Manulife Securities

QUIRION FINANCIAL SERVICES

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INSIDE THIS ISSUE:

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COVID-19

We want to express our sincere hopes that you and your family are healthy and managing well during this difficult period. We are writing to provide you with a quarterly update and information on how the COVID-19 pandemic has affected financial markets.

The first quarter of 2020 was unlike any we have seen in a very long time. In response to the pandemic and the social distancing and lockdown measures that have affected over one-third of the world's population, global capital markets declined sharply. Energy prices also weakened significantly as a result of a price war between Russia and Saudi Arabia, further affecting the shares of energy companies and adding to the general atmosphere of anxiety in the markets. This was a stark contrast to the decade of gains investors had experienced since the end of the financial crisis. In fact, North American stock markets had reached all-time highs in February, on the heels of their strongest year since 2013.

The S&P 500 Index, a broad measure of U.S. equities, had the worst start to a year in history, down 20% (in U.S. dollars) over the three months ending March 31, while the Canadian S&P/TSX Composite Index posted its worst quarter since the financial crisis, declining 21.6%. The Canadian dollar declined in value over the quarter, helping to mitigate losses for Canadians invested in U.S. markets.

As businesses were ordered closed to help stem the spread of the virus, central banks moved quickly to respond to the downturn with policies aimed at stabilizing the financial system, while the G7 countries announced that they would be willing to use "all appropriate policy tools" to provide economic support during the COVID-19 outbreak. Amidst surging unemployment numbers in both Canada and the U.S., the U.S. unveiled a US$2-trillion stimulus package, while the Canadian government's commitment to fiscal support reached C$176 billion. The U.S. Federal Reserve (Fed) made two emergency cuts to its policy rate, bringing it to a range of 0-0.25%, while The Bank of Canada made three rate cuts to reduce its overnight lending rate to 0.25%.

Certainly, this has been a very difficult period, and you may be anxious about your investments as well as your own health and the health of your loved ones. There are still many unknowns about the virus and the economic impact of the measures being taken to control it. However, it is at these times of great uncertainty that discipline and the ability to remove emotion from one's financial decisions becomes an investor's most valuable asset. We believe that your trust in Quirion Financial Services to oversee your investments objectively will prove beneficial as we come out of this correction. As history has demonstrated, markets have ultimately recovered from setbacks, large and small, before moving higher in the long run.

You can take some comfort in the fact that the portfolio we have built together is diversified and constructed to withstand the market shocks we are currently experiencing. A well-diversified portfolio geared toward your financial goals and risk tolerance remains the best approach to dealing with volatility and offers one of the best opportunities to participate in the inevitable market recovery.

I want to leave you with a chart that demonstrates the importance of staying invested throughout downturns, and the risks of trying to time recoveries. While I may have shared this with you in the past, it illustrates the point so well that I believe there is no harm in seeing it again.

Source: Morningstar, CI Investments. S&P 500 TR in USD from January 1, 1990 – December 31, 2019 using daily returns.

In closing, we would like to wish you and your family well during this unique time in all of our lives. Remember we are just a phone call away, so if you have any questions about your portfolio and investment plan.

Thunder Bay RFDA and Shelter House

<u>Personal Note From Roger</u> – *Since at least the beginning of March I have been asking myself what I could do to help out during this once in lifetime health and economic crisis we are all going through. I have always tried to step up to the occasion at times when I felt I could make a difference. Now I am facing a reality that is hard to take; many dedicated people are stepping up to help (whether they are working or volunteering). Right now I am torn between my family and community obligation and the desire to make a difference in helping people in need.*

I reached out to Mayor Bill Mauro to ask him for suggestions on where my financial help would be most helpful. When he got back to me, he suggested the RFDA and Shelter House as they are fulfilling a very urgent need while their recourses are under great pressure. I have decided to reduce my gross take home pay by $1,000 bi-monthly for the next two months and intend to split these funds equally between Shelter House and the RFDA.

Many of our investment partners are hosting client friendly webinars and conference calls that you may find interesting. This is an opportunity to hear directly from the investment managers.

Send us an email to get added to the invitation list.

<u>TAX PAYMENT AND FILING DEADLINES</u> – Individuals now have until June 1 2020 to file the personal return. Self-employed taxpayers (and their spouses or partner) still have until June 15 2020 to File.

You now have until August 31 2020 to pay any balance owing for your 2019 tax return. You may have to pay interest on any balance owing after August 31st

If you expect to receive income tested benefits, such as the Goods and Services Tax credit (GSTC) or the Canada Child Benefit (CCB), it is recommended that you still file your return by April 30 to help ensure your benefits can be properly calculated in time for the 2020-21 program payments that begin in July 2020.

<u>SPECIAL GOODS AND SERVICES TAX CREDIT PAYMENT</u> – The government announced a one-time special payment on April 9 2020 through the GST Credit, doubling the maximum annual GST payment amount for the 2019-20 benefit year. The government estimated an average boost to income for those benefitting will be approximately $400 for single individuals and nearly $600 for couples. Estimated to benefit 12 million low and modest-income Canadian Families.

<u>INCREASED CANADA CHILD BENEFIT PAYMENTS</u> – The government is increasing the maximum CCB payment amounts for the 2019-20 benefit year by $300 per child as part of their MAY 2020 payment. It estimates that the average increase for families receiving the CCP will be approximately $550 on average.

<u>STUDENT LOANS AND APPRENTICES</u> – The government announced a six-month, interest-free moratorium on the repayment of Canada Student Loans and Apprentice Loans for all individuals in the process of repaying these loans. No Interest will be added on these loans during the period beginning March 30 2020 and ending September 30 2020.

<u>RRIF MINIMUMS</u> – The government announced that fir 2020, it is reducing required minimum withdrawals from RRIFs by 25% "in recognition of volatile market conditions and their impact on may seniors' retirement savings." This will provide needed flexibility to seniors that are concerned that they may be required to liquidate more of their RRIF assets than they need to meet the current legislated minimum withdrawal requirements.

<u>CANADA EMERGENCY RESPONSE BENEFIT (CERB)</u> – For Canadians who have lost jobs or who are sick, quarantined or forced to stay home to care for children, the CERB will provide income support of $2,000 per month ($500 per week). Individuals who stop working as a result of the Covid-19 pandemic may receive the CERB for up to 16 weeks. It will apply to workers who have lost their jobs, also available to those who are sick, quarantined, or taking care of someone who is sick with Covid-19. Working parents who must stay home without pay to care for children, either because children are sick or are at home due to school and daycare closures, will also be eligible for the CERB. It will not however apply for workers who have voluntarily quit their jobs.

To be eligible for the CERB, you must be at least 15 years old, reside in Canada and have a Social Insurance Number. You must also have had a minimum of $5,000 of income or maternity or parental benefits under the EI Program in either 2019 or in the 12 months prior to the application.

On April 15 2020 the government announced that the criteria to qualify for the CERB will be relaxed. Those who have recently exhausted their EI Benefits coverage, including seasonal workers, will also now be covered. Workers can apply for the CERB for any four-week period beginning on March 15 2020 and ending on Oct 3 2020. You must re-apply for each four-week period and the last day to apply for the benefit is December 2 2020.

The CERB will be linked to the EI Benefit system so that you cannot be paid both EI and CERB at the same time.

<u>Bank Support Programs</u>: The Big 6 banks made a joint commitment to work with personal banking customers on a case-by-case bases to provide flexible solutions to help customers manage challenges from Covid-19. Customers are being asked to reach out to their banks to see what assistance is available for them. Due to the large volume of customer inquires, delays are to be expected.

Support from all banks is expected to include up to a six-month deferral for mortgages and the opportunity for relief on other credit products.

<u>Can home Office expense be Deducted during covid-19?</u>

Employees my deduct very limited employment related expenses on their individual income tax return if certain conditions are met. An employee earning commission or salary income may deduct home office expenses that relate to use of a work space in the employee's home if the employee is required to pay for these expenses under his employment contract or as required by him employer. On of the two conditions must be met:

- The work space is where the employee principally (more than 50% of the time) performs the duties of employment
- The work space is used 'exclusively' for the purpose of earning income

In the current Covid-19 pandemic, if employees are only required to work from home for less than 50% of the year, they may not be able to deduct their home office expenses.

If the conditions are met, the deductible home office expenses include: utilities, maintenance, home supplies and minor repairs. Employees cannot deduct insurance or property tax unless they are commission remunerated employees. In all cases, mortgage interest and capital cost allowance are not deductible.

In calculating the percentage of home expenses that are deductible, an employee should use a reasonable basis such as the square footage of the workspace area as a proportion of the total finished area.

Employers will need to sign Form T2200 Declaration of Conditions of Employment asserting that the employee was required to maintain a workspace at their home. By signing the form, the employer certifies that the employee meets the conditions prescribed in the income tax act. It follows that the best course of action is for the employer to be reasonable certain that the employee meets the conditions before signing Form T2200.

Employees should maintain records of their eligible home office expenses and approach their employers about completing Form T2200 to support deductions taken in respect of work from home policies established in response to Covid-19.