UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

January 2025 Team Newsletter

2024 markets

From the desk of Kurt Rosentreter, CPA, CA, CFP
Portfolio Manager - Manulife Wealth Inc

The year 2024 was a remarkable period for equity investors, with exciting technological advancements, welcomed interest rate cuts, and resilient consumer spending. As we look back, several key trends and events stand out that shaped the global investment environment.

Canada struggles while the U.S. powers ahead

In Canada, manufacturing and services remained sluggish, and small business insolvencies jumped 41.7% over the 12 months ending in October. [*] This signals persistent financial pressures that could further weigh on the economy.

In contrast, the U.S. economy experienced steady growth. Consumer spending and new technologies bolstered productivity and economic activity south of the border.

Gains for both stocks and bonds

Global stock markets had another strong year in 2024, building on the recovery and growth seen in 2023. The S&P 500 Index, S&P/TSX Composite Index, and MSCI World Index returned 23.3%, 18.0%, and 17.0%, respectively, supported by resilient corporate earnings and consumer demand. [**]

Bond markets also gained as interest rates fell and bond prices rose. Canadian and U.S. bonds, as measured by the FTSE Canada Universe Bond Index and Bloomberg US Aggregate Bond Index, returned 4.2% and 1.3%, respectively, in 2024.[‡]

Looking to 2025

- **Slower global growth**. The global economic slowdown is likely to continue in 2025. The U.S. may be an exception with low unemployment and strong business growth expected under the Trump

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Wealth

administration. Canada's rate-sensitive economy remains more vulnerable despite lower borrowing costs.

- **More rate cuts**. Central banks eased rates in 2024 to stimulate growth and may continue to do so in 2025. Canada, grappling with domestic challenges, could adopt a more aggressive approach than the U.S.
- **Trade talks**. Expect Canada-U.S. tariff negotiations to grab headlines again and create some noise; however, major changes are unlikely given both economies' reliance on each other.

Staying focused on what matters

Uncertainty is always a factor in investing, but history shows that focusing on high quality investments and sticking to a plan can deliver favorable results over the long term.

[*]Source: https://ised-isde.canada.ca/site/office-superintendent-bankruptcy/en/statistics-and-research/insolvency-statistics-canada-october-2024-highlights. Retrieved on January 6, 2025.
[**]Source: Bloomberg. As at December 31, 2024.
[‡]Source: Bloomberg. As at December 31, 2024.

Markets for 2025

From the desk of Gerdi Lito, CFA
Portfolio Manager - Manulife Wealth Inc

We are summarizing below a list of what we believe will be the main drivers of market movements in 2025.

Inflation and Interest Rates

What moved markets over the past three years (high inflation, followed by rising rates, and then rate cuts) will continue to play an important role in 2025. Central banks are not done yet with rate cuts, and the pace will depend on the inflation path in each country.

Canada was one of the countries that frontloaded interest rate hikes to curb rising inflation, but it was also one of the most aggressive in cutting rates in 2025 to support heavily indebted consumers and avoid a recession.

It will be interesting to see where interest rates stand at the end of 2025, but currently, markets have priced in minor cuts in both Canada and the U.S. We see risks on the downside here: if inflation proves to be more stubborn than expected, there may be fewer rate cuts, or possibly none at all. This would be negative for the stock market, and we could see increased volatility if this scenario materializes.

On the other hand, having bond yields above 3.5% provides a good cushion and income for balanced or conservative portfolios.

Trump 2.0

As President Trump assumes office once again, there is global attention on the potential impact of his policies on markets, economies, and livelihoods.

Some of the expected policies of the new Trump administration could have positive effects on markets: deregulation, extended tax cuts, and the Federal Reserve likely lowering rates* are generally favorable for stocks. Additionally, a strong U.S. dollar and a preference for U.S. companies could further boost U.S. stocks.

However, there are concerns related to talks about tariffs, immigration, higher government spending, and geopolitical tensions. These factors worry investors and are seen as potential negatives for the economy and fueling inflation. Countries that may face tariffs (including Canada) could experience a “shock” to their economic growth in the short term until they adjust to a new reality, while the U.S., bolstered by a strong dollar, may be less affected, especially if the economy continues to show strength.

Artificial Intelligence (AI) and Productivity

The AI revolution has been one of the main drivers of market returns over the past two years, and we expect this trend to continue.

So far, the primary beneficiaries of AI have been companies that produce the infrastructure for AI tools (such as Nvidia and other major tech companies). These companies have seen substantial profits, reflected in their stock performance. We expect this trend to continue, but likely at a slower pace as more competition enters the field.

In the next few years, we expect to see a significant improvement in business productivity due to AI usage. The U.S. economy is leading this trend, and there is now a significant gap in productivity between U.S. businesses and the rest of the world.

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Our Key Takeaways:

- Continue to favor a high concentration of U.S. stocks (which are likely to benefit from better profits, boosted by extended tax cuts, a stronger economy, higher productivity, competitive advantages, and a strong U.S. dollar that may partially offset any tariff effects).
- In Canada, focus on sectors that are less exposed to tariffs (such as banks, utilities, and grocery stores).
- Maintain minimal exposure to international stocks.
- In our opinion, continue to buy medium- to long-term bonds at the current yields available.

Sources:
* https://www.reuters.com/markets/us/feds-waller-cuts-could-come-sooner-than-later-if-disinflation-meets-expectations-2025-01-16/ - Retrieved on 01/17/25
** I.E. EPS Diluted Quarterly YoY Growth numbers for: Nvidia (NVDA) = 110.8%, Amazon (AMZN) = 52.13%, Taiwan Semiconductor Manufacturing Co Ltd (TSM) = 51.23%. Data sourced from YCharts. Retrieved on 01/17/25.

Tax Deadlines and Contribution Limits for 2025

From the desk of Evan Campbell
Financial Advisor Associate - Manulife Wealth Inc

Some key numbers to be aware of for 2025 include:

• The maximum RRSP contribution for 2025 is $32,490. You have until March 3, 2025, to contribute to your RRSP for the 2024 tax year. Consider having the higher income earning individual contribute to their spouse's RRSP via a spousal RRSP for better income splitting in retirement.

• The maximum TFSA contribution for 2025 is $7,000. Consider making catch-up contributions if you have not contributed the maximum amount in previous years. You can find more information regarding your TFSA contribution room through your My CRA portal.

• Provided you have a First Home Savings Account (FHSA), new participation room of $8,000 is unlocked every year on January 1st (up to $40,000 of lifetime maximum contributions and not above an $8,000 carry forward limit). Unlike a TFSA, FHSA contribution room does not begin accumulating until you open the account.

• A Canada Education Savings Grant (CESG) for Registered Education Savings Plan (RESP) contributions of up to 20% of annual contributions for children (maximum of $500 per child per year) is available.

• The basic personal exemption for income tax is $16,129.

• The Old Age Security (OAS) pension claw back begins at an income of $93,454 individually in 2025.

• The prescribed interest rate for spousal loans is 4% for the first quarter of 2025.

• If you owe money to the CRA, you will be charged interest at a rate of 8% currently.

Tax Filing Deadlines

- The deadline for filing personal taxes for the 2024 tax year is April 30, 2025. Self-employed individuals have until June 16, 2025, to file their returns; however, it is important to note that taxes owed must still be paid by April 30, 2025, to avoid interest charges.

- The filing deadline for trusts with a tax-year end date of December 31, 2024, is March 31, 2025.

- The filing deadline for corporations with a tax-year end date of December 31, 2024, is June 30, 2025.

Please consult with a tax professional for personalized tax advice.

Sources:
* https://nationalpost.com/news/canada/the-taxman-is-coming-are-you-up-on-whats-new-for-2025
* https://www.canada.ca/en/department-finance/news/2024/12/government-of-canada-announces-extension-of-2024-charitable-donations-to-february-28-2025.html

Home Buyers' Plan Changes in 2024: A Boost for First-Time Homebuyers

From the desk of Stephen Choi
Financial Advisor Associate - Manulife Wealth Inc

What is the Home Buyers' Plan (HBP)?

UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

The Home Buyers' Plan (HBP) is a government program that allows first-time homebuyers to withdraw funds from their Registered Retirement Savings Plans (RRSPs) for a down payment on a qualifying home purchase.

The withdrawn funds are not taxed, but they must be repaid to the RRSP within 15 years. This allows you to access your own retirement savings for your down payment, avoiding the need for additional debt and increased interest payments. The program helps first-time homebuyers overcome the significant financial hurdle of a down payment, making homeownership more accessible.

Changes to the Home Buyers’ Plan (HBP) in 2024

To further assist first-time buyers with the cost of homeownership, the federal government made significant changes to the HBP in April 2024. While some changes are permanent, others may be temporary and subject to further amendments.

Key Changes to the HBP in 2024:

- Increased Withdrawal Limit: The most notable change is the increase in the maximum withdrawal limit from $35,000 to $60,000 per person. This means that first-time buyers can now access up to $25,000 more from their RRSPs to put toward their down payment. For couples, this translates to a combined withdrawal limit of $120,000.

- Extended Repayment Grace Period: For first-time buyers who made an HBP withdrawal between 2022 and 2025, the repayment grace period has been extended from the original two years to five years. This provides first-time buyers with more flexibility and time to adjust to their new financial responsibilities as homeowners.

Important Considerations

While the changes to the HBP are a welcome addition for first-time buyers, it is important to note that these withdrawals must still be repaid to your RRSP over 15 years, after the initial repayment grace period. While you are allowed to repay more than the minimum annual HBP amount, there is no financial benefit for doing so, as the HBP withdrawal acts like a zero-interest loan. However, failure to make the required annual payments can result in significant tax implications.

Sources: Government of Canada. As of 12/31/2024.

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Wealth

Agency, C. R. (2024a, November 8). *Government of Canada*. How to repay the amounts withdrawn from your RRSPs under the HBP - Canada.ca. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/what-home-buyers-plan/repay-funds-withdrawn-rrsp-s-under-home-buyers-plan.html

Agency, C. R. (2024b, November 8). *Government of Canada*. The Home Buyers' Plan - Canada.ca. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/what-home-buyers-plan.html

Extended Deadline for Charitable Donations: A New Opportunity for Tax Benefits

From the desk of Jordan Pereira
Financial Advisor Associate - Manulife Wealth Inc

In response to disruptions caused by the Canada Post mail stoppage, the Canadian government has announced an extension to the deadline for claiming charitable donation tax deductions for the 2024 tax year. The new deadline is set for February 28, 2025, allowing more time for those who made contributions by cheque or other mailed methods to ensure their donations are eligible for tax benefits.

For individuals who were planning to make charitable donations but were unable to do so before the original deadline, this extension provides an excellent opportunity to still receive tax deductions for your generosity.

This extension not only offers a chance to contribute to causes you care about but also ensures that your support benefits both the charities and your financial planning. If you are considering donating or need assistance with your year-end giving strategy, our team is here to guide you through the process.

Take advantage of this extension to maximize your charitable impact and tax savings this year.

Source: https://www.canada.ca/en/revenue-agency/services/charities-giving/giving-charity-information-donors.html

UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

Disclosures

This is not an official publication of Manulife Wealth. The views, opinions and recommendations contained in this publication are those solely of the author and this publication does not express the views, opinions or recommendations of Manulife Wealth. 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, account or other advice. As each situation is different, you should seek advice based on your specific circumstances. Please call to arrange for an appointment. Manulife Wealth makes no representation or warranty, express or implied, as to the accuracy, completeness or correctness of the information contained in this publication.

The Advisor and Manulife Wealth and Manulife Wealth Insurance Services Inc. ("Manulife Wealth") do not make any representation that the information in any linked site and/or 3rd party articles is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as 3rd party articles and/or linked sites. Any opinion or advice expressed in a 3rd party article and/or linked site should not be construed as the opinion or advice of the advisor or Manulife Wealth. The information in this communication is subject to change without notice.

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. This material was prepared solely for informational purposes and does not take into account the suitability, investment objectives, financial situation, or particular needs of any specific person.

All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Manulife Wealth Inc. and/or Manulife Wealth Insurance Services Inc. ("Manulife Wealth") makes no representation or warranty, express or implied, as to the accuracy, completeness or correctness of the information contained in this publication.

This publication does not constitute a recommendation, professional advice, an offer or an invitation by or on behalf of Manulife Wealth to any person to buy or sell any security or adopt any investment approach. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification or asset allocation doesn't guarantee a profit or protect against the risk of loss in any market. Past performance does not guarantee future results.

This material is intended for the exclusive use of recipients in jurisdictions who are allowed to receive the material under their applicable law. The opinions expressed are those of the author(s) and are subject to change without notice. Our investment teams may hold different views and make different investment decisions. These opinions may not necessarily reflect the views of Manulife Wealth. The information and/or analysis contained in this material has been compiled or arrived at from sources believed to be reliable, but Manulife Wealth does not make any representation as to their accuracy, correctness, usefulness, or completeness and does not accept liability for any loss arising from the use of the information and/or analysis contained.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline, or other expectations, and is only current as of the date indicated. The information in this document, including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife Wealth disclaims any responsibility to update such information.

Manulife Wealth shall not assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained here. As each situation is different, you should seek advice based on your specific circumstances. Please call to arrange for an appointment.

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Wealth