of the homebuyer's plan, you may wish to delay your RRSP withdrawal under the homebuyer's plan until January. Under the plan, you may take up to $35,000 from your RRSP without penalty provided you repay the funds over a 15-year period. These repayments must begin two years after the initial withdrawal. Since the repayment schedule is calculated according to the calendar year, if you wait and make your withdrawal in January instead of December, you can delay your first repayment for more than one year. To avoid an income inclusion, ensure that you begin the required homebuyer plan or put repayments by the end of the year if your withdrawal was prior to 2018.

Given the aspect is realizing capital losses, consider realizing capital losses before year-end. A capital loss must be deducted against any capital gain in the current year and the excess, if any, may be carried back three years or carried forward indefinitely to reduce a taxable capital gain reported at that time. When selling an investment at a loss, that loss immediately is available this year or one of the prior three years. The settlement date must occur in 2019. As trades take two business days to settle, complete your trade by December 27, 2019 in order to realize the loss for the 2019 tax year. Also, keep in mind, the impact of selling an investment that was purchased in a foreign currency. Since the proceeds need to be converted back to Canadian dollars, a higher foreign currency value at the time of sale compared to the original purchase date could create a capital gain rather than a capital loss.

The other aspect associated with triggering losses is superficial losses. The superficial loss will deny the capital loss on a sale. A superficial loss is defined as a loss on the disposition of a property where a person affiliated with the taxpayer acquires property or an identical property within the period beginning 30 days before and ending 30 days after the disposition provided the person affiliated with the taxpayer owns the property at the end of the period. So, one of the things to look out for if you're going to buy back the investment after.

The other aspect of this is is transferring investments to a minor child. Consider triggering a capital loss on investments being transferred to a minor child before the end of the taxation year. Further, the attribution rules don't apply to capital gains earned on investments transferred to related minors. So, it may be tax effective to have an investment that generate predominantly capital gains and allow the gains to be taxed in the related minor's hand. Since mutual fund corporations can only distribute ordinary dividends of capital gains, one strategy with investments transferred to a minor child could be to invest in corporate class mutual funds that do not distribute as ordinary dividends or just invest in appreciating securities that don't pay any dividends. This way, all of the return would be either capital gains or return of capital and not subject to attribution.

The other aspect is delaying capital gains. If you plan on rebalancing your portfolio or selling an investment with accrued capital gains, consider delaying until January of next year to the extent that it cannot be offset by realized capital losses.

Another aspect is is interest and carrying charges. Fees paid to manager who administer your non-registered investments can be deducted. Also, keep in mind, most of the interest charges you pay on borrowed money can be deducted from your income as long as the borrowed money is used to earn income from non-registered investments or from a business. If you have any non-deductible interest, such as a mortgage or car loan or RRSP loan, this is a great time to review your situation as this interest is nothing but a personal expense. It could be worthwhile to ask your advisor if you can reorganize your investments to make the interest tax deductible.

Child care expenses. Qualifying child care expenses paid to someone who takes care of your children so you or your spouse can earn income, go to school or conduct research, can be deducted. Qualifying child care expenses can include amounts paid to a child at least 18 years of age to look after siblings 16 years of age or younger. Generally, only the spouse with the lower net income can claim these expenses. However, the higher income spouse may be able to claim these child care expenses under specific situations, such as when the spouse was enrolled in an educational program.

In terms of another consideration is moving expenses. You can claim expenses that you paid for moving at least 40 kilometres closer to a new place of work or to take courses as a full-time student. However, these expenses can only be deducted from taxable income earned at that new location, or from any taxable amount of scholarships, fellowships, bursaries, certain prizes and research grants. You can carry forward unused amounts until you have enough eligible income to claim them.

Another aspect associated with moving is is planning the time of your move. You'll face tax in the province in which you're resident on December 31 each year. If you're planning a move this year to a province with higher tax rates, consider delaying the move to January so that you could take advantage of the lower tax rates in your current province for one more year. Conversely, if you're moving to a province with lower tax rates, you may want to plan the move before the end of the year.

Pension income splitting. Spouses can split eligible pension income with their spouse. This can result in a reduction of family taxes and can also minimize the impact of income tested tax credits and benefits. If you have a spouse who is in a lower tax bracket, you and your spouse will be able to elect to have up to 50 percent of the eligible income transferred to the lower income spouse. Eligible income is defined as income eligible for the pension income credit. While this is a joint election that can be made when filing you and your spouse's tax returns, another consideration to be made before year-end is whether additional amounts should be withdrawn from your RRIF split with your spouse. Keep in mind that only 50 percent of the additional amount can be split. So, the remainder of the RRIF withdrawals will be taxed in your hand.

So now, if we switch gears and we talk about non-refundable credit, some tax credits can be claimed by either spouse, others can be transferred to a spouse if the spouse originally eligible for that credit is not taxable or the credits have reduced the amount owing to zero.

In terms of some credits that are available, for homeowners, the first time homebuyer's tax credit is available to reduce the cost associated with the first time home purchase. Either the spouse can claim the credit or you can share the credit; however, the total of both claims can not exceed $5,000.

Another credit that's available is the pension income credit. If you are 65 and receive eligible pension income, you're entitled to deduct your taxes payable, a Federal tax credit equal to 15 percent on the first $2,000 of pension income received plus the provincial tax credit. If you don't currently receive any pension income, you may want to consider withdrawing $2,000 from a RRIF per year. This strategy can also work where you use RRSP funds to purchase an annuity paying at least $2,000 a year. Also note that interest income from an insurance company, GIC, or the interest element of a non-registered annuity contract can also qualify for the pension income tax credit at age 65 or older.

Medical expenses. Individuals can claim any medical expenses that were not paid for by a provincial or private plan. In fact, even if you have private coverage, the premiums you pay are also eligible medical expenses. Either spouse could claim eligible medical expenses for themselves and any dependent children under 19 years of age that were incurred in a 12-month period that ends in the year. It is almost always better for the spouse with the lower net income, provided he or she is in a taxable position, to claim the medical expenses because the credit is reduced by the percentage of net income.

Donations and gifts. The credit for donations is two-tiered, with a greater credit on donations over $200. Spouses can pool their donation receipts and can carry forward donations for up to five years. By carrying forward donations and then having them all claimed by one spouse, the $200 threshold with the lower credit is only applied once. Also, keep in mind that if you donate stocks, mutual funds or segregated funds, contracts directly to a charity, you will get a donation receipt for the fair market value, but the tax on any capital gain will be eliminated.

Some other considerations include tuition and textbook amounts. A student can claim tuition paid in the year to attend a postsecondary institution as long as the amount paid to the institution was at least $100 for the year. Part or all of the unused tuition amount for the year may be transferred to a spouse, parent or grandparent or can be carried forward to a future year to be used by the student at that time.

Up to the end of 2016, students were also entitled to an education credit and a textbook tax credit for each month they were enrolled in a full time or part time in a qualifying education program at a designated educational institution. These credits were eliminated effective January 1, 2017. However, unused amounts carried forward from prior years - so basically years prior to 2017 - are available to be claimed by the student in subsequent years.

Interest paid on student loans. A student may be able to claim most of the interest paid on their student loan in the year and/or preceding five years, if the loan was received under the Canada Student Loans Act, the Canada Student Financial Assistance Act, or under a similar provincial or territorial law for postsecondary education. Only the student can claim the interest paid on their student loans. Amounts that are not claimed in the year can be carried forward to any of the next five years.

The Canada Caregiver Credit. In order to assist families to care for an infirmed dependent relative, a family caregiver will be able to claim a non-refundable tax credit if they support a spouse or dependent with a physical or mental impairment.

Now if we switch gears and go to refundable tax credits, there's a couple available. The first being the working income tax benefit. The working income tax benefit is available to low income working individuals and families. You can claim the working income tax benefit if you are age 19 or older at the end of the year and a Canadian resident throughout the year. If you are also eligible for the disability amount, you may be eligible to claim an annual disability supplement.

Medical expense supplement is another refundable tax credit. Basically, in addition to claiming the non-refundable medical expense tax credit, and where applicable, the disability support deduction, if you have high medical expenses and low income for the year, you may be able to claim a refundable medical expense supplement when filing your tax return.

Other personal considerations. Starting in 2009, in terms of TFSAs, all Canadian residents who are 18 years or older can contribute to the legislative dollar maximum per year to a TFSA. It's $6,000 for 2019. If you do not contribute or the unused amount will carry forward in the next year, unused contribution room may be carried forward indefinitely. The cumulative total since 2009, if you had not previously contributed was $63,500, including 2019.

TFSA withdrawals. If you were considering a withdrawal from your TFSA, the timing of your withdrawal is important. Withdrawals from a TFSA are not taxable, but keep in mind that amounts withdrawn from your TFSA are not added to your TFSA contribution room until the beginning of the calendar year following the withdrawal. So, consider withdrawing from your TFSA before year-end instead of early next year.

RESP's carry forward grant room. The Canada Education Savings Grant, the CESG, is available only on the first $2,500 of contribution per year per child to a maximum of $500. The grant room accumulates until the end of the calendar year that the child or grandchild turns 17, even if he or she is not a beneficiary of the registered education savings plan. Unused basic CESG amounts for the current year are carried forward. If you have available carry forward grant room, the CESG is available on up to $5,000 of contributions per year to a maximum of $1,000. Where contributions to your child or grandchild's RESP have not been made, enhanced or catch-up contributions can be made to obtain the maximum lifetime CESG of $7,200 in just seven years, i.e., $5,000 of annual contributions to receive the $1,000 of annual CESG. Also, consider contributing by year-end where there are less than seven years until your child or grandchild turns 17 and RESP contributions have not been maximized.

RESPs eligibility for the CESG. In order to receive the CESG after age 15, the following contributions must have been made to the RESP and not withdrawn by December 31 of the calendar year in which the child or grandchild turns 15: total contributions of at least $2,000, or contributions of at least $100 or more in any of the four previous years. If your child or grandchild turns 15 this year, by December 31 of this year, you must have either contributed at least $2,000 in total to the child's RESPs or you must have put in at least $100 in any of the four previous years. They don't have to be consecutive years.

RDSPs, Registered Disability Savings Plans. So, the carry forward grant room and bond room. The Canada Disability Savings Grant, or the CDSG, and the Canada Disability Savings Bond, CDSB, are amounts paid into a Registered Disability Savings Plan, RDSP. A lot of acronyms here. The amount of the CDSG is based on the beneficiary's family net income and contribution amounts, which can result in an annual maximum of $3,500 and up to $70,000 over a beneficiary's lifetime. The amount of the CDSB is based on the beneficiary's family net income only, not contribution amounts, which can result in up to $1,000 a year to low income earners with basically Canadians with disabilities.

The CDSG and the CDSB both allow the carry forward of up to 10 years of unused grant and bond entitlements up to an annual maximum of $10,500 for the grants and $11,000 for the bonds. Therefore, if you're turning 49 by the end of this year, it will be your last chance to claim unused grant and bond entitlements.

RRSPs. Consider withdrawing in low income years. If your income will be unusually low this year, consider making an RRSP withdrawal by December 31. This strategy would generally only make sense if you are in the lowest tax bracket and would end up losing available tax deductions and tax credits. Also, keep in mind that once you have made a withdrawal from your RRSP, this contribution room is lost and the contributions can only be made to the extent that you have available RRSP room in the future.

Reducing the tax withheld by your employer. Another strategy is is you may have large tax deductible payments that are made every year, such as RRSP contributions, child care expenses, alimony payments, or interest payments on investment loans. So if these payments are made after receiving salary or other income, the deductions are not taken into account when calculating the amount of tax withheld on your income. This means that you will usually have a large tax refund when you file your tax return.

One way to pay less tax immediately is to complete Form T1213. Once again, that's Form T1213, which is basically the request to reduce tax deductions at source available at Canada.ca and submit it to your employer once you have it approved by the Canada Revenue Agency. Québec residents must also complete and file Form TP-1016, Application for a Reduction, Insource deductions of Income Tax with Revenue Québec in order to receive both Federal and Provincial Source Deduction Relief.

Another consideration is the sale of a principal residence. Starting in 2016, if you sold your principal residence, you will be required to report basic information, such as date of acquisition, proceeds of disposition and description of the property. This information needs to be included in your tax return to claim the full principal residence exemption. Failure to make a designation of principal residence for the year of sale may result in penalties.

Now, some other considerations for individuals is reporting foreign property. If you own specified foreign property at any time in the year with a total cost amount of more than CAD$100,000, you are required to fill out Form T1135, Specified foreign property may include bank accounts, mutual funds, shares, bonds, real estate and so on. For years after 2014, if the total cost of the specified foreign property is less than $250,000 throughout the year, Form T1135 provides for a simplified reporting method. This reporting method allows tax preparers to simply check a box for each type of property held, indicate in which countries most of the property is held, and the total of all income as well as gains and losses from any disposition of specified foreign property. However, if the total cost of the specified foreign property is more than $250,000 at any time of the year, detailed information is required depending on the amount of foreign assets and the information available. This can be a consuming and challenging exercise.

Another consideration is is applying for the CPP or QPP and OAS. Consider applying for your CPP and QPP retirement pension benefit if you have reached the age of 60 in 2019. However, if you begin your pension early, your pension will be reduced prior to your 65th birthday. You can also choose to receive your CPP while you continue to work. Ensure that you're enrolled for OAS, Old Age Security benefits, if you have reached the age of 65 in 2019. Keep in mind that retroactive payments are only available for up to 11 months, plus the month in which you apply for your OAS benefits.

Another aspect is is PFIC reporting. A PFIC stands for Passive Foreign Investment Company. The PFIC rules are aimed at limiting the extent to which U.S. taxpayers can defer U.S. tax through a foreign non-U.S. investment. Generally, the PFIC rules apply only to U.S. taxpayers and should not apply to non-U.S. persons. The PFIC rules affect non-registered investments. TFSAs, RESPs, RDSP accounts, registered plans such as RRSPs and RRIFs are exempt from this reporting. U.S. taxpayers who tend to purchase or hold Canadian mutual funds or ETFs should consult their tax advisers to determine the tax consequences for holding those investments.

Income splitting using the prescribed rate loan strategy. Income splitting using intrafamily investment loans generally involve a loan between spouses or common law partners but the strategy can also be effective with minor children. This is typically achieved by having the higher income earning spouse or family member make a prescribed rate loan, which is currently at 2 percent, to a spouse in a lower tax bracket. Provided that the loan is properly structured, the loan proceeds can be invested by the recipient with the income tax at their lower marginal tax rate. The interest paid on a loan amount would be taxable to the higher income spouse, and likewise, be deductible against the income of the lower income spouse.

The other aspect of this is reviewing family trust income. If you have a family trust for purposes that may include income splitting, you should determine how much income was earned in the trust in 2019 and work with a professional tax adviser to decide who should you pay that income to in terms of the income beneficiaries of that trust. It may be possible to have the beneficiaries pay the tax by making some of the income taxable to them by year-end. Generally, you won't want to have the trust itself pay the tax since trusts are taxed at the highest tax rate, personally.

From a corporate perspective, there's some considerations as well. Income splitting and using salaries or dividends. Income splitting strategies using salaries and/or dividends to family members may be available to incorporated business owners. It's possible—it's important to speak with your corporate accountant before making salary, dividend or any other payments as to the rules in place to eliminate the tax benefits from payments to family members not contributing to the business. In particular, if other family members, such as a spouse or a child are in a lower tax bracket, consider paying them a reasonable salary. Also, subject to the tax on split income rules, or the TOSI rules, paying dividends to adult family members can result in tax savings, provided that certain exclusions are met, such as age and ownership test and making a meaningful contribution to the business.

Another consideration from a corporate perspective is making a corporate donation. A corporate donation creates a deduction against the income equal to the amount donated. It may also be able to reduce passive investments, as it is funded with corporate money. Further, in-kind donations of publicly traded securities attract a zero percent capital gains inclusion rates, which means that the tax on any capital gain arising from the disposition is eliminated, and this results in a significant tax saving. Finally, since 100 percent of the capital gain tax redeemed, higher gain is added to the capital dividend account, which can then be paid out to the shareholder tax free.

Shareholder loans. If you've made a loan to your company, consider a repayment of that loan. Shareholder loan repayments are tax free and can be a more tax efficient alternative to other forms of payment. Conversely, if you borrowed money from your company, consider repaying the entire loan before the corporation's year-end to avoid an income inclusion.

In terms of the corporate passive investment income, starting in 2019, passive income earned inside a corporation can lower a corporation's small business deduction. This reduction begins when a corporation or group of associate corporations are more than $50,000 of what we call adjusted aggregate investment income, which is a calculation for determining the passive income levels in a year. For each dollar of passive income above and beyond $50,000, small business deduction will be reduced by $5, and the SBD, or the Small Business Deduction, will be fully eliminated when the passive income reaches $150,000, at which point the corporation is taxed at the highest general corporate rate.

Consider strategies that reduce passive income within your corporation that may impact the clawback of the small business deduction. Investing in low taxable or low distribution assets that generate little or no taxable income, such as corporate class mutual funds, will result in less passive income and possibly in future years as well. Expenses incurred to generate passive income, such as interest expenses or investment council fees, can be used to reduce passive income. Also, consider using passive assets to repay outstanding shareholder loans or pay dividends from the CDA.

You should speak to your tax adviser to determine which strategies are available to lower your corporation tax liabilities.

Please note that on an integrated basis, having the clawback apply and subsequently paying dividends, there actually may be tax savings in both New Brunswick and Ontario. For the rest of the country, there will be a tax cost associated with the clawback applying.

Long story short, we have gone through a variety of ideas today. We've looked at possible ideas from a tax deduction, tax credit, and corporate considerations for business owners as well.

I want to thank you all for your time and business, and I will now pass the conversation back to the Manulife Private Wealth team.

Leslie Brophy, Assistant Vice President, Head of Investments and Head of Sales, Manulife Private Wealth

Thanks Hemal. You've certainly given us a lot to think about, both on a personal and corporate side.

As we head into 2020, this is an excellent opportunity to review your investment policy statement with your investment counsellor to ensure it remains aligned with your immediate to long-term goals. Taking the time now to review your investment goals helps to ensure your existing asset mix and investments are aligned with your tolerance for risk and volatility.

We hope today's comments were helpful to you as you look forward to 2020. As always, if you're curious about what Manulife Private Wealth Investment platform can do for you and your clients, people don't hesitate to reach out to a member of the Manulife Private Wealth team.

On behalf of the team, I want to wish you and yours all the very best during the festive season. We look forward to hosting our next call in Q1 2020. Thanks everyone. This concludes our call today.

Follow the Private Wealth Podcast on www.manulifeprivatewealth.com or contact us via manulifeprivatwealth@manulife.com for more information.