MacDougall Wealth Management Group Newsletter

Autumn 2024

In this edition

MacDougall Wealth Management Group

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NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

MacDougall Wealth Management Group

After Death or Divorce: Support for Your Finances

The loss of a spouse — whether a result of death or divorce — can be one of life's most challenging events. Both may involve similar emotions: grieving a loss, fear of uncertainty and feelings of being overwhelmed. Complicating matters, it is also a time in which new responsibilities will need to be assumed, including those related to your finances.

In the immediate aftermath of this difficult time, it is recommended to seek help from others where required: family members, trusted friends and professionals who can provide support. As you move forward, here are six considerations to help you manage your own financial well-being through the transition:

1. Take Stock of Your Finances — Establish a clear understanding of your current financial position. If a detailed financial inventory doesn't exist, start by creating a list of all of your financial accounts and financial interests: all assets (bank accounts, investment accounts, registered plans, etc.) and liabilities (mortgages, loans, etc.).

2. Carefully Close Joint Accounts — In the case of a divorce, all joint accounts should immediately be closed. In the case of a spouse's death, consider keeping joint accounts open for the short term to provide access to items that continue to be received in the deceased's name (e.g., deposit cheques).

3. Update Documents & Beneficiary Designations — For all financial and legal documents, determine whether you need to update personal information, with a focus on the current designated beneficiaries (where applicable), to protect your assets and your heirs. This should include your will, powers of attorney and other estate planning documents, such as any trust agreements.

4. Build Your Team of Professionals — Depending on your situation, the support of legal, tax or investment professionals may be beneficial during the transition. We are here to assist with your financial position and can recommend specialists to help during this challenging time. Some individuals delay financial planning until after a divorce has been finalized or an estate has been settled. However, in doing so, you may not fully understand the financial options available to you. By having this knowledge before you agree to anything, you can make well-informed choices with greater confidence.

5. Reevaluate Your Budget — You are likely to experience changes in cash flow. Expenses previously covered by a spouse may now be your responsibility, or there may be unanticipated changes to income. For instance, in the case of a spouse's death, the deceased's workplace pension may continue, but this is commonly at a reduced rate. Government benefits may end, or survivor benefits may be less than expected. An updated budget can help you understand your new inflows and outflows and create a plan to account for any changes.

6. Revisit Your Wealth Plan — Revisiting your wealth plan to account for these changes can help remove the feeling of uncertainty and provide a roadmap to better understand the path forward. There may also be tools or strategies that can provide additional support, such as tax or insurance planning. We are here to provide support by developing tailored investment strategies based on your personal circumstances and goals, while balancing your risk tolerance levels and unique investment values.

A Final Thought: Adjusting to any loss can take time. Where possible, consider delaying any major decisions, such as selling a home or business or cashing in retirement assets, until you feel able to make confident choices. As always, we are here to be a resource. We can walk you through the key steps you can take to get organized and help protect your financial well-being. We can also work with you to develop a plan to move forward with confidence. During this very challenging time, please know that you can count on us for assistance.

Tapping the Registered Education Savings Plan (RESP)

Do you have a child headed to college or university? Congratulations! Now is the time to tap into the fruits of your labour: the RESP.

Not All RESP Withdrawals Are Equal: Plan Your Withdrawal

It's important to distinguish between the types of RESP withdrawals for educational purposes. A post-secondary education (PSE) withdrawal consists of funds originally contributed to the plan. These are not taxable. An educational assistance payment (EAP) is the withdrawal of income, capital gains and grants that have accumulated in the plan. This is taxable in the hands of the beneficiary.

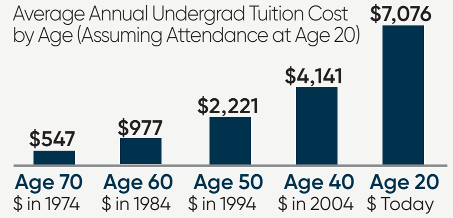
Since EAPs are taxable, one consideration may be to spread them out over several years to reduce the tax bill. This is because the student can take advantage of tax credits to offset EAP income. The basic personal amount for the 2024 tax year is $15,705. Assuming a federal tuition credit of $7,076, the federal tax credit would total $22,781, so a student with no other income could potentially receive $22,781 of EAPs in 2024 and pay no tax. Remember: the basic personal amount is a non-refundable tax credit, so it cannot be transferred to future years. The tuition credit, however, can be carried forward.

It may be beneficial to withdraw EAPs when the student has a low income. If the student has other income, such as from scholarships or a part-time job, this alongside a larger EAP withdrawal could put them in a higher marginal tax bracket. While waiting to make a future EAP withdrawal may benefit from additional tax-sheltered growth in the plan, if the student drops out of school, there may be tax implications to you as the "subscriber." Remaining income/grant money may be taxable and an additional 20 percent penalty tax may apply.

Haven't Accessed the RESP? Plan Ahead

If you haven't yet accessed the RESP, plan ahead as the process can take time. You'll need a proof-of-enrolment form completed by the post-secondary institution. This can usually be requested online and many schools email an electronic version to the student within a couple of business days. You must also complete the RESP withdrawal form, specifying the type of withdrawal (EAP or PSE) and where you wish the funds to go. If you need to understand the amount of income/grants received, please call. If you are requesting an EAP, keep in mind that there is a limit of $8,000 for the first 13 weeks of enrolment for full-time programs. Also, consider that the settlement process for selling securities can take time.

The Increasing Cost of Higher Education



Source: Statistics Canada Table: 37-10-0150-01 https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2023024-eng.htm

A Dozen Financial Tips for Students From Those Who Went Through It

An article in the popular press asked readers to share financial advice for students heading back to school. Here are some tips, many of which may apply to our own financial well-being in adulthood:

1. **Track your finances. Save and subsist!**
2. **Consider a small part-time job and start a habit of saving $25 each week.**
3. **Create a budget and stick to it.**
4. **Wait a day to buy it.**
5. **No loans for expenses.**
6. **Learn assets and liabilities.**
7. **Treat credit like cash.**
8. **Build your credit score.**
9. **Budget for a broken heart; it's cheaper than a failed semester!**
10. **Resist peer pressure.**
11. **Master compound interest.**
12. **Don't forget to HAVE FUN!**

Source: "25 Financial Tips for College Students," D. Gallego, Wall Street Journal, 8/17/23.

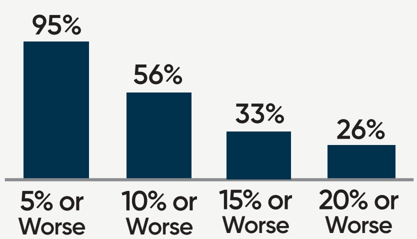
A Reminder: Volatility, No Stranger to the Markets

After a relatively quiet first half of 2024, let's not forget that volatility is an inherent part of the equity markets. It's common to see declines of at least 5 percent almost every year, with corrections of 10 percent or more occurring in 56 percent of years and drops of 15 percent or more happening roughly one-third of the time (see graph, right).

Even in years when the S&P/TSX Composite Index has performed strongly, there are often significant intra-year declines (see graph below). Since 2005, the average intra-year drawdown has been -15 percent, despite the S&P/TSX delivering an average annual return of around 6 percent.

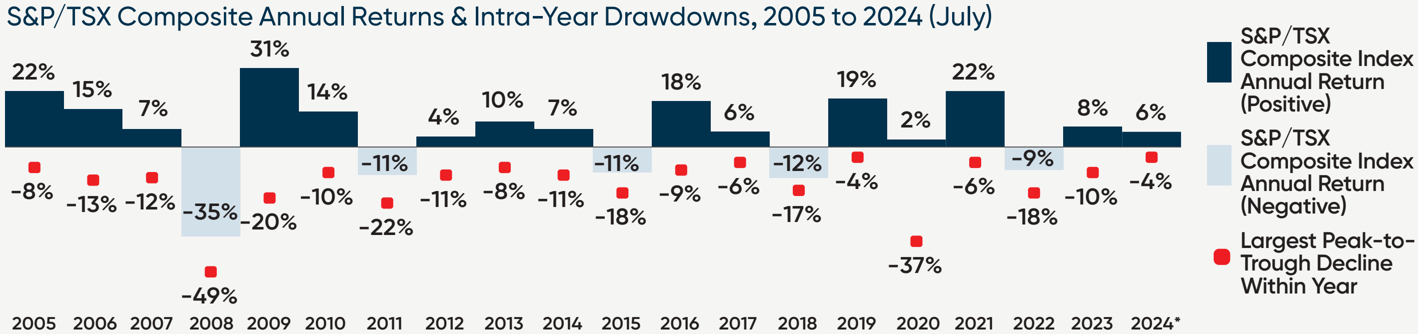
Successful investing involves preparing for both the inevitable ups and downs that come with market volatility. While it's never easy to see portfolio values decline during temporary periods of volatility, it's important to maintain patience and perspective to see these periods through.

% of Years with Drawdowns, S&P/TSX Composite, 1985 to 2023



Source: S&P/TSX Composite Index, 1/1/1985 to 12/31/2023.

S&P/TSX Composite Annual Returns & Intra-Year Drawdowns, 2005 to 2024 (July)



Source: S&P/TSX Composite Index 1/1/2005 to 7/31/2024. *2024 represents data for the partial year to 7/31/2024.

Perspectives on the Value of Advice

In today's investing world, the range of low-cost options has expanded significantly, alongside access to new investing platforms, giving investors more choices than ever before. With the proliferation of index funds, ETFs and low-cost investment platforms like robo-investors, the emphasis on minimizing fees has become a central theme, driven by advertising and the media.

Yet, while cost is an important factor, it's not the only consideration when it comes to making sound investment decisions. The investing landscape is ever-evolving and achieving future financial success goes beyond merely choosing the lowest-cost option. We believe that true value encompasses a comprehensive strategy that integrates personalized advice, expert insights and proactive management to align with your unique financial goals and life circumstances. Here are some of the ways we are dedicated to providing you with customized support that is designed to foster long-term success:

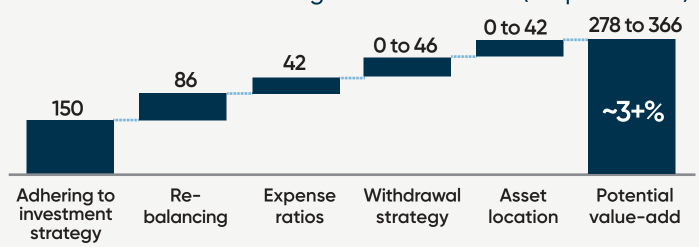
Managing investments — We offer tailored investment solutions based on your unique goals, risk tolerance and stage of life. Our approach is proactive and hands-on, focusing on strategic asset allocation, tax-efficient asset location, risk management, rebalancing and tactical withdrawal strategies. A recent study attempted to quantify these practices, suggesting that they can potentially boost an investor's net returns by over 3 percent (chart, top right).[1]

Building wealth — Investment returns are important, but regularly saving is equally critical. Part of our role is to encourage disciplined savings and investment habits, which can substantially improve wealth over time. Just as a personal trainer helps clients stay committed to fitness goals, we are here to help ensure consistency and focus along the financial journey. The evidence is convincing: Households working with an advisor for 15 years or more have been shown to accumulate 2.3 times the assets of those without advisor support.[2]

Advised Clients Have Greater Savings

https://cirano.qc.ca/files/publications/2020RP-04.pdf

Value-Add Relative to Average Canadian Client (in bps of return)*



*Based on https://www.vanguard.ca/content/dam/intl/americas/canada/en/documents/gas/advisors-alpha-infographic.pdf; bps = basis points, where 1 bps = 0.01%.

Staying on track — In challenging market times, we are here to help navigate the uncertainties so you can achieve your longer-term goals. Having a sound financial plan in place provides the crucial roadmap, but we are also here to offer support through difficult market times to help maintain your course. A study of nearly 120,000 investors in the U.S. found that a well-structured plan alongside the support of an advisor can be keys to staying the course. During the 2020 pandemic, when the U.S. stock market fell 34 percent in just 22 days, over three-quarters of investors who were previously on track with their financial goals remained on target, even though their portfolios typically declined by 16 percent (and quickly rebounded).[3]

Looking beyond investments — We are here to meet your evolving needs beyond investing, whatever your stage of life. This includes goal planning, such as for a first home or child's education, investment tax planning, retirement, estate and legacy planning, business building and succession and intergenerational wealth transfer. We offer access to a network of experts who can provide specialized support, where needed. We are also committed to being a resource for you, offering education and insights on factors impacting your wealth so you can make informed decisions. This newsletter is just one way we deliver actionable insights to help you better manage your financial position.

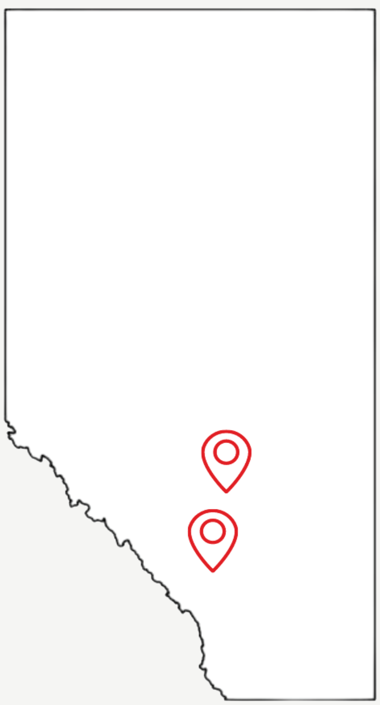
We know that as an investor you have many alternatives available to you. As such, we remain grateful for your continued trust in our services. Thank you for the opportunity to support your financial journey as we build a secure and prosperous future.

1 Vanguard 2023 Study
2 https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=27821&lang=en_CA
3 https://www.morganstanley.com/articles/stock-market-crash-financial-planning

Second Location in Calgary

We are excited to announce the opening of our new, second office, in Calgary. This expansion reflects our commitment to better serve our valued clients and partners across the Alberta region. As clients, it is important to know that there will be no impact on your current service or access to the MacDougall Team in Red Deer.

Thank you for your continued support, and we are excited to embark on this new chapter with you.



Recap of Our Summer

Samantha: Rafting the Colorado River!

Kellsey: Spent a week with family at Turtle Lake, SK!

Kit: Hiking the Rocky Mountains near Canmore, AB!

Deanna: Meet the new cat nephew Mr. Chai!

Iain: Spent some time at the farm in Southern Alberta!

A client referral is the greatest complement our team can receive. If you are aware of a friend, family member, or business associate who could benefit from the services our team provides, please have them call or email our team directly.

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