

# NEWSLETTER

## OCTOBER 2023 / QUARTER 3

Canadians picking up their Thanksgiving groceries early this month will certainly have noticed that food prices remain high as inflation continues to stress wallets across the country. Markets pulled back in the latter part of Quarter 3 due to uncertainty around interest rates and inflation, and while the central banks in both the U.S. and Canada are looking to slow down the economy to reduce consumer spending and stop the rising cost of goods, a few factors have challenged this process.

One of the typical side-effects of higher interest rates is increased unemployment, but job numbers have remained unexpectedly strong, in part due to the labour shortage which continues to affect many industries. In addition, groceries are an area where consumer spending may not change significantly, despite the hefty bills. While people may look for deals or change what they buy, food remains a necessity and many of us swallow the increased costs. The high price of gasoline—dictated by foreign factors—also drives up inflation, and further increases in bank rates have very little effect on both the price at the pump and the price at the supermarket checkout.

The financial pressures caused by inflation and market instability have affected the wealthiest and poorest Canadian families differently. While the highest income households (the top 20%, who hold two-thirds of total wealth) have seen a small increase in their net worth, the bottom 40% have seen their wealth shrink. Young Canadians—who tend to be more economically vulnerable—are struggling to save for retirement, despite desiring to do so. A recent survey by the

Healthcare of Ontario Pension Plan found that 51% of respondents said they'd prefer an offer of a better pension to one of higher pay.

Top-of-mind for many Canadians as rates increase is the cost of housing. Approximately one-third of Canadians own their homes outright, one-third rent, and the other third have a mortgage. With two-thirds of mortgage renewals yet to come, many are anxiously watching the Bank of Canada to see if further rate hikes may be on the horizon. Despite not being faced with the prospect of increasing mortgage payments, young Canadian renters are still affected by these market changes and are increasingly finding themselves living in unaffordable housing, with the dream of home ownership being put on the back-burner as the high cost-of-living cuts into savings.

Amid all this economic difficulty, is it possible there is good news coming from the Bank of Canada in the not-so-distant future? Frances Donald, the Global Chief Economist for Manulife Investments, believes that we could see rates starting to drop by the middle of 2024. Bloomberg recently surveyed many Canadian economists and the consensus was that the current 5% rate could drop to about 3% by the end of 2024. Our balanced portfolios are showing returns of 2.8% year-to-date, and hopefully by spring (barring the types of unforeseen global events which make economic forecasting difficult) we will be looking at greater market stability and greater certainty when it comes to what we can afford, where we can live, and how we can save.

*\*Sources: Statistics Canada, BNN Bloomberg*

<i>*Source: CNN Money</i>	Market	Dec 31/22	Jun 30/23	Sep 30/23	YTD
<b>Canada</b>	TSX	19385	20155	19541	0.80%
<b>U.S.</b>	DOW	33147	34645	33507	1.08%
<b>U.S.</b>	S&P 500	3840	4482	4288	11.66%
<b>U.K.</b>	FTSE	7452	7532	7608	2.09%
<b>France</b>	CAC	6573	7399	7166	9.02%
<b>Germany</b>	DAX	13869	16148	15387	10.94%
<b>Japan</b>	NIKKEI	26095	33189	31858	22.08%
<b>Canadian \$</b>		73.53	75.52	73.65	0.16%
<b>Oil (U.S. \$)</b>	WTI	80.26	70.64	90.79	13.11%
<b>Western Canadian Select</b>	WCS	52.64	58.33	72.49	37.71%

**MAUDE**  
FINANCIAL  
INC.

## Charitable Donations

Charitable organizations play an important role in Canadian society. They fund critical medical research, deliver services to vulnerable populations, and provide youth with opportunities to learn and grow. Increasing operational costs and cutbacks in public funding have left many charities in a difficult financial situation, but Canada has a strong tradition of giving to charity and there are many individuals and companies that are responding by stepping up to fill the gaps in funding.

In addition to giving donors the satisfaction of supporting their communities, there are significant tax advantages to making charitable donations. There are many ways to contribute to charities, including volunteering, gifts of goods, property or other assets, and bequests by Will. When planning cash gifts to charities, consider the following questions:

### ***Has the organization been approved by the CRA to issue charitable receipts?***

No tax benefit is available for donations to groups or societies that do not have the CRA's approval. Examples of organizations that can issue tax receipts include registered charities, municipalities, most Canadian universities and colleges, and public bodies. If there is any uncertainty about a charity's legitimacy, donors can confirm charitable status by calling the CRA directly or checking the CRA's website.

### ***How does a donation to a qualifying charitable organization affect personal taxes?***

- A non-refundable federal tax credit of 15% applies to the first \$200 an individual donates to charity.
- Donations in excess of \$200 qualify for a 29% federal tax credit (note that in some cases, high earners will qualify for a 33% federal tax credit).
- In addition to the federal tax credits, individuals will receive a non-refundable provincial tax credit (the amount depends on your province or territory of residence). In Alberta, the tax credit on the first \$200 donated is 60%, and the rate is 21% for amounts over \$200.
- For example, a resident of Alberta making a \$1,000 donation would receive a total tax credit of \$550 calculated as follows:
  - i. Federal tax credit:  $(\$200 \times 15\%) + (\$800 \times 29\%) = \$262$
  - ii. Provincial tax credit:  $(\$200 \times 60\%) + (\$800 \times 21\%) = \$288$

Also important to note is that donations can be used in the current tax year or carried forward up to 5 years. Married and common law spouses can pool their donation receipts to maximize their tax credits. This allows one spouse to claim all donation receipts for the couple, even if some of the receipts were issued in the other's name.

Charities cannot achieve their goals without financial resources, and most are relying more heavily on donor support and constant fundraising to continue providing important services and community outreach. By promoting sports and fitness, advocating for the rights of marginalized people, and running arts programs and festivals, charities become part of the fabric of our daily lives, and are essential to the health of our communities. By being an informed donor, you can help continue this work to enhance quality of life for people in Canada and beyond.

## Student Debt

Students heading to post-secondary institutions this year may be encountering the prospect of personal debt for the first time. With today's average undergraduate tuition a whopping 13 times more expensive than in 1972, more and more young people are turning to the Canada Student Financial Assistance Program, student lines of credit, loans, and credit cards to pay for the education they want and need.

Despite these troubling financial barriers, post-secondary education can still offer tremendous personal and economic value for many Canadians, in addition to helping fill vital job sectors projected to experience labour shortages in the years to come (healthcare and education, to name just two). The 2015 Census revealed, for example, that women with a bachelor's degree earned, on average, 58% more than women with only a high school diploma.

Perhaps unsurprisingly, faster student loan debt repayment in Canada has been associated with several demographic factors, including being part of a couple with no children, graduating at a younger age, and having parents with post-secondary credentials. As tuitions increase, we can expect to see more Canadians—even those within these demographics—struggling to repay their loans, or being priced out of education entirely.

**John Maude**  
Life Insurance Advisor

**Bridget Maude**  
Life Insurance Advisor

**Jessica Maude**  
Life Insurance Advisor

**Julie Zorn**  
Life Insurance Advisor

**Maude Financial Inc.**  
5116 – 50 Avenue  
Wetaskiwin, AB T9A 0S6

Tel: (780) 352-8111  
Toll free: 1-877-352-8111  
[info@maudefinancial.com](mailto:info@maudefinancial.com)

**MAUDE**  
**FINANCIAL**  
**INC.**