Sandra Sparanese Financial Focus

Wealth Management
Dominion Securities

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RBC Dominion Securities Inc.

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Dear Clients and Friends,

How quickly the year has flown by as we near the end of 2023! I would like to extend my warmest greetings and best wishes for a happy holiday season this year.

As the year draws to a close, we realize that 2023 has been another year where it has been challenging to be an investor. The good news is that the market bottom that we saw in October, 2022 has not been re-tested. The U.S. stock market was flying high for the first half of 2023, driven mostly by just seven U.S. technology stocks. High quality Canadian dividend paying stocks such as banks and telecommunications companies continue to be undervalued but we continue to feel that this scenario is temporary in nature and feel confident about continuing to have exposure to Canadian equities for dividend income and future growth potential. There was a significant divergence between the US stock market returns when compared to the Canadian stock market returns for 2023 which is a good reminder that geographic diversification is important for a balanced portfolio.

Will Canada or the U.S. move into a recession? I continue to remind clients that the technical definition of a recession is two consecutive quarters of negative economic growth, which is a "lagging" indicator. By the time a recession is actually called (and hitting the front page of the newspaper), the stock market would have also bottomed many months before that and the economy is normally moving into recovery by that time. There is a scenario developing where the U.S. could actually avoid tipping into a recession and have a "soft landing" in the economy where growth is slowed but not resulting in a technical recession. The market's primary worry, inflation, should continue to decline over the balance of this year and into 2024. Both the Bank of Canada and the US Federal Reserve are most likely at the end of their interest rate increases and we expect to see interest rates start to drop in 2024 which should continue until 2025-2026. Once interest rates start to decline, we should see both stocks and bonds move higher and recover from the 2022-2023 losses.

As investors, it is important to keep in mind that global markets are forward looking and tend to reflect the future outlook in advance. Meanwhile, a shift to a more patient approach by central banks would still be very welcomed by investors. Whether that change is underway remains to be seen, but we believe that eventuality is not too far off into the future. As always, there is no guarantee about what will happen in the short term, but we are seeing more positive signs lately and feel that there is a higher probability of upside rather than more downside.

I am happy to continue to see more clients in-person now and it reaffirms to me that the investment and financial planning business is about the people we help.

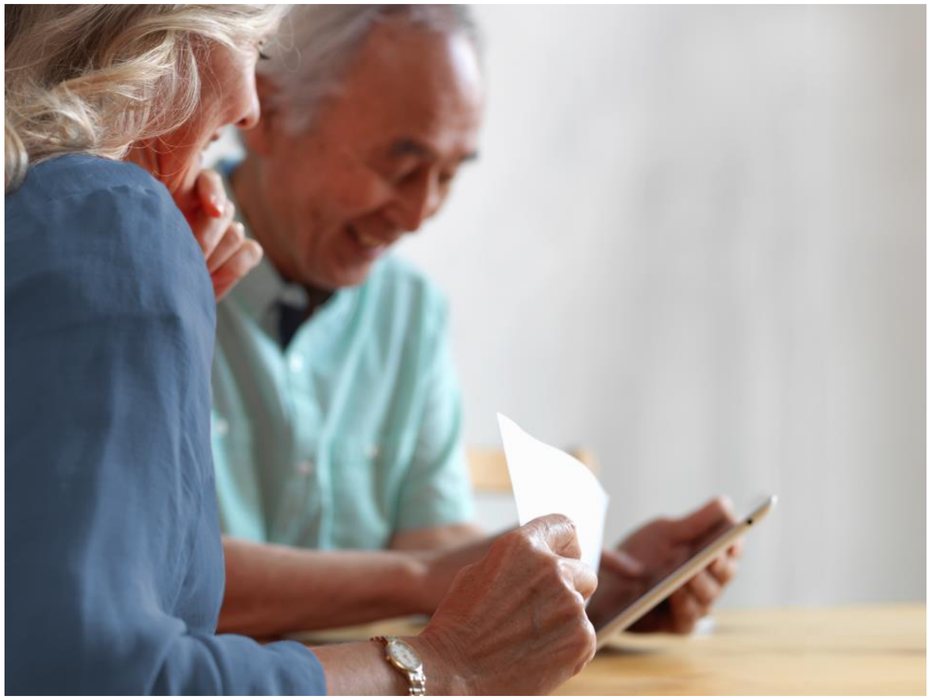
I continue to be very grateful to have two wonderful support staff, Mary Howley and Heather Murdock, who are both very important in providing exceptional service to our clients.

Best wishes for a safe and happy holiday season,

Sandra

Receive your Tax Documents Electronically
With tax season just around the corner, now is the time to sign up for online delivery of your tax documents from RBC Dominion Securities before December 31st. For assistance contact Heather Murdock at heather.murdock@rbc.com

How Talking About Money Can Strengthen Your Relationship (And Your Cash Flow)



Nearly half of recently married or engaged couples in an RBC poll said finances were one of the biggest stressors in their relationship. While the majority (88 per cent) of the 1,000 Canadians surveyed said having similar financial goals, habits and attitudes was important to their relationship's long-term health, one-third still found it difficult to talk to their partner about finances or their own financial situations. But, until a couple learns how to approach these conversations differently, they will continue to have the same conflicts.

Here are a few tips for couples that may help:

Schedule conversations
Mark a money conversation in your calendar and think of it like a date... just slightly less romantic. Scheduling allows you to have these discussions at a time when you both feel calm and focused. Come prepared with notes about your goals and share them at the beginning of your chat. Maybe you want to discuss a budget, and your partner would like to talk about your portfolio. Great — now you have an agenda! This will help you stay on track and make sure everyone's voice is heard.

Be emotionally aware
Take note of the anger, stress or anxiety you may feel and do your best to stay level-headed. If your partner is the one losing their cool, try to hold onto some empathy for them. If the discussion derails, agree to take a short break and come back when you're both calmed down. Storming off has rarely ended well for anyone.

Re-visit your personal history
Realizing how childhood experiences with money can continue to trigger us as adults is a very important concept. If your family struggled more than your partner’s did, it may contribute to the fear of your financial future. Understanding your own experiences and insecurities can help to work together on a joint plan to feel more financially secure with your partner.

Play to each other's strengths
You don't have to contribute in the exact same way to contribute equally. You can each have individual tasks that utilize your strengths, such as making payments or maintaining spreadsheets. If one of you is more comfortable with figures, put that person in charge of budgeting. Not only will this help reduce conflicts, but it gives each partner a sense of agency.

Take things slow
It's OK if it takes a few different conversations to get comfortable talking about money, or to reach your intended goal. You don't need to create a budget, savings plan or investment portfolio in one sitting. Every couple's dynamic and financial situation is unique, so keep these tips in mind, and see what works for you.

Why Investors Buy Stocks

You probably understand more than you realize about the basics of the stock market. But maybe there are details on which you're a bit foggy — why people invest in the market, what drives a stock price higher or lower, and all that business about bulls and bears. You're not alone. Most Canadians admit there are areas of finance they don't fully grasp. And when it comes to stocks, there's a lot to know.

Stocks, shares, equities — it's really three ways of saying the same thing. Most shares are common ones, as the name suggests. They usually come with voting rights, typically one vote per share, giving the owner the power to decide things like who sits on a company's board of directors. That board will hire and fire the CEO, and decide how much profit is returned to stockholders. Dividends are one key way for stockholders to make money from equities. A rise in the intrinsic value of the stock, or earnings per share, is another. An increase in the valuation of company earnings or other assets, measured by the price-to-earnings ratio, is a third. When you buy stock in a company, you are basically buying a small part, or share, of that company. Your sliver of ownership entitles you to a relative share of the company's profits — and its losses. Stocks that are publicly traded on a stock exchange would see their value change throughout the course of a normal trading day when stocks markets are open.

So what drives a share price higher or lower?
At its simplest level, the market is an auction, with prices determined by supply and demand. When demand exceeds supply, sellers can charge a higher price. When supply outstrips demand, buyers can drive the price lower. Predicting demand is the hard part. It can rise or fall based on lots of factors — news from inside the company or around the industry, indicators about the broader economy, political uncertainties, even the effects of weather events.

Company news
You've seen this play out before. A company unveils an exciting new product and the share price leaps. Or it announces a cyber breach, and the share price falls. Layoffs, mergers or acquisitions, management changes, fraud scandals — they all have an impact on the stock price, as investors calculate whether the move will result in more money for shareholders, or less.

Industry news
Sometimes, good news from one company cascades across an industry. If an automaker forecasts higher demand for cars, for example, other automakers might see their stock prices rise, too. In fact, the news might also boost stocks of other consumer goods — athletic shoes, electronics, retailers — particularly if it signals an improving economy. Bad news, meanwhile, can have the opposite effect, dragging everyone down.

Economic news
When the economy is expanding, creating jobs, and stoking demand for goods and services, the appetite for stocks also rises, with companies expected to realize stronger profits. When an economy is slowing, or contracting, stock prices flatten or fall, in anticipation of weak earnings. A healthy labour market and strong gains in gross domestic product mean a healthier consumer, which can be a positive for stocks. But that can also lead to higher consumer prices, or inflation, as demand for goods increases. Inflation can itself have a slowing effect on sales and profits, particularly when it leads to higher interest rates.

Bulls, bears and market sentiment
Now about those bulls and bears. When investors feel confident in the stock market, they're bullish, buying up shares and sending prices higher. When they're fearful, they're bearish, selling and sending prices lower. Why bulls and bears? It's said to relate to the way they attack. Bulls thrust their horns upward; bears extend their claws and slash down.

2023 Year End Tax Tips

As year-end approaches, it is wise to take some time to review your financial affairs for any tax savings strategies. Here are a few strategies for your consideration, all of which should be reviewed with your qualified tax advisor to ensure they make sense for you.

Tax Loss Selling Opportunities
Year end is a great time to look for opportunities to make changes to your non-registered investment portfolio. It may be the time to move away from an investment that has not been performing well and potentially triggering a capital loss, which can be used to offset capital gains on other assets that you may have sold earlier this year, or may sell in future years. The capital loss that you realize on the sale of an investment (outside of RRSP, RRIF or TFSA) can be carried forward to offset capital gains in future years as well. The deadline to trigger a capital loss (or gain) for 2023 is December 27th to make sure the trade settles by December 31st. Capital losses can also be carried back 3 years to offset capital gains you have realized and already paid tax on (potentially resulting in a tax refund for you).

Superficial Loss
If you did sell a security to trigger a capital loss and are planning to repurchase that same security, beware of the “superficial loss” rules that apply when you sell property for a loss and buy it back within 30 days before or after the sale date. Under the rules, your capital loss would be denied.

Defer Realizing Capital Gains
Deferring a capital gain to next year is also a common tax planning strategy. As we approach the end of 2023, if you currently have unrealized capital gains you may want to consider deferring the realization of capital gains until 2024 for the following reasons: your marginal tax rate may be lower in 2024 compared to 2023, and if you wait until 2024 to sell a security with a capital gain, it defers the tax payable until April of the following year, 2025 (unless you are required to make tax installments).

Low-income year
If you expect to be in a low marginal tax bracket for 2023 and expect to be in a higher marginal tax bracket in retirement, you may want to consider making an early withdrawal from your RRSP before year-end. The advantage of this strategy is that you can avoid a higher tax rate on these RRSP funds if withdrawn in the future when your marginal tax rate may be higher.

FHSA Accounts
2023 is the first year that you can contribute to the new First Home Savings Account. To open an account, you must be the age of majority (19 in BC), a resident of Canada and not have owned a home in the last 5 years. The annual maximum contribution amount of $8,000 is based on the calendar year, so you should make your contribution before December 31, 2023. This account offers two fantastic benefits: contributions are tax-deductible (like an RRSP) and withdrawals are tax-free to buy your first home (like a TFSA). You can carry forward your FHSA contribution room, but you are only allowed to carry forward one year of contribution room, which is why it is important to make your contributions before year-end.

TFSA Accounts
The Tax Free Savings Account allows you to earn tax-free investment income including interest, capital gains and dividends. You can make tax-free withdrawals any time, for any reason, and any amount you withdraw is added back to your available contribution room on January 1st of the following year. If you are thinking of making a withdrawal from your TFSA in the near-term, consider doing so before December 31st. This will allow you to recontribute the amount withdrawn as early as January 1st of 2024, rather than having to wait until 2025. New TFSA contributions for 2024 can be made on the first business day in January. The annual TFSA contribution limit has been increased to $7,000 for 2024. With the TFSA contribution limit of $7,000 for 2024, the cumulative TFSA contribution limit in 2024 will be $95,000 for a Canadian who has never contributed to a TFSA, and who was 18 years old or older in 2009, the year in which the program was launched.

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