



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

January 2022 Team Newsletter

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

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Client Focused Reforms

On January 2, 2022, the securities regulators in Canada adopted the “client focused reforms” or “CFR” which required greatly enhanced questioning and documentation to be prepared by financial advisors working with clients. You can read more about CFR here: [Client Focused Reforms – IIROC Rule Amendments | IIROC](#)

Let me be clear: this is a big deal. Every relationship we have now requires substantial additional paperwork, administration, record keeping, analysis, supervision, questioning and reporting about client risk, product suitability, product knowledge and general compliance. It will add hours of behind the scenes work all year long. The good news is we have been training for this change and are ready to go!

We hope that you will help us to complete our requirements as efficiently as possible over the year and please know that these enhancements are designed to protect you more than ever before.

From the desk of Jordan Campbell, CFA

Portfolio Manager, Manulife Securities Incorporated

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2022 Economic Outlook

Earlier in January, our team attended the annual virtual conference for the Economic Forum where all of the top economists from Canada’s big banks discuss what they see as the factors that will affect the country and world in 2022.

Below are some of the highlights:

Avery Shenfeld (CIBC)

- A return to normal levels of immigration in Canada should reduce wage inflation and thus reduce inflation overall.
- Canada and the US will hike interest rates by 75 basis points in 2022 (3 hikes of 0.25)
- Oil prices likely to be slightly lower.
- TSX (Toronto Stock Exchange) doesn’t look overpriced – sees single digit gains in 2022.

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Derek Burleton (TD)

- Supply chains issues are clearing out which should help reduce inflation.
- Unemployment is likely to continue to fall.
 - Employers will be reluctant to lay off workers despite Omicron due to past issues with re-hiring workers.
- Wage growth has been slow in Canada at 3%; should pick up in 2022 and be closer to 4%; most pressure will be in low wage industries.
- Hybrid office model will be most likely; working all at home or work is unlikely.

Doug Porter (BMO)

- The Canadian economy will hit a two-month air pocket due to Omicron and then recover and spring back.
- 4% GDP growth in 2022 (a normal year is 2%); above average growth into 2023 as well.
- Think inflation will moderate (oil won't double again in 2022); car prices won't double again.
- Housing will be determined by supply and demand; will cool when demand goes down.
 - Need Bank of Canada to raise rates to cool demand.

Stephen Marion (National Bank)

- Canada needs to raise interest rates before the US if immigration comes in strong for Canada.
- The golden age of consumption is done as we won't be able to outsource production as much anymore to other countries.
- Capital investment isn't keeping up in Canada and we are falling behind countries like the US; this will hurt our productivity and GDP growth.

Canadian Dollar Predictions

- Avery (CIBC) says the dollar will be slightly weaker by year end.
- Stephen (National Bank) higher oil and a cash buildup will push the dollar higher.
- Porter (BMO) says dollar will be somewhat stronger.
- Dawn (RBC) says slightly weaker based on interest rate differentials.
- Jeff (Scotiabank) says stronger due to oil going up.
- Derek (TD) says it will be weaker as it is overpriced compared to the US.

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Deferring the Canada Pension Plan (CPP)

The Canada Pension Plan (CPP) is a monthly taxable government benefit that Canadians receive after paying into CPP during their working careers.

The traditional way of thinking was that you worked to age 65 and claimed CPP, Old Age Security (OAS) and employer pensions. You may have also drawn down your RRSP savings if applicable. This approach may no longer be appropriate! COVID-19 has even had an impact on our retirement pensions!

There was an excellent article written recently which outlines an argument for deferring receiving CPP as a result of the pandemic. <https://granthshala.com/the-case-for-deferring-your-cpp-benefits-is-stronger-than-ever/>

In our opinion, the key to understanding your retirement cash flow is designing a retirement cash flow forecast which pulls in all these figures and gives you an overall perspective of your cash flow to age 100. A financial forecast helps paint a picture of when it makes sense to access your retirement savings, when to take CPP/OAS, how it integrates with your private pensions, if applicable and shows you how much money you can spend each year in a tax-efficient manner.

From the desk of Gerdi Lito, CFA

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Tax Free Saving Accounts (TFSA)

Starting January 1, 2022, you can make the annual contribution into your Tax Free Saving Account. The limit for 2022 is the same as last year, \$6,000.

TFSA's are a great saving vehicle as the money grows tax free and you can withdraw when you need it without paying any tax. Below are some facts and tips for the TFSA accounts:

- There is no deadline for making TFSA contributions. You can contribute at any time of the year although we recommend making the contribution as early as possible to take advantage of the tax-free status of the account.
- If you cannot make the full contribution now, consider setting up a monthly contribution.
- If you didn't make a contribution in the past years, you can catch up at any time as the contribution room is cumulative. For example, if you have never contributed to a TFSA since they were introduced in 2009 (and assuming you were at least 18 at that time), you can contribute \$81,500 now.

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- If you withdrew money from the TFSA last year (or previous years), you are allowed to put that amount back this year.
- The ability to withdraw the money tax free makes them a great investing vehicle for retirees to pay for expensive items like the purchase of a car or a home renovation.

Contact our team if you want to make your TFSA contribution now and we will be happy to help.

From the desk of Jeton Spahiu, CIM

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2022 Financial Resolutions Checklist

As you make your New Year's resolutions, consider adding the following to your list:

- If retired, review your 2022 portfolio cash flow needs early in the year with us.
- Have a financial plan done in 2022 (if you don't have one in place).
- Save more than the "annual saving target".
- Pay down your mortgage faster ahead of rising interest rates.
- Contribute to your RRSP and TFSA as early in the year as possible as to take advantage of tax sheltering.
- Save for the children's educations in an RESP and be eligible to get the maximum grants from the government.
- Get your Wills and Powers of Attorney updated and give us a copy to hold for you.
- Tax season is around the corner - if you need an accountant call us early for a referral.
- Do not look at the stock market on a daily basis – instead focus on a long-term investing plan.

Our team is happy to guide you on all these topics.

From the desk of Monika Kucinskaite, M.Com

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Rising Interest Rates – A Return to Normality?

March 2020 – a month we will never forget. The uncertainty of the COVID-19 virus drove down global stock markets, forced people to work from home, shut down businesses and changed the lives of billions of people.

To help get out of the economic pullback, the central banks of the world reduced interest rates in hopes it would help increase consumer spending ultimately helping the economy. While low interest rates are great for loans and mortgages, they are not so great for fixed income investments such as GICs.

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However, inflation is rising to its highest level in forty years and the global economy is recovering. This is leaving the central banks that assist with interest rate decisions, to reconsider raising rates.

Below is a summary of how many interest rate increases are now predicted for 2022:

	Projected Rate Hikes	
Year	Canada	United States
2022	3	3

* *Data source from CIBC Economics as of January 13, 2022.*

We will be ready all year to talk to you about the impact of inflation and rising interest rates on your mortgage, lines of credit, car loans, GICs, corporate bonds, bond funds and bond ETFs.

From the desk of Laura Collins, Office Manager

Team of Kurt Rosentreter, Manulife Securities Incorporated

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I am continuing with my series of providing explanations of key terms in personal finance. If you have suggestions for the future, let me know!

Definition of an Exchange Traded Fund (ETF)

An exchange traded fund (ETF) is a market traded security that consists of owning dozens if not hundreds of stocks or bonds in one pre-packaged portfolio. An ETF can be structured to track anything from the price of an individual commodity to a large and diverse collection of stocks from around the world. ETFs have rapidly grown in popularity in recent years as they are lower cost than mutual funds, safer than owning individual stocks, are easy to understand and many offer exceptional long term investment performance. A well-known example is the SPDR S&P 500 ETF (SPY), which tracks the S&P 500 Index.

Source: Exchange Traded Fund (ETF) Definition and Overview (investopedia.com)

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Final Words from Kurt

Despite COVID-19 and the fact that four of our team members contracted COVID-19 during the holidays, we worked through it and the office has been fully operational and staffed every day, we are proud to say! All questions are welcome anytime and we are busy scheduling 2022 review meetings for January to June so let us know if you have a preference! We are also getting close to moving our office from 3 Church Street to 2848 Bloor Street West in the next month.

Please drop us a line to say hello, book a meeting or ask a question. Best wishes for the new year and we look forward to talking to you soon.

Warm regards,

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