Conservative income

November 2023 Edition

Year End Items ~ Laurel Hickey & Garth Bluekens

What's Year End Items Got To Do With It?

We can't believe it is already almost time to close out 2023. The year continued to bring uncertainty when it comes to interest rates, inflation and geopolitical events. Global stock markets tried to find their path forward and responded swiftly to any news of interest rates increases, pauses and monthly readings for inflation and consumer spending. We saw strong summer months with the market hitting new highs at the end of July. Not too long after this, they changed course and markets pulled back again in October. At the time of writing this update at the end of November, we have already seen about a 4% increase in the performance of our Balanced model since just the start of the month. We still cannot form a clear prediction of how we will close out the year, but we are seeing some settling of nerves as recent inflation numbers show potential signs of cooling. As we continue to monitor the economic situation and stock markets, we wanted to touch base on some year-end items. Many clients feel that as it comes to the end of the year, they need to review items like contributions and year to date income to make sure they have done the appropriate tax planning for 2024.

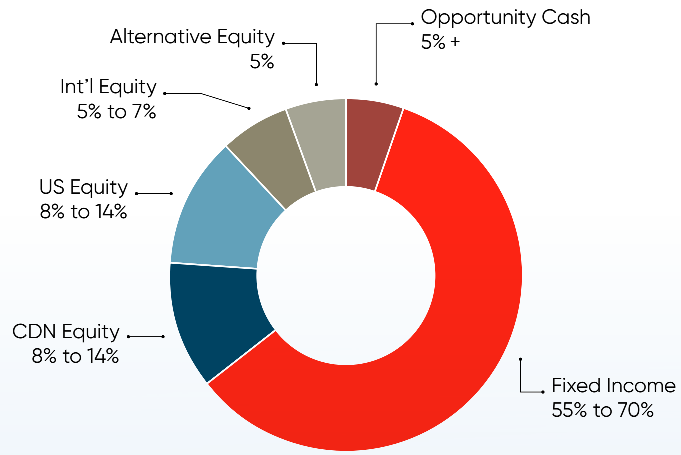
To start with contributions, there isn't too much that needs to be done before year end when it comes to TFSA and RRSP contributions, but there are important items to note for FHSA contributions. Of course, using your TFSA contribution room as soon as possible is ideal, as you want investment gains to be sheltered within the account. If you don't get your contribution before year end, this room will be added to your 2024 available contribution room, so don't feel a fear of missing out if you don't have the funds available. RRSP contributions give a bit more time as contributions that can be used against your 2023 income can be done in the first 60 days of 2024. When making a RRSP contribution for tax planning purposes, waiting until the start of 2024 can also be beneficial as you will know your T4 income for the year and can chose the contribution amount that will help to lower your 2023 taxes owing. Lastly FHSA accounts are now available to open and make contributions. These accounts need to be opened before year end to get the $8,000 contribution room. The contribution room will carry forward to 2024 if you don't use it as long as the account is opened. If you want to use the contribution against your 2023 income, you need to make your contribution before year end. This is where the account differs from RRSPs, they both can be used to lower taxes owing, but FHSA contributions for the previous year cannot be done in the first 60 days.

One item that we always try to review before year end is clients that are going to have lower income for 2023 and have funds in a RRSP account. We can take advantage of a year of low income to move funds out of a RRSP. On your tax return the first $15,000 of income doesn't attract taxes at a federal level. For example, if a client has low income of $5,000, withdrawing $10,000 from an RRSP will keep them within the basic personal exemption and allow to get funds out of the RRSP in an advantageous year. RRSPs are great savings vehicles and allow for tax planning in income earning years, but the funds need to come out eventually and when withdrawals occur, they are taxed as income. When clients are in the early years of retirement and maybe not receiving CPP, OAS or pensions yet, these are great years to make strategic RRSP withdrawals when there is not a lot of income on the tax return. The RRSP withdrawals need to be done before year end, so please reach out if you feel a RRSP withdrawal could be beneficial in 2023.

We want to make sure every item on your 2023 Financial Planning checklist is complete, so you can be set up for success in 2024

Conservative Income Investment Goal Allocation

Your Investment Policy CONSERVATIVE INCOME: On the whole, you want fixed income investments. You want to preserve your capital or create a source of periodic income to finance ongoing expenses. You are not against the idea of investing a small part of your portfolio in equities, mainly to counteract the effects of inflation. If you feel that your risk tolerance has shifted please let us know!



Source: This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.

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