



WINTER NEWSLETTER

TRILLIUM WEALTH MANAGEMENT | December 2023

Season's greetings to all. 2023 has been an interesting year, full of changes and new developments across various markets and industries. Unsurprisingly, the top news story of 2023 was the Artificial Intelligence gold rush. Rest assured – an actual person is writing this newsletter, and not a generative AI product. The wave of change and innovation affected everyone from smart phone users to just about every IT company, as the potential benefits and capitalization opportunities seemed uncapped. Shares of Nvidia Corp (NVDA), a leader in the AI chip space, more than doubled this year, however, the jury is still out on who will be the biggest potential beneficiaries in the long term.

As we head into 2024, interest rates and inflation will likely remain the biggest topics watched by central banks, analysts, and investors.

Markets Update

- Market volatility (as measured by the CBOE VIX) has fallen for most of 2023 (outside of the banking crisis in March).
- The Federal Reserve Bank took a wait-and-see approach and held its overnight interest rate steady in November.
- The Bank of Canada (BOC) decided to hold the policy rate steady, in an attempt to balance monetary policy tightening and opposing market risks to the economy. Current policy rate is 5.00%.
- Money market assets in the U.S. reached their highest historical level as they climbed to \$5.71 trillion.
- Inflation continues to normalize in line with BOC expectations.

Considering current conditions and looking ahead, we continue to make decisions in pursuit of growth and capital preservation, by focusing on our clients' goals and proper diversification.

¹<https://www.canada.ca/en/services/benefits/publicpensions/cpp.html>

CPP Benefits – Early or Later?

The Canada Pension Plan (CPP) retirement pension is a monthly, taxable benefit, meant to replace part of your income when you retire. To qualify, you must be at least 60 years old and have made at least one valid contribution to the CPP.¹ You must apply in advance, as payments are not automatic.

The amount you will receive will depend on the level of contributions made on your behalf, as well as the number of years contributions were made. The easiest way to get an understanding on your eligible earnings and contributions to CPP is to visit Service Canada. <https://www.canada.ca/en/employment-social-development/corporate/portfolio/service-canada.html>.

The actual amount you receive depends on a variety of factors. If you are between 60 and 64, the amount will decrease 0.6% for each month that you are short of your 65th birthday to a maximum of 36%. If you defer the receipt of CPP beyond your 65th birthday, the monthly benefit will be increased by 0.7% to a maximum of 42%.² Additional factors to consider:

"Break-even"/longevity factor – deferring payments until age 70, which produces a larger monthly benefit, makes sense if you think you'll collect long enough to make up for what could turn out to be years of forgone payments. If you begin taking payments at age 60, instead of 65, the break-even age is 74. If your health, lifestyle and family history suggest you'll live past age 74, you're better off waiting to start CPP at age 65. On the other hand, if you're 65 and want to defer to age 70, the break-even age is 82.

Cash flow – if you don't have income sources like rental or investment income to fund retirement expenses, you may need to take CPP as soon as you're eligible.

Already retired – CPP benefit calculation is structured to help insulate from years of little or no income, but that protection is limited. If you're already retired and still haven't applied, adding zero-earning years can wind up shrinking your payment.

OAS clawback – clawback applies if your net income exceeds \$81,761. For every \$1 of net income above this

² <https://financialplanners.td.com/tracy-lynn.connors/mediahandler/media/94544/Government%20Benefits.pdf>

amount, the maximum OAS pension is reduced by 15 cents.

Income spike – if you are selling your business or a second home, which will cause a spike in taxable income and your marginal rate, you may want to wait until your income returns to normal before starting to receive benefits.³

Taking CPP early or later is an individual and complex calculation. Talk to us about all the factors involved to make an informed decision.

First Home Savings Account (FHSA)⁴

The First Home Savings Account (FHSA) is a new registered account, introduced in 2023, that allows eligible Canadian-resident adults to save up to \$8,000 per year, to a lifetime maximum of \$40,000, on a tax-free basis toward their first home. Like a Registered Retirement Savings Plan (RRSP), contributions are generally tax deductible. But, like a Tax-Free Savings Account (TFSA), investment income and withdrawals are generally tax-free.

Withdrawals are TAX FREE when the following conditions are met:

- The taxpayer is a first-time home buyer
- The home is located in Canada
- Taxpayer is a resident of Canada
- Written agreement to buy or build a home before Oct 1st of the following year after withdrawal
- Must intend to occupy the home as a principal residence within a year of purchase/built.
- If there are any funds left over, the remainder can be transferred to an RRSP or a RRIF without penalties and without reducing available contribution room; as long as the transfer occurs by December 31st of the following year.

This unique combination of tax benefits makes the FHSA a powerful tool for those aspiring to own a home in Canada.

Please reach out to us if you have any questions or for guidance on how to open this type of account.

³ <https://www.blueshorefinancial.com/advice-planning/advice-hub/retirement/when-best-time-take-your-cpp>

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Easy Sugar Cookies Recipe

By: Natasha Kravchuk

Ingredients

- 1 cup unsalted butter, softened at room temperature
- 1 cup granulated sugar
- 1 egg, (large)
- 1 tsp vanilla extract
- 3 cups all-purpose flour, (measured correctly)
- 1 Tbsp baking powder
- 1/4 tsp salt

Instructions

1. Preheat oven to 350 °F with a rack in the center. Whisk together flour with baking powder and salt in a small bowl and set aside.
2. Using a stand-up or handheld mixer, beat the butter together with sugar. To the mixture add vanilla extract and egg and beat to combine.
3. To the butter mixture, add flour in 3 parts until fully incorporated.
4. Divide the dough into two equal parts. On a lightly floured surface, roll into ¼-inch thickness. Use a cookie cutter to cut out your favorite shapes.
5. Bake cookies on a parchment or silicone-lined baking sheet at 350 °F for 10 minutes, or until the edges are just beginning to turn golden.
6. Let the cookies cool for about 5 minutes on the baking sheet before moving them to a wire rack to cool completely and decorating with cookie icing.⁵

Wishing you a joyful holiday season!

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⁴ <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/first-home-savings-account.html>

⁵ <https://natashaskitchen.com/sugar-cookies-recipe/>