DIRECTION

KEEPING YOU INFORMED ◆ TAX & INVESTMENTS

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WISHING YOU AND YOUR FAMILY HEALTH, WEALTH, AND HAPPINESS IN 2024

MARKETS & ECONOMY - OUTLOOK

In 2023, investors experienced a journey of contrasts, starting with uncertainty and ending on a positive note. Let's dive into the key highlights and insights that shaped the year and explore what lies ahead in 2024.

2023 witnessed a remarkable comeback for U.S., Canadian, and global equities, all achieving double-digit gains. Tech, in particular, stood out, marking a significant reversal from its 2022 downturn. Despite some bumps, including a scare in March and a dip in May due to U.S. debt ceiling negotiations, equities demonstrated resilience. By the end of the year, the Nasdaq had logged its best start ever, and U.S. stocks reached near all-time highs.

In the bond markets, yields experienced fluctuations, stabilizing in June after concerns about the U.S. debt ceiling eased. The yield curve, a crucial economic indicator, showed its most inverted state since 1981, reflecting the Fed's rate hiking at the short end and forecasts for slower growth at the longer end.

Market-friendly indicators in Canada and the U.S. included resilient job creation and healthy consumer spending. However, a slowdown in manufacturing and service sectors in Europe and China signaled a decrease in global demand.

Currency markets saw the CAD dollar strengthening against the US dollar, euro, and pound but weakening versus the yen. The price of oil experienced a topsy-turvy ride, influenced by factors like regional banking scares, interest rate outlooks, and geopolitical tensions.

U.S. inflation gradually fell from 7.1% to 3.3% by year-end, thanks to declining energy prices. The Fed responded with four interest rate hikes but held steady in the latter part of the year. In Canada, inflation cooled from 6.8% to 3.1%, with the Bank of Canada raising rates three times.

As we step into a new year, the impacts of 2023's central bank actions may linger. Economic slowdown indicators may pose challenges, but the potential for stimulating economic activity through rate cuts remains. Regardless of market cycles, a disciplined investment approach and focus on long-term goals are crucial. Diversification helps reduce risk, ensuring your portfolio stays on track.

Its imperative to meet with your Financial Advisor at least annually. If there are any material changes in your personal life, or whenever you have financial or investment concerns, they can assist you with your Financial Goals. Stay informed, stay focused, and here's to a successful 2024!

By: Dipesh Chauhan, Vice President of SFP.

EXCLUSIVE INVITATION IN-PERSON RRSP SEMINAR

We're excited to share that our upcoming RRSP Seminar will feature guest speakers from Fidelity Investments and Mackenzie Investments, adding valuable insights and expertise to the event.

Join us for the seminar scheduled on Sunday, February 11, 2024, at 11:30 am. Find additional details and registration information in the enclosed invite. As space is limited, kindly register early, and if any changes to your registration, please inform us promptly to provide an opportunity for others.

TFSA LIMIT INCREASED TO $7,000 FOR 2024

We want to emphasize the extraordinary benefits of opening a Tax-Free Savings Account (TFSA) for your financial portfolio. Contrary to its name, a TFSA is not just a savings account; it's a powerful tax-free investment earning vehicle that offers diverse opportunities beyond traditional savings.

In essence, a TFSA can hold mutual funds providing a level of investment flexibility that goes well beyond a standard savings account. What sets TFSAs apart is the remarkable advantage of tax-free investment earnings and withdrawals.

Let's examine the key advantages that make a TFSA an essential tool for your financial success.

1. Tax-Free Growth and Withdrawals:

Your growth and withdrawals are tax-free, offering unparalleled financial flexibility. This means no taxes on investment income, whether it's interest, dividends, or capital gains.

2. No Mandatory Withdrawals:

Unlike other retirement accounts, TFSAs have no mandatory withdrawals. Your investments can continue to grow tax-free throughout your lifetime, allowing for strategic long-term planning.

3. No Impact on Government Benefits:

TFSA withdrawals do not affect government benefits, making it an ideal option for those concerned about income-tested benefits in retirement.

4. Earned Income Not Required:

Unlike some investment accounts, a TFSA doesn't require earned income for calculating contributions. This makes it accessible for students, retirees, or those experiencing a temporary absence of regular income.

5. Beneficiary Rules and Estate Planning:

TFSAs offer an efficient tax strategy for estate planning, allowing seamless transfers to beneficiaries/successors with minimal or no tax implications. TFSAs allow for a smooth transfer to beneficiaries/successors, with tax implications primarily based on the relationship between the original account owner and the beneficiary/successor.

6. Eligibility and Contribution Rules:

Every Canadian resident aged 18 or older with a social insurance number is eligible. Contribution limits, set by the government, accumulate annually, providing potential room of up to $95,000 by 2024.

7. Differences from RRSP:

While a TFSA offers dynamic use, tax-free withdrawals, and consistent contribution limits for all income levels, while an RRSP focuses on retirement income, has income-dependent contribution limits, and requires mandatory withdrawals starting at age 71.

8. Versatile Uses of TFSA Funds:

TFSA funds can be strategically utilized for various purposes, including saving for retirement, funding your children's education, handling emergencies, supporting aging parents' healthcare, and even serving as collateral for loans.

A TFSA is more than just a savings account – it's a comprehensive investment strategy tailored to your financial goals. Don't delay; seize the opportunity to open a TFSA or contribute to your existing TFSA today. Even small contributions can pave the way for significant long-term growth and financial security. At Shah Financial, we understand the importance of personalized investment plans, and we're here to help you make the most of your TFSA as a robust investment account.

By: Dipesh Chauhan, Vice President of SFP
Source: Fidelity Investments

TAKING ADVANTAGE OF THE NEW FHSA

April 1, 2023 marked the official launch date of the tax-free first home savings account (FHSA), Canada's newest registered savings plan. Here are five things you need to know to take full advantage of this new plan.

"Tax-free in; tax-free out"

The 2023 federal budget description of "tax-free in; tax-free out" summarizes the attractiveness of the FHSA, which gives prospective first-time homebuyers the ability to do a life time contribution of up to $40,000 and save on a tax-free basis towards the purchase of a first home in Canada.

The FHSA combines the best features of both the registered retirement savings plan (RRSP), which is a tax-deductible contribution with tax deferred growth, and the tax-free savings account (TFSA), which is the tax-free withdrawal of all contributions, investment income and growth earned in these accounts when used to buy a first home.

What is a first time home buyer?

In addition, you must be a first-time homebuyer, meaning you and your spouse or partner haven't owned a principal residence where you lived during the calendar year before the account is opened or in the preceding four calendar years.

How much can I contribute?

If you qualify, you're able to contribute as much as $8,000 per year, up to the $40,000 lifetime contribution limit. There's a penalty of one per cent per month for any over contributions. The annual limit applies to contributions made within a particular calendar year since, unlike RRSPs, contributions made within the first 60 days of a subsequent year can't be deducted in the current tax year.

And, just like RRSP contributions, you don't have to claim the FHSA deduction in the year you make the contribution. The contribution can be carried forward indefinitely and deducted in a later tax year, which may make sense if you expect to be in a higher tax bracket in the future.

Don't have the cash to contribute $8,000 per year to a FHSA? No problem. The rules permit you to transfer funds from an existing RRSP to an FHSA on a tax-free basis, subject to the FHSA annual and lifetime contribution limits. These transfers aren't tax deductible (you were already entitled to claim a tax deduction when the funds were contributed to your RRSP), and the transfers won't reinstate your RRSP contribution room.

The rules also permit you to carry forward any unused portion of the year's annual contribution limit, up to a maximum of $8,000. This means that if you contribute (or transfer) less than $8,000 in a given year, you can then contribute the unused amount in a future year (up to a maximum of $8,000) in addition to your annual contribution limit of $8,000 (subject to the $40,000 lifetime limit). Note that carry-forward amounts only start accumulating after you open an FHSA for the first time.

As an example, let's say Raj contributes $1,000 to his FHSA in 2023. In 2024, he'll be able to contribute another $15,000 to his FHSA (that is, $8,000 for 2024, plus the unused $7,000 of room from 2023). However, if he fails to contribute anything further in 2024, he would be limited in the following year to $16,000, comprising the $8,000 for 2025 and $8,000 of carry-forward room from 2024.

What if you don't buy a home?

Your FHSA can remain open for up to 15 years or until the end of the year when you turn 71 years old, whichever comes first. Any funds left in the FHSA that are not used to buy a qualifying home before closing the FHSA can be transferred on a tax-free basis to an RRSP (without impacting your RRSP room) or RRIF, or withdrawn on a taxable basis and will be included in income.

This means that for qualifying first-time homebuyers, contributing to an FHSA makes sense. If you don't end up buying a home, then you get another $40,000 (plus growth) of RRSP room. All renters who qualify should consider contributing $8,000 to an FHSA rather than to their RRSP even if they don't plan to ever to buy a home because they essentially get additional RRSP room.

What about the Home Buyers' Plan (HBP)?

Good news. The HBP, which lets first-time homebuyers withdraw up to $35,000 from an RRSP to buy a first home and pay it back, interest free over 15 years, will continue to be available. Under the

final FHSA rules, the government now permits you to participate in both the HBP and the FHSA for the same home purchase, something that wasn't originally allowed when the rules were first released.

By: Ekta Chauhan, CEO of SFP
Source: Jamie Golombek, CIBC Private Wealth

- IMPORTANT -

Do You Want to Receive Monthly Tips on Tax & Investments?

▼

Are There any Material Changes in Your Current KYC?

▼

Do You Want 24/7 Online Account Access?

▼

Do You Want Your Financial Advisor to Schedule a Time to Review Your Portfolio?

▼

If your answer is YES to any, please contact us.

- **High Yield Savings Account (Non Reg) @ 5.05%**
- **Tax-free Savings Account (TFSA) @ 5.05%**
- **RRSP Loan @ 7.95% (Prime + 0.75%)**
- **TFSA Loan @ 7.95% (Prime + 0.75%)**
- **Investment Loan @ 7.95% (Prime + 0.75%)**

The lender's Prime Rate is 7.20% and subject to change.

YOUR REACTION MATTERS

Once upon a time a daughter complained to her father that her life was miserable and that she didn't know how she was going to make it. She was tired of fighting and struggling all the time. It seemed just as one problem was solved, another one soon followed.

Her father, a chef, took her to the kitchen. He filled three pots with water and placed each on a high fire. Once the three pots began to boil, he placed potatoes in one pot, eggs in the second pot, and ground coffee beans in the third pot.

He then let them sit and boil, without saying a word to his daughter. The daughter, moaned and impatiently waited, wondering what he was doing.

After twenty minutes he turned off the burners. He took the potatoes out of the pot and placed them in a bowl. He pulled the boiled eggs out and placed them in a bowl.

He then ladled the coffee out and placed it in a cup. Turning to her he asked. 'Daughter, what do you see?'

'Potatoes, eggs, and coffee,' she hastily replied.

'Look closer,' he said, 'and touch the potatoes.' She did and noted that they were soft. He then asked her to take an egg and break it. After pulling off the shell, she observed the hard-boiled egg. Finally, he asked her to sip the coffee. Its rich aroma brought a smile to her face.

'Father, what does this mean?' she asked.

He then explained that the potatoes, the eggs and coffee beans had each faced the same adversity– the boiling water.

However, each one reacted differently.

The potato went in strong, hard, and unrelenting, but in boiling water, it became soft and weak.

The egg was fragile, with the thin outer shell protecting its liquid interior until it was put in the boiling water. Then the inside of the egg became hard.

However, the ground coffee beans were unique. After they were exposed to the boiling water, they changed the water and created something new.

'Which are you,' he asked his daughter. 'When adversity knocks on your door, how do you respond? Are you a potato, an egg, or a coffee bean?'

By: Narendra Shah, President of SFP
Source: Unknown

WELCOME ABOARD!

The following professional has joined our team at Shah Financial Planning Inc., as a Financial Advisor.

Meet ***Ms. Marianne Pisani*** from Etobicoke, Ontario. Marianne is known for her compassion, energy, hard work, accountability, supportiveness, and thoughtfulness. She is dedicated to building robust client relationships and consistently delivering exceptional service. With experience in the industry since 2002, Marianne brings valuable insights gained from her time at Manulife Securities.

CONGRATULATIONS

We are pleased to announce that ***Ms. Vanessa Alibaksh*** has been promoted to the position of Branch Manager at Shah Financial Planning Inc.

Vanessa has been an integral part of our team since April 2013 and contributed to the growth of SFP by demonstrating exceptional dedication and leadership skills. We are confident that her wealth of experience and commitment to excellence will further contribute significantly to the success of our dealership.

A VALUE ADDED SERVICE FOR YOU
VIEFUND - BACK OFFICE SYSTEM

Take advantage of our advanced back-office system, offering valuable insights into your accounts.

Visit http://myportfolio.shahfinancial.ca to request your logon ID for convenient 24/7 online access. Consider signing up for online statements to support our green initiatives. Alternatively, feel free to reach out to your Financial Advisor for assistance.

SHAH FINANCIAL
PLANNING INC.

: HEAD OFFICE :

Narendra Shah, President, Ext. 104
Ekta Chauhan, CEO & Chief Compliance Officer, Ext. 106
Dipesh Chauhan, Vice President, Ext. 103
Hardip (Dipa) Shah, General Manager, Ext. 105
Vanessa Alibaksh, Branch Manager, Ext. 102
Khushi Sharma, Office Admin, Ext. 0

10 Great Gulf Drive, Suite 208
Vaughan, Ontario L4K 0K7

Phone: 905-669-5000 ■ Fax: 905-669-6900

www.ShahFinancial.ca ■ sfp@ShahFinancial.ca

: Head Office Hours :

Mon - Fri ☞ 9:00 a.m. To 5:00 p.m.

Thu by Appt ☞ 5:00 p.m. To 6:00 p.m.

Mid February To April → Saturdays ☞ 11:00 a.m. To 4:00 p.m.

: Our Services :

Shah Financial Planning Inc. (**"SFP"**) is a registered mutual fund dealership founded by Mr. & Mrs. Narendra and Hardip (Dipa) Shah in 1999. Since then SFP has continuously grown with great support and cooperation by clientele, financial advisors, and the Canadian Investment Regulatory Organization ("CIRO").

Our financial advisors offer financial related services to individuals and businesses at the listed branches and Head Office. Our services are primarily focused on clients' objectives and their best interest, with the following plans and products.

: Account Types/Plans :

High Interest Savings Account
Non-Registered/Open Account
RESP • TFSA • RRSP • FHSA
LIRA • RDSP • RRIF • LIF

: Products :

Mutual Funds
Specialty Mutual Funds:
Liquid Alternatives, ESG, Shari'ah Compliant, Regional, & Sector, etc.
High Interest Savings Account
Exchange Traded Funds (ETFs)
Loans for Registered and Non-Registered Investments

: Value Added Services :

24/7 Account Access
Investment Portfolio Review and Financial Advice
Monthly Email Tips on Tax & Investments
Semi-annual Newsletters **"Direction"**
Educational Lunch/Dinner Seminars
Small Group Seminars
Complimentary Consultation and
Second Opinion on Investments at Other Institutions

No Inner Peace Without Financial Security

Disclosure: *Our financial advisors and employees may have outside business activities (Dual Occupations) and may offer other products and services that are not the businesses and responsibilities of Shah Financial Planning Inc.*

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: B R A N C H E S :

: Ajax :

Medha Pathak - 647-919-9690

: Barrie :

Mike Puro - 705-795-5053

: Brampton :

Abhay Bhale - 416-659-2207
Amit Shah - 647-296-2609
Harkirat Khangura - 905-840-3000
Mehul Shah - 416-748-0830
Mukund Sheth - 416-839-9645
Ravinder Singh - 416-303-2828
Viral Mehta - 647-502-2170

: Caledon :

Jaswinder Dhillon - 416-278-6869

: Etobicoke :

Marianne Pisani - 416-568-6273
Nikhilkumar Shah - 647-868-4675

: Kitchener :

Chetan Bhatt - 519-572-6245
Sangeet Arora - 519-546-3618

: Mississauga :

Farrah Andrabi - 905-403-9665
Kok-Tak Toh (KT) - 905-567-9946
Kwame Yeboah - 416-302-0945
Lata Pandey - 416-822-4137
Manjit Sandhu - 416-300-7393
Nainesh Shah - 416-720-9249
Nat Venkat - 647-865-7149
Raj Saraf - 416-951-8228
Vikas Saraswat - 416-839-4561

: Newmarket :

Robert (Bob) Telford - 905-868-0863

: North York :

Devangkumar Shah - 416-846-5837

: Pickering :

Pramod Chopra - 416-560-6951

: Scarborough :

Arun Kumar - 647-638-3904

: Toronto :

Azeem Jadavji - 416-453-5992