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Markets have been performing well in the past while, which makes now a good time to consider a couple of matters. The first is how we got here. From 2020 until today, we've lived through crashes, rebounds, corrections and recoveries. The article on this page looks at how your reaction to extreme market swings may or may not affect the way you invest. Another matter is how to invest when markets are strong and your investment time horizon is short – a situation covered in a page 4 article. Whether markets are climbing or challenging, talk to us whenever you want to discuss your investment program.



## Did you pass the volatility test?

In the process of deciding how your money will be invested, you answered questions that helped determine your tolerance to risk. You had to predict how you would react if your portfolio lost value, including by a significant degree.

Just about every investor's prediction of their risk tolerance was tested during the past few years. In the first few months of 2020, the COVID-19 outbreak led to market crashes, and countless investors worried about their financial future.

In 2021, markets were booming. Markets plummeted again in 2022 with global stock markets reaching or approaching bear territory. In 2023, markets bounced back.

How did you react to the market swings?

### Feeling more anxious

If a significant drop in your portfolio value causes you more stress than you expected, you may need more conservative investments. A lower-risk portfolio may involve saving more to meet your financial

goals, but that could be a worthwhile solution if it reduces your anxiety.

### Less anxious than expected

When markets suffer downturns, some investors become less anxious over time if they've experienced multiple corrections or crashes and appreciate that each one was followed by a recovery. This change in reaction doesn't mean these investors should automatically invest more aggressively. However, an investor might increase their allocation to equities if they previously considered such a move but needed a greater comfort level.

### Reacting as expected

If you handle volatility as you expected, you don't need portfolio changes – at least not based on your reaction to market swings. However, be aware that other factors can change an individual's risk tolerance, such as dealing with a financial challenge, nearing retirement or receiving an inheritance.

Talk to us if you find yourself reacting differently to the market's ups and downs. We'll make sure your investments are always aligned with your risk tolerance. ◀

## Helping young adult children save for the future



Many young adults face a savings dilemma. They may understand that the sooner they begin investing, the greater the effect of compound growth in building wealth for the future. But they can't put money away because they have more pressing financial needs now.

Do you have a child or grandchild in such a situation? They may be a post-secondary student or an individual who's starting out and doing their best just to meet today's cost of living.

You may be able to help them save for the future in one of the following ways.

### Helping to save for a home

A young adult with the goal of owning a home may want to open a First Home Savings Account (FHSA). The time horizon is

relatively short – an FHSA can only remain open for 15 years. This means that to benefit the most from compound growth, your child or grandchild should contribute as much as possible, as early as possible.

Ideally, they would contribute the maximum annual amount of \$8,000 for five consecutive years to reach the \$40,000 limit. That may simply be unattainable for many young adults. But with your help, they may reach or come closer to making the optimal contributions.

### Topping up RRSP contributions

A young adult in the early years of their working life may be paying off a car loan, covering their rent or even a mortgage and doing their best to cover the cost of living.

They're generating Registered Retirement Savings Plan (RRSP) contribution room but might only be able to contribute a small amount. You can gift them funds so they can make their maximum RRSP contribution.

If your child or grandchild has a low income, let them know about deferring the RRSP tax deduction. They can defer the deduction to a future year when they have a higher marginal tax rate and will save more tax.

### When goals may be flexible

Some parents or grandparents may want to take advantage of a child's or grandchild's Tax-Free Savings Account (TFSA) for family income-splitting. Although the gifted funds are after-tax dollars, all growth and income earned in the account is entirely tax-free.

With a TFSA's flexibility, a young adult can use the account to meet virtually any want or need, whether they're saving for a vacation, a car or retirement.

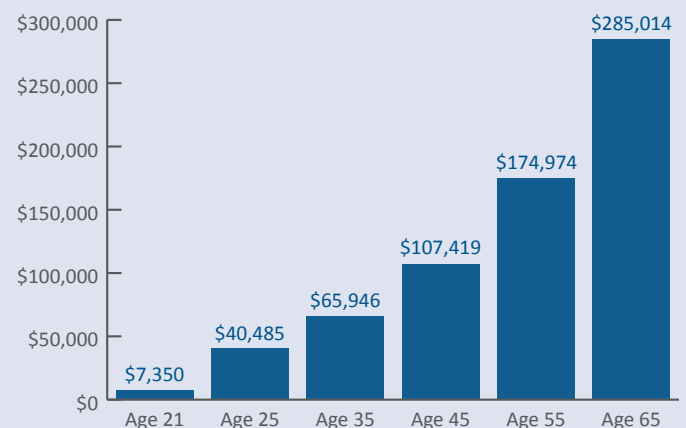
If you have a child or grandchild interested in saving now for retirement – perhaps, thanks to your encouragement – a TFSA can be ideal. Gifting funds when they're at a younger age gives them great potential to capitalize on compound growth over the long term. The young adult could even open two TFSAs, one for short-term and medium-term goals, and the other for retirement savings. This way, they can more efficiently allocate assets in their retirement savings TFSA to suit a decades-long time horizon. Also, they're more likely to view funds in this account as untouchable, which may not be the case if all contributions are co-mingled in one TFSA. ◀

## The gift of compound growth

### How a \$35,000 gift exceeds \$285,000 by retirement

A parent gives their child \$7,000 to invest in a Tax-Free Savings Account (TFSA) upon the child turning 21. The parent continues making this annual gift for four more years, for a total of \$35,000. This chart assumes an annual rate of return of 5.00%. ◀

This chart is only intended to illustrate the general principle of compound growth and is not indicative of any investment.





## Do you involve your spouse in financial matters?

One spouse does the gardening and rakes the leaves. The other takes the car in for repairs. It's common for each spouse to become responsible for specific roles. That's usually a good thing, but not when it comes to financial matters.

Here's why you're better off when both spouses are involved in the couple's financial life.

### Achieve goals successfully

When making financial decisions, a second opinion often helps. For example, one spouse receives an annual bonus and wants to buy a large-screen television and home theatre. But the other spouse does a reality check – that money should be going to education savings. Making decisions together can help keep financial goals on track.

### Prevent conflicts over money issues

If one spouse solely makes all financial decisions, trouble may await if the other disagrees. Say the spouse in charge decides to co-sign their brother's loan, but the other spouse questions that commitment. It's a conflict that could likely have been avoided if the couple had discussed the matter beforehand.

### Benefit from compromise

Some decisions regarding investing, budgeting or other financial matters are best reached through compromise. Perhaps one spouse wants an emergency fund that covers six months of living expenses. The other spouse believes that money should be invested. They arrive at a compromise, using a high-interest savings account to build an emergency fund covering three months of expenses.



All of this is not to suggest that a couple needs to perform financial duties equally – one spouse might take the lead. But it's wise to share information about money matters, discuss financial issues together and make important financial decisions as a couple. ◀

## ► RETIREMENT PLANNING

## Deciding when to start CPP/QPP benefits

If you start Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) benefits before age 65, you receive a smaller monthly amount but for a longer period. Start later and you increase the benefit amount, but you must rely on other income sources until benefits begin.

The government determines the monthly benefit you can receive at age 65. This amount is reduced by 0.6% for each month you begin benefits before 65, or 7.2% annually. It's increased by 0.7% for each month you delay past 65, or 8.4% annually.

Choosing when to begin isn't always easy. Some retirement experts say to start CPP/QPP benefits the year you retire, even if that's the earliest possible age of 60. Others calculate that you're better off financially the longer you delay, especially to the maximum age of 70.

So how do you decide? To help out, here are some reasons why individuals start their benefits at certain times.

**Starting benefits sooner.** Someone may choose to start CPP/QPP benefits at age 60 or another age before 65 because they need the money to help cover their cost of living. Another reason is if an individual has a health condition that may affect their life expectancy.

Monthly CPP/QPP Benefit When Starting Earlier					
60	61	62	63	64	65
\$640	\$712	\$784	\$856	\$928	\$1,000

Your CPP/QPP benefit amount is based on your contributions to the plan. This table assumes a benefit of \$1,000 at age 65. In 2024, the maximum monthly benefit at 65 is \$1,364.60, and the average benefit as of January 2024 was \$831.92.



**Taking benefits at 65.** An individual may start CPP/QPP at 65 because that's the traditional age to collect the benefit or because they count on this income to support their retirement lifestyle.

Note that the timing decision may be for reasons that are more personal than financial. Someone may understand their benefit increases the longer they delay, but they don't feel comfortable losing out on several years of benefits.

**Delaying benefits.** If you start CPP/QPP benefits at age 70, your monthly payment will be 42% more than starting at 65. By about age 82, the total benefits from having started at 70 equals the total amount had you started at 65. From this point on, you continue receiving 42% more each month for life.

Another reason to delay benefits after age 65 is if you're still working and likely don't need the extra money.

Monthly CPP/QPP Benefit When Delaying					
65	66	67	68	69	70
\$1,000	\$1,084	\$1,168	\$1,252	\$1,336	\$1,420

When it's time to decide when to start your CPP/QPP benefits, talk to us. The choice involves your retirement income strategy, so our input will be helpful. ◀

## Get a head start on year-end to-dos

With holiday planning and end-of-year financial deadlines, December can be hectic. But if you start your financial to-dos soon, you'll have an easier time later.

**RESP contributions.** Be sure to contribute \$2,500 to your Registered Education Savings Plan (RESP) by December 31 to trigger the \$500 Canada Education Savings Grant (CESG) for 2024.

**TFSA withdrawals.** If you plan on withdrawing Tax-Free Savings Account (TFSA) funds in the near future, consider making the withdrawal by December 31. This way, you can replace those funds anytime in 2025 – instead of waiting until 2026 if you withdraw the funds in January or later.

**Opening an FHSA.** Do you have a child planning to use a First Home Savings Account (FHSA)? Contribution room only begins once an account is opened.



If they open an FHSA by December 31, they gain \$8,000 of contribution room for 2024 but could contribute the funds in 2025.

**RRIF withdrawals.** By December 31, you may want to increase your Registered Retirement Income Fund (RRIF) withdrawals to the limit of your current tax bracket. You could pay less tax now than if those funds are withdrawn later or taxable to your estate. ◀

## Respecting your time horizon



A shortening time horizon typically calls for a shift toward more conservative investments to safeguard your portfolio from the risk of a market correction or crash.

Say that your child is starting secondary school. You have a short time horizon of only a few years before you'll be

withdrawing funds from your Registered Education Savings Plan (RESP). Or take the situation of being only several years from retirement, when your savings will become your source of income.

But what if the stock market is strong when your time horizon is short?

Some people wonder about maintaining their asset allocation and riding the wave to profit even more from their equity investments. It's important to recognize this temptation as the fear of missing out.

You must measure the opportunity you hope for against the risk of the market turning. All it takes is a plummeting market at the worst possible time to fall short of your investment objective. ◀

## Why digital assets belong in your estate plan

Imagine if the person administering your estate needs access to the bills you pay online, but they can't get into your bank account. That's just one of many reasons why your estate plan should account for your digital assets.

Essentially, digital assets are any personal or financial text, media or information stored on your computer, cell phone or electronic device. Financial content may include bank and investment accounts, a PayPal account, tax records, a business website, cryptocurrency wallet, online bill payments and subscriptions.



Many estate planning professionals recommend keeping a digital property inventory. You list all digital items and accounts along with passwords and other login information. This record saves your estate administrator from an otherwise daunting process, prevents the potential loss of financial assets and can defend against financial fraud or identity theft.

You can name a trusted person to manage only your digital assets or assign the duties to your executor – also known as estate trustee, personal representative or liquidator, depending on the province. ◀

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