



Portfolio Strategy

As market focus shifts from a slowing pandemic, another more concentrated risk has appeared in the form of a Russian invasion of Ukraine. The result of the conflict on financial markets remains uncertain, however it clearly will have an impact on the developed world through higher energy and food prices. Between them, Russia and Ukraine are significant exporters of crude oil, natural gas and wheat.

From a strictly market perspective, exogenic shocks such as this, tend not to have a lasting impact on the equity market while economic cycles are by far the most important driver of financial asset returns. The market impact of different military conflicts have been consistent; a negative initial reaction with a subsequent recovery in the vast majority of cases. Going back to 1940, the median market reaction has been a downdraft of about 2% followed by a gain of 8% in the next 6 months and over 20% in the subsequent year. The bigger concern right now is the risk of more persistent inflation and a slowdown in economic momentum.

In fixed income, higher inflation readings have lifted expectations for increased interest rates, leading to weakness in bonds. However, Central Banks have the difficult task of navigating the inflation backdrop with the economic impact of the Russia/Ukraine conflict. If world economic growth is negatively impacted by the conflict, while inflation continues to remain high, Central Banks challenge to reign in inflation, while maintaining economic growth, will be increased.

In our portfolios, we have raised cash recently, selling Medtronic, Shopify and Waste Connections as we follow indicators in our risk management process. With these trades, we are now underweight equities, underweight fixed income and overweight cash. We are actively looking for opportunities to deploy some of our raised cash as we continue to monitor company growth prospects.

Completing Your 2021 Income Tax Return Checklist

As the tax filing deadline approaches, attached are some reminders to help ensure you're prepared to file your personal income tax return, and that you maximize your tax savings. It's important that you have all required tax documents before you prepare your return, otherwise you will be required to file an amendment.

As always, if you have any questions, please do not hesitate to contact us.

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Completing Your 2021 Income Tax Return Checklist

February 2022

As the tax filing deadline approaches, below are some reminders to help ensure you're prepared to file your personal income tax return, and that you maximize your tax savings. It's important that you have all required tax documents before you prepare your return, otherwise you will be required to file an amendment. In addition, you may want to have your 2020 tax return and the Canada Revenue Agency ("CRA") – and, if applicable, Revenu Québec – Notice of Assessment handy in case you need to refer to tax information from the previous year.

Tax Receipts

All Individuals
<input type="checkbox"/> Salaried Income (T4/R1)
<input type="checkbox"/> Investment Income (T5/R3)
<input type="checkbox"/> Trust and Mutual Fund Income (T3/R16)
<input type="checkbox"/> Limited Partnership Income (T5013/R15)
<input type="checkbox"/> Trading Summary/Realized Gain/Loss Report
<input type="checkbox"/> RRSP Contribution Receipts – For contributions made during the 2021 calendar year, and during the first 60 days of 2022.
<input type="checkbox"/> RRSP Withdrawals (T4RSP/R2)
<input type="checkbox"/> RESP Withdrawal Receipts (T4A/R1)
<input type="checkbox"/> Foreign Securities Report
<input type="checkbox"/> Interest Expenses and Carrying Charges – Including Fee Letter(s) for any applicable management fees relating to fees for non-registered fee-based account(s).
<input type="checkbox"/> Charitable Donations – You can combine your charitable donations with your spouse (or common-law partner) and claim on one income tax return for maximum tax savings.
<input type="checkbox"/> Political Contributions
<input type="checkbox"/> Moving Expenses
<input type="checkbox"/> Medical Expenses
<input type="checkbox"/> Tuition Expenses (Form T2202A/R8)
<input type="checkbox"/> Child Care Expenses
<input type="checkbox"/> Home Office Expenses
<input type="checkbox"/> Employment-related Expenses (including Form T2200/TP-64.3)

Note: For Canadians who received Federal COVID-19 benefits in 2021, such as, the [Canada Recovery Benefit](#) ("CRB"), the [Canada Recovery Sickness Benefit](#) ("CRSB"), and the [Canada Recovery Caregiving Benefit](#) ("CRCB"), the CRA will be issuing a T4A slip by the end of February to report these amounts received, as they are taxable. Residents of Quebec will receive both a T4A and a RL-1 slip.

Tax Receipts cont.

Retirees

Registered Retirement Income Fund, Locked-in Retirement Income Fund, or Prescribed Retirement Income Fund Withdrawals (T4RIF/R2)

Old Age Security & Canadian Pension Plan Benefits (T4A-OAS, T4A-P, R2)

Other Pension/Annuity Income (T4A, R2)

Helpful Reminders and Tips

Individuals

If you realize capital losses in the same taxation year that a significant capital gain is triggered, the tax liability on the capital gain can be reduced. Also, any net capital losses can be carried forward indefinitely or carried back to offset net capital gains reported in the three previous taxation years.

Remember to report the sale of your principal residence, if applicable.

Employees

During the COVID-19 pandemic, many employees worked from home for much of 2021. As a result, the CRA has again simplified the process to claim home office expenses for 2021, which will allow employees (with modest expenses) to deduct an amount of up to \$500 (up from \$400 in 2020) without the need to track detailed expenses. The allowable amount will be based on the amount of time spent working from home and will generally not require a signed form from employers. Employees who worked from home more than 50% of the time over a period of at least four consecutive weeks in 2021 due to COVID-19, will be eligible to claim a (temporary) flat rate deduction of \$2 for each day they worked at home in that period, plus any other days they worked from home in 2021 due to COVID-19, up to a maximum of \$500. Employees with larger claims for home office expenses can still choose to use the existing detailed method to calculate their home office expenses deduction. Revenu Québec announced that it will again parallel these Federal changes for Quebec provincial income tax purposes for 2021.

Business Owners

Incorporated small business owners can use their lifetime Capital Gains Deduction to shelter up to \$892,218 (2021) of capital gains on the sale of shares of a qualifying small business corporation. The Capital Gains Deduction can only be claimed on an actual sale (or deemed disposition) of qualifying shares.

Retirees

Consider pension income-splitting to strategically lower family taxes by taking advantage of your spouse/common-law partner's lower marginal tax rate. Canadian residents receiving eligible pension income can transfer up to 50 per cent of this income to their spouse or common-law partner. A T1032 – Joint Election to Split Pension Income form (or Schedule Q for Quebec taxpayers) must be completed.

For more information on this topic, ask your BMO financial professional for a copy of the article, *Pension Income-splitting Provides Tax Planning Opportunities for Couples*.

Please note that this checklist is not a comprehensive review of the subject matter, and it's important to consult a professional tax advisor for assistance in your particular situation.

For more information, speak with your BMO financial professional.



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