



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

August 2021 Team Newsletter

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

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The team and I have been fully back in the office for two months and it feels great to have everyone together again.

As we write to you a federal election has just kicked off in Canada and will be done in a quick month. Our team had been saying in spring meetings that we expected a fall election and regardless of who wins (Liberal or Conservative traditionally), we don't feel there will be a major change in interest rate policy in Canada or a significant impact on the Canadian stock market in the short term.

The team is watching the policy statements of the leaders and will share feedback if anything of financial note is said.

From the desk of Jeton Spahiu, CIM

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The Power of Asset Consolidation

You may have had the opportunity to see Kurt present the asset allocation charts that our team prepares for your review meetings with him. These charts are customized and tailored to your specific asset mix within your own portfolio. They normally reflect the amount of assets you hold with our team and are classified by asset class (cash, low-risk fixed income, medium-risk fixed income, equities), geography, and industry/sector. However, these asset allocation charts do not always take into consideration your assets held elsewhere, essentially only showing a portion of your overall financial picture.

We would welcome receiving the investment statements of your assets held with other brokerages, self-directing platforms, and financial institutions. Please note that we can also incorporate your stock option plans, group RRSP plans, corporation investment accounts, and pension plans within one asset allocation graph as to show you what your complete portfolio looks like within one plan.

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Constructing a thorough asset allocation chart is of great value as it reveals your complete financial summary of your assets as well as it allows us to perform a detailed investment portfolio design. We would be able to identify & analyze the quality of assets, duplicate securities and tax planning within taxable investment accounts, as well as sector overweight/underweight in the portfolio. In addition, we would be able to complete a comparative analysis among different securities including:

- Blue chip vs thinly traded securities
- ETFs vs Mutual Funds
- GICs vs Corporate/Government Bonds vs Bond Funds

An evaluation of the above-mentioned would allow us to rebalance your portfolio properly and ensure that we are meeting your long-term target asset allocation, which is aligned with your stated risk tolerance and investment objectives.

From the desk of Gerdi Lito, CFA

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Permanent Life Insurance

While term life insurance is suited to fulfill life insurance needs during younger ages (30-60) typically, permanent insurance can combine insurance with investments and has a broader focus other than basic risk management needs. It can provide tax advantages and help you with your estate planning. You may want to explore permanent life insurance if you tick all the boxes below:

- You have a financial plan in place which shows that you have more money that you will need for retirement and can afford the cost of insurance premiums in retirement.
- You have already taken advantage of spousal income splitting and investment tax shelters like RRSP and TFSA accounts and you still have extra savings that you can use.
- You want to leave money to your heirs in the most tax efficient way possible.
- You will likely face a large tax bill at death due to special circumstances (business owner, real estate sale, etc.) and wish to have life insurance pay out on death and offset the taxes.

If you would like to explore more on how permanent life insurance can serve your needs, our team is happy to help.

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From the desk of Mathew Cain, CIM

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RESP Withdrawals

It's that time of year again where the kids are heading back to university/college, and you may be wondering how to withdraw funds from their RESP to pay for their education.

1. Consider using a line of credit to pay for tuition and expenses that are to be paid immediately. Our team requires at least one week or more to have you sign paperwork, sell investments, and send the money to your bank account.
2. To process a withdrawal from the RESP, we need specific documentation. We require a confirmation of enrollment form from the school or a student timetable showing their classes, their name, and the school's name.
3. How much job and other income did your child earn this year, if any, and how much is estimated for the remainder of the year? We need to know this because some of the RESP withdrawal may be taxable to the child and we want to manage his or her income tax exposure.

Let us know if you have any questions about the RESP withdrawal process!

From the desk of Jordan Campbell, CFA

Associate Portfolio Manager, Manulife Securities Incorporated

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Political parties' platforms and their impact on investment taxation

With the election around the corner, people are wondering how each political party's ideas on income tax strategy would affect their investments. Of the three main parties that have a chance of forming a government, only the NDP have put out specific plans on what they would do.

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Please see a short summary below for information released so far (end of August) and for links to each party's economic platform.

[The NDP Plan](#)

- Increase the inclusion rate on capital gains to 75% from 50%.
- Increase the top marginal tax rate by two points (35% from 33%).
- Introduce a 1% wealth tax on those who have more than \$10 million of assets.
- Introduce a tax on luxury cars and boats.

[The Liberal Plan](#)

- Review current government spending and expenditures to make sure that the wealthiest Canadians don't unfairly benefit from tax breaks.
- Introduce a 10% tax on luxury cars, boats, and personal aircraft over \$100,000.

[The Conservative Plan](#)

- There is no talk of either personal tax cuts or increases to date.

From the desk of Monika Kucinskaite, M.Com

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Additional Savings Options for Children

The government and some provinces offer incentives to encourage savings into a Registered Education Savings Plan (RESP) for children and post-secondary education. To get the federal government grant you would need to contribute at least \$2,500 annually for about 14.4 years for the full \$7,200 entitlement. We are finding that the RESP money people save is not enough to pay for the high costs of education when the child moves away from home. Here are other options to save additional money beyond using an RESP:

- Continue contributing to the RESP up to the \$50,000 limit. You can put more money into the RESP but you won't get the free grant money once you reach the grant maximum. Still, your contributions grow tax sheltered and will give your child more money for school expenses.
- Open a Tax-Free Savings Account (TFSA) and save money in your name for your child to use. Open a TFSA for your child after age 18. Open a TFSA for yourself and use this money for your child's school costs.

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- Open an informal trust account for a minor child. If the assets deposited into this account are provided from an inheritance, allowance or Child Tax Benefit payments, all income would be attributed and taxable to the minor who would normally be in a lower tax bracket.

From the desk of Frank Valicek, CFP, CIM

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Canadian Inflation

As reported by BNN Bloomberg, the Canadian inflation rate increased to 3.7% in July compared to the same month last year. Many view this to be what's being referred to as a "transitory" spike related to global supply chain issues, which are expected to be resolved as global economies continue to open up and supply versus demand factors normalize over time. This is an area we are monitoring closely

in relation to how it may impact client investment portfolios and how to manage through this period of inflation uncertainty.

Read more within the full article available here: [Canadian inflation jumps to 3.7%](#).

From the desk of Laura Collins

Executive assistant to Kurt Rosentreter, Manulife Securities Incorporated

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Market Sentiment

Market sentiment refers to the overall attitude of investors towards a particular security or financial market. It is the feeling or tone of a market, or its crowd psychology, as revealed through the activity and price movement of the securities traded in that market. In broad terms, rising prices indicate bullish (positive) market sentiment, while falling prices indicate bearish (negative) market sentiment.

When bears are in control, stock prices are going down. When bulls are in control, stock prices are going up. Emotion often drives the stock market, so market sentiment is not always synonymous with

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fundamental value. That is, market sentiment is about feelings and emotions, whereas fundamental value is about business performance.

Source: [Market Sentiment Definition \(investopedia.com\)](http://investopedia.com)

We're Moving!

We will be relocating our office from 3 Church Street in downtown Toronto to 2848 Bloor Street West in west Toronto in the months ahead. This is a big decision: it affects some client meeting locations and the daily commutes of all team members. We have been researching locations for five years and being located in west Toronto on the subway line with free parking better represents a central point for our clients who are located from Windsor to Ottawa in Ontario. We have listened to those of you that don't like to come downtown or deal with parking.

The pandemic has also allowed us to revisit the use of space, how much space we need and to examine options after our office lease rate rose 40% in the last two years alone. We have also digitized all client files over the last three years and have eliminated the need for filing cabinets forever, creating excess room.

Our commitment to you is that you will not be worse-off from this team move – expectations will be reviewed individually, and meeting locations will be discussed as to what you prefer! We are excited about the move and hope to have you visit for a tour!

Enjoy the rest of your summer!

Warm regards,

Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP

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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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