

The Strategist

Canadian Preferred Shares - Opportunity Knocks!

While most people are aware that equity markets fell significantly in Q4 of 2018, it is less common knowledge that Canadian preferred shares (which are traditionally a much more stable asset class) also declined significantly over the same period. In fact, the Canadian Preferred Share Total Return Index (which includes dividends) ended up with a -7.9% return for 2018.

Fast forward to here in mid-February, and while the Canadian and U.S. benchmark stock indices have recovered much of last quarter's decline (they are both up roughly 10% year-to-date at the time of writing), the same cannot be said for the Canadian Preferred Index thus far. Its return is actually slightly negative for 2019 at this point!

As a result, we view Canadian preferred shares as an attractive place to be adding money to at this time. In fact, we have recently put together good-quality, diversified portfolios for clients where the average dividend yield is north of 5.20%.

Here are a few reminders about investing in preferred shares:

- In taxable accounts, you get to make use of the dividend tax credit, so on an "interest-equivalent" basis, earning a 5% dividend on a preferred share is roughly the same as earning 6.5% interest on a GIC. And GIC rates have recently been on the decline.
- Canadian preferred share dividends are actually taxed at a lower rate than capital gains for British Columbia and Alberta residents with less than \$147,667 of taxable income for 2019. And the lower your taxable income is, the greater the tax advantage over capital gains.
- Unlike GICs, the price of preferred shares does fluctuate from day to day, but they are typically far less volatile than common shares.

If you are interested in exploring a preferred share purchase, please don't hesitate to contact Ryan, Erika, or Larissa at your convenience.

Victoria Cougars Hockey Tickets



We have a limited number of complimentary tickets to give away for Victoria Cougars home games at Archie Browning Arena. These tickets can be used for both regular season and playoff games, so please reach out if you are interested in coming out to cheer the Cougars on as they set their sights on becoming VIJHL champions!

Quarterly Reminders

TFSA Contribution Limit for 2019

- \$6,000 (as of January 1st)

RRSP Contribution Deadline for 2018

- March 1st, 2019

Upcoming Holiday Closures

- Good Friday (April 19th)

Update on the Team

Erika and Luke are patiently awaiting the arrival of baby number two. It's hard to believe they're already in the home stretch! Her last day of work is scheduled for March 15th, but if this little girl is anything like the first, they will be prepared a good week or so early. Please feel free to reach out to Erika over the coming weeks if you have any questions, comments, or simply want to say goodbye (and good luck)!

But Erika isn't the only one with baby news... Our investment analyst, Allison, announced that she and her husband Cody are expecting baby number two in July 2019. James (pictured on the left) is excited to welcome his new baby brother or sister to the family. We are all about working as a team here at Chris Raper & Associates - even when it comes to maternity leave!

