Market Update

October 2022

An Important Note: Charitable Donations & Tax Efficiency (Before December 31)

If you are making charitable donations of over $1,000, please think of us first!

We can help to increase the tax efficiency of such donations.

1. Donate appreciated securities & avoid the capital gains tax

Instead of donating $1,000 of cash to a charity, consider donating $1,000 worth of securities where the cost basis is low, and use the $1000 of cash to repurchase what was donated.

In this case one gets the same $1,000 charitable tax credit as they would from donating cash, one's portfolio ends up exactly the same, but now the tax on the capital gain on the donated security is avoided altogether and forever.

2. Time the use of the Donation tax credit to maximize impact

If one's income is uneven then one's donation credit need not be used in a low-income year but can be carried forward to offset taxes when one is in a higher income tax bracket. Discuss this with your accountant.

3. Donations from corporate accounts

If you make a donation of shares from a corporate account, not only can you avoid paying capital gains tax, but you can also increase your CDA (capital dividend account). Half of the capital gain amount is now able to be paid out to shareholders on a tax-free basis. For example, if you donate a share with a cost base of $1 and the share is now $101, the corporation gets a tax receipt for $101, plus the corporation gets to place $50 ($101-$1= $100 X 50%) in its CDA account which can be paid out tax free to the shareholder.

4. Estate – Optimize the Use of Donation Receipts

Large donations at death can provide a tax credit that is larger than the taxes due in one's final year. In these cases, such a tax credit will simply go unused. Therefore, instead, consider letting us devise a strategy where donations are an annual event so that we can fully use the tax benefits and help you to minimize taxes.

5. Donor Advised Funds

One can easily and quickly open a Donor Advised Fund which functions like your own private charitable foundation. The advantages are several including; one donation can be directed to numerous charities, ease of donating securities to one place, convenience of receiving one tax receipt instead of numerous, and the ability to separate the donation from the distribution thereby facilitating a large donation in one year (to offset a one-time large capital gain (sale of a building, for example) or one year income windfall but permit distribution of these funds over the coming years to match annual commitments.

We have arranged this for several clients and would be happy to help you do the same.

These are some of the ways we can help maximize the tax efficiency of donations. Please consult with us and your tax professional when making charitable donations. We can help make a difference.

TD Wealth

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October, as it has been many times in the past, was a wild month. The month started out great and then the major indices fell off a small cliff and declined to new bear-market lows. But stocks had an amazing reversal starting on October 13 and have been grinding nicely higher ever since. While it's a start, we still have a long way to go to get back to where we were at the beginning of the year. But I believe we will, I just do not know when. I say this not only based on the past and experience but due to the fact that our managers are finding tremendous opportunities. Prices are inexpensive or outright cheap and changes being made now should prove quite profitable going forward.

Also, we must remember that 2022 follows three years of higher-than-expected returns. This is the nature of the markets, which I describe as 'lumpy'. Returns are not even but often come in waves, unexpectedly and at times rather suddenly. While some take this as a reason to try to time the markets (try and capture the up waves and avoid the down waves), we believe that this is not possible and in fact can, and usually does, cause more harm. More importantly, given the attractive long-term results of staying invested, why risk losing that for the low probability of doing better?

The success of long-term investing, that is investing prudently and strategically, remaining invested through market cycles, and monitoring and managing risk, became evident when we conducted our annual "tax loss selling" exercise. Tax loss selling is when one sells investments at a loss to offset realized gains. In other words, if one had realized a $10,000 gain some point during the year, one could avoid paying the capital gains tax by realizing an offsetting $10,000 loss. This year we again reviewed every client's portfolio for such an opportunity. This year however we found very few. The vast majority of positions have been held long enough that they are still in a positive position. In fact, almost every position bought before January 2021 remains positive.

While we speak often about the volatility of the stock market, pointing out that the market falls, on average, 10% once a year, 20% once every three years, 40% once every ten years, this does not make its occurrence any more palatable. Years where the markets have ended negative include 2018, 2015, 2008, 2002, 2001, 2000, 1990, 1981 etc. As time passes, many forget what those years felt like. Well, it felt like now - including the not uncommon internal fear that this time its somehow worse, that this time we are not going to bounce back. But I believe we will, just as we have every other time.

The focus remains, and must remain, on the long term. One's focus remains on investing in strong companies that have the opportunity and the potential, and can weather the inevitable storms, and still prove profitable. One should invest for the long term and ignore short term fluctuations and forces one cannot control. Mostly one should focus on one's own life, plan, and goals. At the end of the day that is all that truly matters.

Looking forward we are concerned but neutral in the short term, and positive in the medium and long term. We continue to invest new funds (finding some good opportunities) and monitor our positions closely.

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	-0.80%	-10.60%
Canadian Equity - S&P/TSX 60 Index - CAD	5.6%	-4.30%
US Equity – S&P 500 - USD	8.1%	-15.90%
International – MSCI EAFE Index - USD	5.9%	-23.20%
Emerging Markets - MSCI Emerging Markets Index - CAD	-2.60%	-24.50%
Real Estate - Dow Jones® Global Real Estate Index - USD	3.6%	-23.40%
S&P/TSX Preferred Share Index - CAD	-0.9%	-16.60%

Have a great month and let us know if there is anything we can do for you,

- Meir

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