

# InTouch

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QUARTER 4 – 2022

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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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# BASIC

FINANCIAL SERVICES INC.

Welcome to our last issue of In Touch for 2022! We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

## What's Happening

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We had a hot and beautiful summer here in Niagara, and we are hoping you took that opportunity to gather with friends, family and even squeeze in some travel. It's amazing how many people mentioned they had plans or did in fact go and visit our lovely Maritime provinces during the summer.

Given the market climate over the past few months, we have kept quite busy in the office. Apart from the day to day service that we provide, we wanted to share some other news with you; we are pleased to announce the addition of Cody Weber to your team at Basic Financial. Cody has been in the Financial Services industry for over 8 years and is just about finished earning his CERTIFIED FINANCIAL PLANNER® designation. Aligning with our "Client First" philosophy and dedication to education in our industry, makes Cody a perfect addition to our team of experts.

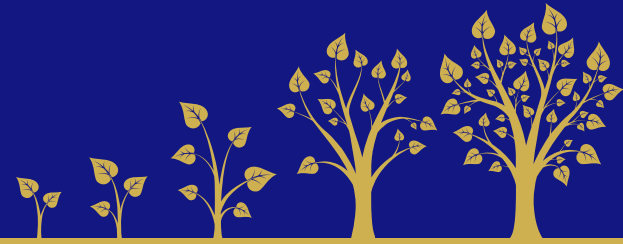


**Cody Weber, Financial Advisor**

Cody's sights were set on finance when he was introduced to the boardgame Monopoly; 'Banker' was his first job title. He had a good understanding of numbers, and the picture they can paint. While earning his Honours Degree in Business Administration (with a focus on Finance), Cody immersed himself in the Financial Services workforce and began his real-life experience. Cody has been in the Financial Service industry for over 8 years, and more recently, he's been working diligently towards earning his CERTIFIED FINANCIAL PLANNER® designation. Cody is passionate about a wholistic approach when it comes to financial advice. Not only is he passionate about helping clients in their financial journey, but he also believes in giving back to the

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community. After participating in several local community out-reach programs, Big Brothers Big Sisters really struck a chord with Cody. Cody has been a mentor and proud Big Brother to Leo for the past several years. The duo are even Ambassadors for our local chapter! They meet on a weekly basis and spend time doing a few of their favourite things; hiking, playing board games and cooking. As Cody says “it gives me some practice for when I am lucky enough to have my own kids!” Cody’s passion for helping others in the community aligns perfectly with our philosophy and is a welcomed addition to the team.

## Market & Economic Update

In the blink of an eye, summer has quickly turned into fall and the economy is starting to give us some good news and needed rays of sunshine. Inflation is starting to fall as the September Inflation print came out at 6.9% down from 7.0% in August and 8.1% in July. Energy prices have cooled down and stabilized over the past few months (who remembers gas at \$2.00 a litre?).

Unfortunately, that ugly word “recession” has started to creep into many watercooler and dinner conversations these days. But what really is a recession? A recession is usually defined by two successive quarters of negative GDP growth but so far in 2022, the GDP actually grew from 3.1% in Q1 to 3.3% in Q2. However, many economists feel that GDP will slow and a mild recession is likely in the cards next year. Many of us have lived through a recession or two, but for millions of others, this will be the first downturn in their adult lives. The word recession could stir up many emotions based on life experience – job loss, economic downturns and generally feeling anxious are what many people think during recessionary times, however no two recessions are the same. So how might this potential recession affect you?

### Housing

Most often Central Banks cut/slash interest rates during a recession, however this is most unlikely to happen next year. The Bank of Canada has recently increased their lending rate to 3.25% and many expect another 0.50% - 0.75% rate increase the next few months. Tiff Macklem, Governor of the Bank of Canada has made it very clear tackling inflation is a high priority, so don’t expect any rate cuts in the short term.

Therefore, home prices will likely continue to drop if we do see a mild recession. Patrick Perrier, CMHC’s housing agency’s Deputy Chief Economist, stated he expects “the national home average home price to fall 15% from \$770,812 – the peak seen in the first quarter of this year – by the end of the second quarter of 2023.”

This might be welcome news to those looking to buy their first home, however housing has become slightly less affordable based on higher mortgage rates. Secondly, anyone set to renew their mortgage in the next year or more will be in for a bump in their payments.

### Work

Many employees have seen strong work conditions this year with much bargaining power being on the side of the employee. Statistics Canada posted over a million job vacancies in Q2, up from 732,00 the year before.

The word recession sparks thought of massive layoffs, which has been the case historically. This recession, massive layoffs seem somewhat unlikely. It’s expected that many firms will simply not replace employees who retire or find other employment. Further any current vacancies they may have currently posted will be rescinded. Overall, the bargaining power of employees is expected to reduce because during a recession many employees are more worried about keeping their job than a raise.

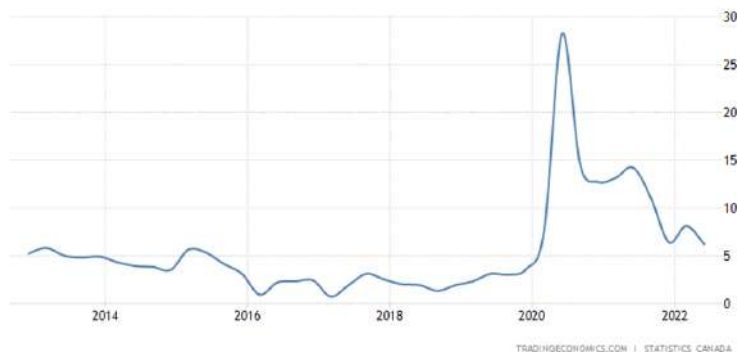
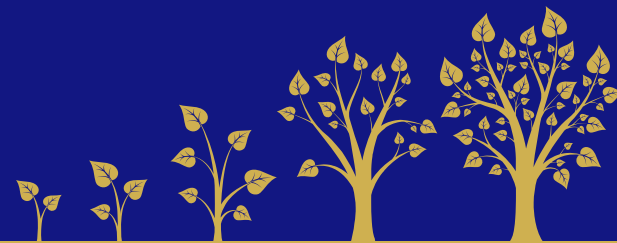
### Spending

Generally discretionary items like dining out, vacationing, and general retail therapy are cut out during a recession. However, this time the consumer seems in much better shape than in previous recessions. Savings rates for Canadians spiked during Covid and have come down, but are still near long-term highs. Currently the Canadian saving rate is over 5%, something we have not seen since the early 90’s – this bodes well for consumers that can withstand a mild recession slightly easier than previously.



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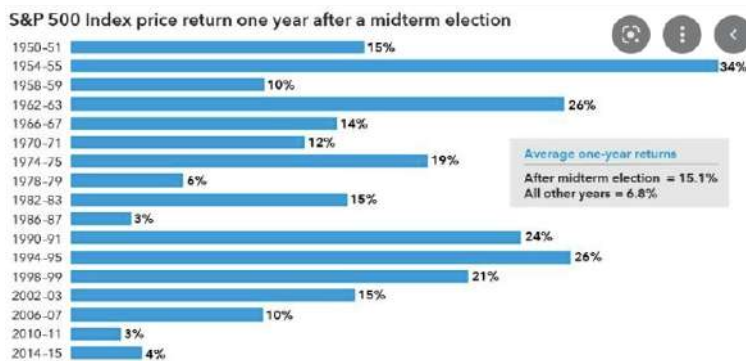
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## Markets

Many major markets have taken a few steps back in 2022 with the S&P/TSX down 13% and S&P500 down 24% this year. Many in the investment world feel the markets are starting to search for a bottom right now, however there's expected volatility in the short term.

The US is headed for their first mid-terms since the election of Joe Biden 2 years earlier. A very interesting chart we came across – since 1950, the one-year return of the S&P500 following a mid-term election has never been negative. The S&P has returned anywhere from 3% - 34% following a mid-term election (regardless of which party took power).



Sources: Capital Group, RIMES, Standard & Poor's. Calculations use Election Day as the starting date in all election years, and November 5th as a proxy for the starting date in other years. Only midterm election years are shown in the chart.

## Thoughts

I agree, a mild recession is likely in the short term with lacklustre effects compared to more severe recessions. Now, the recession could affect you quite differently based on your age, employment, and investment portfolio, but a good chunk of the downturn in stock markets and interest rates has already been baked in during 2022. Slowing inflation and a strong consumer could make the upcoming recession something many Canadians do not even feel, but nothing is certain in this world.

We have met with many of you this year and have made the necessary adjustments to weather the existing and coming volatility. We are always monitoring the current and expected economic conditions to best advise you and your family. As always feel free to reach out if you have any questions, comments or would like to book some time to review your specific situation. We offer both face-to-face or electronic meetings via Zoom. Here's to a prosperous end to 2022!

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](http://www.basic360.ca)

Sincerely, your team at Basic Financial Services!

If you don't wish to receive this newsletter, let us know and we will respect that by removing you from any future newsletters.

Sources:

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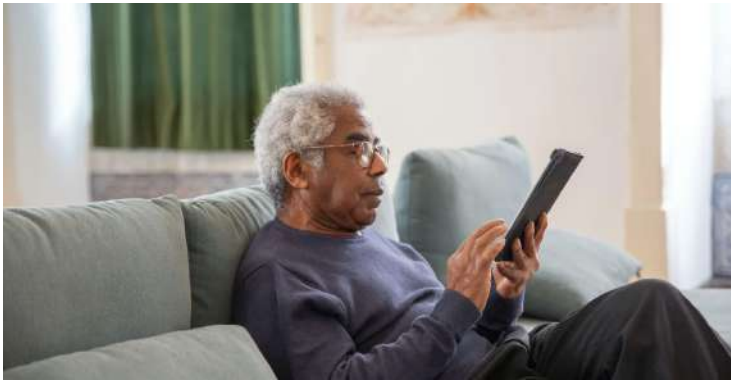
## Articles of Interest

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### What time of year should you retire?

When's the best time to retire? The timing is not always up to you, but if you can choose, there may be an ideal date.

By Jason Heath



*Is there a better time of the year to retire based on tax implications: December 31 versus June 30 versus January 30? —Laf*

#### **The best date to retire for tax purposes**

For most Canadians planning their retirement, tax isn't the primary factor, Laf. However, there are instances when tax can come into play for choosing a retirement date, as well as other timing and calendar-based considerations.

#### **Tax rate for retiring in Canada**

Canadian tax is levied on a graduated basis, with higher income moving into higher tax brackets. Federal tax brackets increase at about \$50,000, \$100,000, \$156,000, and \$222,000 for 2022. Provincial and territorial tax brackets vary, and this results in most taxpayers falling within many tax brackets. Only income that exceeds the tax bracket thresholds is taxed at the higher tax rate—not your entire income.

So, I suppose it is possible for someone to decide that being in a certain tax bracket on their next dollar of income is a deterrent from continuing to work in the year they retire. Practically speaking, this is probably not going to apply for most people, Laf.

If someone has large, deferred employment compensation, for example, they might retire closer to the end of the year to push that income into the following year. Specific types of bonuses for senior executives like deferred share units (DSUs) might become payable within a certain number of days of retirement. Employee stock options might also need to be exercised within a certain time limit after retiring, like 90 or 180 days, though some stock option plans allow normal 10-year expiry dates, for example, to apply under certain retirement criteria.

#### **Will you get a bonus before retirement?**

For most employees, retirement timing related to bonuses has more to do with waiting until a bonus is earned or paid before retiring. Many companies pay bonuses in February or March for the previous year, for example, so this is a common time of the year for employees to wait to retire.

#### **Making the most out of employer matching and benefits**

Other considerations might include waiting to receive the maximum matching contributions on group retirement or savings plans mid-way through a year. Or, waiting to retire early in the following year might allow time to use health and dental plan benefits if they are not prorated.

Some companies offer retiree benefits to employees based on their years of service, so that may be another factor to consider.

Workers with defined benefit (DB) pension plans might be more mindful of their retirement date based on pension plan formulas. Some plans have formulas whereby a certain combination of years of service and age mean there is no early retirement discount or there is some other pension enhancement that may apply.

#### **Best time to retire for CPP and OAS**

Some retirees might consider income planning opportunities related to government benefits.

The Canada Pension Plan (CPP) retirement pension can begin as early as age 60. Old Age Security (OAS) can start any time after age 65.



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Both pensions can be deferred and often result in more lifetime income by starting them later than the earliest ages they can be taken, but for some retirees, their retirement date might be impacted by their 60th or 65th birthday.

## Planning retirement for when it's convenient for you

An important non-financial consideration for a retirement date relates to travel and holidays. If someone really likes a particular season of the year, they may want to retire before it begins. A cottage owner might want to retire by the spring. Certain holidays might also impact when someone retires so they can enjoy a particular holiday season as a retiree.

In summary, Laf, your question is a good one because there are reasons to retire at certain times of the year. Tax may be a factor for some people, but there are plenty of other considerations for those who can control their retirement date.

*Jason Heath is a fee-only, advice-only Certified Financial Planner (CFP) at Objective Financial Partners Inc. in Toronto. He does not sell any financial products whatsoever.*

## Canadian Staycation: The Best Places to Enjoy Autumn Landscapes Across the Country

By Jim Byers

When it comes to fall colours, Canadians are blessed. From coast to coast to coast, you'll find amazing places to enjoy blazing autumn landscapes. Here are some personal favourites.

### Ontario



The Hockley Valley, west of Toronto, is an outstanding place to see the glory of a Canadian fall. Start out in Orangeville and take Highway 10 north to Hockley Road and turn right, then go as far as you like. Airport Road offers a roller coaster-like, dipsy-doodle drive through the Caledon-Headwaters region, with astonishing colours. The Hockley Valley Resort has very good food, spacious units and an excellent golf course. Next door is Adamo Estate Winery, which has a sunny large patio and very good wines. Foxingham Farm Bed & Breakfast is run by a lovely couple and is across the road from the Mansfield Ski Club. Stop at Heatherlea Farm Shoppe in Caledon for amazing beef and fresh baked goods. They also make amazing sandwiches. Other great Ontario spots include Webster Falls in Hamilton and just about anywhere along the Niagara Escarpment.

### Quebec



Combine an immersion in the colours of fall with a trip to glorious Quebec for a real autumn treat. There are wonderful spas and lovely, quiet inns on lakes lined with scarlet and deep yellow leaves in the Eastern Townships, an hour or so south of Montreal. The town of North Hatley is particularly attractive, as are Sutton and Knowlton. Hillary and Bill Clinton make regular visits to the area to spend time with local author Louise Penny. A drive or walk through the parks of Mont Royal in Montreal is an easy way to see fall colours without breaking the bank. Mont-Tremblant, north of Montreal, is known more for summer golf and winter skiing than fall foliage, but the colours are spectacular in autumn. The Fairmont Le Château Montebello has lovely fall foliage and rests on the banks of the Ottawa River.

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## Alberta



You'll find lovely, deep yellow larch trees and colourful aspens in the Rocky Mountains. Try a gondola ride in Banff, Lake Louise or Jasper for a birds' eye view of the colours spread out below your feet. About a half hour west of Calgary is Bragg Creek, which has great hikes and wonderful nature spots. There's also a ton of fall colour in downtown Calgary and in Edmonton. Take a walk through the parks along Calgary's Bow River for lovely fall views. Rent a bike in Edmonton and take a cycling trip along the North Saskatchewan River for terrific fall foliage views.

## British Columbia



Vancouver offers a surprising amount of fall colour in places like Stanley Park, where there are more deciduous trees than in the mountains. The Kootenay Rockies are beautiful, and you'll also find cool towns such as Fernie and Kimberley. It's tough to beat Victoria for a combined city and fall foliage experience. Abkhazi Gardens in Victoria is a small, half-hidden garden with stunning plants and floral displays. If you've had your fill of fall colour, take a trip along Victoria's Dallas Road to admire the beach and ocean views.

## Nova Scotia



The Annapolis Valley of Nova Scotia is a lovely spot for a Maritimes getaway. Annapolis Royal has fine inns close to the ocean and funky shops. The drive through the Annapolis Valley reveals gorgeous river views and beautiful, small cities such as Bridgetown. Take some of the roads that rise up and over the hills between the valley and the Bay of Fundy for the best views. You'll also find fabulous views and great wines at Benjamin Bridge winery in the Wolfville area. In downtown Halifax, the Halifax Public Gardens is a beautiful spot for fall foliage. One of the most popular areas to explore in Nova Scotia is the coast near Mahone Bay and Lunenburg. Mahone Bay is especially Instagram-worthy.