



not your
ORDinary newsletter

**I WILL EXERCISE MORE. EAT HEALTHIER. SPEND MORE TIME WITH FAMILY.
SPEND LESS TIME ON SOCIAL NETWORKS.**

ALL GREAT RESOLUTIONS, BUT THE ONE WE HOPE YOU WILL KEEP IS TO HAVE
A HAPPY NEW YEAR!

Written by: JOHN ORD & TIM WALLER

JANUARY MARKET UPDATE

When the calendar flips to January, for many, it brings a sense of expectation/stress/hope/fear, for what the next 12 months may bring. That's a lot to pile on to poor January, so let's look at the big picture and lighten that load. For better or worse, investment returns are often referenced by individual calendar years, which can put undue importance on each annual period rather than the longer-term annualized return over multiple years. For example: the S&P 500 finished 2022 with a return of (-19.5%) That's not great! Focusing on this one January-December time

period really wouldn't make anyone feel good about the U.S. stock market. If we zoom out a bit, we can view this a bit differently: During the 4 year period of 2019 to 2022, the S&P 500 provided an annualized return of 11.17%. Much more reasonable! Especially when you consider that this number includes the market mayhem we just lived through in 2022, and also a pandemic. We use this example as a reminder that investing does require patience; resolve and an ability to limit emotional decisions, especially during difficult market periods.

IN THE SPIRIT OF THIS SEASON, WE'D LIKE TO OFFER SOME NEW YEAR'S RESOLUTIONS THAT EVERY INVESTOR CAN TAKE TO HEART.

RESOLUTION #01

NEVER TURN DOWN A "FREE LUNCH" FROM THE GOVERNMENT

You may have heard the old expression that there is "no free lunch in investing", referring to any investment that seems to generate a riskless profit may be too good to be true. While that sentiment is useful, the Government of Canada does offer investors a few meals that you won't need to bring your credit card for. The first is the Tax Free Savings Account (TFSA). Any investments made within a TFSA will never have tax withheld on dividends, interest or capital gains. You can also make withdrawals from a TFSA at any time without penalty, with the option to re-contribute the entire withdrawal amount the following year. As of 2023, the

personal lifetime contribution limit for a TFSA is \$88,000 if you were born in 1991 or earlier. If you do not have a TFSA yet and hold either cash or non-registered investments... open a Tax Free Savings Account! If you are already investing within a TFSA, make sure you are continuing to top up your contribution room each year! More details about TFSAs can be found later in our newsletter.

Another example of a free lunch? A Registered Education Savings Plan (RESP) account can provide a way to save for your child's future education, while receiving a 20% grant from the government on each contribution you make (up to \$7,200 per child in total). This can help pay for their very not-free lunches at university or college later on.

RESOLUTION #02

LIMIT YOUR PERSONAL TAX BURDEN

If you make a decent income, you are going to pay a decent amount of tax. But there are ways to pay a little bit less; a contribution to your RRSP account (or work-sponsored retirement plan) is one of the best. The amount you contribute to an RRSP immediately lowers your annual net income by that same amount, which

reduces the tax you owe the government. An additional benefit: investments made within an RRSP are allowed to grow on a tax-deferred basis until they are converted to an income account (RIF) by age 71.

Another strategy to limit tax is something we have done for our clients in 2022, and that is Tax Loss Selling. This involves selling positions at a loss in non-registered accounts in order to

reduce realized capital gains to \$0 or less, which in effect lowers your annual personal income. Any additional capital losses taken during the year are still valuable, as they can be carried back to offset gains in previous years (by re-filing your return), or can be carried forward indefinitely to offset future gains taken. 2022 provided an opportunity for this strategy, and we made sure to take advantage where possible.

RESOLUTION #03

“SKATE TO WHERE THE PUCK IS GOING, NOT WHERE IT IS”

This famous quote by Wayne Gretzky should apply today when discussing everyone's favourite topic: Inflation. We have just gone through a period of high inflation that we have not seen in several decades. The Consumer Price Index for Canada hit a high of 8.1% YoY in June, while the U.S CPI reached 9.1% YoY that same month. Both countries have seen inflation

start to recede a bit from there (November CPI was 6.8% and 7.1% YoY for each country, respectively). What should be noted though, is that Year-Over-Year (YoY) percentage data does not do the greatest job at telling the whole story, as more recent months should be given greater importance on the current trend of inflation that what may have occurred almost a year ago.

Today, we are a similar situation, but this time it's to the downside. As mentioned,

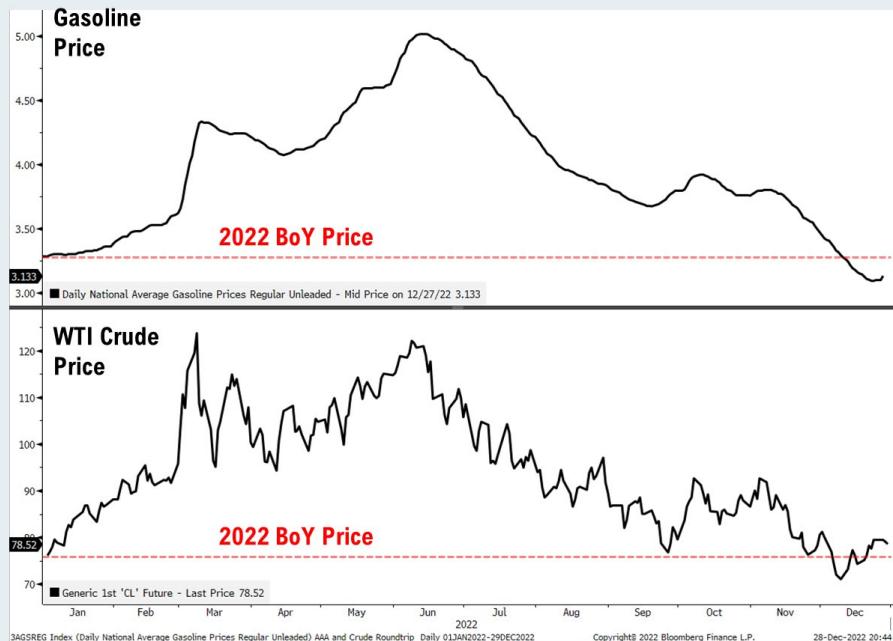
U.S. CPI in November 2022 was 7.1% YoY. However, since June, the MoM increases in CPI have been 0.0%; 0.1%; 0.4%; 0.4% and 0.1%. This most recent 5 month period would annualize CPI to just under 2.5%. If the December CPI report meets the current MoM expectations, then we're looking at the most recent 6 month period annualizing to about 2.3% CPI inflation, which the Federal Reserve would be quite happy with over the course of a full year.

We are not in the same situation with inflation that we were in the spring/summer of 2022. Many commodities have already come back to levels seen at the beginning of the year (see the attached chart for a look at what gas and oil prices have done in the past 12 months). Many other parts of the CPI calculation have come down as well, while others (ie. housing) do take longer to feel effects of the recent hikes in interest rates. Central banks may still be considering more interest rate hikes in the near term to keep their word and maintain credibility, but at some-point their strategy doesn't line up with what is actually happening in the current economy. When they pause hikes in 2023 (or eventually even cut), that should be quite positive for equities.

FOR INVESTORS, KEEP YOUR DISCIPLINE BY FOCUSING ON PROPER ASSET ALLOCATION, AND STAYING INVESTED THROUGH ANY SHORT-TERM NOISE. GO TO WHERE THE PUCK IS GOING, NOT WHERE IT IS.

ROUNDTRIP: Gasoline and Crude Oil Roundtrip From BoY

AAA Gasoline Prices and WTI Crude
YTD



Source: Fundstrat, Bloomberg

THE “FREE LUNCH” FROM THE GOVERNMENT

THE START OF A NEW YEAR is a time when our team will be reminding our clients to contribute to their registered plans. For those of you that are unfamiliar with the various benefits of these accounts, some information on RSPs and TFSAs can be found here:

UNDERSTANDING REGISTERED RETIREMENT SAVINGS PLANS

TAX-FREE SAVINGS ACCOUNTS

Clients are always encouraged to contribute to their registered plans near the beginning of the year as opposed to the end because this will allow for a full year of tax free or tax deferred growth. However, if you have not made an RSP contribution for 2022 yet, the contribution deadline for the 2022 tax year is March 1, 2023. The annual RRSP contribution limit for the 2022 tax year is \$29,210. For the 2023 tax year, the contribution limit is \$30,780.

In order to determine your personal contribution limit, please check your latest Notice of Assessment, Notice of Reassessment or RRSP Deduction Limit Statement, or contact Canada Revenue Agency directly (1-800-959-8281).

THE FEDERAL GOVERNMENT HAS RAISED THE CONTRIBUTION LIMIT FOR TFSAS THIS YEAR. THE NEW LIMIT FOR 2023 IS \$6,500. FOR THOSE OF YOU WHO HAVE NEVER CONTRIBUTED TO A TFSA, THAT MEANS THE LIFETIME CONTRIBUTION LIMIT AS OF 2023 IS NOW \$88,000 IF YOU WERE BORN IN 1991 OR EARLIER.

If you do not have an RSP or TFSA account with us currently at RBC DS, you can also contact us about opening one for you.

As always, please reach out to us directly if you have any questions or concerns related to your portfolio.

A PERSONAL NOTE FROM JOHN

This Christmas I had all 3 of my kids make it home from Western Canada, despite crazy weather conditions. From Left to right in this photo is my youngest Holly (22 yrs), middle Amey (24 yrs), and my first born Ethan (25yrs); whom I delivered in our home back in 1997! True story. We made the news.

This time of year I always make an effort to get up to my cottage in North Frontenac, the cold weather and break time is perfect for bingeing shows.

My top 3 favourite's this season have been:
Slow Horses- spy thriller series (Apple tv),
Fleishman is in Trouble - Drama (Disney),
Dopesick- Docudrama-miniseries(Disney).

I am trying not to eat carbs for the month as a resolution. All the best in 2023 to all of you and yours!



**AS ALWAYS, PLEASE REACH OUT TO US DIRECTLY IF YOU HAVE ANY
QUESTIONS OR CONCERNS RELATED TO YOUR PORTFOLIO.**

ORD PRIVATE WEALTH MANAGEMENT

Best regards, John, Tim, Liam & Mikail

Respecting your privacy and preferences for electronic communications is important to us. If you would prefer not to receive emails from me, please reply with “UNSUBSCRIBE” in the subject line or body of the email. If you would also prefer not to receive emails from our firm, please cc: unsubscribeRBCDominionSecurities@rbc.com in your reply. Please note that you will continue to receive messages related to transactions or services that we provide to you. To speak to us about how your preferences are managed, [please email: contactRBCDominionSecurities@rbc.com](mailto:contactRBCDominionSecurities@rbc.com).

This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / TM Trademark(s) of Royal Bank of Canada. Used under licence. © 2022 RBC Dominion Securities Inc. All rights reserved.