Dr. Patrick O'Brien's

Winter 2025 Client Note

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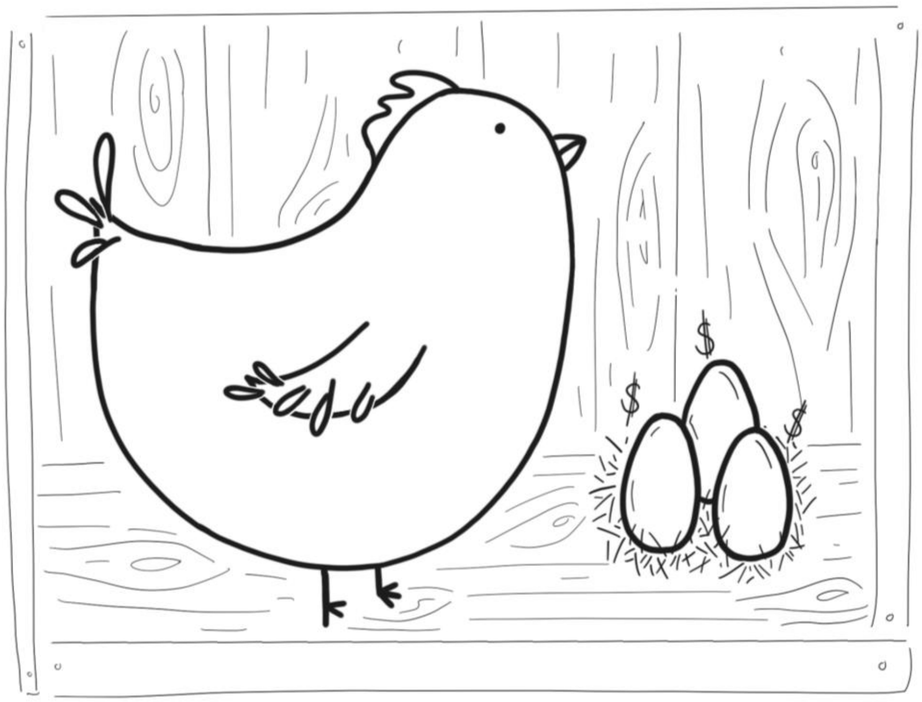

Behold - The Chicken and her Eggs!

Dear Friends and Clients,

Above is our new logo, drawn by our very own Brooklyn Tressel. We all loved her artwork from the start. It is the picture worth a thousand words - epitomizing my investment philosophy.

The past year has been remarkable both geopolitically and in the markets. The world is a crazy place, it always has been, but maybe its even up a notch now.

Stabilizing interest rates have worked their magic to create a better environment for business and investment - generating positive returns both in 2023 and 2024. It will be interesting to see how this year shapes up with Mr. Trump taking over the presidency. I tend toward optimism generally and I think Canada has less to fear than Mexico. Most of the drugs and illegal immigrants enter via their southern border and Mexican industry competes with the US. I don't believe that he will expel as many workers as he claims; they are simply too entrenched in the US economy. I hope that the fiscally responsible members of congress are able to stand their ground on spending as the US debt and deficit is not sustainable over the longer term. Very much on the plus side, is the reduction in red tape and a low corporate tax rate. Both of these will help American companies, including many of those we own. The benefits may well spill into Canada as our regulations and tax policy will have to compete to keep companies and entrepreneurs north of the border. The political landscape, north and south, will certainly be interesting over the next 12 months.

In any event, the "chickens" will continue to lay the "eggs" and for most of my clients, the eggs are sufficient to fund their lifestyles. By investing in steady, tax efficient income producers (chickens), we achieve independence from the ups and downs of the markets. The markets are capricious and unpredictable – they set the share prices, but not the income stream (company directors set those). In my opinion, hoping for rising markets is an unsuitable strategy when we need steady income for food, shelter, electricity, property taxes etc. Eat the eggs, not the chickens.

It's the New Year – Some Financial Planning Tips to Contemplate:

"Rules are rules" and there are many so please reach out to us if you have questions.
The TFSA (Tax Free Savings Account) lifetime limit increases to $102,000 for those 18 or older in 2009. For those fully subscribed, another $7,000 can be contributed. The beauty of the account is that all gains (income and capital gains) are tax free forever. Furthermore, should you need to withdraw funds, they can be replaced the next year along with the yearly increase in contribution room.

The FHSA (First Home Savings Account) enters its third year. If you haven't owned a home in the last 5 years, then you are eligible to place another $8,000 into the account and as much as $16,000 if you had the account open in the previous year but did not use the contribution room. Even if you don't buy a home, there is still a significant advantage as the funds could roll into your RSP, even if you don't have any RSP room available.

RSP (Registered Savings Plan) contribution deadline is March 3, 2025 this year. Hopefully, you made your contribution back in the late spring when you received your Notice of Assessment (NOA) from the government. If you did, then you achieved some very nice gains that might not be taxed, possibly for decades.

RIF (Retirement Income Fund) minimums are no longer mailed out, but they are visible through your Wealth Management Online Account. We can provide guidance on where to view it online. Alternatively, contact us after Feb 1, 2025 and we can provide you the minimum.

Probate Reduction:

In BC, probate is 1.4% or $14,000 per million of assets. This fee is charged when a will needs court approval to be executed. There are a few common ways to reduce this cost to the estate. The first is to have assets when advisable/possible in joint names between spouses. If you are solo, be sure to call us to discuss whether to have children joint on your assets. Like the Longfellow rhyme "There was a little girl who had a little curl, right in the middle of her forehead. When she was good, she was very, very good, but when she was bad she was horrid!" Yes, get advice first and avoid the "horrid" of an inappropriate joint holding.

For those with private corporations, one might consider a second will to avoid probate as they don't often need a grant of probate to pass to the beneficiaries. Capital gains taxes are not prevented, just the probate fees.

We have a special account that allows a single account holder to add others, but without giving them any rights to the account or attaching any of their liabilities. Like the example above, it avoids probate fees but not capital gains.

A third technique to avoid probate is an alter ego or joint partner trust. These are more complicated, but certainly have their uses. We look forward to reviewing your probate situation, but you may need your professional advisors to comment prior to making changes.

I am excited about the prospects for 2025. There will no doubt be times that test our patience and resolve to think "long term." Hopefully your inherent optimism will keep you on the right track. We are always ready to talk to you, so please reach out whenever you feel the need.

All the Best,

Dr. Patrick O'Brien, Senior Wealth Advisor and Portfolio Manager