WealthBUILDER

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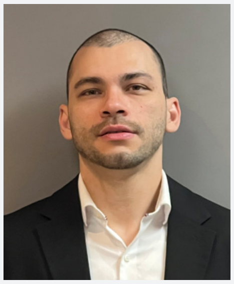

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The best time to invest is...

In the past few months, stock markets in Canada, the U.S., Japan and Europe reached record highs. In market extremes, whether it's an upswing or downswing, many people wonder if they should invest differently.

When markets rally

When stock markets are rising, some individuals believe it's an opportune time to invest. They're tempted to increase their equity investments, perhaps even using savings from their emergency fund. But overinvesting has potential drawbacks. By increasing their allocation to equities, these investors will likely take on a level of risk beyond their comfort zone. They're buying stocks that are now expensive, when other investments may offer more attractive prices and greater upside potential. Also, the market upswing could turn to a downswing.

During a down market

The other side of the coin is investing when markets are in a deep or prolonged downturn. Many people believe this is the best time to invest – buying when prices are low to profit when the markets recover. But even this tactic of buying the dip comes with warnings. If you hold a significant amount of cash while waiting for a market downturn, you can sacrifice returns when markets are on the rise. Also, just as can happen in a bull market, overinvesting in equities can push your risk beyond your tolerance level.

Investing regularly is best

So, if investing more in a rising market and down market both come with precautions, what is the best time to invest?

It all comes back to continuing to invest a consistent amount on a regular basis, regardless of the market conditions. This tried-and-true method gives you the best of both worlds. When markets are down, you buy low. When markets are rising, you participate in the growth. ◄

Are your education savings on track?

It can be quite common to base an education savings target on average tuition costs or current costs of residence and off-campus housing. But there are many reasons why education costs might end up being more than you expect.

Consider the unexpected

Say that a child has always enjoyed school and always loved their pets. For years and years, they talked about their dream to be a teacher. But in grade 11 they change their mind – now they want to be a veterinarian. According to Statistics Canada, the average undergraduate tuition for education is $5,358 and for veterinary medicine is $15,532.[1] An extra $10,000 per year takes quite a bite from education savings.

Another reason for education costs rising beyond your expectations is if your child or grandchild is midway through their program and decides to change programs. Or they add an extra year of study to make their course load more manageable, to boost their grade point average, for health reasons or because they applied for a dual degree. Perhaps a student completes a college program and then decides to go to university – or first university and then college. What if a child wants to be one of the thousands of Canadians who studies abroad each year?

You also need to account for increases in the cost of living. Off-campus housing costs have been escalating. Paying well over $10,000 a year to share a house with several students is common in many cities, and that's just today's cost.

If you intend to cover a child's post-secondary education and the costs exceed your education savings, you would need to consider where the additional funding comes from – hopefully, not your retirement savings.

Making the most of an RESP

It's important to ensure your education savings are on track to give your child or grandchild every possible opportunity. A Registered Education Savings Plan (RESP) helps meet that goal in two ways – through tax-deferred investment growth and grant funds.

To benefit the most from tax-deferred growth, the earlier you start, the better. You can open an RESP as soon after a child's birth as you wish, though you'll need the child's social insurance number (SIN).

Your RESP receives "free money" in the form of a Canada Education Savings Grant (CESG) – 20% on the first $2,500 of annual contributions up to a $500 maximum each year. The lifetime maximum is $7,200.

Note that there's no maximum to the annual amount you can contribute to an RESP, but the plan has a lifetime contribution limit of $50,000. ◄

[1] Statistics Canada, "Canadian undergraduate tuition fees by field of study," 2023/2024

Ways to save

An RESP is typically the first choice to fund a child's post-secondary education, but parents and grandparents have other savings options to supplement an RESP.

Tax-Free Savings Account (TFSA). Tax-free growth and withdrawals make a TFSA an ideal investment vehicle to help cover education costs. You can either open a separate TFSA just for this purpose or dedicate all or a portion of your or your spouse's TFSA to education savings.

In-trust account. An in-trust account is a non-registered account that you can establish for a minor child. Capital gains on your investments are taxable to the child, typically resulting in little or no tax owing. Interest and dividend income is taxable to you, unless that income is gained from contributing the child's Canada Child Benefit payments, their inheritance or other specified contributions. (In-trust accounts with earnings taxable to a minor are not available in Quebec.)

Non-registered account. You can dedicate a non-registered account to saving for a child's education expenses. This option can be tax-smart if the account is opened by a parent or grandparent who has a low taxable income.

With these investment options, you have the freedom to use the savings for other purposes if the funds aren't needed to cover education costs. But note that assets of an in-trust account belong to the beneficiary upon reaching the age of majority. ◄

Will life changes affect your retirement plans?

You may envision your desired retirement lifestyle, reach your financial goal and retire at your scheduled retirement date. However, many couples and individuals encounter situations that make them wonder if they should change their retirement plans.

Say that someone receives an early retirement offer from their employer. The payout is tempting but less than their salary if they continue working until their original retirement date. This person isn't sure what to do.

Another individual goes through a divorce in their late 50s. The couple's property is divided and this person pays spousal support. Now this divorced individual questions whether their new financial situation will affect their retirement.

Evaluating the situation

Whenever a new situation or event makes you question your retirement plans, we can help. We account for the financial difference the life change makes to your savings at a specified retirement date and project your retirement income. With this projection, we can determine whether your retirement plans remain on track or need to be updated.

If a life event calls for a change to your retirement plans, the particular change depends on your own situation – and it's a decision you make with our support and guidance.

A variety of solutions

Perhaps an individual decides to postpone their original retirement date by a couple of years, which not only increases their savings but also leaves fewer retirement years to fund.

Those who want to keep their planned retirement date have various solutions available. Someone retires from their full-time career but will continue to earn income as a consultant. A couple increases their savings in their final years of work, now that their children have left home and the mortgage is paid. Another couple modifies their retirement lifestyle, choosing to take Florida vacations in the winter instead of buying a property down south.

Whatever your situation, we'll help ensure that your retirement date suits you and you'll enjoy a comfortable retirement without worrying about outliving your savings. ◂

▷ FAMILY FINANCE

Tackling the money talk

Whether a financial matter relates to your spouse, children, parents or siblings, having a discussion that involves money is often difficult. For whatever reason, the money talk just seems to be taboo.

Why the talk matters

Putting off the talk can lead to trouble down the road. Here are a couple of examples of the downside of not addressing a financial issue.

Parents are concerned about how their child will use their first credit card but don't discuss the do's and don'ts to avoid potential conflict. The child makes purchases beyond their means and ends up making minimum payments on their maximum limit.

An individual is hesitant to ask their elderly parent if they can afford private health care at home – should that ever be needed. The parent, who lives out of province, suffers health issues and doesn't let their children know.

How to raise the issue

You may want to begin by choosing between a formal or casual approach. Do you want to arrange a time and place to talk? Or do you prefer to raise the matter more casually at a time when you happen to be together?

Next is how to broach the subject. If you're comfortable being direct, you can simply state the issue. If you know of a friend or relative who faced a similar financial matter, you can start with that story to ease into the talk. Another option, if you feel apprehensive, is to be open about your feelings and begin by telling the person that you want to discuss something that's difficult to talk about.

Tackling the money talk will also be easier if it's a matter you and another family member can raise together, such as you and a sibling addressing an issue that involves a parent.

It's important to consider different options and to choose an approach that suits you, your family member and the matter you're addressing. ◂

Boost your retirement savings

Is your Registered Retirement Savings Plan (RRSP) tax refund still sitting in your bank account? Here's a strategy you can implement now – or use next year if you spent your tax refund.

Invest your RRSP tax refund. When you contribute your tax refund to your RRSP, you benefit in three ways. First, that contribution will further reduce this year's taxable income. Second, you'll give a boost to your retirement savings, especially when considering potential growth and compounding. Third, this contribution can generate its own tax refund next year – and if you continue this practice annually, it creates a snowball effect of increasing tax refund amounts.

Already maxing out your RRSP? If you regularly max out your RRSP without contributing your tax refund, you can contribute your RRSP tax refund to your Tax-Free Savings Account (TFSA). Or if you also max out your TFSA, you can deposit your RRSP tax refund into a non-registered account. Either way, you can dedicate these annual contributions to funding your retirement. ◄

Naming your child as executor

It's quite common to name an adult child as the executor of an estate (also known as estate trustee, personal representative or liquidator, depending on the province). Often, it's a wise decision – but not always.

You must ensure your child completely understands all the duties and time involved or they may end up regretting that they accepted the role.

If you have two or more children, naming one child as executor can be desirable when that child is best suited for the role. However, in some cases the other children may disagree with the executor's decisions, causing discord among siblings.

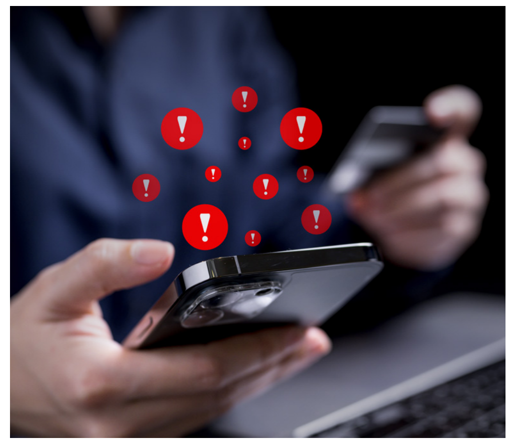
You can also name two or more children as co-executors. On the plus side, you treat your children the same and they can share the duties. The downside is the risk of disagreements or creating division if the siblings don't share the work equally.

Naming a child as executor can be an excellent choice if you're confident in your decision. If you have reservations, other options are your spouse, a relative, friend, lawyer, professional or trust company. ◄

Be on the lookout for fraud

According to the Canadian Anti-Fraud Centre (CAFC), Canadians lost $567 million to fraud in 2023 – and the CAFC estimates that only 5 to 10 percent of fraud attempts are reported.[1]

Advanced technology and sophisticated approaches are making more fraud attempts appear authentic. For example, in a recent scam, the target receives a text message claiming to be from the Canada Revenue Agency (CRA) that includes the recipient's name and social insurance number. They are instructed to send a specific amount owing by e-transfer. Unfortunately, not all targets of this scam know that the CRA does not send texts to request payments.



You need to be on the lookout for potential fraud whether attempts are received by text, phone calls, mail, email or at the door. Anytime you're asked to send money or provide personal or banking information, don't reply or click any links. Confirm that the source is legitimate.

Also, consider advising any seniors in your life to be wary of any unsolicited request to provide personal information or money, as seniors are often targets of financial scams. ◄

[1] Royal Canadian Mounted Police, Fraud Prevention Month news release, February 2024