MAUDE FINANCIAL INC.

2022 Third Quarter Update

Markets continued to be volatile in the third quarter of the year. The contributing factors remain the same – inflation, rising interest rates and the war in Ukraine.

Although there are some signs it is starting to abate, inflation has been stubbornly hanging on. It is all but certain that Canada's central bank will continue on the same path, with more rate hikes expected this year. The recent rate increases by central banks across Europe and North America are intended to slow the economy and bring inflation down to reasonable target rates, but not all economists agree that more rate hikes will accomplish this at all, let alone without harmful unintended consequences.

The debate over how best to reduce inflation and how far to go with rate increases should not be surprising given that we are reacting to unprecedented global events. The current causes of the problem do not line up with any historical period of high inflation. Today's inflation is tied in large part to the worldwide pandemic and the conflict in the Ukraine rather than being a straightforward case of excess demand. Some economists are concerned that persistent interest rate increases will have no impact on inflation driven by supply chain disruptions, which are ongoing, or price increases related to corporate gouging. Central banks across the developed world all seem to be committed to a severe tightening response despite there being no quick payoff from this approach so far.

We have not had a normal market correction since March of 2009. Other than a blip at the beginning of the COVID-19 pandemic, markets have been mostly up for 12 years. **The downturn we are experiencing now was long overdue.** Of course, this doesn't make it any easier to stomach for many investors. The 12-year streak of strong returns has skewed many peoples' perspective, and the daily market volatility coupled with so much tragedy in the news is testing everyone's resolve when it comes to staying invested.

With all that being said, the 10- and 20-year annualized returns in our portfolios have been between 6.5%-7%. This includes the current downturn and all the other disruptions we have seen in the last two decades. It's normal to worry when you see the value of your investments decline, but this has all happened before and will again. We look for good long-term returns from our fund managers and they have delivered.

Our balanced portfolios are down about 15% year to date – about the same as they were at the beginning of July. Our goal, as always, is to help our clients stay the course and avoid irrational decisions. If you have concerns or questions, please call the office and speak to one of our advisors – that is what we are here for!

	Market	Dec 31/21	June 30/22	Sept 30/22	YTD
Canada	TSX	21215	18861	18444	-13.06%
U.S.	DOW	36338	30775	28726	-20.95%
U.S.	S&P 500	4766	3785	3586	-24.76%
U.K.	FTSE	7385	7169	6894	-6.65%
France	CAC	7123	5923	5762	-19.11%
Germany	DAX	15885	12788	12114	-23.74%
Japan	NIKKEI	28792	26287	25937	-9.92%
Canadian $		79.03	77.61	72.31	-8.50%
Oil (US$)	WTI	75.43	106.24	79.74	5.71%
Western Canadian Select	WCS	62.87	87.60	57.77	-8.11%

***Source: CNN Money*

October 2022

Annual CPP Benefits

Benefit Type	Maximum Amount @ Jan 2022	AVG Amount @ Oct 2021
Retirement	$15,043	$8,433
Disability	$17,578	$12,603
Survivor (Under 65)	$8,097	$5,538
Survivor (65 & Over)	$9,026	$3,691
Child	$3,174	$3,091
Death	$2,500	$2,495

Annual Old Age Security

The maximum annual OAS pension for 2022 is $7,707. If your annual income is greater than $81,761, you must repay 15% of the excess over that amount, to a maximum of the total OAS you received. It is *not* a dollar-for-dollar clawback (also known as the "OAS recovery tax"). If your net income is more than $133,141, the entire OAS amount will be clawed back. The income thresholds are indexed each year in the same way as federal tax brackets and personal tax credits.

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When Should I Start Taking My Canada Pension Plan?

Many Canadians view 65 as the "typical" retirement age. It isn't a coincidence that this is the age at which Canadians are eligible to receive Old Age Security (OAS) payments. Age 65 is also when any entitlement accumulated by an individual under the Canada Pension Plan (CPP) is payable on an unreduced basis. Retirement used to mean leaving the workforce at age 65 and starting to access government and employer pensions as well as personal retirement savings at that time. It's no longer that simple.

We are seeing more and more clients choosing to retire in nontraditional ways where possible, whether by a slower phaseout from their job, changing jobs to maintain some level of income with a more flexible or lower stress role, or retiring either fully or partially before age 65 to focus on other priorities. This shift in thinking about what retirement looks like makes the question of when to start taking CPP more complex.

What Can I Expect to Receive from CPP?

Knowing what monthly amount you can expect to receive from CPP can help you decide how it will fit into your overall retirement plan. You can get an estimate of your CPP entitlement at ages 60, 65 and 70. These estimates are calculated based on the assumption that your contributions carry on at the same level. There are two ways to get an estimate of your CPP entitlement:

- Call 1-800-277-9914. They will send out a statement showing your contribution history and your estimated monthly payment.
- Log in to your My Service Canada account online and click on Canada Pension Plan. Note that you can also complete your CPP application through this My Service Canada account once you are ready.

When Should I Take CPP?

The right timing for starting to receive your CPP entitlement is based entirely on your personal circumstances. Here are just a few factors to consider when making the decision:

1. Reduced Benefit before age 65 – for each month before age 65 that you receive CPP, your benefit will be reduced by 0.6%. The earliest you can choose to take CPP is at age 60, which means that your total benefit would be reduced by 36% if you start CPP at 60 as opposed to 65.
2. Enhanced Benefit after age 65 – for each month past age 65 that you defer CPP, you will receive an additional 0.7%. This adds up to 8.4% more for every year you wait, and up to 42% more if you defer your CPP to age 70! For someone who is planning to continue working past age 65 in some capacity, this can help to boost the guaranteed portion of their income later.
3. Longevity Risk – CPP is guaranteed to be payable for life, and it is partially indexed to inflation. These are important features for a retirement income stream given that Canadians are living longer than ever before.
4. Health Concerns – for anyone with significant health conditions that may shorten life expectancy, taking CPP earlier can maximize the benefit they receive in their lifetime.
5. Other Income – If you earn enough income from work and/or other sources (e.g. investments, pension plan from your employment) to meet your needs and fund your lifestyle, you may choose to defer CPP to receive higher benefits later on. If you can't get the income you need from other sources, you may need to access it earlier.
6. Survivor's Pension – This is a monthly benefit paid to the surviving spouse of a deceased CPP contributor who was receiving or would have been entitled to receive CPP. There are different formulas for payments to a surviving spouse depending on age, but between your own CPP benefit and your deceased spouse's, you cannot receive more than the maximum monthly CPP payment (currently $1,253.59).

Choosing when to take CPP is a personal decision based on your unique circumstances, but the first step is to determine the level of benefit you will be entitled to. It can be helpful to discuss all the factors relevant to your situation with your financial advisor when deciding when it is right for you to start receiving CPP.