

ODLUM BROWN REPORT

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A Message from Our President and CEO

To our valued clients,

Amid the current global health crisis, last month we made the difficult decision to close our offices to client meetings and outside visitors, and to transition most of our team members to working remotely. For a firm where our relationships with our clients and with each other are paramount, we did not take these steps lightly, but know they are the right ones to keep the communities where we live and work safe.

I want to reassure you that Odlum Brown is well prepared to tackle the ongoing crisis, and we are here for you. We have a robust business continuity plan in place, including fully functional, secure remote access and firm-wide communications. We are fully operational to meet your needs, and our Investment Advisors and Portfolio Managers continue to be available by phone and email.

In our nearly 100 years as a firm, we at Odlum Brown have experienced and learned from a multitude of global events. Now is the opportunity for us to put those decades of hard-earned resilience to work for you, our clients. As we navigate this evolving pandemic situation, we thank you for your understanding and continued trust, and for joining us in taking steps in your day-to-day lives to mitigate the risk to our collective communities. In the words of our Prime Minister, "If we act now, even if it seems like a big ask, things will be better tomorrow."

Stay well,



DEBRA HEWSON

President and Chief Executive Officer

Weathering the Storm

Trying to write content for this newsletter was next to impossible. Our deadline requires a two-week lead, and given the volatility we've experienced so far in March, much of what I say here would likely be obsolete by the time you read it.

These are unnerving times. The world is simultaneously experiencing health, leadership and credit crises. In time, however, the storm will pass. We have faith in the human race and our collective ability to overcome the challenges we face. We are learning some tough lessons about the need for good leadership and responsible finances, as well as the benefits of healthy hygiene. COVID-19 is merely the trigger that is forcing us to focus on the bigger, longer-term issues. There is lots of room for improvement, and we are confident there will be positive change ahead.

Our hypothetical, all-equity Odlum Brown Model Portfolio is full of high-quality businesses that we believe will survive the storm. Consequently, we are very comfortable with the hand we hold. Months ago, we increased our cash position because we were concerned about the riskiness of the world. Our concerns about leverage and social unrest have not changed, and hence we have no plans to redeploy the cash. It's there to provide a buffer in uncertain times. Through a combination of better leadership, prudent health practices and coordinated monetary and fiscal stimulus, we are confident that we will get through this storm.

Our entire team at Odlum Brown is working diligently to get us all through the present circumstances, and our Equity Analysts are publishing market comments and other company-specific notes daily. To read our latest comments, we encourage you to visit the online Client Centre at odlumbrown.com or speak to your Investment Advisor or Portfolio Manager. Take care, and be safe.



MURRAY LEITH, CFA

Executive Vice President and Director, Investment Research

 @murrayleith

Staying Cyber Safe at Home



There's certainly no rest for the wicked. Cybercriminal activity is on the rise as COVID-19 creates a unique opportunity for fraudsters to profit from panic. As our reliance on the internet grows with social distancing, we wanted to share a few ideas on how you can improve your cybersecurity posture as you stay connected at home:

1. Beware of phishing.

It is always a good idea to have a healthy dose of skepticism when you deal with a call or email from someone you don't know. If you are being asked to do something or provide personal information, be very careful.

Verify that the request is legitimate by making your own inquiry to confirm the person or agency making the request is not being misrepresented. Also, ensure you understand why the information or action needs to be taken – it's reasonable to ask for clarification. For more information on phishing, visit odlumbrown.com/phishing.

Odlum Brown will never ask you to provide your username or password over the phone or by email, nor do we accept trades or transfer requests by email. If you suspect that any of your personal or account information has been compromised, please let us know immediately.

2. Protect your online identity with a stronger password.

Think about how many services and subscriptions are linked to your email. Your email account can be a treasure trove of personal and confidential information. Once a cybercriminal has gained control, it is easy for them to impersonate you and make requests for products, services and fund transfers.

To keep hackers at bay, ensure your password is strong and has a minimum of 10 characters. A good practice is to use a passphrase from a sentence you can easily remember (the first letter of each word), but is hard for someone else to guess, and pair it with numbers and special characters.

Where possible, take advantage of multi-factor authentication to verify your identity, so you can be alerted when an attempt is made to alter your password. Be sure to change your passwords often and report any suspicious activity.

3. Keep your computer and mobile device updated.

Today's operating systems from companies such as Apple and Microsoft are developed with security and data protection in mind, but vulnerabilities are nonetheless regularly identified. Therefore, it is crucial for you to keep your systems up-to-date with new releases that aim to resolve these issues.

4. Secure your home internet.

Change your default home router administrator and network access passwords for Wi-Fi. Many home routers come equipped with a default username and password that cybercriminals will attempt to use.

5. Protect your personal information offline.

An often overlooked way for an identity thief to gain access to your information is by sifting through your paper trail. Be sure to thoroughly shred documents that may contain confidential information (such as old receipts, bank statements, notices of assessment or credit applications) before recycling them.

For additional resources to enhance your cybersecurity awareness, please visit getcybersafe.gc.ca.

Filing Your 2019 Income Tax Return



This article contains information that was available as of March 25, 2020.

As the deadline for filing your 2019 personal income tax return approaches, this article highlights some tax planning opportunities to consider.

For individuals, your tax return generally has to be filed on or before April 30. However, amid the COVID-19 outbreak, the government has extended the filing deadline to June 1, and the Canada Revenue Agency (CRA) will allow all taxpayers to defer, until September 1, the payment of any income tax amounts that become owing on or after March 18 and before September 2020.

More information and updates on Canada's COVID-19 Economic Response Plan are available on canada.ca/coronavirus.

Proposed New BC Personal Income Tax Rates for 2020

The 2020 BC Budget introduced a new BC income tax rate of 20.5% for taxable income over \$220,000, retroactive to January 1, 2020. When combined with the top federal income tax rate, this creates a top marginal tax rate of 53.5% for 2020 taxable income over \$220,000.

Stay tuned for highlights from the Federal Budget, which is scheduled for release after this newsletter goes to print.

Deductions vs. Credits

A **tax deduction** or "write-off" reduces taxable income (income that is subject to tax). The tax savings realized as a result of a deduction depends on your tax bracket. For example, if you earned \$110,000 in 2019, your combined federal and BC marginal tax rate would be 38.29%. So, claiming a \$10,000 RRSP deduction would lower your taxable income to \$100,000 and reduce your tax bill by \$3,829 ($\$10,000 \times 38.29\%$).

For the 2019 tax year and going forward, line numbers on the T1 personal tax return are five digits, rather than three or four digits. For example, deductions are now claimed on lines 15000 to 25600 (previously 150 to 256).

A **tax credit**, on the other hand, directly reduces taxes payable. To calculate the value of most tax credits, multiply the tax credit amount by the lowest marginal federal tax rate and applicable provincial tax rate. For example, the basic personal amount for 2019 offsets the first \$12,069 of taxable income federally and the first \$10,682 of taxable income for BC provincial purposes, resulting in an actual tax credit or reduction of taxes payable of \$2,351 [$(\$12,069 \times 15\%) + (\$10,682 \times 5.06\%)$].

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Did You Know?

Odlum Brown's Client Centre offers online access to your income tax documents and updates on when certain documents will be available online. There you can find information about your T5 and Trading Disposition Summary (TDS) as well as tax-related articles.



Refundable vs. Non-Refundable Tax Credits

One further distinction is refundable versus non-refundable tax credits. Most tax credits, like the basic personal credit and dividend tax credit, are **non-refundable**, meaning they only reduce taxes payable. For example, if your federal tax payable (line 40400) was \$500 and you had non-refundable tax credits of \$2,000, these credits would reduce your taxes to \$0 and taxes that you pre-paid could be refunded.

On the other hand, a refundable tax credit, such as BC's Small Business Venture Capital Tax Credit, could result in a refund that exceeds taxes pre-paid by installment or at-source deductions. If you had additional **refundable** credits of \$1,000 (on lines 43700 to 47600), you could receive a \$1,000 refund, in addition to the refund of income taxes that you had already pre-paid.

Claim or Carry Forward Available 2019 Tax Deductions or Credits?

If you expect your 2020 income to fall within the new top BC income tax bracket (exceed \$220,000), consider these opportunities before filing your 2019 tax return:

Carrying forward 2019 RRSP contributions: RRSP contributions do not have to be deducted against 2019 taxable income – some or all of your 2019 contributions can be carried forward indefinitely. For example, a \$20,000 RRSP contribution made before the 2019 RRSP deadline could save an extra \$740 of BC income taxes if the taxpayer uses it in 2020 as a deduction to reduce income subject to the new higher rate.

Capital losses from years prior to 2019: If you have unused capital losses that you are carrying forward from 2018 or earlier years, you could continue waiting to claim these to offset future capital gains that would be subject to the new higher tax rate, depending on your current and expected future tax brackets and capital gains.

If you have already filed, you can amend your tax return with CRA online, using ReFILE if you have filed electronically, or by mail by submitting a T1 Adjustment Request (Form T1-ADJ).

Consult your tax advisor for guidance on completing your tax return.

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For additional articles on tax, retirement, insurance and estate planning, please visit the Client Financial Planning Centre within the Client Centre at odlumbrown.com.



MICHAEL EREZ, CPA, CGA, CFP®
Vice President, Director
Odlum Brown Financial Services Limited

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