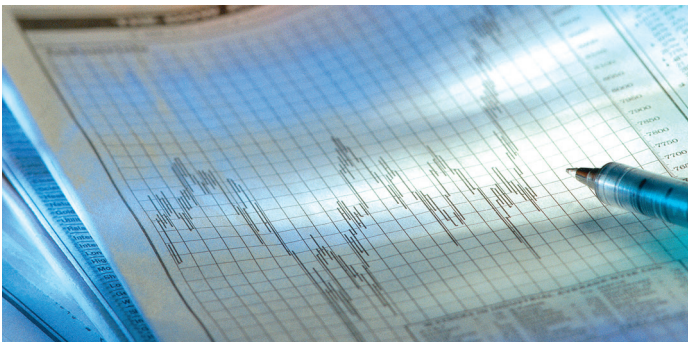


# GoodQuarter

## Q 4 '23



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*"The best armor of old age is a well-spent life preceding it."*

— Charlie Munger

#### Dear Valued Client,

On November 28, 2023, the investing world lost a giant. While few investors can be as accomplished and rational as Charlie Munger, his varied interests and enthusiasm when educating and mentoring others truly set him apart. Mr. Munger's wit and wisdom will be missed, and we are forever in his debt.

Market sentiment changes quickly. While 2022 was a year to forget for many equity investors, 2023 was the opposite. Equity markets posted reasonable gains in the first 10 months of the year, with large returns achieved in very swift fashion over the final two months of 2023. Over November and December, our equity portfolios increased 13.3%, resulting in an annual gain of 22.6%. This brought our accounts close to their all-time highs. Our 10-year net annualized return on equities was 15.1% at December 31, 2023.

On page 2 of our newsletter, we discuss carrying debt in today's interest rate environment and, as usual, we have included important figures for the upcoming year on page 3.

During the December holiday period, we have made a tradition of distributing a GFI team card and book. The book is our favourite read of the past year, and is often a non-fiction tale that we have found gripping. This tradition resulted in many of you sending back pictures from your holiday with this year's GFI book in hand. We have included a few of those client pictures for your

amusement. We also want to send out a special word of thanks to our GFI colleagues who worked so hard to get these books delivered to all clients in advance of the holiday rush. In light of our business growth, this gifting practice is no longer a small feat.

As the new year begins, we continue to monitor our current investment portfolios and the wider investment landscape for potential opportunities and pitfalls. As always, we are available to discuss any questions or concerns you might have about your portfolio. We appreciate your trust and confidence in our firm and look forward to continuing to work with you in the years ahead.

The GFI Team



## Pay Your Debts First

### Why paying down (non-deductible) debt may be the best investment right now

#### Should I invest or pay down debt?

In today's high(er) interest-rate world, we have been advising our clients to use their taxable investments to pay off any (non-deductible) debt that has market-level interest rates. Given today's elevated interest rate environment, the difference between the money you earn from your investments and the money you spend on servicing your debt is no longer as favourable as it used to be.

Many people tend to overlook the true cost of debt, which is the amount one needs to earn after-tax on investments to cover their interest payments. Let's consider a typical home equity line of credit (HELOC), as an example, that currently has an interest rate between 6%-8% (we'll use 7% for this illustration). Assuming a marginal tax rate of 50%, one needs to earn a pre-tax rate of 14% on income (9.3% on capital gains) to cover interest costs.

Similarly, the interest one earns from savings should be considered after taxes. An example is the popular high-interest savings account (HISA), which is currently earning approximately 5%. Using the same 50% tax rate, you effectively only keep 2.5% of your interest after tax. By paying off high-interest debt, you earn a guaranteed after-tax return on your money equal to the interest rate on the debt. Simply put, this return might surpass the potential after-tax return on taxable investments.

#### What if I don't want to dip into my savings?

Many people hesitate to use their savings or investments to pay down debt, as they don't want to see their account values decrease. These individuals tend to view their savings and loans separately, instead of focusing on the net figure on their personal balance sheet.

This thinking illustrates the concept of "**mental accounting**," which is the tendency to make financial decisions based on categories like spending, saving or bills - even though it's all the same money. This can lead to less rational money choices, because people focus on where they believe the money is supposed to go instead focusing on what's best for their overall financial situation.

Studies regularly show that eliminating debt also allows you to live a more stress-free life, a goal we can all get behind.

## 2024 Important Tax and Financial Planning Figures

Registered Plans	
<b>Registered Retirement Savings Plan (RRSP)</b>	
2023 Contribution Limit	\$30,780
2024 Contribution Limit	\$31,560
2023 Tax Year Contribution Deadline	February 29, 2024
<b>Tax Free Savings Account (TFSA)</b>	
2023 Contribution Limit	\$6,500
2024 Contribution Limit	\$7,000
Cumulative Contribution Room <sup>1</sup>	\$95,000
<b>Registered Education Savings Plan (RESP)</b>	
Annual Contribution to Maximize Grant <sup>2</sup>	\$2,500
Lifetime Contribution per Beneficiary	\$50,000
<b>First Home Savings Account (FHSA)</b>	
Annual Contribution Limit	\$8,000
Lifetime Contribution Limit	\$40,000
Prescribed Rate Loans	
CRA Prescribed Interest Rate (Q1 2024)	6.00%
Interest must be paid on or before January 30 each year to avoid income attribution.	

RRIF Minimum Payment Schedule – Based on Previous Year End Market Value			
Age	Min. Payment	Age	Min. Payment
65	4.00%	81	7.08%
66	4.17%	82	7.38%
67	4.35%	83	7.71%
68	4.55%	84	8.08%
69	4.76%	85	8.51%
70	5.00%	86	8.99%
71	5.28%	87	9.55%
72	5.40%	88	10.21%
73	5.53%	89	10.99%
74	5.67%	90	11.92%
75	5.82%	91	13.06%
76	5.98%	92	14.49%
77	6.17%	93	16.34%
78	6.36%	94	18.79%
79	6.58%	95+	20.00%
80	6.82%		

2024 Combined Federal/Ontario Personal Tax Rates				
Taxable Income	Interest	Eligible Dividends	Non-Eligible Dividends	Capital Gains
First \$51,446	20.05%	0.00%	9.24%	10.03%
\$51,447 to \$55,867	24.15%	0.00%	13.95%	12.08%
\$55,868 to \$90,599	29.65%	6.39%	20.28%	14.83%
\$90,600 to \$102,894	31.48%	8.92%	22.38%	15.74%
\$102,895 to \$106,732	33.89%	12.24%	25.16%	16.95%
\$106,733 to \$111,733	37.91%	17.79%	29.78%	18.95%
\$111,734 to \$150,000	43.41%	25.38%	36.10%	21.70%
\$150,001 to \$173,205	44.97%	27.53%	37.90%	22.48%
\$173,206 to \$220,000	48.29%	32.11%	41.72%	24.14%
\$220,001 to \$246,752	49.85%	34.26%	43.51%	24.92%
\$246,752+	53.53%	39.34%	47.74%	26.76%

Government Benefits – Monthly Maximum Amounts 2024	
<b>Canada Pension Plan (CPP) Retirement Benefit (age 65)</b>	\$1,364.60 per month
Reduction for Early Benefits (minimum age 60)	-0.60% per month taken early
Increase for Deferred Benefits (maximum age 70)	+0.70% per month deferred
<b>Old Age Security (OAS) Benefit (age 65)<sup>3</sup></b>	\$713.34 (Q1)
Increase for Deferred Benefits (maximum age 70)	+0.60% per month deferred
Net Income when Claw Back of Benefits Begins	\$90,997
Net Income when Benefits are Fully Clawed Back	\$148,065

<sup>1</sup> Canadian residents aged 18 and older as of 2009.

<sup>2</sup> The Canada Education Savings Grant (CESG) is 20% of the contribution to a maximum of \$500 per year, or \$1,000 per year if carry forward grant is utilized.

<sup>3</sup> OAS benefits are increased by 10% for those aged 75 and over and the upper limit of the claw back threshold is also increased to \$153,771.

This document is for general information purposes only.

## Our Client Commitments

Here are the promises we make to you (*formed over decades of industry experience*):

- 1. We will always** manage your money as if it was our own – and we don't take unnecessary risks with our own money.
- 2. We will never** claim to be able to time markets.
- 3. We will always** ensure you understand what we are saying.
- 4. We will** return your phone calls and emails promptly.
- 5. We will always** report your performance net of all fees.
- 6. We will always** disclose how and what we charge you.
- 7.** When comparing our performance to benchmarks, **we will always** use the appropriate benchmark and include dividends.
- 8. We will** manage your capital rationally.
- 9. We will never** discuss or use terms like "macro," "tactical," "sector rotation" or "absolute return."
- 10. We will never** chase the most recent investment trend.
- 11. We will** charge fair fees; not the fees we think we can get away with.
- 12. We will never** use the term "risk-adjusted" to justify poor results.
- 13. We will never** use Greek letters to explain our approach or rationalize our returns.
- 14. We will never** tout illiquid investments as if they are "less risky" just because they are private.
- 15. We will never** launch new products simply because a sector is "hot."

### Updates to our Disclosure Document

We wanted to remind clients who opened an account with us before October 2021 that the language to our Investment Management Agreement or Relationship Disclosure Documents have been updated. We sent a summary of changes with your Q4 2021 statements and will continue to prepare an acknowledgement of these changes at your next portfolio review. If you have any questions or would like to receive another copy of the change summary document, please do not hesitate to contact us.

### GFI Investment Counsel

GFI Investment Counsel ("GFI") provides tailored investment portfolios to families, foundations, trusts and corporations. We work closely with our clients to customize investment accounts that coincide with our clients' unique requirements. GFI focuses on preserving and growing client capital through intense due diligence, focus, and discipline.

In January 2008, GFI launched Good Opportunities Fund ("the Fund"), an alternative investment fund available to accredited investors. The Fund focuses on a select group of investment opportunities that provide an attractive risk/reward dynamic regardless of asset class or market capitalization. The Fund is managed with a focus on understanding the businesses, their capital structure, and risks and opportunities.

For more information about GFI Investment Counsel or the Good Opportunities Fund, please call **416.488.8825** or email **info@gfiic.com**.