



# The David Miner Communiqué

## Spring 2023

*"Economies run in  
cycles but people  
forecast in straight  
lines"*

—Morgan Housel



## *Welcoming the Warmth of Spring*



2023 has been a pleasant one so far!

As most of our clients already know, Helena Donaldson is no longer licensed as a financial advisor; however, true to form, nothing will stop her from connecting with clients (nay, not clients but true friends!). Helena will forever remain a part of team David Miner & Associates and we wish her the best in her well-deserved retirement and all the life experiences to come!



*Three generations of skiers on the gondola @ Mt. Tremblant*

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David took his first ski holiday in three years, as part of his 70th birthday celebrations! Despite qualifying for senior discounts, David looked like a teenager out on the slopes and relished in the opportunity to ski with Nalina and Maya – both of whom enjoyed their first taste of skiing, the chalet life, and ‘la tire sur la neige’ (maple syrup hardened on snow).



*Cheers to Dave! The family gathers for après ski in the village*

## Market Commentary



*Charlee surprises Grandpa Dave at the office*

As at the end of April, the S&P 500 is up 9.2% on the year and markets are looking much better today than during the grind we'd endured in 2022. Caution is warranted at this point, for although there are clear opportunities in pockets of the market, this isn't without risk, and we expect volatility given the macro environment. The S&P 500 is sitting at above-average valuations relative to history, and the current setup is conducive for active management given that much of the year-to-date performance has been driven by only a handful of stocks.

Taking a closer look at US markets, we can see that performance has been divergent. Year-to-date, the Russell 2000 is up a meagre 0.9% while the Russell Microcap Index is down 5.3%. In a bull market environment, it is typical for small caps to lead the charge, and this is clearly not what is happening.

Mega-cap tech has had momentum this year; some of these gains can be viewed as a reversal of the indiscriminate selling that occurred in

2022 despite strong fundamentals. If we are in an environment where interest rates remain higher for longer, then the quality of a company's balance sheet, financing arrangements, and the growth prospects from a revenue, earnings and cashflow perspective are going to materially weigh on valuations going forward. When debt was cheap, investors could afford to be patient with a given company's growth story – this is not going to be the case going forward.

Liquidity, and by extension, the availability of cash or debt, is a major driver of both consumer behaviour and corporate valuations. The US Federal Reserve met in early May, increasing rates to 5.25% in what was expected to be the last hike as they pause to evaluate the success of their hiking campaign to date. The Bank of Canada paused their hiking campaign even earlier than the US given the heightened vulnerability of the Canadian consumer and household debt levels. Qualifying for debt has become increasingly difficult as debt-service ratios more acutely influence a bank's willingness to lend.

As mentioned in our last Communiqué, labour market dynamics have been shifting and that trend has moved beyond the tech sector as more companies across different sectors are discussing headcount reductions in their quarterly earnings reports. There is a distinct and inverse relationship between bank lending standards or liquidity and the job market – when debt is harder to come by employers often look to cut headcount.

Tightening credit conditions, labour force trends, easing but sticky inflation and the inverted yield curve all point towards recession, however stability in corporate earnings, a resilient Europe and China's re-emergence serve as reasons to remain invested.



## First Home Savings Account

The First Home Savings Account (FHSA) is a powerful new account being launched in Canada and is designed to help first-time buyers enter the housing market. The government has approved this account to be used in conjunction with the RRSP Home Buyers' Plan (HBP) to better facilitate the purchase of a first home.

The FHSA allows for an annual contribution of \$8,000, with a lifetime contribution limit of \$40,000. Like an RRSP, all contributions are tax-deductible while growth is tax-free and any withdrawals remain tax-free if used towards purchasing a home. Participants can carry forward any unused contribution room to future years.



*Nalina and Maya embracing spring!*

Catch-up contributions are limited to one previous year at a time, thus the maximum amount that can be contributed in any one year is \$16,000, subject to the lifetime contribution limit.

Unlike the Home Buyers' Plan, which requires withdrawn funds to be repaid over time, the FHSA allows for the full balance to be withdrawn without any requirement to repay. Furthermore, any funds not used towards the purchase of a home, can be rolled into an RRSP or RRIF (tax free) **in addition to your available lifetime contribution room.**

Any withdrawals from the FHSA that are not part of a home purchase or transfer into a retirement account are treated as taxable income. To be eligible for an FHSA, you must be a resident of Canada, 18+ years of age, and qualify as a first-time homebuyer. The account can be active for 15 years or until the year you turn 71.

Tax deductible contributions, tax-free growth, and the ability to roll unused amounts into an RRSP/RRIF without penalty are all clear reasons why this account has created a buzz! Please reach out if you are interested in learning more!



*Nalina needs a lift after a tough day*

## Comparing the FHSA and HBP

		FHSA	HBP (RRSP)
Contributions	Annual Limit	\$8,000	Subject to Earnings
	Catch-up Limits	1-year	Subject to Room
	Tax-Deductibility	✓	✓
	Lifetime Limit	\$40,000	Subject to Earnings
	Unused Amounts	Tax-free to RRSP/RRIF	N/A
Withdrawals	Vesting Period for Contributions	None	90-days
	Dollar Limit	Full Account Balance	\$35,000
	Tax-Free	✓	✓
	Requirement to Repay	✗	✓
	Account Duration	15 Years / Age 71	Subject to RRSP Rules

## Data Integrity

Some clients recently received a letter about the *InvestorCOM / GoAnywhere* cybersecurity incidents. As at the time of publishing, we understand that the impact of this data breach includes at least two mutual fund providers that use InvestorCOM for client communications. Impacted client data includes some combination of account numbers, fund codes, name, address, and social insurance number. Other financial information such as investment positions and account balances were not exposed in this incident.

All impacted clients have been offered credit monitoring and alerts through TransUnion, identity theft protection services, fraud victim assistance, and up to \$1,000,000 USD in identity theft insurance.

Cyber security threats are increasing in frequency and sophistication; employed safeguards and countermeasures must remain equally vigilant. In our office, we monitor all client accounts daily to ensure transaction activity is authorized and accurate. We call clients for direct confirmation regarding any unexpected or irregular requests and will enforce use of signature authorization to verify client identity if needed.

It is a good practice to regularly monitor your credit. Be weary of any individual seeking personal information online, via social media, or over the phone. We ask that if any clients have questions or require help establishing a TransUnion profile, please let us know.

*The comments contained herein are a general discussion of certain issues intended as general information only and should not be relied upon as tax or legal advice. Please obtain independent professional advice, in the context of your particular circumstances. This newsletter was written, designed and produced by David Miner & Associates, a registered trade name with Investia Financial Services Inc., and does not necessarily reflect the opinion of Investia Financial Services Inc. The information contained in this article comes from sources we believe reliable, but we cannot guarantee its accuracy or reliability. The opinions expressed are based on an analysis and interpretation dating from the date of publication and are subject to change without notice. Furthermore, they do not constitute an offer or solicitation to buy or sell any securities. Mutual Funds are offered through Investia Financial Services Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.*