

Advisors react to the federal election

Concern runs deep about western alienation, unfair taxing of the rich

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Advisors' reactions to the results of Monday's federal election reflected the same regional divide expressed at the polls.

In Atlantic Canada — where wide swaths of the electoral map were painted Liberal red on Tuesday morning — advisors were optimistic that a minority government could lead to more collaboration among parties in the House of Commons.

“This means they have to work together, and maybe they’ll have to put Canadians first instead of politics first so they can keep this government working for a while,” said Blair Corkum, a fee-based financial planner who runs Blair Corkum Financial Planning Inc. in Charlottetown.

Emily Rae, a senior financial planning advisor with Assante Capital Management Ltd. in Halifax, said she was “optimistic about the next few years.”

“There’s going to have to be a little bit more collaboration, and it looks like the two partners that may end up working together would be the Liberals and the New Democratic Party. They seem to align, certainly on the social end of the spectrum,” Rae said.

Optimism about the prospect of a Liberal/NDP partnership was less pronounced in Western Canada, where #Wexit — the hashtag for a western separatist movement — was trending on Twitter Tuesday morning.

Brad Brain, a portfolio manager with Aligned Capital Partners Inc. in resource-rich Fort St. John, B.C., said the sense of alienation in Western Canada “is something that should not be underestimated right now.”

Brain said the job losses in the West “have been measured in the hundreds of thousands” since 2015. (For example, just today [Husky Energy laid off workers in Calgary](#).) He did not hold out hope that a Liberal government that was shut out in much of the West would make struggling western economies a priority.

“If there were an auto plant in Windsor, [Ont.] that shut down, people would leap to try to solve that,” Brain said. “For decades we’ve been sending money east, and now we’re really hurting and we’re not feeling the love. People are resenting that.”

Marie DeLauretis, a financial planner with DeLauretis Wealth Management Inc. in Calgary, said “the frustration is greater” now among Calgarians, many of whom are skeptical about the Liberals.

“Whatever they promise, we don’t believe,” DeLauretis said. “And we’re in fear that everything’s going to get taxed.”

DeLauretis suggested that a Liberal government propped up by the NDP might move to increase the capital gains tax inclusion rates and introduce estate taxes at the federal level to pay for its promises.

She added that financial planners, investment advisors and tax advisors “will have to be on their game to implement timely solutions in their financial plans to combat the risk to wealth erosion.”

Relief unlikely for small business clients

On the campaign trail, the Conservatives had promised to repeal the Liberals' new rules for taxing small businesses' passive investment income. They also said they'd exempt spouses from the tax on split income (TOSI).

But with a minority Liberal government now in place, it seems these tax measures will remain in place — at least for now.

“There's a lot of extra planning that needs to be done now,” Rae said. “The tax implications were very substantial for small business owners.”

Rae added that, in a minority situation, the Liberals might be unwilling to risk introducing any new controversial tax changes for small businesses, so the status quo might continue for the next few years.

“I think the best-case scenario is [that the Liberals] back off the rhetoric and keep the proportion of the taxes relatively the same,” Brain said. “I can't see it getting better.”

Like many small business owners, DeLauretis took umbrage at what she perceived as the Liberals' insinuation that small business owners were “tax cheats.”

“As business owners, we have all the risk,” she said. “We have to fund our own pensions, fund our own healthcare plans — there's nothing funded by an employer, and certainly not backed by a taxpayer base.”

DeLauretis said she expects tax planning will remain “a major area of concern, especially to small business owners with respect to TOSI rules, which are very complex.”

Corkum, who has a number of small business clients, said there will “certainly be disappointment” if the rules on TOSI and passive investments don't change, but it won't be “a massive disappointment.”

“The spousal sharing impacts a lot of people, but the passive rules don’t impact a lot of people,” Corkum said. “Many of my clients have their spouses working in the business with them, and in a lot of cases they’re partners in the business, so the TOSI rules don’t impact them.”

Will the Liberals tax the super-rich?

Before the election, NDP leader Jagmeet Singh said he’d collaborate with a minority Liberal government if they’d work to implement certain NDP policies, including his party’s wealth tax, which would tax the super-rich 1% on their wealth exceeding \$20 million.

This plan was largely unpopular with advisors, regardless of their geography.

“I would be quite distraught about a tax on the wealthy,” said Corkum, who added that he would have fewer objections to a new income tax. “Tax them while they’re accumulating it — don’t tax them on it once they’ve counted on it to retire and enjoy life.”

DeLauretis said the wealthy are being “unfairly attacked.”

“I do believe that a lot of wealthy people have worked very hard to attain their wealth, and I think they did it within the legal parameters of the tax law,” she said, adding that the wealthy already pay “copious amounts of taxes.”

Brain described a wealth tax as “low-hanging fruit” that wouldn’t be enough to pay for all the promises made by a Liberal government propped up by the NDP.

Rae, however, took the idea of a wealth tax with a grain of salt.

“I’m not sure if that would really affect a big group of people we would be dealing with. The \$20 million-plus [group] is a small group,” she said. “Things like that get a lot of play in the platforms. I read it and kind of brushed by it, because what percentage of the population does that affect?”

