The Broxterman Bulletin

Wealth Management
Dominion Securities

Your quarterly financial planning newsletter

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Welcome and thank you

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for your continued loyalty.

Save for a first home with the tax-free First Home Savings Account (FHSA)

The new First Home Savings Account (FHSA) can help you save for a first home, while enjoying important tax advantages. Even if you, personally, already have a home, the FHSA may still benefit your younger family members.

Why should you open a FHSA?

- Receive tax deductions for your contributions.
- Room accumulates at $8,000 per year once the account is opened.
- Lifetime maximum contribution of $40,000 is possible.
- Carry forward up to $8,000 unused contribution room to future years.
- Earn tax-free investment income on your contributions.
- Make tax-free withdrawals to purchase a first home in Canada.
- Alternatively, transfer FHSA funds tax free to your RRSP (or RRIF) without reducing your available RRSP contribution room (effectively gaining more RRSP contribution room).

Quick tip: Carry forward contribution room only starts accumulating after you open a FHSA – so considering opening one this year, even if you don't make a contribution right away.

Who can open a FHSA?

- First-time home buyers (defined as not owning a home lived in as a principal residence at any time during the part of the calendar year before opening the account or the preceding four calendar years)
- Current spouse (including common-law partner) must also be a first-time home buyer
- Canadian residents over the age of majority, who will not be older than age 71 on December 31 of the year the account is opened.

Quick tip: Have family members who don't have a first home yet? You can give funds to your family members, like your children and grandchildren, to open their own FHSAs.

Please contact us for more information about opening tax-free FHSAs for you and your family.

It’s a date! RSVP “Yes” with your RRSP this season...

...but don’t forget to make your TFSA your “Plus One”.

This year’s final day for 2022 contributions to Registered Retirement Savings Plan (RRSP) is **March 1**.

Since their introduction in 1957, Registered Retirement Savings Plans (RRSPs) have been the number one choice of Canadians to help grow their retirement savings. In fact, just under 70% of Canadian adults have an RRSP account.* And it’s not hard to see why, as these accounts provide important tax benefits, as well as long-term sheltering of investment gains that leverage the power of tax-free compounding over time.

But the RRSP is no longer alone in providing important tax-sheltering investment opportunities. First made available in 2009, the Tax Free Savings Account, or TFSA, has really caught on with Canadians: as of 2020, we had stashed over $300 billion into over 20 million of these accounts.** And, while the contribution limits may have seemed small at the beginning, the lifetime limit is now a cumulative $88,000.

RRSP or TFSA? How about both!

Having two great tax-sheltered choices to save can raise the question of which one is better. Fortunately, it’s not really about which is better to help saver’s achieve their unique needs, but that they provide similar but different benefits:

	RRSP	TFSA
What is it?	A registered plan where your contributions are tax-deductible (up to your personal deduction limit) and investment earnings are tax-deferred (you are charged taxes when you withdraw funds)	A registered plan where your investment earnings and withdrawals are tax-free.
What is it typically used to save for?	Retirement	Shorter term goals (e.g., new bike, vacation, home renovation) OR longer term (retirement or home ownership).
Who can open one?	Canadian residents with a Social Insurance Number (SIN) who are under age 71, have earned income and file a tax return in Canada	Canadian residents with a Social Insurance Number (SIN) who are at least 18 or 19 (age of majority in your province)
What types of investments can I hold in it?	• Stocks, options and bonds • Exchange-Traded Funds (ETFs) • Mutual funds • Guaranteed Investment Certificates (GICs) • Savings deposits • Cash	• Stocks, options and bonds • Exchange-Traded Funds (ETFs) • Mutual funds • Guaranteed Investment Certificates (GICs) • Savings deposits • Cash
Are contributions tax-deductible	Yes (up to your personal deduction limit)	No
Do my savings grow tax-free or tax-deferred?	Tax-deferred (added to taxable income the year you take the money out; a withholding tax will also apply to early withdrawals)	Tax-free
How much can I contribute each year?	18% of previous year’s earned income, less any pension adjustment, up to maximum annual limit (2022: $29,210; 2023: $30,780)	$6,500 for 2023 plus your unused contribution room from previous years. If you have been 18+ since the TFSA was introduced in 2009, your total contribution room is $88,000.
Do I have to earn income to get contribution room?	Yes	No
Can I take my money out for any reason?	Yes, but taxes are withheld at the time of withdrawal (unless participating in the Home Buyers’ Plan or Lifelong Learning Plan)	Yes, although timing depends on what investments you hold in your TFSA.
If I withdraw money, do I get my contribution room back?	No, withdrawals have no bearing on your deduction limit or contribution room. Home Buyer Plan withdrawals need to be contributed back over 15 years.	Yes, withdrawal amounts are added to contribution room the following year.
Do withdrawals affect government benefits?	Possibly, yes—withdrawals increase your income, which could impact government benefits like Old Age Security (OAS) payments.	No

Source: RBC Royal Bank (as of January, 2023)

Double-up on your savings options

If you want to expand your tax-sheltered savings options to save money and help grow your investments over time, consider the complementary benefits of investing in a TFSA with the refund you receive from your RRSP contribution to get you started.

More often than not, two are better than one, especially when it comes to smart solutions to help you reach your goals – talk to us to get started.

*The Daily - Registered retirement savings plan contributions, 2020. Statistics Canada (April 2022).

**Tax-Free Savings Account Statistics 2021 Edition. Government of Canada (January 2021).

Playing the long game

While bear markets are tough to sit through, missing the post-bear market bounce by standing on the sidelines is an avoidable – and often costly – mistake.

While bear markets are tough to sit through, missing the post-bear market bounce by standing on the sidelines is an avoidable – and often costly – mistake. Playing the long game isn't easy at times, but history shows that it pays off for investors.

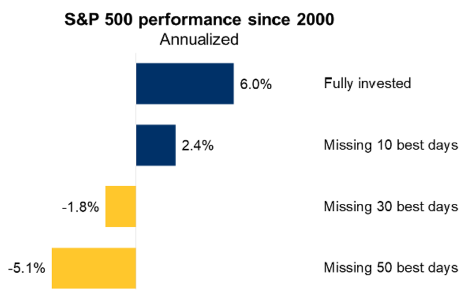
"Patience is bitter, but its fruit is sweet." — Aristotle

The recent market gyrations have no doubt tested investors' resolve. History, however, has shown that sticking to your investment plan, staying invested through all market conditions, and maintaining investment discipline is particularly important during all stages of the market cycle – and especially so when markets appear ready to return to more normal conditions.

2022: Annus horribilis

The past year has not been an easy one for investors, with most major equity markets posting losses that ranged from meaningful corrections (a drop of 10% or greater from an index's peak) for indexes like Canada's S&P/TSX Composite, or outright bear markets (a drop of 20% or greater from an index's peak) for U.S. indices such as the S&P 500 and Nasdaq. Combine this with a sharp drop in bond prices as yields rose in response to key central banks' about-face from historically stimulative monetary policies to historically restrictive ones, and even long-term investors' patience has been tested.

Unfortunately, market conditions like 2022's often prompt investors to do the exact opposite from what investment wisdom suggests, abandoning their plans, selling their investments and holding cash. This is often referred to as "moving to the sidelines." Over 2022, Canadian investors sold a massive $44 billion in mutual funds, the investment vehicle most often used by retail investors, versus 2021, when they bought $113 billion in funds.* But as history shows, moving to the sidelines and trying to time markets hurts long-term investment returns, while patience pays over time:



Source: Morningstar, RBC GAM. S&P 500 Total Return Index USD from January 1, 2000 to September 30, 2022. This graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. An investment cannot be made diectly into an index.

2023: Annus transitus

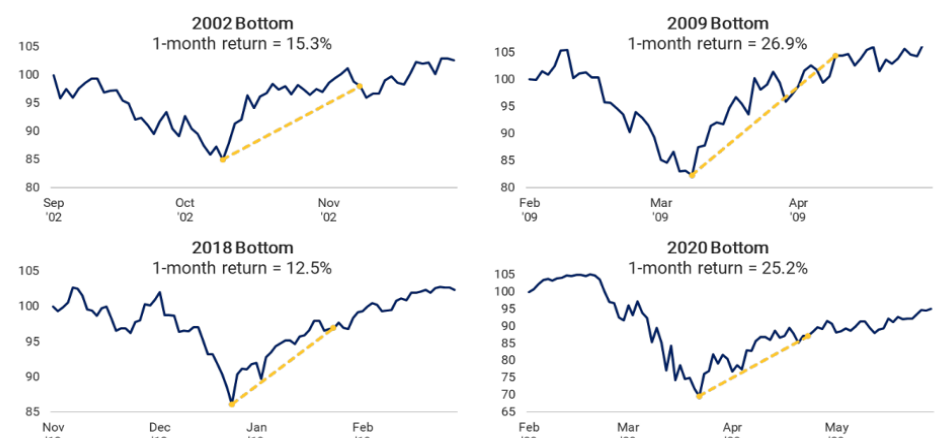
While the new year has carried-over many of the worries of the year before, expectations continue to rise that the months ahead will bring a gradual transition to moderating inflation and an end to monetary policy tightening by key central banks, including the Bank of Canada. While there are worries that a recession is in the offing, most economists are calling for a relatively short and mild economic downturn, if it happens at all. Therefore, the negative affect of a slowing economy on corporate profits, a key driver of equity market performance, will also be moderate.

The turn will come – just don't try to guess when

Whether the bounce back in stocks comes sooner or later, based on historical market performance, it's important to note that much of that bounce happens quickly and often more forcefully than most investors anticipate. In fact, much of it comes in the first 30 days:

Getting back on track

Having and sticking to an investment plan that properly reflects your risk profile and goals is an important part of long-term investment success. If you find yourself on the sidelines, there is often no better time than the present to get back on track to your plan and into the market – and ready to enjoy the bounce that history shows patient, long-term investors so often benefit from.



Source: Morningstar, RBC GAM. S&P 500 Total Return Index USD. This graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. An investment cannot be made directly into an index.

*IFIC Monthly Investment Fund Statistics – December 2022. Investment Funds Institute of Canada (January 2023).

**Statistiques mensuelles de l'IFIC sur les fonds d'investissement – Décembre 2022. L'Institut des fonds d'investissement du Canada

Getting busy in retirement

"Retirement is not a permanent vacation!" is a common refrain of retirees who are succeeding in life after work, and it reflects the need to be active – and actively engaged in – meaningful pursuits during this important life stage. With their work life behind them, retirees often must deal with the challenge of finding activities that can provide them with the fulfillment and social interactions that their careers or businesses once did. And, with Canadians living longer than ever, our "golden years" can potentially stretch over 30 or 40-plus years.

That's a lot of time to fill and, unfortunately, many retirees who enter retirement with little or no planning around what they will do find themselves eventually without a purpose or mission in life. This can lead to a sense of emptiness, malaise and isolation.

"The trick to a fulfilling retirement is staying engaged and energized with activities that bring you a sense of fulfillment, meaning and social engagement," says life care planning, aging and caregiving issues expert Audrey Miller, founder and managing partner of Elder Caring Inc., and RBC Wealth Management partner.

To help, here are five activities that Audrey suggests you can do to "get busy" and help ensure you are enjoying a fulfilling retirement:

1.  Learn a new skill: From cooking to learning to play a musical instrument, learning a new skill engages your mind and body, while providing joy through the creative and education process. Importantly, it also creates opportunities to interact and engage with others socially, both through the learning process (e.g., art classes) and through group engagements where you practice or display your skills (e.g., a choir or band).
2.  Combine a passion with a business pursuit: Love travel? Consider becoming a foreign travel guide, or help others enjoy your own city, location or specific activity. Love cooking? Consider giving cooking classes or guiding others to the best places to enjoy local cuisine. The combination of passion and business – or even doing so on a volunteer basis – allows retirees to do something they love, share that passion, but also to be productive and socially engaged.
3.  Purpose-driven travel: Travel is a wonderful thing, but it can also be expensive and arduous over time. On the other hand, purpose-driven travel focuses on actually doing something more substantive while you are travelling, for example teaching English or French in a foreign country, or physically contributing to a charitable effort, like building housing or a school, in an underdeveloped country.
4.  Volunteer your time and skills to a worthy cause: Whether through a charity or not-for-profit, a religious organization or a board or community project, providing your time and skills to help others can be a very fulfilling and purpose-driven way of living in retirement. It can also lead to meaningful social interactions that bring mental and even spiritual stimulation and fulfillment, while also providing an opportunity to leave behind a meaningful legacy.
5.  A physical, mental and/or spiritual journey: Building a life around your physical and psychological well-being is a meaningful investment in your happiness. It may include physical pursuits that augment the body (but also the mind!), including yoga, cycling, walking and hiking; or, it could include more spiritual pursuits, such as embracing your religion and building your life around that journey. No matter what the end purpose, physical well-being is critical to one's mental well-being, and vice versa.

While this list is not exhaustive, it is important to consider how you want to spend your time in retirement to ensure that you remain engaged, active and socialized. And activities can remain part-time or manageable and flexible, allowing a retiree to enjoy the benefits they offer, while still leaving time to engage with family and friends – or, to just truly enjoy one's well-earned time in retirement, writing your next chapter when and how you see fit.

Later-in-life investing: time is (still) on your side

Achieving a goal takes patience and a willingness to forgo the enjoyment of your savings today to instead do so somewhere down the line – and in the case of retirement, often many years down the line. For a myriad of reasons some Canadians have little or no savings to support their retirement, or are not saving enough to live the lifestyle they imagine or desire.* And, it doesn't help when markets are volatile and fear and worry can rule the day, creating further uncertainty about starting a savings and investing journey.

But there is no time like the present to start investing, regardless of where you may be in your life, and with markets bruised and battered after a tough year, it may be an even more ideal time to try to get back on track to your future.

"Is it too late for me?"

In short, no – it's never too late. It's been said that the best time to start saving was yesterday, but that the second best time is today. Even if you are late to doing so, saving for a goal is achievable if:

- The goal is a realistic one: If you only have a few years to save and invest towards your goal, a multi-million dollar retirement fund may not be realistic, but a more modest amount that complements your other retirement income sources such as a private pension or government plans (e.g., Canada Pension Plan, Old Age Supplement) may be. Setting a realistic goal is also likely to be easier to stick with, encouraging one's efforts to achieve it.
- You are willing to change your saving and investment approaches: Saving and investment plans like regular investing (i.e., investing systematically through regular contributions taken directly from your bank account) can help you build your wealth. Investing your savings can help enhance your efforts by leveraging the growth of risk assets such as bonds and equities.
- You put in place a well-structured, thoughtful investment plan that properly reflects your risk profile: An effective and sustainable investment plan must reflect your goals, time horizon, risk profile and tax circumstances, among other things. A properly constructed plan will not only be critically important in reaching your goals, it will also help to keep you on track when market volatile and other life challenges tempt you to go off course.
- You are willing and able to save larger amounts than had you started earlier: Realistically, if you start saving later in life, you have more ground to cover to achieve your goal. This likely means that to reach your goals, you will need to dedicate more of your cash-flow and resources towards your goal. To do so may mean eliminating debt, building and adhering to a budget, downsizing, or establishing a "side hustle" to generate additional income.
- You are able to be flexible as to what reaching your goal means: There are never any guarantees that we will achieve our goals, regardless of when we start them or how well we plan. As with anything, things change and circumstances can harm or help us achieve our aims. Remaining flexible as to what success means is as important as the dollars and cents we build in our investment account. But no matter the outcome, no effort goes in vain, and only not acting will ensure that you do not reach your goal.

We can help you establish your goals, build the right plan to help you achieve them, get you invested into an appropriate investment portfolio, and work with you to take advantage of savings "boosters" like tax-sheltered accounts (i.e., RRSPs and TFSAs).

It's never too late to start the conversation – talk to us to today.

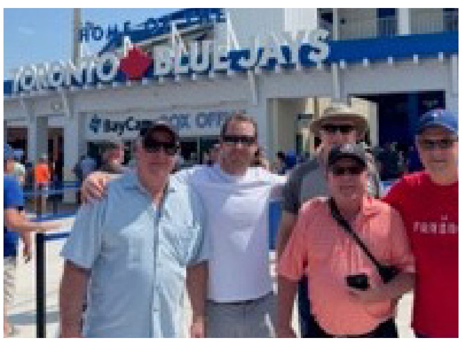
*Canadian Retirement Survey (third edition). Healthcare of Ontario Pension Plan (April 2021).

Personal notes

Liz and her husband Rich celebrating her birthday

Stephanie with her husband Derek and daughter Anna

Tony the Leprechaun



Tony and his friends taking in a Jays game in Florida

Mike and Carolyn skiing at Mont-Sainte-Anne in January 2023

PJ and the kids enjoying a snow day

Thank you for your ongoing loyalty to The Broxterman Group of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.

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