

December 2022 Financial Planning Email Update

In the past few weeks both the Federal Reserve in the United States and the Bank of Canada have increased interest rates once again. This in their ongoing fight for price stability. Interest rates are now at their highest level in 15 years. Both have indicated that the campaign to increase interest rates to reduce inflation is nearing an end.

Drummond Brodeur Senior Vice-President and Portfolio Manager at CI Global Investments summarized for me last week that the investment markets have mostly factored in a recession for 2023 and fully factored in all future interest rate hikes which will be slowing in size and frequency. He suggested however that the volatility we have experienced in the past year will continue which will create further occasional investment opportunities.

The following is a summary of all income tax related limits, threshold's, maximums and updates for 2022 and 2023:

Working clients

- **Maximum RRSP contribution**: The maximum contribution for 2023 is \$30,780; for 2022, it's \$29,210. The 2024 limit is \$31,560.
- **TFSA limit**: In 2023, the annual limit is \$6,500, for a total of \$88,000 for someone who has never contributed and has been eligible for the TFSA since its introduction in 2009. The annual limit for 2022 is \$6,000, for a total of \$81,500 in room available in 2022 for someone who has been eligible since 2009.
- **Maximum pensionable earnings**: For 2023, the maximum pensionable earnings amount is \$66,600 (up from \$64,900 in 2022), and the basic exemption amount remains \$3,500 for 2022 and 2023.
- **Maximum EI insurable earnings**: The maximum annual insurable earnings (federal) for 2023 is \$61,500, up from \$60,300 in 2022.
- **Lifetime capital gains exemption**: The lifetime capital gains exemption is \$971,190 in 2023, up from \$913,630 in 2022.
- **Low-interest loans**: The family loan rate until Dec. 31 is 3%.
- **Home buyers' amount**: Did your client buy a home? They may be able to claim up to \$5,000 of the purchase cost, and get a non-refundable tax credit of up to \$750. (Legislation is pending that would double the amount to \$10,000 for a non-refundable tax credit of up to \$1,500.)
- **Medical expenses threshold**: For the 2023 tax year, the maximum is 3% of net income or \$2,635, whichever is less. For 2022, the max is 3% or \$2,479.
- **Basic personal amount**: The basic personal amount for 2023 is \$15,000 for taxpayers with net income of \$165,430 or less. At income levels above \$165,430, the basic personal amount is gradually clawed back until it reaches \$13,521 for net income of \$235,675. The basic personal amount for 2022 ranges from \$12,719 to \$14,398.

Older clients

- **Age amount**: Clients can claim this amount if they were aged 65 or older on Dec. 31 of the taxation year. The maximum amount they can claim in 2023 is \$8,396, up from \$7,898 in 2022.
- **OAS recovery threshold**: If your client's net world income exceeds \$86,912 in 2023 or \$81,761 in 2022, they may have to repay part of or the entire OAS pension.
- **Lifetime Advanced Life Deferred Annuity (ALDA) dollar limit**: The limit is \$160,000 for both 2023 and 2022.

Clients with children, dependants

- **Canada caregiver credit**: If you have a dependant under the age of 18 who's physically or mentally impaired, you may be able to claim up to an additional \$2,499 in 2023 and \$2,350 in 2022 in calculating certain non-refundable tax credits. For infirm dependants 18 or older, the amount for 2023 is \$7,999 and the 2022 amount is \$7,525.
- **Disability amount**: This non-refundable credit is \$9,428 in 2023 (\$8,870 in 2022), with a supplement up to \$5,500 for those under 18 (\$5,174 in 2022) that is reduced if child care expenses are claimed.
- **Child disability benefit**: The child disability benefit is a tax-free benefit of up to \$3,173 in 2023 (\$2,985 in 2022) for families who care for a child under 18 with a severe and prolonged impairment in physical or mental functions.
- **Canada child benefit**: In 2023, the maximum CCB benefit is \$7,437 per child under six and up to \$6,275 per child aged six through 17. In 2022, those amounts are \$6,997 per child under six and up to \$5,903 per child aged six through 17.

Federal tax brackets

Federal bracket thresholds will be adjusted higher in 2023 by 6.3%.

- The 33.0% tax rate begins at taxable income of over \$235,675, up from \$221,708 in 2022.
- The 29.0% tax rate begins at taxable income of over \$165,430, up from \$155,625 in 2022.
- The 26.0% tax rate begins at taxable income of over \$106,717 up from \$100,392 in 2022.
- The 20.5% tax rate begins at taxable income of over \$53,359, up from \$50,197 in 2022.
- Income up to \$53,359 is taxed at 15.0%.
- Prospective homeowners will be able to access both the Home Buyers' Plan (HBP) and the new tax-free first home savings account (FHSA) when purchasing a home if legislation to implement the FHSA is enacted.

- That legislation, Bill C-32, passed second reading in the House of Commons November 22, 2022. The bill removed wording from draft FHSA legislation, released in August, that would have limited qualifying purchasers from accessing both programs for the same home purchase.
- “You still have to be a first-time homebuyer to use either an FHSA or the Home Buyers’ Plan for a particular purchase, but you will not have to choose — both can be used together,” said Bruce Ball, vice-president of taxation with CPA Canada in Toronto.
- Bill C-32 also set an effective date for the FHSA: April 1, 2023.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning.

I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling us at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,
Gary



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