

# Summer 2022

*Our forecasts are still telling us that we are close to taking a pause in this bear market.*

Are we there yet? Oh, those famous words from the back seat on the summer road trip. It's certainly a question we've been asking recently.

With so many situations unfolding concurrently, let's take a look at how various markets have performed year to date (see adjacent table).

It's unpleasant reading, we know. Unfortunately, the bond market hasn't provided much of a refuge. Depending on what part of the bond market you're in, values could be down between 5% and 10% for the quarter.

We've witnessed a very rare event this year. Some have called this the "everything" bear market. This has only occurred one other time in the last 100 years. These are certainly not normal times. Central bank policies are raising interest rates aggressively because of inflation, the likes of which we haven't seen in decades. A coordinated effort is underway to 'normalize' interest rates around the world and markets are responding.

China's zero-Covid policy is definitely making things worse, and has been a major factor affecting supply chains globally. This could be resolved with the following solutions: better vaccines, better treatments or global supply chains moving to different countries for manufacturing. Businesses will find a way.

The war in Ukraine is continuing and is dreadful to even fathom. How this situation resolves itself is currently unknown. Markets are in the process of adjusting to this as well.

So, to the question: Are we there yet? Our forecasts are still telling us that we are close to taking a pause in this bear market. Estimates are showing that we

		2022 Q2	12 Month Returns
<b>S&amp;P/TSX*</b>	<b>18861</b>	<b>-13.8%</b>	<b>-6.5%</b>
<b>S&amp;P 500</b>	<b>3785</b>	<b>-16.4%</b>	<b>-11.9%</b>
<b>Dow Jones</b>	<b>30775</b>	<b>-11.3%</b>	<b>-10.8%</b>
<b>Nasdaq</b>	<b>11029</b>	<b>-22.4%</b>	<b>-24.0%</b>
<b>\$CAD</b>	<b>\$0.7768</b>	<b>-2.8%</b>	<b>-3.7%</b>
<b>Crude Oil</b>	<b>\$105.76</b>	<b>10.0%</b>	<b>58.2%</b>
<b>Gold</b>	<b>\$1,807.3</b>	<b>-6.7%</b>	<b>2.1%</b>

\*The S&P/TSX, the S&P500, the Dow Jones and Nasdaq indices are not investable indices, and as such are not a direct comparison to any investment product available at Foster & Associates Financial Services Inc, and therefore should therefore be considered hypothetical in nature and for illustrative purposes only.

may avoid a recession this year in the US and markets will respond favourably. If a recession occurs, it is expected to be mild, and markets have already priced most of this in. Canada is not currently showing any signs of recession, but if it wasn't for our energy sector, Canadian markets would be down as much as the rest of the world.

All of which is to say that while we're not there yet, we believe we're almost there.

Summer is here, so take some time to regroup, refresh and re-energize. Your team at Foster and Associates wishes you a safe, healthy and enjoyable summer with friends and family.

**R. Martin Lochran, CIM**  
**Portfolio Manager**

# CRA is Requesting Tax Instalments – What Now?

*If you have received a notification from the Canada Revenue Agency (CRA) to pay instalment taxes, here's what it means and what you should do about it.*

Disclaimer: This article is for general information purposes only, and is not legal, financial, or tax planning advice.

Everyone's situation is unique, and this article cannot apply to every person. The reader should not take any action, or refrain from taking any action, as a result of this article without first obtaining legal or professional advice.

## Why Does the CRA Require Instalment Tax Payments?

Typically, instalment tax payments apply to individuals who do not remit enough taxes on their income earned throughout the tax year. The CRA requests instalment tax payments quite often, so don't panic.

You may have received a notification from the CRA to pay your taxes in instalments because you fall into at least one of the categories below:

- You are a business owner
- You make rental or investment income
- You do not remit enough tax on your income during the year
- You receive certain pension payments
- You receive income from multiple jobs
- You owe more than \$3,000 in taxes (\$1,800 for Quebec)

## When Should I Pay My Instalment Taxes?

Generally, you need to make your tax instalment payments to the Canada revenue agency by the middle of every quarter. Instalment tax due dates are March 15, June 15, September 15, and December 15.

If tax payment deadlines fall on a weekend, the tax deadline will be the next business day. You must pay your instalment taxes when due to avoid late payment fees and penalties.

## How To Pay Instalment Taxes

The CRA will send online and mail reminders to pay your tax instalments. If you prefer, you can log into your *CRA My Account* to view the tax reminders online.

You can pay your instalment taxes online, in person, or by mail. To make online instalment tax payments, you can do this through your financial institutions' online banking platform or a pre-authorized debit transaction.

The CRA also provides an online platform called *My Payment* that allows you to pay your taxes using a debit card. You can also make instalment tax payments using third-party services such as PaySimply and PlastiQ.

Alternatively, you can pay your instalment taxes at your financial institution or a Canada Post location. You need to bring a personalized remittance voucher (*form INNS3*) to make in-person payments. You can also mail a tax payment cheque to the Receiver General for Canada with your remittance voucher and any payment instructions.

## Frequently Asked Questions on Tax Instalments

### How do I know the tax amount to pay?

If your income, tax deductions, and credits are similar every year, the CRA would determine your tax instalments based on your most recent tax assessment.

If your income, tax deductions, and credits vary by year, you will need to calculate your tax payments based on your net tax owing, your CPP contributions payable, and your voluntary EI premiums. CRA has a calculation chart for 2022 on its website to help you calculate the tax amount to pay.

If your tax situation seems complicated, an accountant can help you figure it out. Also, when in doubt, call the CRA for clarifications (but get comfortable when you call; wait times are legendary).

### Can I appeal the tax instalment payment?

You need to make your tax payments by the payment deadline. However, if you receive a reminder to make tax instalment payments and your net tax owing amount is \$3,000 or less (\$1,800 or less for Quebec), you do not have to pay instalment taxes.

If you receive pension benefits, you can reduce or eliminate tax instalment payments by increasing the tax withheld from your pension income.

## Adeola Ojierenem, CPA, CGA

*Adeola is a journalist specializing in Personal Finance issues relevant to Canadian investors. This article was written specifically for Foster & Associates clients.*

## The 12-Month Market Outlook

This table represents the way the firm is leaning in particular market sectors over the next 12 months. It does not represent a trade recommendation, nor does it play a major role in our portfolio construction, which involves much more than having a view on a particular market index, currency or commodity.

Stocks (U.S.)	▲
Stocks (Canadian)	▲
Bonds (US)	▼
Bonds (Canadian)	▼
Canadian dollar	▼
Crude Oil	▼

## If Poilievre ...



### Briar Foster

*is a retired  
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*The views as articulated in this article are those of Briar Foster alone and do not necessarily reflect the opinion of Foster, and do not constitute a solicitation to engage in any specific investment or strategy.*

Once again, the Conservative Party of Canada (CPC) is searching for a leader. While only halfway through the campaign, Pierre Poilievre has a significant lead over the other five candidates. The vote takes place in September, so a Poilievre win is not a sure thing.

The theme of his campaign is freedom, above all freedom to maximize one's potential and its corollary, freedom from the suffocating aspects of statism, elitism and mindless regulation. Ideologically, this makes Poilievre a modern Jeffersonian. Thomas Jefferson, the third president of the United States, is famous for the dictum: "The best government is the least government."

As expected, Poilievre has also been influenced by Libertarianism, a popular political philosophy depicted most clearly by Ayn Rand in her novel *Atlas Shrugged*. The book emphasizes freedom of choice, freedom of association, individualism and minimizing state intervention. If Poilievre becomes Prime Minister, it will be fascinating to see how much libertarianism he blends into the policies of his government.

So far, the most successful part of the Poilievre campaign for leadership has been a series of rallies which seem to have grown his popularity as well as the coffers of the Conservative party. Poilievre's team has sold a record 300,000-plus party memberships for a total exceeding 460,000, far more than any of the other candidates. The assumption – not always correct – is the new member will vote for the candidate team that sold them their membership.

Those attending his rallies tend to be of a younger age than usually seen at Conservative events. Notably, part of Poilievre's appeal to younger voters is a plan to include crypto currencies as part of the financial system. Poilievre is a forceful speaker, much as he is an able parliamentary debater and defender of his

positions at all-candidate events. At times, he can be a bit reckless, such as when he stated he would fire the Governor of the Bank of Canada, a position that is technically independent of Parliament.

As finance critic for the opposition, Poilievre has consistently hammered the Trudeau government for its fiscal profligacy and how its policies have caused a flight of capital from Canada and, by its labyrinth of regulations, discouraged foreign investment in Canada. Canadians of a particular political stripe might hope that Poilievre, as Prime Minister, would reduce impediments to wealth creation. At a minimum, with Poilievre, investors can look forward to more government support for resource projects.

The CPC has often had difficulty choosing a leader. It has been a party of many factions, ranging from a middle-right position that accepts progressive programs limited by balanced budgets to far right factions dedicated to one-issue beliefs that rarely resonate well with the broad electorate.

The last two CPC leaders struggled with finding a consensus. Erin O'Toole had trouble settling on a carbon tax acceptable to his caucus. Although widely respected when Speaker of the House, Andrew Sheer was too often put on the defensive in parliamentary debates, particularly when his personal beliefs seemed to differ from accepted party policy.

If he wins the leadership, Pierre Poilievre will likely have much less trouble gaining the strong support of the caucus. He is bilingual. His position on key issues have been stated clearly. He has demonstrated ability to attract young urban voters. The electorate is angry and wants change. Justin Trudeau's popularity has faded. For better or for worse, Poilievre's timing couldn't be better.

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## How to Decide: RSP vs TFSA?



Are you wondering where to put your savings, and confused about which account works best between a registered retirement savings plan (RSP) and a tax-free savings account (TFSA)? For older clients, contributing to the TFSA is usually the smarter option. But for younger clients, it can be a tougher call.

When deciding whether to save with either or both accounts, consider the following:

### Tax advantage

Taxes on contributions to your RRSP are deferred, and you will pay taxes to the Canada Revenue Agency (CRA) when you withdraw from the account in retirement. Although contributing to the TFSA does not reduce your current year taxes, it is a great account for earning tax-free investment income.

### Current income

Your taxes may be high if you currently earn significant income with few tax deductions and credits. In this case, you can use contributions to your registered retirement savings plan to claim the RRSP tax deduction thus reducing your taxes.

### Future income

If like most retirees, you fall within a lower tax bracket when you retire than when you were working, you should contribute to an RRSP to reduce your taxable income. However, if your taxable income in retirement will also be high, you should consider contributing to your TFSA and growing your money tax-free.

### Contribution Room

The 2022 TFSA limit is \$6,000, and your contribution room accumulates if you do not use all of it. Thus, if

you have never contributed to your TFSA, your limit in 2022 is \$81,500. The 2022 RRSP limit is \$29,210. The CRA calculates your deduction room as the lower of this annual limit or 18% of your previous year's earned income.

You must have contribution room to contribute to a registered retirement savings plan or a tax-free savings account. If you have used up your TFSA contribution room, then put your money into an RRSP and vice versa.

### Closing Your Account

You can always keep your tax-free savings account open for life. For RRSPs, you must close them when you turn 71. When you close an RRSP account, you can withdraw your money and pay taxes or convert the account to an annuity or a retirement income account, such as the registered retirement income fund (RRIF). You are then required to withdraw government prescribed amounts, on an annual basis, which will be included in your taxable income.

### Estate Consideration

When opening either a TFSA or RRSP ensure that you designate a beneficiary in order to avoid probate. In case you are leaving your TFSA to your spouse, designate them as the successor holder rather than beneficiary so that the account can roll-over to them without triggering any tax consequences.

### Victor Todorovski, CFA, CFP.

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For further information you can consult: [www.canada.ca/en/revenue-agency](http://www.canada.ca/en/revenue-agency)

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