



## Third Quarter Update 2021

Markets took a pause in the latter part of the third quarter and moved lower in September. We saw interest rates for bonds increase due to fears of inflation. Stocks moved lower for the same reasons, mainly in the last 10 days of the quarter.

Economies around the world continue to experience supply chain difficulties. These disruptions have been caused by pent-up demand (which has already started to wane), lack of production due to COVID-19 absences, shutdowns in various industries and no increase in productivity.

Frances Donald, Manulife's Global Chief Economist, believes inflation is stabilizing and will remain high for at least the next 3-4 months. She has made the point that despite high inflation, there are some issues that just cannot be fixed by an increase in interest rates (like supply chain disruption), so we are unlikely to see a significant rate hike before 2023.

We had good news on the job front in Canada at the beginning of October. Employment has increased to pre-pandemic levels, with jobs being created in most areas across Canada. It seems there is good demand for workers, but employers are having a difficult time finding them. There are several reasons for that, including the slow down in immigration, limits on temporary foreign workers, people leaving the workforce due to early retirement, workers in low-paying jobs reassessing their career options, people rethinking their priorities around work-life balance, and some parents are also staying home due to the lack of good, affordable daycare.

Anecdotally, many believe the government benefits enable people to stay home and do nothing. The reality is that the support programs today have been rolled into a model where to collect benefits, you must be looking for work and you are not eligible for benefits if you quit a job – just like the Employment Insurance program. We love to criticize and believe the worst, and baseless opinions take over the narrative when a portion of the population will not accept factual, data-driven information as credible.

The TSX lost about 0.5% for the quarter while our balanced portfolio was up about 1.3%. On a year to date basis, that portfolio is up about 6.7%.

Take care and please get vaccinated! No one is safe until everyone is safe.

	Market	Dec 31/20	Sept 30/21	YTD
<b>Canada</b>	TSX	17433	20070	15.13%
<b>U.S.</b>	DOW	30606	33844	10.58%
<b>U.S.</b>	S&P 500	3756	4308	14.70%
<b>U.K.</b>	FTSE	6461	7086	9.67%
<b>France</b>	CAC	5551	6520	17.46%
<b>Germany</b>	DAX	13719	15261	11.24%
<b>Japan</b>	NIKKEI	27444	29453	7.32%
<b>Canadian \$</b>		78.57	78.85	0.36%
<b>Oil (US\$)</b>	WTI	48.52	75.13	54.84%
<b>Western Canadian Select</b>	WCS	33.17	63.41	91.17%

\*\*Source: CNN Money

## October 2021

### Did You Know?

**In spite of the health concerns related to the global pandemic, finances remain the top source of stress and worry for many Canadians. In 2021, 38% of Canadians rank money as the top cause of anxiety in their lives, ahead of health (26%), work (20%) and relationships (15%).**

**65% of Canadians with children in the home reported that financial stress has led to health issues, marriage/relationship problems and family disputes, or reduced productivity at work. This is significantly more than those without children in the home (47%).**

-Source: FP Canada 2021  
Financial Stress Index

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## Tax-Free Savings Accounts: A Cautionary Tale about Contribution Room

We often talk to our clients about the importance of having a Tax-Free Savings Account and how these plans are the unsung heroes of any solid retirement plan. TFSAs provide greater flexibility than most other registered plans, but that does not mean that they do not have limits. The biggest constraint to be aware of is your contribution room. This can be difficult to keep track of, especially if you have multiple Tax-Free Savings Accounts and/or have made withdrawals from your accounts.

### How is contribution room calculated?

Starting in 2009, each person aged 18 and over has had TFSA contribution room attributed to them each year, regardless of income level or whether they even have an account open. The maximum annual contributions from the year a person turns 18, or 2009, whichever is later, are added up and this is a person's total TFSA limit. Any contributions made to date are subtracted, and the amount of any withdrawals from previous years are added back in to determine an individual's current contribution room.

### How can I find out what my own contribution room is?

Unlike RRSP limits, TFSA contribution room is not communicated in your Notice of Assessment (we wish it was!). There are two ways to get this information from the Canada Revenue Agency: either by contacting them by phone, or online by logging in to CRA's My Account service.

1. By phone: Call the Tax Information Phone Service (TIPS) at 1-800-267-6999. Note that you will need to have the following information handy for authentication:
  - your social insurance number
  - your month and year of birth
  - the total income you entered on line 150 of your most recent tax return
2. Online through CRA's My Account: Log in using your preferred method: my account, using your bank as a sign-in partner, or using your British Columbia Services Card (B.C. residents only). Then click on the "RRSP and TFSA" tab in the header at the top of the page. Under the heading "Tax Free Savings Account (TFSA)", you will see your TFSA contribution room for the current year. If you click on "View TFSA details" you can review your contribution history, transaction summary and TFSA records.

The information available through the My Account service has improved lately and is much more detailed than it used to be. This makes it easier to check CRA's data against your own TFSA contribution records. However, it is still very important to be aware of the CRA's disclaimers, which appear in the "TFSA – Important Information" link and other places in the My Account service. Your contribution room does not include transactions made in the current calendar year, and it may also not have received information from your financial institution for the previous year's TFSA transactions (contributions and withdrawals). The CRA states that you should compare your own records with their information to ensure the CRA's records are correct. **Ultimately, it is your responsibility to ensure that you do not overcontribute to your TFSA. The CRA does not guarantee its records are correct, and we at Maude Financial Inc. have no ability to track or verify your contribution room.**

### Penalties for Overcontribution

The penalty tax for overcontributing to your Tax-Free Savings Account is 1% of the excess amount per month that the excess remains in your account. For example, if you overcontributed by \$1,000, the penalty would be \$10 per month until you withdraw the \$1,000. The CRA is assessing these penalties, so it is important to keep track of your TFSA limit and stay within your maximum allowable contribution room.