



**UPPER CANADA CAPITAL**

PRIVATE WEALTH MANAGEMENT

---

## 2023 September Team Newsletter

### Portfolio Tax Planning

**Gerdi Lito, CFA**

**Associate Portfolio Manager, Manulife Securities Incorporated**

**Life Insurance Advisor, Upper Canada Capital Inc.**

As we come close to the end of the year, it is time for some tax planning in your portfolios. We look for opportunities to potentially reduce your tax bill now or optimize future taxable income by redistributing it over future years. Two strategies we commonly use include tax loss selling and withdrawing from RRSPs for low-income individuals.

#### Tax loss selling

This strategy involves selling a security that is currently in a loss position and that is held in taxable accounts (not in RRSPs or TFSAs). Selling it at a loss and potentially buying it after 30 days will generate a capital loss now that can be used to offset capital gains that you might have incurred this year or in two previous years, subject to certain conditions.

Looking at annual market returns over the past three years; two years were positive (2021 and 2023 so far) and one was negative (2022) <sup>1</sup>. Because we often take profits over time, you may have ended up with taxable capital gains in your portfolio.

#### Deregistering funds from your RRSPs

If you or your spouse have zero or low income for the year and are in a low tax bracket, it makes sense taking some funds out of the RRSP accounts now and reducing the future

**Manulife Securities Incorporated**

2848 Bloor Street West, Etobicoke, ON M8X 1A9

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: [UpperCanadaCapital.com](https://UpperCanadaCapital.com)

 **Manulife Securities**

Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

tax burden when you will be “forced” to take money out of the RRSP at a defined pace when it is converted to a RRIF at age 71.

Even if you do not need the money, we can still take it out of the RRSP and transfer to a TFSA account (if you have contribution room) or to a non-registered account and keep it invested. We don’t even have to sell your stocks or bonds; they can be transferred in kind.

Forward us your tax returns and notice of assessment so we can review any opportunities for tax loss selling or evaluate if deregistering from your RRSP is right for you.

Sources:

<sup>1</sup> YCharts on 09/22/23

### **Welcome to RIFF Season**

**Mathew Cain, CIM**

**Associate Portfolio Manager, Manulife Securities Incorporated**

Well, not quite yet, but it’s just around the corner and our team always likes to set the stage about what to expect.

If you have already converted your RRSPs and other registered accounts to a RRIF, then please expect to hear from our team shortly to complete your annual withdrawal if we haven’t already done so.

If you are turning 71 this year, then this is the year we need to convert your RRSP in a RRIF account.

**Manulife Securities Incorporated**

**2848 Bloor Street West, Etobicoke, ON M8X 1A9**

**T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878**

**Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)**

 **Manulife Securities**

*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

I have spoken on this topic several times in past newsletters as it is an important milestone topic. I would encourage you to read about RRIFs and more in our newsletter section on the past newsletter section of our website.

Today, I would like to focus on the types of accounts you may have that need to be converted by November 30th. There is more than one.

### **Your RRSP to RRIF Account**

- This is your traditional retirement savings account that you've likely contributed for the past ten to fifty years.
- This will be converted into a Registered Retirement Income Fund, or RRIF.
- Your minimum withdrawal amount is required and is important. Please see the withdrawal section below for further details.
- There are no maximum withdrawal restrictions. Yes, you could essentially withdraw your entire RRIF if you wanted, subject to taxes, however.

### **Your Spousal RRSP to Spousal RRIF Account**

- This account is similar to an RRSP, except at one point, your spouse (whether current or previous) had added money to your spousal RRSP. Typically, this strategy is employed during years when one spouse has a significantly higher income than the other.
- The withdrawals will be taxed in the hands of the account holder, not the contributor.

### **Your LIRA to LIF Account**

- This used to be a group retirement plan at a previous employer.
- When you left the company your group plan was converted to this account.
- These accounts are locked until age 55.

#### **Manulife Securities Incorporated**

2848 Bloor Street West, Etobicoke, ON M8X 1A9

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)



*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

- Your LIF not only has minimum amounts you need to withdraw each year, like a RRIF, it also has a maximum withdrawal amount.

### Your LRSP to LIF Account

- An LRSP or Locked-In Retirement Savings plan is similar to a LIRA.
- This would convert to a LIF as well.

### Annual Withdrawal Amounts

- It is a percentage of your portfolio as of January 1<sup>st</sup>.
- The percentage, or prescribed rate, is set by the government.
- The prescribed rate is based on your age.
- The prescribed rate will increase over time\*.
  - At age 72, your withdrawal percentage is 5.40%.
  - At age 80, your withdrawal percentage is 6.82%.
  - At age 90, your withdrawal percentage is 11.92%.
  - At age 95 and older, your withdrawal percentage is 20.00%
- We can set your minimum amount based on your age or the age of your spouse.
  - Once it is set, you can never change it.
  - It might make sense to set your withdrawal rate based on the younger spouse's age. However, it would best to discuss this with our team as there are a lot factors that can affect this.

Sources:

<sup>1</sup> [Government of Canada, 2023](#)

**Manulife Securities Incorporated**  
2848 Bloor Street West, Etobicoke, ON M8X 1A9  
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878  
Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)

 **Manulife Securities**

*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



**UPPER CANADA CAPITAL**

PRIVATE WEALTH MANAGEMENT

## **Keeping the Cottage in the Family**

**Frank Valicek, CFP, CIM**

**Financial Advisor, Manulife Securities Incorporated**

**President & Life Insurance Advisor, Upper Canada Capital Inc.**

With summer coming to a close, cottage owners may be reflecting on how they can pass on the property that holds a special place in their hearts to the next generation. One strategy is to establish a Whole Life insurance policy to pay for the cottage estate taxes on the second death. Let's take a look at a quick case study using Manulife as the insurer. Bob & Susan, both aged 55, estimate the capital gains tax at current market value is \$250,000. They apply for a joint-last to die policy with an increasing death benefit to account for rising property values and name their children as beneficiaries. With annual premiums of \$10,475 payable for 20 years, the death benefit grows to \$703,296\* when Susan passes away at age 93 with Bob having passed away a few years earlier. Their children receive the \$703,296\* tax-free death benefit to pay the tax bill for the cottage enabling them to retain ownership. A comforting planning strategy for Bob & Susan to have in place on those cold winter nights. *\*based on Manulife illustration dated September 12, 2023 with \$250,000 guaranteed death benefit + \$213,303 guaranteed cash value + \$239,993 non-guaranteed cash value using current dividend scale -1%.*

**Manulife Securities Incorporated**

**2848 Bloor Street West, Etobicoke, ON M8X 1A9**

**T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878**

**Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)**

 **Manulife Securities**

*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

### **What Exactly is Inflation?**

**Evan Campbell**

**Marketing Assistant, Manulife Securities Incorporated**

Inflation has been a hot topic for the last year and a half, as many central banks around the globe have raised policy interest rates to curb spending and bring inflation down.

Inflation, by its definition, is a sustained increase in the general price level of goods and services over time. Inflation means that the purchasing power of your money decreases over time as prices rise. To measure inflation the government uses a Consumer Price Index (CPI), a metric which measures the cost of a basket of goods composed of over 700 items and measured monthly by Statistics Canada. This basket is further broken down into 8 major components:

1. Food
2. Shelter
3. Household Operation, Furnishing and Equipment
4. Clothing and Footwear
5. Transportation
6. Health and Personal Care
7. Recreation, Education and Reading
8. Alcoholic Beverages, Tobacco Products and Recreational Cannabis

Price changes for items in each category are measured and then assigned a weighting based on its relative importance for an average Canadian.

Depending on factors such as your personal budget, spending habits or even geographic location, you may experience the effects of inflation much different than other Canadians.

#### **Manulife Securities Incorporated**

2848 Bloor Street West, Etobicoke, ON M8X 1A9

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)



*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

To get a sense of your personal inflation rate, Statistics Canada has a personal inflation calculator available online at:

<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2020015-eng.htm>

So, what causes inflation?

The general cause of inflation is an increase in money-supply within an economy or market and divided into three types:

1. Demand-Pull Inflation:

- a. Demand-pull inflation is when an increase in demand spurs increases in goods and services. More money supply and credit stimulate demand in the economy.

2. Cost-Push Inflation:

- a. Cost-push inflation occurs when production costs of goods increase but demand remains the same, “pushing” up inflation.

3. Built-In Inflation:

- a. Built-in inflation refers to the expectation that costs of goods and services are expected to rise and keep rising in the future. With this expectation, workers demand higher wages which further increases the cost of production and creates a positive feedback loop driving inflation higher again. A healthy economy seeks to have a steady rate of inflation.

Sources:

Statistics Canada, 2023

Investopedia, 2023

**Manulife Securities Incorporated**

2848 Bloor Street West, Etobicoke, ON M8X 1A9

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)



*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*



## UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

### Disclosures

*Manulife and Manulife Securities are trademarks of the Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.*

*Manulife Securities is an indirectly wholly-owned subsidiary of Manulife Financial Corporation (MFC). MFC owns The Manufacturers Life Insurance Company (MLI), a financial services organization offering a range of protection, estate planning, investment and banking solutions through a multi-channel distribution network. MLI owns Manulife Securities Incorporated, Manulife Securities Investment Services Inc. and Manulife Securities Insurance Inc. MLI also owns Manulife Bank of Canada, a federally chartered Schedule 1 bank, which in turns owns Manulife Trust Company, a federally chartered trust company.*

*The Assistants, Advisors, and Manulife Securities Incorporated or Manulife Securities Insurance Inc. ("Manulife Securities") do not make any representation that the information in any linked site is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites.*

*Any opinion or advice expressed in a linked site should not be construed as the opinion or advice of the Assistants, Advisors, or Manulife Securities Incorporated. The information in this communication is subject to change without notice.*

*The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated or Manulife Securities Insurance Inc.*

*This publication is solely the work of Upper Canada Capital for the private information of his clients. Although the author is a Manulife Securities Advisor, he is not a financial analyst at Manulife Securities Incorporated and/or Manulife Securities Insurance Inc. ("Manulife Securities"). This is not an official publication of Manulife Securities. The views, opinions and recommendations are those of the author alone and they may not necessarily be those of Manulife Securities. This publication is not an offer to sell or a solicitation of an offer to buy any securities. This publication is not meant to provide legal, accounting or account advice. As each situation is different, you should seek advice based on your specific circumstances. Please call to arrange for an appointment. The information contained herein was obtained from sources believed to be reliable; however, no representation or warranty, express or implied, is made by the writer, Manulife Securities or any other person as to its accuracy, completeness or correctness.*

*Manulife Securities Incorporated does not make any representation that the information provided in the 3rd Party articles is accurate and will not accept any responsibility or liability for any inaccuracies in the information or content of any 3rd party articles. Any opinion or advice expressed in the 3rd party article, including the opinion of a Manulife Securities Advisor, should not be construed as, and may not reflect, the opinion or advice of Manulife Securities. The 3rd party articles are provided for information purposes only and are not meant to provide legal accounting or account advice.*

#### **Manulife Securities Incorporated**

**2848 Bloor Street West, Etobicoke, ON M8X 1A9**

**T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878**

**Visit our website: [UpperCanadaCapital.com](http://UpperCanadaCapital.com)**



*Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Upper Canada Capital Inc.. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Please confirm with your Advisor which company you are dealing with for each of your products and services.*