MAUDE FINANCIAL INC.

2022 Fourth Quarter Update

In 2022 both stock and bond markets around the world declined. Although this correction was long overdue, it never feels good to investors. Corrections typically occur every 5 or 6 years. We have recently experienced over a decade of growth, leading investors to believe that growth can be constant. In reality, continuous growth is not sustainable or realistic. As trading prices for stocks increase over time, markets get pushed beyond a rational price that no longer reflects actual corporate earnings. Market corrections are key to growth over the long term because they reset values to a sensible level, which allows for the growth cycle to begin again.

The macroeconomic factors contributing to the current market correction include inflation, rapidly increasing interest rates, the war in Ukraine and extreme weather conditions.

Inflation was initially thought to be transient but has turned out to be very stubborn. To fight inflation, central banks started raising interest rates significantly. The idea is that higher costs to borrow will dampen demand for goods and services and eventually prices will come down. Rate increases normally take at least 6-12 months to have much of an impact. We are starting to see the inflation numbers come down, but not fast enough for the central banks of the world to start lowering interest rates just yet.

One of the most immediate effects of higher interest rates is on the housing market. Prices have dropped in many of the large markets (Toronto & Vancouver). Mortgage rates on 5-year loans have tripled in the last 12 months and the monthly payment has increased by $500 on average.

The war in Ukraine has affected commodity prices, as well as food prices and food scarcity. At the start of the war, oil and natural gas prices shot up, with oil reaching $120/barrel (USD) earlier this year, but the price has dropped by over $40/barrel since then. The volatility in energy prices is likely to continue through 2023.

Extreme weather events across the globe have also contributed to food scarcity and an average rise in food prices of 10-11% here in Canada. As Canadians struggle to make ends meet amid skyrocketing costs for basic needs like food, rent, heating and fuel, food bank usage has increased over 35% since 2019. MNP's 2022 Consumer Debt Index survey showed almost half of all Canadians are less than a paycheque away from not being able to pay their bills. It is not hard to see how "an illness, accident, job loss, or dangerous family situation can push anyone over the edge and into the position of having to use a food bank" (Food Banks Canada).

With all the above factors at play in 2022, our balanced portfolios were down 10.5% to 11.5% on average. As I said at the beginning of the update, we were long overdue for a correction and here it is. In the short run, markets operate on fear and greed, and we are presently still in fear mode. In the long run, markets run on corporate earnings and rational behaviour by investors. In 2023, let's hope for rational behaviours to take hold.

	Market	Dec 31/21	Dec 31/22	YTD
Canada	TSX	21223	19385	-8.66%
U.S.	DOW	36338	33147	-8.78%
U.S.	S&P 500	4766	3840	-19.43%
U.K.	FTSE	7385	7452	0.91%
France	CAC	7123	6573	-7.72%
Germany	DAX	15885	13869	-12.69%
Japan	NIKKEI	28792	26095	-9.37%
Canadian $		79.03	73.53	-6.96%
Oil (US$)	WTI	75.43	80.26	6.40%
Western Canadian Select	WCS	62.87	52.64	-16.27%

***Source: CNN Money*

January 2023

RRSP Deadlines

The RRSP contribution deadline for 2022 is March 1, 2023. RRSP contributions made on or before this date can be applied to either your 2022 or 2023 income. If you make contributions after this date, you must claim the deductions on your 2023 tax return.

Our office will be accepting contributions via personal cheque until February 21, 2023 and lump sum contributions pulled directly from clients' bank accounts until February 27, 2023. There is also an option to make contributions online through your Manulife account.

TFSA Limit Increase

The annual contribution limit for Tax Free Savings Accounts increased to $6,500 on January 1, 2023. The lifetime maximum contribution limit for those who were 18 or older in 2009 is now $88,000. There is no deadline for TFSA contributions.

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

RRSP Deduction Limits

Registered Retirement Savings Plans (RRSPs) are the most common vehicle for working Canadians choosing to save money with the goal of increasing their income in retirement. An RRSP can be a great long-term savings tool, but this type of account does have some very specific rules. One rule that we have found not all our clients are aware of is that there is a maximum limit to the amount they can deposit into their RRSP or pension (and their spouse's RRSP) each year.

How is my RRSP deduction limit calculated?

The Canada Revenue Agency calculates and tracks your RRSP deduction limit for you on an annual basis using information from your income tax return. For Canadians without an employer-sponsored pension plan, the limit is generally calculated as follows:

1. Your unused RRSP deduction room at the end of the previous year ***plus***
2. The lesser of
    a. 18% of your earned income from the previous year and
    b. the annual maximum RRSP limit set by the CRA – for 2022, the max annual limit is $29,210

Those fortunate enough to have a pension plan through their employment will have pension adjustments factored into this calculation as well.

How do I know what my RRSP deduction limit is?

The Canada Revenue Agency tracks the RRSP deduction limit for all Canadians. Because limits are based on income and past RRSP and pension contributions, the information is updated each year. Your current RRSP deduction limit can be found on your most recent Notice of Assessment (NOA), which is created after your file your income tax return each year. You can get a copy of your NOA from the CRA's online My Account system.

What happens if I contribute more than my limit?

It is important to be aware of your RRSP limit and track your contributions and pension adjustment amounts. This is particularly true for those fortunate enough to be contributing to both employer-sponsored pensions and RRSPs, or who have the funds to maximize RRSP contributions over time. Any contributions that exceed your RRSP limit by $2,000 or more are taxed at a rate of 1% per month. This tax (often referred to as a penalty) can add up quickly, so pay close attention to your RRSP contributions to ensure that you do not overcontribute. Although the CRA calculates and tracks your RRSP limit for you, it is ultimately your responsibility to keep your contributions within that limit.

Unused/Carry Forward Contribution Room

RRSP contribution room accumulated after 1990 can be carried forward to subsequent years. If you notice that you have unused or carry forward RRSP contribution room and not able to maximize your RRSP this year, you are allowed to contribute up to the maximum in future years.

To ensure that you are saving enough for retirement and taking advantage of their RRSP room, we encourage all clients to make automatic monthly contributions to their investment accounts. The time to start is now!