



The David Miner Communiqué

Summer 2024

*Give a child a dollar,
and they'll spend it;
teach a child about
money, and they'll invest
it.*

— Unknown



Bring on Summer!



Team DMA has been keeping busy since our last publication. Many of you have heard from us about usual early-year planning points such as RRSPs, TFSA contributions, and tax strategy; but this year was a little different since the federal budget update necessitated a quick pivot in some accounts too. The capital gain inclusion rate change kept us busy, taking action when warranted to help clients retain wealth.

We're also proud to share with you that the DMA family is growing! It's vital that we are available by phone or email and having the right team to support that is key to ensuring your needs are met.

Kiran and Amelia have been hopping around the country over the past month, both for work and play. Mark celebrated a big birthday in April (60, but who's counting!) and now that summer is upon us, he is looking forward to more time at the cottage.

David and Dorinda recently spent three weeks in Japan and Taiwan, and Karen just returned from a well-deserved vacation in Italy, with her husband Carl.



Amelia presenting in Quebec City, for a nation-wide audience of financial advisors at the 2024 Investia Best Practices Roadshow

T+1 Settlement is Here!

While trades into or out of savings and cash products have always settled at trade-date + 1 business day, industry standards were updated at the end of May for mutual funds, which now also settle T+1. What this means for you: proceeds out of mutual funds will now arrive one day sooner when we place a redemption to your bank account!

Welcome to Team DMA, Karen Korody!

We are excited to announce the addition of veteran advisor, Karen Korody. In her 25+ years of experience, Karen has consistently brought integrity, knowledge, and a thoughtful approach to helping clients achieve their financial goals. Acknowledging that a “one size fits all” approach doesn’t work, Karen has tirelessly supported her clients over the years, ensuring no stone is left unturned when managing wealth for clients.

With Team DMA behind her now, we hope that Karen’s clients can rest assured that their needs will continue to be met, while also giving Karen time to slow down and travel more!

As an RRC (Registered Retirement Consultant), Team DMA is grateful to have another professional angle covered when collaborating - the benefit to clients and the team is exponential and we’re thrilled about everything that Karen brings to the team!



Karen & husband Carl enjoying the Amalfi coast in Italy

We extend the warmest welcome to Karen, her clients, friends, and family!

Market Commentary

Global markets have been steadily marching ahead since October, and despite a brief pullback in April, most markets have delivered double-digit returns year-to-date. Election years have historically resulted in strong returns for U.S. markets, so we remain optimistic on U.S. equities in the short term. At current valuations, many markets will need strong corporate earnings supported by economic growth and/or a meaningful cooling of inflation for positive momentum to remain intact.

There are a lot of factors still working their way through the economy that will play into market direction over the next several months including onshoring efforts in the U.S., the lag effect of sustained high interest rates and the tapering of government spending. Under the surface, large cap US stocks, technology (more specifically some of the AI-themed investments) appear vulnerable at these levels and many managers are looking to other segments of the market and outside of North America for better investment opportunities.

Canadian unemployment continues to trend in the wrong direction, sitting at 6.2% (up 0.9% from a year ago), and much higher than U.S. unemployment, which is currently at 4.0%. The divergence in unemployment, inflation and productivity has been notable and growing when compared to the U.S., and we as Canadians, are not alone in that. The Bank of Canada was the first of the G7 central banks to cut their overnight rate by 0.25% in June, but the European Central Bank echoed that decision the following day. Depending on the frequency and magnitude of forthcoming interest rate cuts, we can expect pressure on heavily leveraged consumers to slowly ease.

The Federal Budget's Impact on Investments

Often, the federal budget is released without much of a ripple, this one however, was one of the more significant updates we've seen in some time from an investment and taxation perspective. It was also written with intent to address economic issues around cost of living, inflation, and housing affordability to name a few.

A big 'wave' was the change to the capital gains inclusion rate. Many of you would've received our email highlighting this change and opening the door to planning conversations where applicable.

The key take-away is that the capital gains inclusion rate is increasing to 66.67% from 50% for assets held within a corporation or trust. For assets held personally, the change in inclusion applies for capital gains beyond the first \$250,000, in a given tax year with the old inclusion rate of 50% remaining for anything less than that. This change is applicable to estates as well.

In practice, this affects many thousands of Canadians that own investment assets through corporations, trusts, or who personally hold non-registered investments or real estate investment properties, whether a cottage, rental or commercial property. The bill passed with an effective date of June 25, 2024.

Timing and the need for proceeds is key to determining whether it makes sense to act now with respect to corporations and trusts. Triggering \$100,000 in capital gains today still costs \$25,000 in taxes (assuming a tax rate of 50%), which likely doesn't make sense if the expected sale of assets would otherwise occur 10 years from now at a tax cost of \$33,333. The hidden cost of prepaying tax is lost growth on the funds withdrawn, which is exponentially detrimental over longer time horizons.

We have reached out to clients where we have identified benefit to acting before the deadline to lock in gains at a lower tax rate. If there is a change in your own circumstances or if you have information that warrants professional advice, please let us know!



*Celebrating Karen's first day with Team DMA
(M.I.A.: David who was in Taiwan — see image below!)*



David and Dorinda basking in Taiwanese scenery

The Risk Behind the Guarantee

Some of our peers and clients sought Guaranteed Investment Certificates (GICs) and cash-like investments after a difficult 2022, where we saw both equities and fixed income result in negative returns for investors. Traditionally, fixed income has functioned as a safe harbour alternative to equities, which is why with age and shorter time horizons, it is common to have increased fixed income exposure.



The Naidoo family touring Investia's head office in Quebec City with President, Louis DeConinck

Locking money in GICs in response to a tough year in markets meant that investors would have missed out on a strong bounce back in markets. As of June 7th, 2024 the S&P 500 is up over 41%, the TSX is up over 13%, and the MSCI ACWI is up over 33% since the start of 2023.

For short-term cash needs where volatility cannot be shouldered, we utilize money market or high interest savings to preserve principal, earn a modest rate of return and ensure liquidity. For everything else, we recommend staying in markets – returns are never linear and time in the market is what allows compound growth to do its work.

We are grateful that clients continue to heed our advice and have been rewarded for doing so.

At their peak, we saw 1-year GICs offering well above 5%, which was attractive for 'no-risk'. This is before considering that the reduced tax efficiency and does not consider the cost if a client needs access to that cash prior to maturity.

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