InTouch

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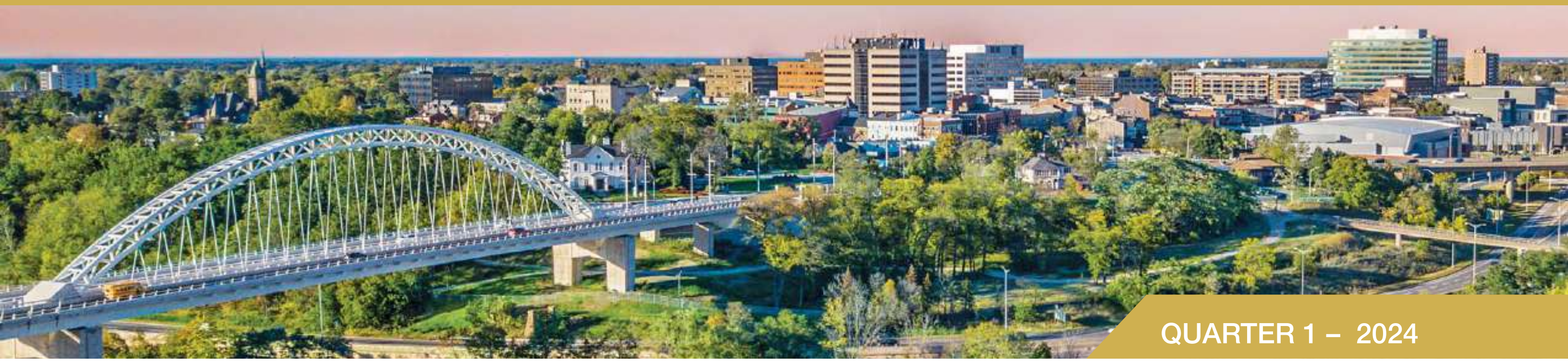
(905) 937-0204 | www.basic360.ca



QUARTER 1 – 2024

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Our customized services include:

- Retirement Income Planning
- Investment Management
- Asset Planning
- Wealth Protection
- Risk Management
- Tax Planning

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Welcome to the first issue of In Touch for 2024. We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

What's Happening

It has been a very busy start to the year; the RRSP contribution season came as quickly as it went, tax season is in full swing with the tax filing deadline being April 30th 2024, and given the market climate over the past little while, seminars with fund managers have been most enlightening. More on that to come.

A number of new clients have joined us this quarter and we would like to thank all of you for providing referrals and introductions to your family, friends and co-workers. We love what we do and appreciate the amazing support from all of you.

In the Community

Basic Financial Services will be working with the Niagara Education Foundation at this years' In The Round fundraising event. The Education Foundation of Niagara is a registered non-profit charity that supports DSBN students by engaging the community to provide needed funds and resources where government funding is not available.

In The Round Niagara will be held on Friday April 26th in Niagara-on-the-Lake. It will be a night filled with food, drinks, fun and entertainment. There will be several musical artists performing that evening, one of which is THE Tim Hicks!

For more information on the event itself, or to get tickets at https://myefn.org/in-the-round/

We would love to see you there!

Market & Economic Update

At the start of 2023, many investors in both Canada and the US expected an economic slowdown and potentially even a recession. Fifteen months later, although some countries are seeing economic downturns, we in Canada and those in the USA have seemed to weather the storm. The markets in the first quarter of 2024 are continuing to chug along with no sign of a recession. During the first quarter of 2024 (January 1st – March 31st) the Canadian market (TSX) is up 5.77% and the US Market (S&P 500) is up 10.2%. This is even a slightly better start than the first quarter of 2023.

What drove stocks up in the first quarter? Firstly, optimism over the economy not hitting a recession in

2024 with nearly two-thirds of fund managers expecting a "soft landing" as the most likely outcome for the economy the next 12 months. Looking specifically at stocks, the Magnificent 7 (Apple, Microsoft, Google, Amazon, Nvidia, Meta/Facebook and Tesla) contributed immensely to the S&P500's growth in 2023, however their influence has started to waned in 2024, contributing to only 37% of the S&P500's first quarter growth of 10.2% in 2024.

Secondly, back in November 2023 both the Bank of Canada and the US Fed signaled rate cuts in the upcoming 12 months. Entering 2024, many investors were expecting at least a couple rate cuts. However, with recent messaging from the Bank of Canada and the US Fed, we may need to wait until the second half of 2024 to see any significant cuts. Inflation seems to be stickier than expected with a rise for the third straight month in March in the US. March inflation rose to 3.5% from 3.2% in February and 3.1% in January.

In Canda, we did see some relief with 2.9% inflation in January and a slight drop to 2.8% in February. As per Trading Economics – "the cost dropped considerably for cellular services (-26.5%) and Internet access services (-13.2%). Meanwhile, inflation cooled for food (3.3% vs 3.9% in the prior month) thanks to eased grocery prices. On the other hand, prices rebounded for gasoline (0.8% vs -4%) amid elevated global crude oil cost due to expected extension of production cuts. Furthermore, rising bond yields lifted mortgage rates and shelter prices (6.5% vs 6.2%)."

Looking Ahead – I've discussed over the past couple of years that markets, and our economies will react strongly to inflation growth/decline and interest rate hikes/cuts. This pretty much remains true in 2024, especially if inflation continues to increase and interest rate cuts are shelved. However, we are starting to see new indications emerge such as earning expectations especially with the Magnificent 7 softening their control of the markets. From my perspective, it's a good time as any for us to be focused on our diligent approach to managing your hard-earned money while trying to find additional opportunities.

As always, please feel free to reach out if you have any questions, comments or would like to book some time to speak. We offer both face-to-face or electronic meetings via Zoom. If you feel the information above may be helpful to a family member or friend, feel free to share or visit our website www.basic360.ca

Sincerely, your team!

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Articles of Interest

How to divide the assets of an estate between beneficiaries

Three siblings are beneficiaries of their parents' estate, which includes several properties and investment accounts. How should they divide the assets?

By Jason Heath, CFP®

There are three beneficiaries of our parents' wealth portfolio. It includes five properties, five cars, numerous bank accounts, and numerous wealth management accounts, but the parents' wishes were to divide it all into three equal parts.

Unfortunately, it is not that easy to divide as everything has differing values. Also, we may have differing ideas on what to keep versus sell and different timelines.
How can this possibly be divided equitably?
We are all beneficiaries of each other's wills and on all accounts and portfolio investments, but if we want to eventually sell or disperse funds that would present the issue.

Would it be beneficial to set up a trust to put in all of the assets? The question is how to divide equally if any of the assets are sold. Our names are primary on each of the assets with the other two as successor beneficiaries.

—Lisa

How to split an estate between beneficiaries

This is a multi-faceted question, Lisa, so I will try to comment on all the considerations.
First, it bears mentioning that wills typically provide discretion to the trustees to sell, call in or convert into cash any part of an estate in their absolute discretion. The trustees may also have the ability to postpone a sale if they think it's best. For example, that could be the case if market conditions made it inadvisable to immediately sell a real estate property, business assets or investments.

An estate trustee typically has the discretion to distribute specific assets to beneficiaries as part of their share of an estate. In other words, if one beneficiary wanted a real estate property, they may elect to receive a smaller share of the rest of the estate, like cash proceeds from bank accounts or from selling other assets. If the real estate value was more than their share of the estate, they may be able to buy the asset from the estate, paying the incremental amount over and above the value of their share.

It sounds like your parents' estate has already been distributed to you, though, if your own names are now on these properties and accounts. As such, you should have free rein to do as you wish.

Should you hold on to assets jointly or sell them?

In my experience, it's more common to sell all the assets and distribute the cash that remains (after paying taxes and estate costs) to the beneficiaries. So, your parents' wishes may not have been so literal as to continue to hold all of their assets jointly.

Real estate could be distributed to multiple beneficiaries directly rather than sold if the property holds sentimental value, such as a family cottage or farm. This would be less likely with estates like your parents', which includes five properties, at least a few of which are presumably rental properties.

There's no tax advantage to continuing to hold the properties or the accounts, either. For a couple, tax is payable on the second death.

Should you hold property as joints tenants or tenants in common?

If you and your siblings want to continue to hold the real estate as investments, Lisa, you could do so jointly. You could own the properties as joint tenants with the right of survivorship, in which case the surviving two siblings would inherit the property upon the first death. This would be uncommon for siblings, though.

You could alternatively own the properties as joint tenants in common, which would give you control of the asset even upon your death. You could then leave your share to your spouse or children, for example. This is usually preferred to leaving your assets to your siblings, but perhaps none of you have spouses or children. Even if you do not now, you might in the future.

For real estate you own jointly with your siblings, you could consider a co-ownership agreement that addresses disagreements between parties (for example, if one of you wants to sell but the others do not), funding renovations or other expenses, or situations like disability or death.

Although you could set up a trust to hold these assets, it may be onerous and unnecessary, Lisa. A trust has up-front and ongoing legal and accounting fees that amount to thousands of dollars per year. There's no tax benefit with a trust, either. A co-ownership agreement would be a one-time cost. Selling and dividing the proceeds or at least agreeing to take one property each as part of your inheritance could be the easiest option.

Should you designate a primary owner or a successor holder?

You mentioned the investment accounts are each held with one of you as the primary owner and the other two as successor holders. You can only name a successor holder for a tax-free savings account (TFSA), and even then, it can only be your spouse. You can name a non-spouse as a TFSA beneficiary. You cannot generally name a successor holder or beneficiary to a non-registered account, which is most likely the account type you have.

As such, your accounts are more likely joint accounts. This arrangement leads to complexity with managing the accounts, tracking cost bases for capital gains tax purposes, managing different risk tolerances or withdrawals, and so on. So, for the investment accounts, in particular, I would be inclined to divide the money and take one-third each to invest in your own names how you want.

So, how should you divide the assets?

You mention that you are all beneficiaries of each other's wills, but that intention could easily change in the future. You may have partners, spouses or children, let alone friends or charities you wish to name as beneficiaries.

So, despite being well-intentioned, I think continuing to hold all of your parents' real estate and investment accounts jointly, and naming each other as beneficiaries of your estates, may not be the best approach. I would consider dividing the investments at least, and potentially the real estate as well. If you continue to hold one or more real estate properties jointly, consider doing so as joint tenants in common with a co-ownership agreement in place. This may provide better future flexibility and discretion to do your own estate planning without impacting each other.

You should seek out tax and legal advice on all of this, Lisa, as this is a complex and unique arrangement with your siblings.

When does Retirement start

Crafting Your Retirement Blueprint: 15 Essential Steps of Knowing When It's Time to Leave Work

By Cody Weber, CFP®, RRC

Retirement. Something you have talked about with your family members and closest friends over a glass of wine… or two. A word that brings new emotions: exciting and nervous, new decisions, and contemplations. It can mean a new life, calling with promises of leisure activities, freedom, and a chance to finally live life on your terms. It brings many considerations and emotions that surround the question: **When is the right time to retire?**

Retirement signifies change — a shift from your routine that has structured your life for decades. It's the thought of losing the social connection you have with colleagues, the sense of purpose that comes from work, and daily challenges of achieving all of your other goals: family time, being a good parent, spouse. Retirement itself has changed since it was introduced in 1889 by German Chancellor Otto von Bismarck. His vision was to pay citizens aged 70 and older to leave the workforce so youth could take over those jobs. The age has since changed to 65, setting the precedent of retirement at 65. Yes, that is how retirement was started… crazy isn't it? Bring up that fact at a dinner party and see the surprised looks you get; Some German Chancellor decided the retirement age for the entire world. Thankfully, that's no longer the case, Otto is not in charge of your retirement age… you are 😊

A few factors that could impact when you retire:

1. **Health** - Longevity (or average lifespan) Back in the late 1800's was near retirement age. We are now living longer. You may want to retire at 55 and have 40 years of retirement. Are you ready for that? Is your body? I have seen too many times when clients' bodies or minds decide their retirement date for them.

2. **Changing Family Structure** – Do you have new grand babies to look after or have an adult child at home seeking help? Your family's life may impact yours… wedding to pay for? Gifting for a mortgage down payment to a child? Most importantly, is your spouse ready for you to retire?

3. **Cost of Living** – Should I even go there? We've all seen the price of everything skyrocket lately. Important to note, if you are retiring early and living longer… your dollar will have to be stretched further. Particularly if the cost of living continues to rise. All good financial plans should account for inflation (the cost of the things you buy going up).

4. **Financial Readiness** - It adds another layer of complexity to this decision. Have you saved enough to sustain the lifestyle you envision in retirement? Will you be financially secure without the regular income from work? Or, does your retirement include what I call a hybrid retirement – working part-time on your terms. These uncertainties often cast a shadow over the excitement, causing moments of doubt and curiosity.

5. **Psychological Readiness** – Retirement is a shock to the system. Change can be a challenge, even if it is an exciting change. Are you ready to leave work behind? Are you fed up and done with work?

The right time to retire isn't scripted in stone; it's a personal decision based on your individual aspirations, circumstances, and feelings. It's about listening to the whispers of your heart while acknowledging the new world we live in. As you approach this new chapter in life, here are essential steps for you to take before you actually retire:

1. **Calculate Your Retirement Needs:** Begin by assessing how much you will spend in retirement. This will include categories such as: housing, healthcare, transportation, leisure activities, food, dining out, and any other potential costs. There are many tools available online like the Canadian Retirement Income Calculator to give you and idea of you're your situation will look like. (https://www.canada.ca/en/services/benefits/publicpensions/cpp/retirement-income-calculator.html) However, to estimate your retirement income needs accurately, consider a professional Financial Planner (CFP®). It's free to test drive one.

2. **Explore Government Benefits:** Understand the Canadian government benefits available to retirees. These include the Canada Pension Plan (CPP), Old Age Security (OAS), and Guaranteed Income Supplement (GIS). Learn about if you are eligible to receive them, how much will you get, better yet – how to apply for it (the government can make it so challenging), and how these benefits can supplement your retirement income.

3. **Maximize Savings Plans:** Contribute regularly to your savings plans throughout your working years. TFSA's, RRSP's and OPEN accounts can all be used to save for retirement. 1 of these or a combination of all could makes tax sense for you. An RRSP contribution can help reduce how much you owe in taxes to the CRA… I'm sure you'd rather have it than them. Consider professional advice for your strategy and if it is right for your situation, including when to start withdrawals.

4. **Get The Most Out of Your Pension:** If you are one of the lucky few with those rare monthly pensions, I am envious of you. Secondly, understand your workplace pension plan. They usually have seminars to educate employees on the ins and outs. Consider

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whether to take a lump-sum payout, or monthly benefit or opt for a pension annuity. I strongly advise you speak with a professional before you make this decision. Assess the impact of your decision on your retirement income and tax situation.

5. **Healthcare Coverage:** Look into healthcare coverage in retirement. We are lucky enough in Canada to have public healthcare rather than our American counterparts who pay thousands and maybe hundreds of thousands for the help they need. You either deal with extra wait time in Canada or face potential financially ruin in the States with how expensive it is…. I'll take the former. Regardless of your position, consider health insurance plans for additional coverage, prescription drugs, dental care, and vision care should you require it. Or, will your work benefits continue into retirement (if you currently have workplace benefits)?

6. **Estate Planning and Wills:** Plan your estate and create a Will to ensure your assets are distributed according to your wishes. I have seen too many clients pass away without a Will and there are many who swoop in for a piece of the pie. Make it easier on your family when you pass, please. Don't do it for me or you, do it for them. Consider consulting with legal professionals to establish the Will, Powers of Attorney – someone to look after your affairs if you cannot or do not wish to along with ensuring your healthcare directives are in order.

7. **Stay Informed on Taxation in Retirement:** Everyone's favourite topic, taxes!! Understand the tax implications of your retirement income sources. Learn about tax-efficient withdrawal strategies from various retirement accounts to minimize taxes in retirement. Does it make sense to retire on your birthday? If that sounds too boring for you, speak to a Financial Planner or your CPA Certified Professional Accountant. We like numbers.

8. **Invest Wisely and Diversify:** Diversify (spread out your money) across various asset classes and sectors: not just everything in technology. 2022 is a great example of some technology investments being down 50-75%. I am going to go on a limb here and say you likely don't want that especially as you get closer to withdrawing your money for monthly spending.

When I say spread out your money, I mean into different geographical areas: US, Canada, internationally. Did you know that Canada only represents 3-4% of the world economy? Putting all your money into the TSX (Canadian market) is not the right thing to do. Ensure your investments align with your risk tolerance and retirement timeline. Too much risk could cause you a heart attack, too little could lead to having less money in the future to spend. Just like Goldie Locks – the right bowl of porridge is what you're looking for.

9. **Health and Wellness:** Nurturing your health is paramount in this new chapter. Consider health insurance, create an exercise routine, and focus on a balanced diet. After all, a healthy body and mind will carry you through the adventures of retirement. Eat your spinach like Popeye.

10. **Social Connections:** Retirement isn't just about leaving work; it's a transition from a structured environment to newfound freedom. Have a plan to stay in touch with who you want to and spend time with those you've been missing! Want to go watch your grandsons hockey game (eh) or grand-daughters art show? Go do it, your time is yours! Lunch with the girls or golf trip with the guys to Florida….. go for it! These connections will give you a fulfilling retirement.

11. **Transition Plan:** Like anything, a good plan will help get you (and keep you) on the right track. Craft a transition plan that eases the shift from a full-time career to retirement. Mentally prepare for the change, slowly embracing the shift in routine. This adjustment period is crucial, allowing you to adjust to the new rhythm of life.

12. **Embrace the Unknown:** Retirement isn't a destination; it's ongoing and ever changing filled

with new discoveries everyday. Embrace the unknown with open arms, enjoying the spontaneity and freedom it brings. Allow yourself the flexibility to adapt and evolve as you navigate this uncharted territory.

13. **Explore Part-Time Work or Hobbies:** Consider engaging in part-time work or pursuing hobbies that can generate additional income during retirement. Besides the financial benefits, staying active can contribute to a fulfilling retirement lifestyle. I've had many clients start a little business or second career for a project they are passionate about.

14. **Create your Retirement Team:** Accountants, Lawyer, and a Financial Planner: Seek guidance from financial planners or retirement specialists who understand the intricacies of Canada's retirement landscape. They can provide personalized strategies based on your specific goals and financial situation. You may want to work with an Accountant (CPA) during this challenging time. Mentioned in point #6 above, work with a professional. I'd recommend interviewing a few to see who is the best fit for you.

15. **Talk to Your Loved Ones:** Do you know anyone who has retired recently? What steps did they take and what did they do to get ready? Have you talked with your spouse about your plan and what they'd like to do? Unless you want to sleep in the doghouse…. I'd get on it 😉

Remember, everyone's situation is unique. Regularly review and adjust your retirement plan as circumstances change. By taking proactive steps and leveraging the resources available, you can navigate towards a secure and fulfilling retirement journey. Start planning early to enjoy the fruits of your labour during your golden years! See you in a few weeks where we will focus on your spending plan in retirement. As a money nerd… I am excited!