Educators
FINANCIAL GROUP

Insights

FALL 2023

More in-depth educator-specific financial tips, articles, and resources are available at educatorsfinancialgroup.ca

DID YOU KNOW?

Not-to-be-missed financial deadlines before the end of the year!

Doctors' appointments, mortgage payments, birthdays …we all have dates we shouldn't forget. Here's one to mark on your calendar: December 31st. That's the deadline for a few key financial "to do's" that can help you meet important financial goals.

If you're saving for a first home, open a Tax-Free First Home Savings Account (FHSA) to save on taxes. **Educators' Senior Financial Advisor Bill Rakovitis suggests,** "Open a FHSA this year even if you can't contribute the $8,000 maximum, because your contribution room starts to accumulate the year you open your account". Also, if you open an Educators account by December 31, you could win $2,500 towards your monthly rent! (www.educatorsfinancialgroup.ca/first-home-savings-account/).

If you're saving for a child's education, contribute to a Registered Education Savings Plan (RESP). "Contributing by December 31 will let you maximize the Canada Education Savings Grant you could be eligible to receive", says Bill.

If you turn 71 in 2023, you must convert your RRSP to a RRIF or annuity by year end. Turning 72? You must make your first withdrawal.

If you'll need to withdraw funds from a Tax-Free Savings Account soon, do it by December 31st. The reason? If you withdraw funds January 1, 2024 or after, you can't re-contribute the funds in the same year unless you have additional contribution room. For more about TFSA contribution rules, read this: www.educatorsfinancialgroup.ca/learning-centre/tfsa-master-class-lesson-2/.

Thinking ahead to your 2023 tax return? By year end, make the charitable donations you hope to use, talk to your investment advisor about selling underperforming equities at a loss, and pay for any expenses you'll want to claim.

Your Educators financial specialist can help you keep on track to meet all your financial goals. Talk to us today.

CHUCK'S CORNER

Are you taking advantage of the new benefits Educators offers?

You probably know (because I've proudly mentioned it many times!), that Educators Financial Group® was created to empower the education community and their families to make smart financial decisions.

That's why I want to talk about two products that are uniquely suited to education professionals. One is the new First Home Savings Account (FHSA), a registered account that helps first time homebuyers save for a down payment. It combines the benefits of an RRSP and TFSA – contributions are tax deductible, and qualifying withdrawals are tax-free. It's for you if you're thinking of buying a home, or helping your kids save for their first home… but it can also help enhance your retirement savings (call us to find out how). Most important, contribution room starts the year you open your FHSA. So call us and **open your account today.**

And here's a product that lets you take advantage of low fees, as well as share your Educators' benefits with your loved ones! With The Educators Investment Plus Program™ (www.educatorsfinancialgroup.ca/the-educators-investment-plus-program/), you can grow your investments individually or with your family members and save on advisory fees when your aggregate balance reaches and exceeds $250,000. The cost of ownership in all of your accounts is split into two parts – a product cost and an advisory fee – which makes it easy to see how low Educators' mutual fund fees really are. Another plus is that your family members can participate in the program without compromising the confidentiality of their accounts.

So, make sure you and your family are taking advantage of everything Educators can offer. Call us today to open your FHSA and find out more about The Educators Investment Plus Program.

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PLANNING

Taking a leave: before, during, and after

Whether you're planning to travel, study, or try something new, make the most of your time off by taking steps before, during, and after your leave.

Before your leave, enrol in the Deferred Salary Program, in which you're paid a percentage of your salary for several years beforehand, and then receive the amount owing during the year you're off. Example: if you took a 4 over 5, you'd work full-time for 4 consecutive years and collect 80% of your salary—the remaining 20% would then be banked for year 5. According to **Financial Advisor, Shubam Bajaj** "many of our clients aren't sure whether they could live on 80% of their salary. One way to check is to make use of our user-friendly online budget calculator. www.educatorsfinancialgroup.ca/budget-calculator/".

During your leave, monitor your budget and cut costs if you go off track. Write down your costs for a month. "Take a close look at non-essentials especially, like coffee or takeout food, unused memberships, and any incurred travel expenses", says Shubam. "Many people are surprised at how much they're spending".

After your leave, determine if you'll have a pension gap if you don't make up the pension payments you missed. According to the OTPP, making up a year's gap in your pension typically costs approximately $10,000 (based on a full-time salary of $78,000). If you decide to buyback your leave, you must advise the OTPP by April 30th of the year after your leave. You can find out more about buybacks here: www.educatorsfinancialgroup.ca/learning-centre/taking-a-leave-you-should-understand-pension-buybacks/.

If a leave is in your future, your Educators financial advisor can help you establish a plan to make the most of it. Give us a call today.

Make sure you'll have the retirement income You'll need, with our Pension Income Gap Calculator. www.educatorsfinancialgroup.ca/calculatepensiongap/

INVESTING

Diversification: What it is…and isn't.

Investors hear a lot about how a diversified portfolio protects against market volatility. And yet, how diversification actually works can be confusing. "Because diversification is described as 'not putting all your eggs in one basket'", **says Educators Senior Financial Advisor Phil Blouin,** "some investors think it means splitting a portfolio amongst different financial institutions, but that's not the case. Diversification means holding a variety of investments, because different investments react differently to market conditions. If one investment goes down in value, another may be going up at the same time, which can minimize losses."

Here's an example of how this works with asset types: If you only invest in stocks, and the stock market crashes, it would affect all of your portfolio. But if your portfolio is diversified with other investments (GICs, bonds, real estate, cash), when the market drops it's less likely that all your investments will lose value at the same time. You can also diversify by holding different sectors in each asset type (for example, holding more than just energy stocks), and through geography (investing in companies around the world). This article explains diversification more: www.educatorsfinancialgroup.ca/learning-centre/investing-101-5-point-guide/.

Of course, your portfolio also needs to reflect your risk tolerance and time horizon. One easy way is with the Educators Monitored Portfolios®, which consists of four different portfolios that have diversification built in by featuring different asset classes, geographies and currencies. www.educatorsfinancialgroup.ca/educators-monitored-portfolios/.

Don't be nervous about building a diversified portfolio that meets your needs. An Educators financial advisor can answer all your questions. Call us today to set up an appointment at 1.800.263.9541.

A Pre-authorized Contribution Plan can make it easy to invest regularly. www.educatorsfinancialgroup.ca/learning-centre/pre-authorized-contribution-plans/

BORROWING

Is a Reverse Mortgage for you?

Retirees know: expenses during retirement can be more than expected. Your home's roof needs replacing. Maybe you're still paying off debt. Inflation has made it harder to make ends meet. You have unexpected health care costs … or simply want to enjoy the retirement you dreamed of. **Educators Mortgage Agent Level 1 Chris Knoch says,** "If you find yourself needing more income during retirement, it pays to be financially literate and know your options. For Canadian homeowners aged 55+, a CHIP Reverse Mortgage® from HomeEquity Bank may be the answer."

With a CHIP Reverse Mortgage, you can access up to 55% of your home's value. Funds can be withdrawn in a variety of ways – a lump sum, in stages, at regular intervals over a set period, (or a combination). "You are not required to make monthly mortgage payments. You're only required to repay the loan when you decide to move out, sell, or no longer reside in your home. In addition, withdrawals are tax-free and don't affect any Old Age Security (OAS) or Guaranteed Income Supplement (GIS) benefits", **says Chris.**

HomeEquity Bank also offers a No Negative Equity Guarantee*, which means you will never owe more than the value of your home, as long as you keep the property in good maintenance, pay property taxes and insurance, and the property is not in default.

Educators Financial Group has partnered with HomeEquity Bank to offer the CHIP Reverse Mortgage to our clients. You can learn more about it here: www.educatorsfinancialgroup.ca/borrowing/mortgages/#/mortgages/reverse-mortgage. Interested in how a reverse mortgage can help you get more out of your home? An Educators Mortgage Agent can answer all your questions. Call us today at 1.800.261.9341.

A debt consolidation loan can help you reduce the amount of tax you pay on your loan. Find out more: www.educatorsfinancialgroup.ca/learning-centre/you-pay-enough-in-pension-contributions/

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* https://www.chip.ca/home-ownership-in-canada/