

Cardinal Update

Your Year-End Financial Planning Checklist

You still have a few weeks to follow through on your New Year's resolutions for 2022. Sure, you may not have thought of them since we turned the calendar on 2021 but some deadlines are in play here so it's important to take action on a number of financial fronts. If you think any items on our checklist may apply to you, now would be a great time to speak with your financial advisor.

CASH-FLOW AND INCOME

Review your expected taxable income and cash-flow for the year. Are you running a cash-flow surplus and is your taxable income going to fall into the appropriate tax bracket this year? What do the next three to six months look like? According to the FP Canada 2022 Financial Stress Index, more than two-thirds of Canadians (68 per cent) plan to make at least one significant purchase over the next year. In addition to any planned purchases, you may want to put funds towards your savings goals or reduce debt that may have increasing interest rates. Once you have determined whether you're going to be in surplus or deficit, you may be able to control the timing – either this year or 2023 – and the source of the income. Contributing to your RRSP, skipping a RRIF payment if you have already taken your annual minimum or deferring income or bonuses, may help you manage your marginal income tax rate. If you require funds and are considering a TFSA (Tax-Free Savings Account) withdrawal in the near future, take the money out before the end of December.

Doing so will add back the amount withdrawn to your TFSA contribution limit on Jan. 1.

EMPLOYEE BENEFIT PLANS

Have you maximized all employee contribution programs that are matched by your employer such as pension, group RRSP and Deferred Profit Sharing Plans (DPSP)? If not, make some additional contributions to take advantage of these benefits.

TAX PLANNING

The last day for tax-loss selling is Dec. 28. If you have non-registered investments, you may want to consider selling securities with unrealized capital losses to offset your realized capital gains. Net capital losses realized can be carried back three years or carried forward indefinitely to apply against net capital gains. There may also be situations where it's advantageous to trigger capital gains.

Charitable donations must be made by Dec. 31 in order to be claimed on your 2022 tax return.

Rather than gifting cash, you may want to consider donating publicly-traded securities as your charitable gift. In return, you'll receive a tax receipt for the fair market value of the stocks and eliminate any capital gains tax that would otherwise be payable on the sale of those securities.

MATERIAL CHANGES WITHIN YOUR FAMILY

The birth or death of a family member, change in marital status or living arrangements, buying or selling a home, and switching jobs can all impact your finances. They could also trigger the need for an insurance review, risk tolerance assessment and updates to your will and estate planning goals.

PLANNING FOR THE YEAR AHEAD

The RRSP contribution deadline for the current tax year is March 1, 2023. The maximum contribution limit is \$29,210 for 2022 and \$30,780 for 2023. The TFSA contribution limit for 2023 was recently increased from \$6,000 to \$6,500.

COMPANY FOCUS: GILEAD SCIENCES

Gilead Sciences is a U.S. based bio-pharmaceutical company best known for its hepatitis C and HIV treatments and more recently for its role in the COVID-19 pandemic. Together with Pharmasset, which it acquired in 2011, they developed a cure for hepatitis C, which drove earnings and revenue growth in 2014 and 2015. The patient pool shrunk as sufferers were cured, causing Gilead's earnings and revenue to fall from 2016 to 2018.

Gilead has continued to search out new frontiers. It has completed a number of acquisitions to build out its oncology business, while remaining a leader in the treatment and prevention of HIV, a combination which has helped return the company to growth mode.

Gilead has played a crucial role during the pandemic as its antiviral treatment, Veklury, is widely used to treat hospitalized patients. More than 11 million patients have been treated globally since March 2020, including 60 per cent of U.S. COVID patients currently in hospital. Gilead's shares have done very well since the end of September due to strong earnings and outperformance from the healthcare sector. Shares are now trading at 12x forward earnings estimates. The dividend yield is 3.6% and the dividend has increased every year since it was instituted in 2015.

DIVIDEND INCREASES

Company Name	Dividend Increase
V.F. Corp.	2.0%
Abbvie	5.1%

(For the period Oct. 1-31, 2022)

