UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

2024 December Team Newsletter

The Value of Financial Advice

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Every day, we, as your Financial Advisory Team, are humbled to have earned your trust in a relationship that goes far beyond the returns and design of your investment portfolio. Trust that must continue to be earned to be kept.

Our holistic approach to helping you manage your finances is of utmost importance where we can cover a dizzying array of materially impactful pieces of your financial plan. Guidance is provided in six core areas: financial management, investment management, retirement planning, tax planning, risk management and estate planning.

Breaking it down granularly, topical planning areas may include: Career Advice. Compensation. Workplace Pensions. Share Ownership. Group Benefits Analysis. Severance Packages. Tax Planning. Prioritizing Mortgages and Lines of Credit. Investment Loans. Considerations for Dependant Children. Care for Elderly Parents. Pre and Post Retirement Planning. Renting versus Owning Real Estate. Secondary Properties. Automobile Financing versus Leasing. Creditor-proofing. Divorce planning. Optimizing CPP & OAS benefits. Life Insurance. Long Term Disability Insurance. Critical Illness Insurance. Charitable Giving. Intergenerational Wealth Transfer. Estate Planning.

When put together, clients are able to envision what their financial plan looks like and what topics may be missing that should be addressed to compose their overall dashboard as completely as possible.

We know that research consistently shows that advised investors build more wealth compared to non-advised investors.

Research from Morningstar found that "households working with a financial advisor made the best overall financial decisions" meaning they had good saving habits, appropriate portfolio risk, and less chance of having revolving credit debt; they also had life insurance and emergency savings.[1] And these factors reduce a

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person's overall stress: nearly 30% of those who work with a financial planner say their finances don't cause them any stress, compared with only 17% who don't have an advisor.[2]

The 2024 Fidelity Retirement Report provides some intriguing insights:

- 92% of retirees with a written financial plan feel more positive about their financial situation; only 73% of those without one say the same. With pre-retirees, that gap widens significantly to 81% and 54%, respectively.
- 69% of Canadians who work with a financial advisor say they are closer to achieving their financial goals, in part because a professional makes sure investment choices are based on logic rather than emotion.
- Canadians who work with a financial advisor are 72% more likely to say that they feel optimistic about opportunities for future investment growth.

In June 2024, Russell Investments Canada Limited released its ninth-annual Value of an Advisor study, which aims to quantify a financial advisor's increasingly complex role to serve their clients, found that Canadian financial advisors who deliver comprehensive wealth management services add 3.52% in value that far exceeds the typical fee charged.

Russell Investments developed its Value of an Advisor formula based on rigorous research and experience and is reassessed each year to assure it accurately quantifies the tangible benefits of collaborating with a financial advisor, consisting of the following four components:

- A - Active rebalancing and asset allocation. Value added: 0.28%
- B - Behavioral coaching. Value added: 1.43%
- C - Customized family wealth planning. Value added: 1.13%
- T - Tax-smart planning & investing. Value added: 0.68%

"Our study powerfully quantifies our strong conviction in the value that advisors bring to their clients," said Toronto-based Danny Kabeya, Divisional Director for Russell Investments Canada's Advisor and Intermediary Solutions business. "A financial advisor's work to guide clients holistically through defining moments of their lives, to ensure investments align with their goals, to provide expertise on taxes and insurance, as well as to plan for their retirement, long-term care needs and estate planning—among a myriad of other services—adds value."

Working with a financial advisor has real benefits. Leverage our experience to your benefit. We're here to address, refer, or sometimes simply listen to your most pressing concerns and aspirations. "Your health is your wealth" as I like to say, so be sure to take care of yourselves and let's continue our journey together!
Sources:

[1] *David Blanchett, "Gamma in Action: Financially sound households get advice from financial planners," Morningstar, March 5, 2019, https://www.morningstar.com/articles/918226/gamma-in-action.*
[2] *Financial Stress Index: A year-over-year comparison of Canadian's financial stress, FP Canada, July 2020, https://fpcanada.ca/docs/default-source/news/financial-stress-wp.pdf.*

Tax Loss Harvesting: An Overview

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Tax-loss selling, often referred to as tax-loss harvesting allows investors to offset capital gains by realizing losses on underperforming investments. While the idea of selling at a loss may seem counterintuitive, it can significantly reduce taxable income and enhance after-tax returns when executed thoughtfully. In cases where losses exceed gains, the excess loss can be carried back three years or carried forward indefinitely, to offset future gains. This technique is particularly valuable for investors holding non-registered personal and corporate accounts, where realized capital gains are subject to taxation.

Investors must navigate certain rules and regulations to ensure their tax-loss selling strategy is compliant, and effective. In Canada, the superficial loss rule enforced by CRA is a critical consideration. This rule disallows a capital loss if the same or an identical security is repurchased within 30 days after the sale. The rule extends to purchases made by non-arm's length persons or entities, including spouses, corporations, and trusts associated with by the investor in question. To maintain market exposure after selling an underperforming investment investors may consider purchasing a similar, but not identical security, thereby avoiding the superficial loss rule.

Timing is another key aspect of tax-loss selling. Transactions must settle by the last business day of the year in order to be eligible to apply the capital loss within the current tax year. Investors should plan their sales well in advance, to ensure compliance with this deadline. This timing consideration underscores the importance of proactive year-end tax planning for investors aiming to maximize the benefits of tax-loss selling.

Recent changes in tax policy further highlight the need for strategic planning. As of mid-2024, the capital gains inclusion rate in Canada increased from 50% to 66.67% for net capital gains in excess of $250,000 annually, both for individuals and for corporations and trusts. This change amplifies the tax impact of capital gains, making strategies like tax-loss selling even more salient for those with substantial non-registered investment portfolios.

Please consult with a tax professional for personalized tax advice.

Sources:

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Have you ever wondered how Canada's securities industry is regulated?

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The Canadian Investment Regulatory Organization (CIRO) was established in 2023 by merging the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA).

CIRO is a self-regulatory organization that oversees all investment dealers, mutual fund dealers, and trading activity on Canada's debt and equity marketplaces.

CIRO published its strategic plan for 2025 to 2027, and one of the areas focuses on how financial professionals will be licensed. In 2026, CIRO will overhaul its licensing process, focusing on competency-based exams, mandatory ethics training, and more robust experience requirements.

They have agreed to partner with Fitch Learning as its new service provider, moving to a competency approach. The goal is to help advisors serve clients better and increase public trust.

Highlights:

- Competency-Based Exams: Financial advisors must pass exams focusing on theoretical and practical, real-world skills. The exams will be focused on specific roles, such as retail representatives, portfolio managers, and traders. This approach is expected to be more effective than course-based systems, hopefully helping avoid conflicts of interest and ensuring financial advisors are fully prepared for the challenges of today's financial world.
- Mandatory Ethics Training: New advisors must complete ethics training within 30 days of being licensed, and ongoing ethics-focused continuing education is required. This helps reinforce the industry's commitment to high ethical standards and ensures that advisors are continuously updated on industry practices and ethical guidelines.
- Experience Requirements: Financial advisors will need at least four years of relevant work experience or an equivalent degree. Individuals should have hands-on experience before providing financial advice, as I believe in learning by doing.

Financial Dictionary

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Asset class — A category of financial investments that share certain key characteristics. The three main asset classes are equities (stocks), fixed income (such as bonds and mortgages) and cash or cash equivalents (such as money market investments).

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