# Quarterly Newsletter

**INSIDE**




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### Does someone in your family qualify for the disability tax credit (DTC)?

Refer to the Canada Revenue Agency (CRA) website for more details on the disability tax credit and eligibility criteria.

If they are eligible for the Disability Tax Credit then they may be eligible for the Registered Disability Savings Plan (RDSP)

## What is an RDSP?

The Registered Disability Savings Plan provides individuals with disabilities and their family members with the opportunity to save in a tax-deferred environment.

Like an RESP, the RDSP allows funds to be invested tax-sheltered until withdrawal. Anyone eligible for the Disability Tax Credit may establish an RDSP (beneficiary must meet eligibility criteria). Parents and guardians can establish RDSPs on behalf of minor children. The maximum lifetime contribution limit is $200,000, but there is no annual contribution limit. Additional funding is available in the form of the Canada Disability Savings Grant and the Canada Disability Savings Bond for those who pass the income tests.

Please reach out to us for more details.

## Insurance Q&A

**Q:** “What is Critical Illness Insurance?”

**A:** Critical illness insurance protects when the insured is diagnosed with a life-altering condition. For example, a heart attack cancer or stroke could limit your ability to work and incur health care and living costs not covered by standard health insurance plans. If you suffer from one of the covered critical illnesses and satisfy the waiting period, the lump-sum payment can be sent directly to you. You have the freedom to put it towards living expenses such as childcare, transportation, and household bills, or even a vacation with family and friends to recuperate, whatever you need to get through this challenging time. Critical illness insurance can provide the financial support needed to cover your family’s financial needs so that you may focus on your recovery.

Please feel free to reach out with any questions you may have about this or any other type of insurance.

**Penny Wihnan**
*Associate Wealth Advisor/Insurance Agent*

## A New Season

**Charlotte Jakubowicz,** *CMT, CIM - Vice President, Fixed Income and Currencies*

It’s the first full month of spring in Canada, which is often associated with renewal, or fresh start. However, investors have not received a new beginning, as inflation concerns, which have plagued the Canadian economy for approximately three years, still persist. Headline inflation has remained elevated but has trended largely downward since the peak in mid-2022. Interestingly, the last two headline prints have come in below consensus estimates, suggesting that broader audiences have anticipated inflationary pressures to be more burden some than what they actually were, at least as calculated by CPI. Here, we update our expectations for rate cuts in 2024 and how future changes in the overnight rate may affect bond yields.

**Rate expectations**

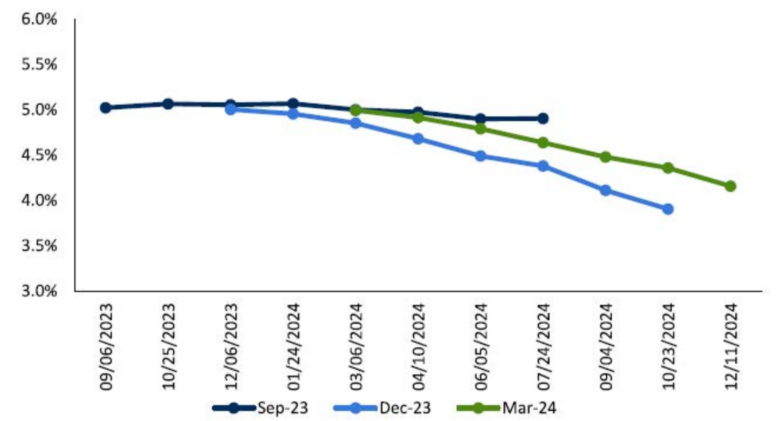
The Bank of Canada (BoC) has maintained that their rate decisions are largely data dependent. However, even if you had all relevant data available to you, the exact factors and the level of importance given to each component is not public knowledge. Ultimately, investors can only theorize about future outcomes.The BoC has remained on the sidelines for a number of seasons, building anticipation for that first rate cut of the cycle. The last change was a rate hike on July 12, 2023, where the central bank increased the overnight rate by a quarter point. Today, economists are predicting a total of three rate cuts in 2024, with the first slated for the summer (June or July, depending on who you ask). We feel that three rate cuts could happen, but with as we move further into the year without clarity on when this next phase may begin, we could see one of those moves occurring in early 2025 instead.

## The Impact of Rate Decisions on Fixed Income

Short-term rates tend to align quite closely with the overnight rate set by the BoC. However, longer-dated yields take into account additional factors like the risk of the security, investor preferences, future yield expectations, and market sentiment. In normal market conditions, longer-dated securities demand a yield premium given a higher level of risk, generating an upward sloping curve. Since July 2022 the Government of Canada yield curve has been inverted, meaning investments with fewer days/years to maturity carry a higher yield than bonds with maturities further into the future. When the BoC begins to lower the overnight rate, we can anticipate short-term yields will follow.

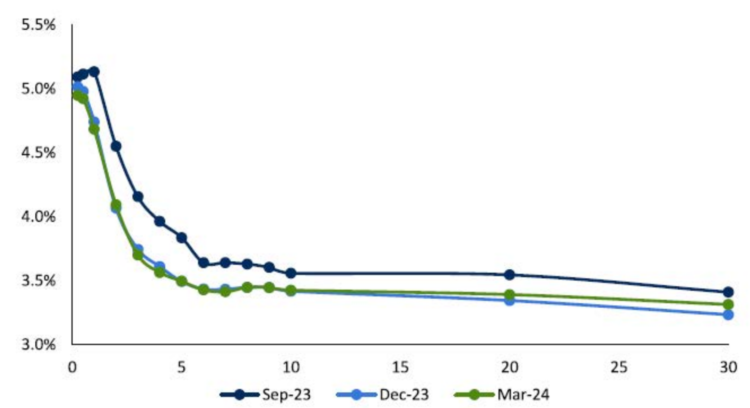
To reduce the risk of reinvesting those funds for a future term at a lower rate, investors could consider investing capital in maturities further out on the curve. Although the preferred time to maturity is driven by a number of factors unique to each client, looking out five to seven years could be beneficial. Alternatively, a laddered approach, where the purchaser invests in bonds with maturities in different years, can help to reduce risk by adding an additional factor of diversification.

**Chart 15 - Implied Yields Have Moderated**




Source: FactSet; Raymond James Ltd.

**Chart 16 - Yield Curve Shows Little Change Since Dec 23**




Source: FactSet; Raymond James Ltd.

*To view the full PDF of Insights and Strategies, visit our website link below:*
*https://www.missionwealthadvisors.ca/knowledge-centre*

## Financial Tips & Reminders

Mike Reimer is a USA/CDN Cross-Border Licensed Investment Advisor Representative able to provide specialized financial advice and act as a single point of contact for U.S. residents, Americans living in Canada and Canadians living in the U.S. who have investment or retirement account on either side of the U.S.-Canadian border.

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