Ferebee Wealth Management
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Dominion Securities

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Ferebee Wealth Management

RBC Dominion Securities Inc.

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2024 Federal Budget

While higher interest rates work to normalize inflation and cool the economy, Canada's 2024 budget operated at cross purposes, proposing a significant 6.4% jump in spending over the coming year. The budget focuses on new spending initiatives, prominently for affordable housing, healthcare, the military, and Artificial Intelligence (AI). This is set to be funded in part by higher capital gains taxes.

New spending initiatives include:
The proposed new spending will cost an additional $52.9 billion over five years, and includes:

- Targeted spending focused on making new and existing housing more affordable. This includes:
  - $15 billion in loans for rental constructions, and $600 million in loans to build new homes more quickly.
  - $6 billion to support new housing infrastructure through investment in critical water, waste, and storm sewer systems.
  - $1.5 billion in loans and $470 million in contributions to non-profit organizations, community housing providers, and other partners to help buy affordable rental buildings.
- A national pharmacare program that was introduced in February will cover most prescription contraceptives and diabetes medicine.
- $8.1 billion in new spending on the Canadian Armed Forces over the next five years, and $73 billion in the next two decades on military infrastructure
- $6.1 billion in funding over the next six years for low-income working-age persons with disabilities, with a maximum of $2,400 per year and clawbacks based on family income.
- $2.4 billion to accelerate Canada's AI sector
- $2.5 billion in carbon-price rebates to small business with 499 or fewer employees.
- $1 billion over five years for a national school food program aimed to combat raising food prices, and $1 billion in low-cost loans, grants and student loan forgiveness to expand childcare centres across Canada.

Spending cuts and revenue generation:
To offset some of these planned expenditures, $21.9 billion will be funded primarily through increases to capital gains taxes and excise duties on tobacco and vaping products.

- Of significance for investors, the capital gains inclusion rate rises from 50% to 66.7% on sums over $250,000 for individuals and on **all capital gains** for corporations and trusts. The higher tax rate takes effect on **June 25, 2024**. This is expected to bring in nearly $19.4 billion in tax revenue over the next five years. The government projects that this will only impact roughly 12% of Canadian companies, and roughly 0.13% of Canadian individuals. That said, one could imagine many lump-sum inheritances being caught up in the new tax, alongside self-incorporated professionals like doctors. Further, this threatens to further undermine Canadian productivity by discouraging investment into the corporate sector.

2024 Federal Budget cont.

Other notable measures include:

- The lifetime capital gains exemption for small businesses has been increased from $1.0 million to $1.25 million.
- A new Canadian Entrepreneurs' Incentive will lower the capital gains inclusion rate for certain industries.
- The government is proceeding with its longstanding plan to introduce a digital services tax, to be followed by a global minimum corporate tax rate of 15%.
- A tax exemption supporting the transition of small-business ownership through Employee Ownership Trusts (EOTs)
- First-time homebuyers can withdraw double the amount from their RRSPs to put toward a down payment on a house or condo, raising the limit from $35,000 to $60,000, and giving five years (up from two) to start paying back. Renters can also build credit scores through rental payments.
- Mortgage repayment terms extended to 30-year terms, instead of 25 years for first-time homebuyers who purchase newly constructed homes, existing insured mortgages, or homes worth less than $1 million.
- A new Secondary Suite Loan Program to enable homeowners to access up to $40,000 in low-interest loans to add secondary suites to their homes.

2024 handy financial planning facts

The following is a summary of some common financial planning-related information that you can use as a handy reference. Any values noted below are for **2024** unless stated otherwise.

RETIREMENT		
RRSP – maximum annual contribution amount	$31,560 for 2024	$30,780 for 2023
RRSP – withholding tax on withdrawals	10% for amounts up to $5,000 20% for amounts over $5,000 up to and including $15,000 30% for amounts over $15,000	
Annual TFSA contribution limits	$5,000 each year 2009 – 2012 $5,500 each year 2013 – 2014 $10,000 for 2015 $5,500 for 2016 – 2018 $6,000 for 2019 - 2022 $6,500 for 2023 $7,000 for 2024	
Maximum TFSA contribution limit since inception	$95,000 from 2009 – 2024	
Maximum CPP/QPP benefit at age 65	$1,364.60 per month	
Early CPP/QPP maximum benefit at age 60	$873.34 per month (36% max reduction or 0.6% per month)	
Deferred CPP/QPP maximum benefit at age 70	$1,937.75 per month (42% max increase or 0.7% per month)	
Max CPP/QPP contributions employer and employee	CPP $3,867.50 each annually	
Maximum CPP/QPP contributions self-employed	CPP $7,735 annually	
YMPE – Yearly Maximum Pensionable Earnings	$68,500	
Maximum OAS benefit for Q1 age 65 - 74	$713.34 per month	
Deferred OAS maximum benefit for Q1 75+	$784.67 per month (36% max increase or 0.6% per month)	
OAS clawback rate	$0.15 for every $1 of net income above $90,997; full OAS is eliminated at a net income of $148,065	

2024 RRSP contribution deadline is: March 1st, 2025

Financial planning checklist for older Canadians

There are many tax, investment and estate planning strategies available throughout an individual's lifetime, but there are also some that are more relevant for those age 65 and over. The following is an overview of commonly used strategies:

Income splitting

Pension income splitting	If your spouse's marginal tax rate is lower than yours, it may be possible to split up to 50 percent of your eligible pension income with your spouse. Eligible pension income includes life annuity payments from a registered pension plan* and, once 65 or over, withdrawals from Registered Retirement Income Fund (RRIF) and Life Income Fund (LIF) accounts.
Spousal Registered Retirement Savings Plan (RRSP) contributions	You may want to make contributions to a spousal RRSP if your anticipated retirement income is higher than that of your spouse. In doing so, you may effectively split income with your spouse in retirement, while still realizing an RRSP deduction in your current year's tax return.
Pension sharing	If you and your spouse are age 60 or over and are receiving or eligible to receive Canada Pension Plan or Quebec Pension Plan benefits, and you will have higher income in retirement, consider sharing these pension benefits with your spouse and make an application to Service Canada/Retraite Québec. They will determine the portion that may be allocated to the lower-income spouse and taxed in their hands.

Tax minimization

RRSP contribution	If you're turning 71 this year and are either still generating RRSP contribution room or have unused RRSP contribution room, consider making a final RRSP contribution, before converting your RRSP to a RRIF.
Tax-Free Savings Account (TFSA)	By contributing to your TFSA, any income earned (including capital gains) within it and any withdrawals made are generally tax-free, so they don't impact federal government income-tested benefits (e.g. Old Age Security, Guaranteed Income Supplement), nor do they affect your entitlement to federal tax credits.
Use spouse's age for RRIF minimum payments	If you don't need the mandatory annual minimum RRIF payments and your spouse is younger than you, your spouse's age can be used when setting up the RRIF to determine your annual minimum taxable RRIF withdrawals.

Gifts and donations

Gift assets	If you have determined that you do not require an asset or the income from that asset during your lifetime and it would otherwise be your intention to give it to your children or grandchildren, an outright gift during your lifetime may benefit you and your family. It is important, however, to recognize that, for tax purposes, you are deemed to have disposed of the assets at fair market value at the time of the gift. As well, if the gift recipient is a minor, there are attribution rules that may eliminate the tax benefits associated with making the gift. This does not include cash gifts
In-kind donation of publicly listed securities	If philanthropy is a priority, you may want to consider gifting publicly traded securities to a qualified donee, because any accrued capital gains may be tax-exempt and you will also receive a donation tax credit. Before pursuing this approach, discuss such plans with the intended charity to ensure that they can and will accept this form of gift.

For a full copy of this article please call Stephanie at 250-770-1204 or email Stephanie.frey@rbc.com

Meet Courtney – Our newest team member!

2024 brought some exciting changes to our Ferebee Wealth Management team. Courtney made the trek from Steinbach Manitoba to Penticton and joined our team as an administrative assistant in January. Courtney has been busy studying for her Canadian Securities Course. While not working, Courtney, her dog Luna and her boyfriend Mack have been enjoying the beautiful Okanagan Spring.

Fun Facts about Courtney:

1. **Favorite Book and Author?**
   An Unwanted guest written by Shari Lapena

2. **What is your favourite activity to do on the weekend?**
   I have been loving exploring the different hiking trails with my dog Luna. So far my favorite trail in the Okanagan is Peach Cliff in Okanagan Falls.

3. **If you could learn a new skill in an instant, what would it be?**
   I would love to be able to learn languages instantly. A lot of my older relatives only speak German, it would be really neat to have a fluent conversation in their native language.

4. **What is a place you've never been but would like to travel to?**
   Germany, to go and visit relatives and learn more about where my Grandpa had immigrated from.

5. **What is your favourite treat or comfort food?**
   Homemade cinnamon buns

"We used up all of our retirement money. First our car retired, then our furnace retired, then our dishwasher retired...."

Beneficiary Designations – What's the difference?

Beneficiary Designation
Applicable to all Registered account types (excluding RESP's), RRSP's- including LIRA's, RRIF's - including LIF/LRIF/PRIF's and TFSA's.

Successor Annuitant Designations
A successor annuitant is only allowed to a qualified spouse or common-law partner and can only be named on RRIF accounts. Successor Annuitant designations cannot be named on LIF's, LRIF's & PRIF's

Successor Holder Designations
A successor Holder is only allowed to a qualified spouse or common-law partner and can only be named on TFSA accounts.

If you have questions about your registered accounts and how your beneficiaries are set up, give us a call at 250-770-1204.

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