UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

February 2022 Team Newsletter

From the desk of Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP

Portfolio Manager, Manulife Securities Incorporated, President & Life Insurance Advisor, Upper Canada Capital Inc. Kurt.Rosentreter@manulifesecurities.ca

I am pleased to announce the following practice appointments within our team of wealth management professionals:

> *Frank Valicek, CFP, CIM, Co-President and Life Insurance Agent of Upper Canada Capital, to position of national oversight Partner of our Insurance Practice affiliated with Manulife Securities Insurance Inc.*
>
> *Jordan Campbell, CFA, to position of Partner, within our Upper Canada Capital practice and Portfolio Manager, Manulife Securities Incorporated, responsible for our national discretionary money management platform and equity oversight strategy for the national practice.*
>
> *Mathew Cain, CIM, to position of Partner within our Upper Canada Capital practice and Associate Portfolio Manager, Manulife Securities Incorporated, responsible for fixed income oversight strategy for the national practice.*

Please welcome our new partners at Upper Canada Capital and within our wealth management practice at Manulife Securities Incorporated.

Upper Canada Capital and the Kurt Rosentreter team at Manulife Securities Incorporated offers elite independent financial wealth management planning and investment management through our "Personal CFO" integrated planning and goal-based approach.

From the desk of Jordan Campbell, CFA

Portfolio Manager, Manulife Securities Incorporated jordan.campbell@manulifesecurities.ca

When is it better to contribute to a TFSA rather than an RRSP?

One question that always comes up in the first couple of months in the new year is whether you should invest your money in an RRSP or a TFSA. The good thing is that there are several general rules you can follow to help make the decision.

A TFSA contribution might be better if you think you'll need the money in the next couple of years for something like a car purchase or a home renovation, as there are no withholding taxes to take money out of a TFSA.

An RRSP will often be the better choice if you are saving for retirement and expect to be in a lower tax bracket in retirement. The math behind this is that you'll get a nice tax refund for contributing at a higher tax rate today while paying at a lower tax rate when you withdraw funds during retirement.

For retirement in general, we are finding it often take a combination of RRSP savings and TFSA savings to amass enough money to life off in retirement. We can help you to answer the question "how much do I need to retire" by preparing a retirement cash flow forecast for you in the future.

From the desk of Mathew Cain, CIM

Associate Portfolio Manager, Manulife Securities Incorporated
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Should you pay your mortgage or make an RRSP contribution?

There is an old debate about whether you should complete an RRSP contribution or pay down your existing mortgage faster. In a perfect world, the answer is likely both. However, here are few considerations when reflecting on this question.

Interest Rate vs Investment Return

Interest rates have been at all-time lows in Canada, but in 2022 this appears poised to change. In Canada, the prime interest rate is 2.45%*, which is the basis for your mortgage interest rate. In comparison, the annualized return of the US S&P500 stock market index for the past 15 years has been approximately 10%** including dividends. Looking back, you would have been better to invest in the stock market than to put extra money towards your mortgage based on debt costs vs. returns.

Completing an RRSP Contribution

Here is when you want to consider making an RRSP contribution in general:

- If you have taxable income annually about $50,000.
- If your RRSP is already over $1,000,000 individually.
- You do not have an employer based pension plan that is already funding a retirement plan.

** Best five-year fixed mortgage rate in 2018 as sourced by Super Brokers as of January 30, 2022.
* Stock market data is sourced from Morningstar as of January 30, 2022.

From the desk of Monika Kucinskaite

Financial Advisor Associate, Manulife Securities Incorporated
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When to claim your RRSP contribution as a tax deduction (they don't have to match!)

One attractive feature of an RRSP tax deduction is that it reduces your taxable income and you pay less income tax that year. If you are in a higher tax bracket and earned above $154,600, your maximum RRSP contribution limit for 2021 will be capped at $27,830. If you earned less, your deduction limit will be 18% of your annual earned income. When you make a new contribution into your RRSP within your limit, you will be entitled to a tax deduction, but you don't need to claim it the same year. A tax deduction is different from your contribution. You can carry forward the tax deduction in the future and use the tax deduction in a year where your income may be higher. This planning point should be examined each year to see what is optimal for you.

From the desk of Gerdi Lito, CFA

Financial Advisor Associate, Manulife Securities Incorporated gerdi.lito@manulifesecurities.ca

Planning your investment portfolio withdrawals

If you are withdrawing from your investment portfolio as part of your annual cash flow needs, it is always a good idea to plan in advance. For retirees that withdraw from the portfolio we always prefer to hold cash for one year worth of withdrawals, to avoid the need to withdraw money from the portfolio during unexpected periods of falling stock markets.

While you may plan what your normal cash flow needs are for a year, it is also advisable to hold an emergency fund for sudden costs (or have access to a line of credit to cover emergencies).

Furthermore, knowing your needs and other income sources in a year, we can better plan the withdrawals from various investment accounts (RRSP, TFSA, corporation and non-registered accounts) for tax purposes. Typically, bigger spending (car purchase, renovations) should be funded from TFSA or non-registered accounts if possible, to avoid a large increase in your annual income taxes.

Share with us your cash flow needs in advance and we will adjust the portfolio design to match and optimize your withdrawals.

From the desk of Jeton Spahiu, CIM

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Home Buyers' Plan (HBP)

The Home Buyers' Plan (HBP) is a Canada Revenue Agency program that permits eligible first-time homebuyers to withdraw up to $35,000 tax-free from their RRSP account. Kindly note that you can make multiple withdrawals under the program in the same year as long as you do not exceed the $35,000 limit. In order to be eligible and participate in this program, you must be:

1) A Canadian resident.
2) A first-time homebuyer. (If you currently own a home, then you are not eligible for the plan).

If you meet the above-mentioned criteria, then you can take advantage of this initiative. The amount withdrawn must be repaid (contributed back) to the RRSP within 15 years. The repayments need to start in the second year after the withdrawal was completed.
However, please keep in mind that by making an early withdrawal from your RRSP account, you will be giving up on the opportunity for your money to grow tax deferred towards retirement. Generally you should try to avoid using the HBP to fund a new home purchase. Please feel free to reach out to us if you have any questions as we can help you decide whether withdrawing under this program is something that you should take advantage of.

From the desk of Laura Collins

Office Manager, Team of Kurt Rosentreter, Manulife Securities Incorporated
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Definition of Volatility

Volatility often refers to the amount of uncertainty or risk related to the size of changes in a investment's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period, in either direction. A lower volatility means that a security's value does not fluctuate dramatically and tends to be more steady.

Final Words from Kurt

The team here at 2848 Bloor Street West, Etobicoke ON M8X 1A9 is feeling optimistic about the wind-down of the pandemic in 2022. We believe we are about to see a rapid reduction in national and provincial rules that have changed our way of life over the last two years. While everyone will have to find their own comfort level and preferences with stepping back into vacations, restaurants and more, we are hopeful we will see you soon and that your summer will be filled with restaurant patios, baseball games, beaches, biking, parks and more!

Warm regards,

Kurt Rosentreter

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Disclosures

Kurt Rosentreter, CPA, CA, CFP, CLU, TEP, FMA CIMA, FCSI is a national best-selling author seven books on personal finance in Canada and the past co-founder of the national wealth management practice at one of Canada's "Big Four" public accounting firms. For the last fifteen years Kurt has been a core financial course instructor for the Ontario Chartered Public Accountant Association and also appears regularly in the national press as an expert on matters of money. Kurt is the owner of a national wealth management practice in Toronto working with professionals and business owners on all topics of personal finance. Learn more about Kurt at www.kurtismycfo.com.

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