

The past month has mainly been characterized by what “might happen” in the upcoming month. Increased talk that the U.S. could raise interest rates and the upcoming referendum on June 23rd on whether the UK will remain or leave the European Union have become major factors moving the market. In the U.S., the prospect of a second interest rate rise, following December’s hike, has been an overshadowing theme. You may recall that the interest rate hike six months ago (from 0.25% to 0.50%) was the first since rates were slashed back in 2008 at the height of the credit crisis. The weeks immediately after the December hike were exceptionally volatile.

Canada

Canadian equities were down modestly for the month. The Bank of Canada stated wild fires could detract 1.25% from second quarter real GDP growth stemming from oil sands firms suspending operations due to encroaching flames. Moreover, the Central Bank maintained the key interest rate of 0.5% and citing ongoing economic headwinds. Statistics Canada reported first quarter GDP growth of 2.4%, which was well below consensus forecasts of 2.8%. Falling business investment and inventory drawdown were also main detractors to GDP growth.

United States

With Donald Trump poised to become the Republican Presidential candidate and Hillary Clinton to be his opponent, many will be closely watching developments in the coming months. It’s too early to tell whether either will be a major disrupter to the equity and bond markets, although this may change as November approaches.

United Kingdom

The UK equity market managed a small increase during May, despite the focus on a potential Brexit affected the currency and bond markets more directly.

Europe

Within Europe, the Greek stock market performed exceptionally well on progress with the bailout agreed on some time ago. The Italian market was relatively weak, mainly driven by the domestic banking sector. Inflation in Europe is hovering at close to zero despite the Central Bank’s 2% target. Hence the benchmark interest rate remains at 0% and the deposit rate is at minus 0.4%.

Asia and Emerging Markets

Emerging markets suffered during May on concerns over the potential impact of a hike in U.S. interest rates. The MSCI Emerging Markets index was down -3.7% in USD. Brazil continues to be weak, falling 10% during the month, with their currency down a further 5%.

Fixed Income

With markets being extremely volatile since the first U.S. Fed hike in December and the overall levels of debt in the global economy remaining stubbornly high, the Fed has been more cautious than originally expected. As a result of the speculation over higher interest rates, shorter maturity bond yields increased slightly in May.

Stock Exchange	Year to Date May 31, 2016
TSX (Toronto)	8.12%
DOW (U.S.)	2.08%
S&P (U.S.)	2.59%
NASDAQ (U.S.)	-1.19%
CAC (France)	-2.83%
FTSE 100 (London)	-0.18%
DAX (Germany)	-4.47%
NIKKEI (Japan)	-9.45%
HANG SENG (Hong Kong)	-5.02%

Rates as of May 31st, 2016 *		
Term	GICs	RSPs
1 year	2.05%	1.85%
2 Year	2.22%	2.20%
3 Year	2.30%	2.30%
4 Year	2.35%	2.35%
5 Year	2.45%	2.45%
* Rates subject to change without notice.		
DAILY INTEREST ACCOUNT		
1.00%		
TAX FREE ACCOUNT		
1.00%		

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The ABCs of how to withdraw from your RESP

School may be winding down but that doesn't mean we need to stop thinking about education.

Some student's entering the summer of 2016 know their life is about to really change. Some may be moving out and diving straight into the work force while others already know the post-secondary education facility they will be attending in the fall.

It's an exciting time in the family. Parents quickly realize their child is on the brink of adulthood and their years of contributing to a RESP will now help offset their child's education; in the same moment the child starts to realize their hopes and dreams are about to unfold and now they understand the costs associated with an education and becoming independent. Both scenarios involve money and if you are fortunate enough to have some funds set aside in a RESP for your child it is important for everyone involved to understand the rules and strategies for withdrawing the funds.



First there are two different types of money in the RESP account:

- 1) **Contribution Amount:** is the sum of all the contributions you made to the account over the years.
- 2) **Accumulated Income:** is made up of the grants, capital gains, interest, dividends earned in the account. Any money not contributed is considered to be accumulated income.

Understanding the two types of money is important because taxation of withdrawals from the contribution portion is different than withdrawals from the accumulated income portion.

- Contribution withdrawals are not taxed.
- EAP (educational assistance payments) which are withdrawals of accumulated income, are taxed as income in the hands of the student which is good since they typically have a lower tax bill.
 - * NOTE: there is no withholding tax on any kinds of RESP withdrawals, so if the student ends up in a taxable situation, they will be responsible to pay the taxes at tax filing time.

A withdrawal limitation:

One rule to understand - you are only allowed to withdraw \$5,000 of the accumulated income (EAP) in the first 13 weeks. After 13 weeks, you can withdraw as much accumulated income as you wish. There are no limits to withdrawals from the contribution portion as long as the child is attending school.

Basic RESP withdrawal information:

- Try to withdraw as much accumulated income money (EAP) as you can tax free. A good tip is to ask for more since withdrawals are not as convenient as retrieving funds from your chequing account.
- The RESP can be used for one degree (approved course) and extra funds can be kept in the account for future education opportunities that meet the guidelines.
- The account can be open for 35 years after the year in which the account was opened. So don't collapse it until all schooling is totally ruled out.

When it comes time to withdraw your RESP funds make sure you speak with your advisor to avoid any errors that could cause tax consequences to the parent or child.

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