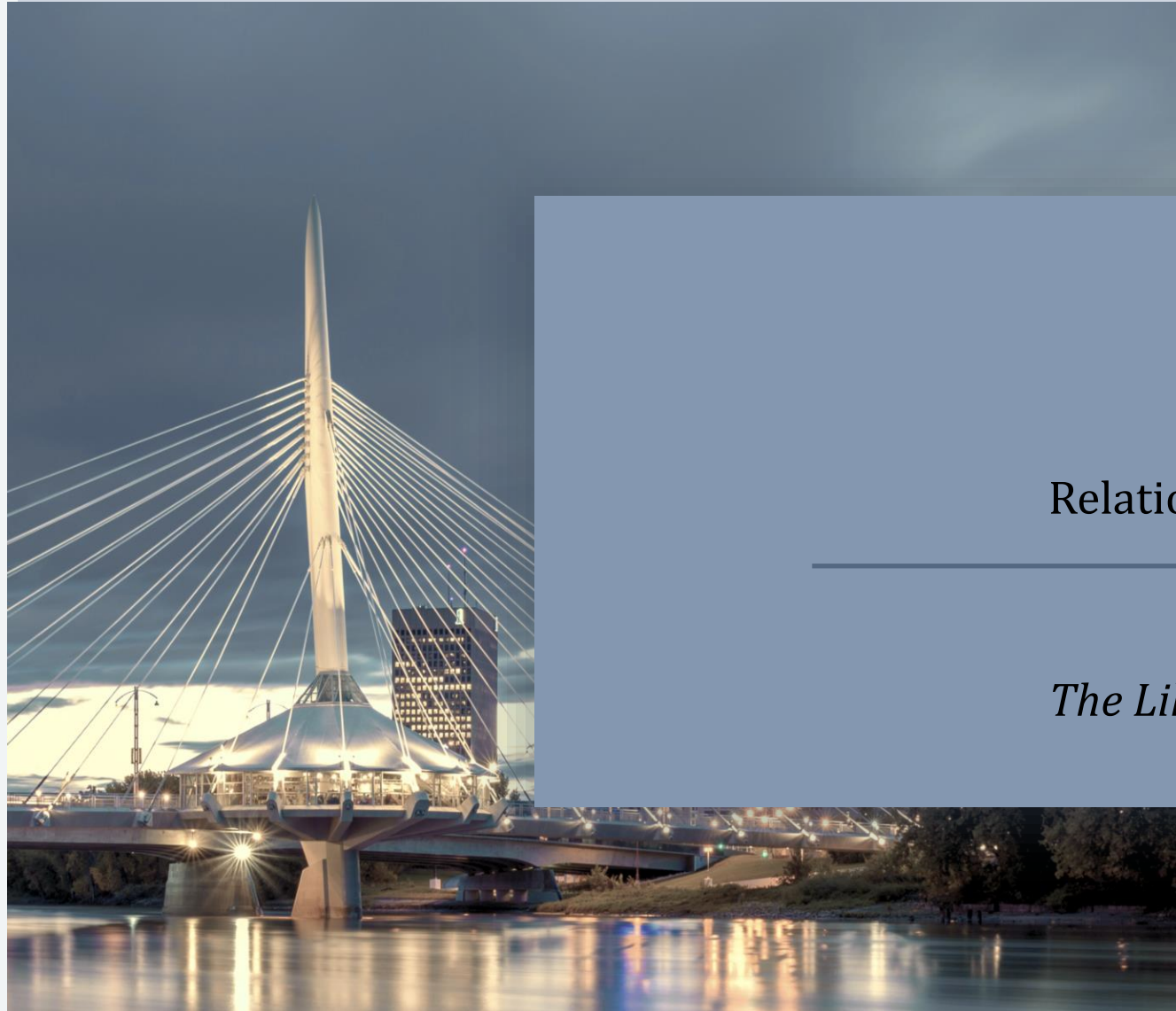


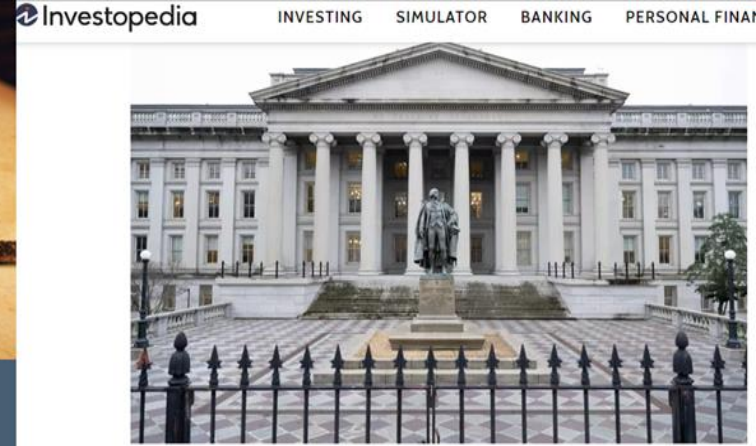
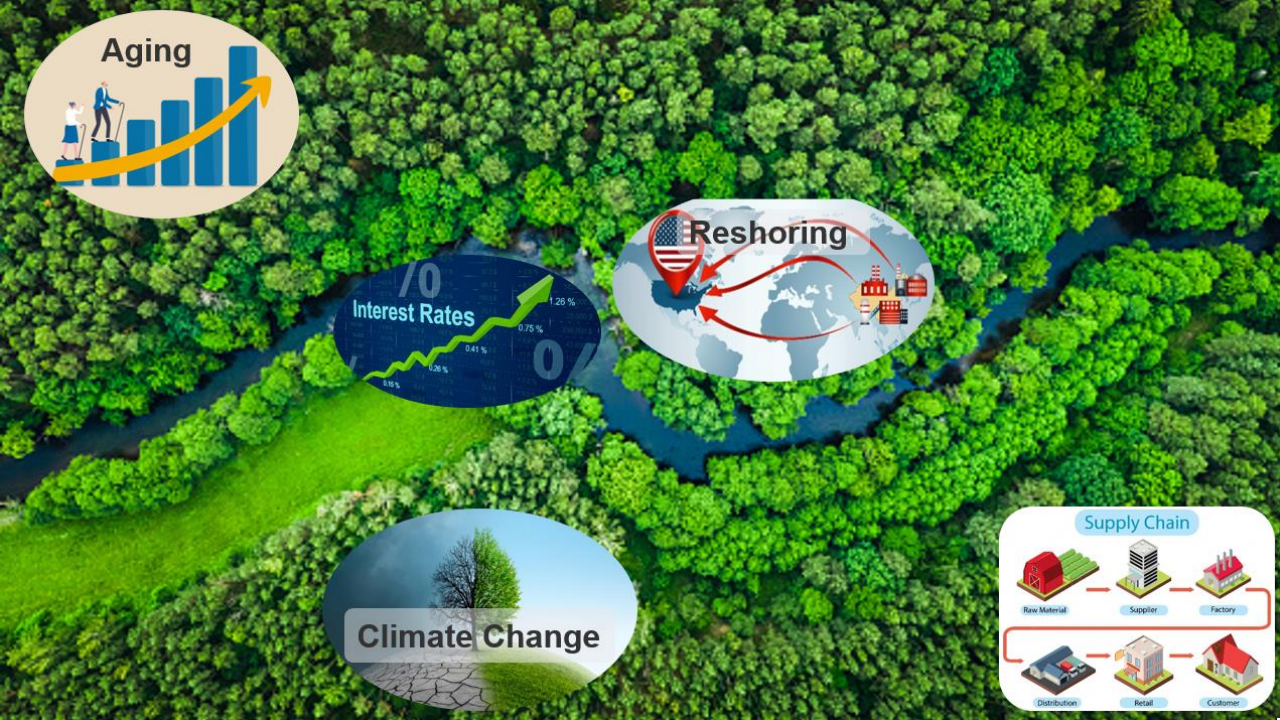
OCTOBER 25



Ron Haik

Wealth Advisor & Client
Relationship Manager, Nicola Wealth

*Economic Outlook:
The Likely Trends & How To Be Ready*



SAUL LOEB / Contributor / Getty Images

KEY TAKEAWAYS

- The market for U.S. Treasuries has shed almost a quarter of its value since Treasury yields bottomed out in the summer of 2020.
- It's the biggest Treasury bond bear market in history, surpassing two similar periods in the 19th century, according to a Bank of America research note.



Alternative Minimum Tax (AMT)

['ɒl-'tər-nə-tiv 'mi-nə-məm 'taks]

A floor on the percentage of taxes that a filer must pay to the government.

Advanced Planning Tools

Compensation Analysis

- Dividends vs. Salary for compensation
- Impact of Active Business Tax rate
- When both make sense
- When to use IPPs vs. RRRPs

Year	Salary	Dividends	RRSP	TFSA	Other	Total
2021	100,000	0	0	0	0	100,000
2022	100,000	0	0	0	0	100,000
YTD 2023	100,000	0	0	0	0	100,000
Cumulative	300,000	0	0	0	0	300,000

Estate Planning and Philanthropy

- Tax impact on income and asset building
- Timing and structure of philanthropic gifts
- Projections as to estate growth and foundations or DAFs
- Tax liabilities in estates and how to mitigate them

Year	Net Worth	Charitable Contributions	Other Deductions	Total
2021	1,000,000	0	0	1,000,000
2022	1,000,000	0	0	1,000,000
YTD 2023	1,000,000	0	0	1,000,000
Cumulative	3,000,000	0	0	3,000,000

Tax Analysis of Investment

- Tax efficiency of non-registered assets
- Corporate vs. personal investing
- Using life insurance, debt restructuring, and philanthropy to reduce taxable income

Year	Starting Balance	Net Deposits	Ending Balance	Return Net of Fees (%)	Return Net of Fees (%)
2016	100,000	0	100,000	0.00%	0.00%
2017	100,000	0	100,000	0.00%	0.00%
2018	100,000	0	100,000	0.00%	0.00%
2019	100,000	0	100,000	0.00%	0.00%
2020	100,000	0	100,000	0.00%	0.00%
YTD 2023	100,000	0	100,000	0.00%	0.00%
Cumulative	500,000	0	500,000	0.00%	0.00%

see the forest
for the trees.



2022 was the worst-ever year for U.S. bonds. How to position your portfolio for 2023

PUBLISHED SAT, JAN 7 2023 9:00 AM EST

Greg Iacurci
@GREGIACURCI

SHARE f t in e

KEY POINTS

- 2022 was the worst year on record for bonds, according to Edward McQuarrie, an investment historian and professor emeritus at Santa Clara University.
- That's largely due to the Federal Reserve raising interest rates aggressively, which clobbered bond prices, especially those for long-term bonds.

TV
Nitro Rallycross
UP NEXT | World Rugby Sevens
03:00 pm ET



TRENDING NOW

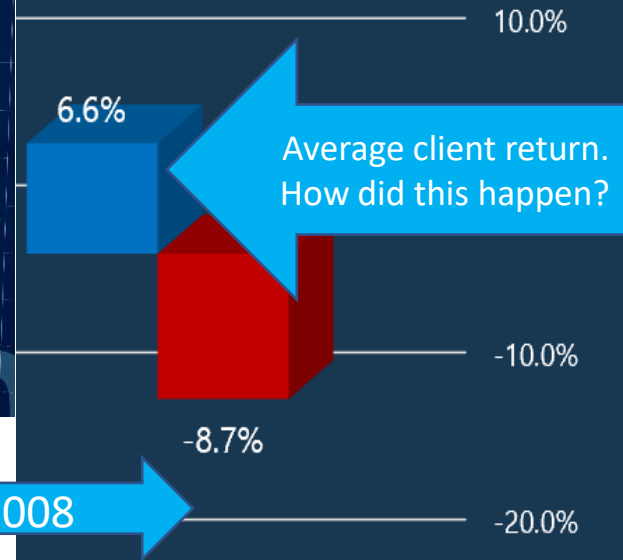
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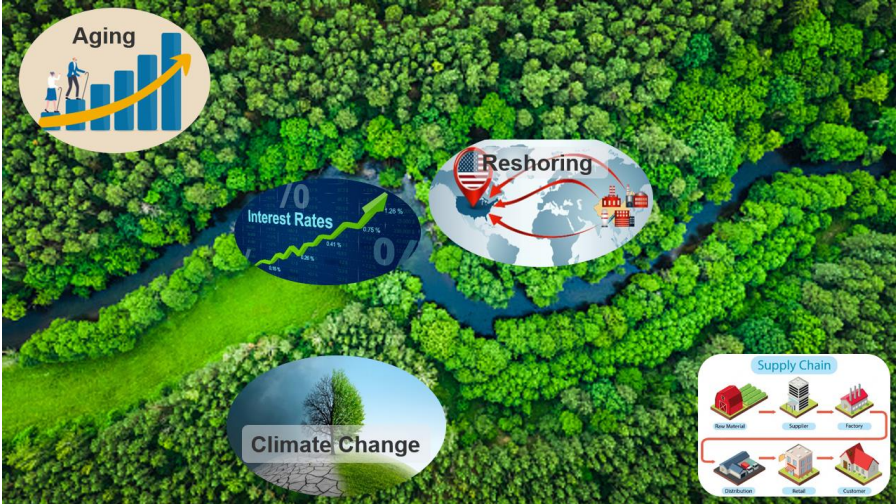
COVID-19 CDC urges |



Worst 60/40 result since 2008







- Geo-political issues impact supply chain
- Ukraine War impact of food and energy
- China conflict with US, Covid strategy, real estate bubble, and demographics
- Reliability of shipping and manufacturing
- Israel/ Palestine

- Almost 50% of countries = to 50% of global population and more than 70% of GDP have negative birth rates
- Inflationary or deflationary?
- Impact on capital markets?



- Bring supply closer to demand
- Reduced shipping costs, safety of technology, and rule of law
- Wage differentials. Mexico, Central and South America possible winners (Canada to a lesser degree)
- Western hemisphere population is over 1 billion

- 40-year bull market in bonds ended 2021
- Highest interest rates since 2007
- Inflation dependent
- Where to from here?



- Driven by climate and technology
- Challenges with consistency of solar and wind and battery storage
- Nuclear is in play (fusion in five years?)
- Canada might be a "winner" (longer growing season)
- Fossil fuels will decline but persist

Bondageddon?

Learn about the impact of rising interest rates, market dynamics, and strategies for safeguarding your portfolio.

By **John Nicola**, Chairman & Chief Executive Officer
William John, Principal, Fixed Income
Ben Jang, Portfolio Manager
October 11, 2023 | 3 min read



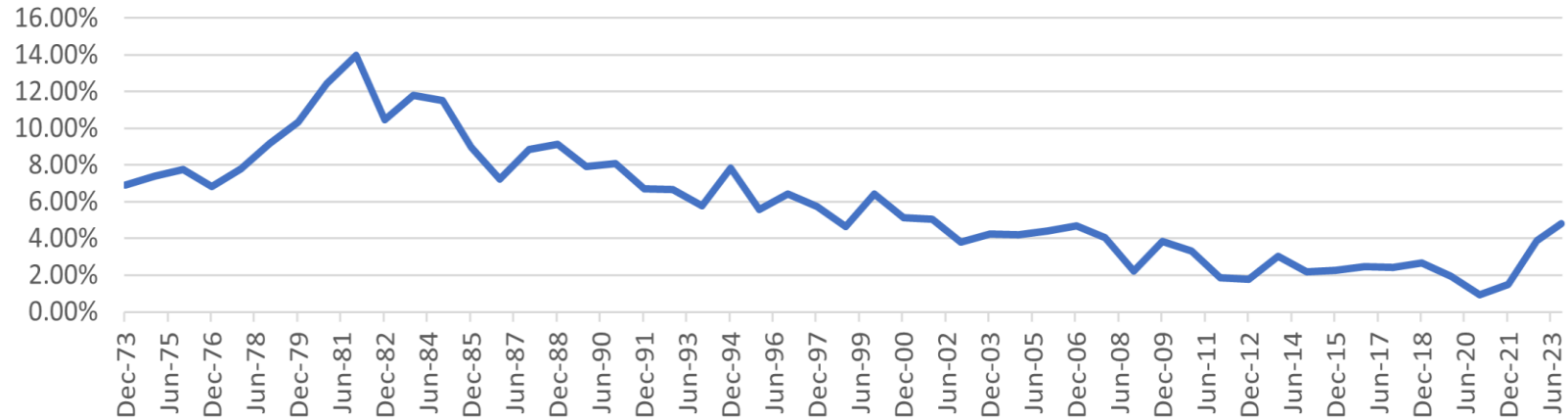
Imagine going back to the end of 2020, the first full year of the COVID-19 pandemic. At that time, the virus was running rampant. Pfizer's first vaccine had just become available, but it would still take months before the death rate peaked in many parts of the world. Lockdowns were common, and the economy was in a recession, with unemployment reaching 9.5% in Canada. The economic environment was bleak. In times such as these, it pays to be safe and conservative with your investments.

Or does it?

INVESTMENT RISK PYRAMID



U.S. 10-year Bond Yields



Canada 10-year Bond Yields

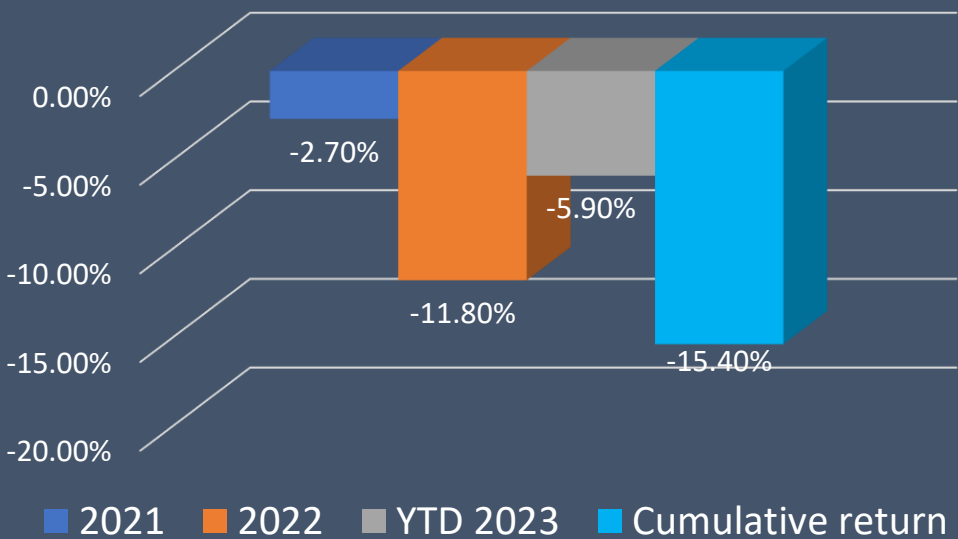


How have “ safe” bonds performed over the last three years ?



SAUL LOEB / Contributor / Getty Images

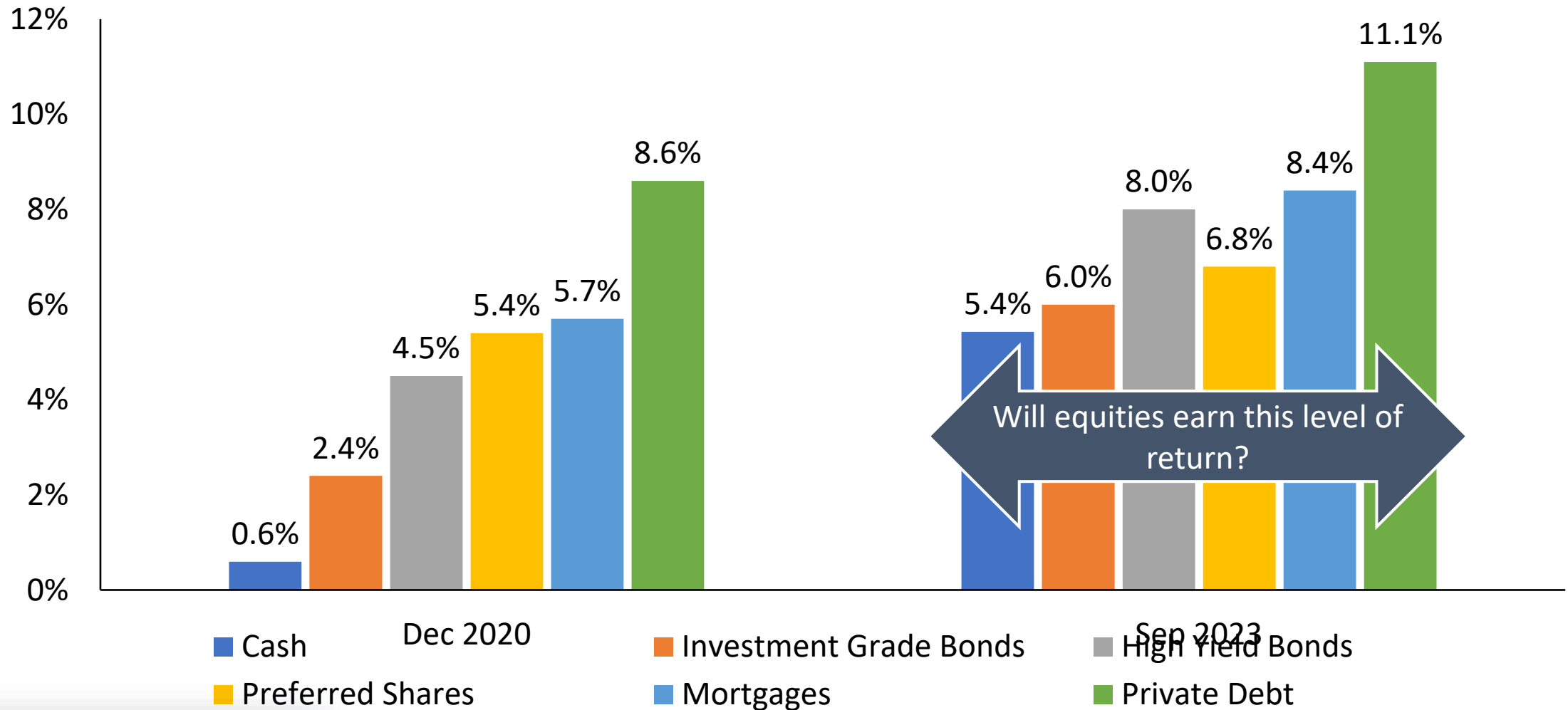
iShares Core Canadian ETF



KEY TAKEAWAYS

- The market for U.S. Treasuries has shed almost a quarter of its value since Treasury yields bottomed out in the summer of 2020.
- It's the biggest Treasury bond bear market in history, surpassing two similar periods in the 19th century, according to a Bank of America research note.

Fixed Income Yields Are Attractive





REVEALED: THE MAGNIFICENT SEVEN STOCKS WHICH HAVE SHOT UP THIS YEAR

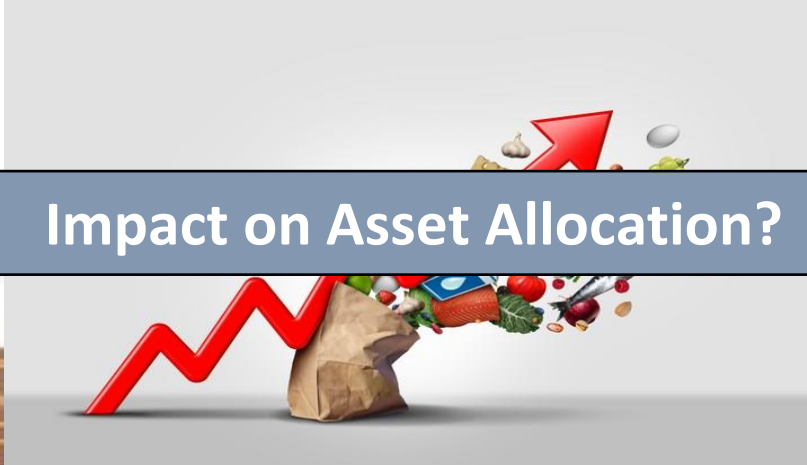
 **41%** ↑
Microsoft
  **17%** ↑
Alphabet
  **22%** ↑
amazon
  **179%** ↑
Nvidia

 **42%** ↑
Apple
  **77%** ↑
Meta
  **22%** ↑
Tesla

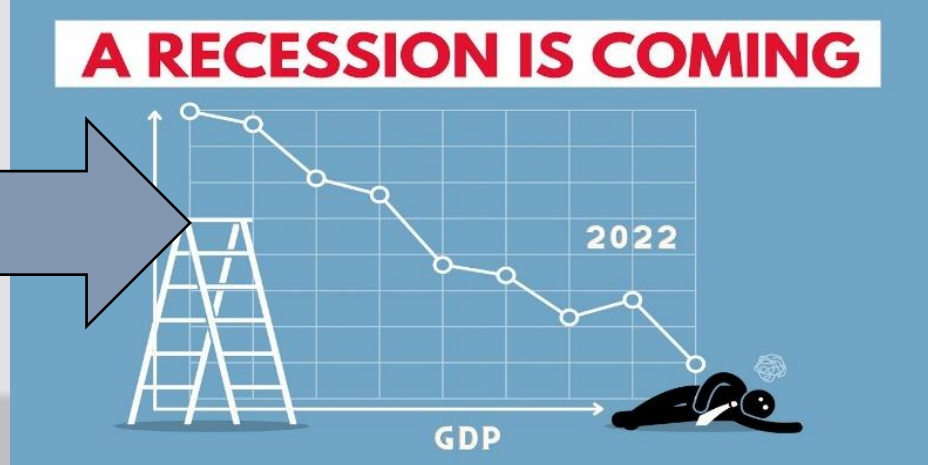




Geo-politics



Inflation



Recession

Impact on Asset Allocation?





Meet the advisors who will build your personalized plan.

BOOK A MEETING

Leaders | The baby-bust economy

Global fertility has collapsed, with profound economic consequences

What might change the world's dire demographic trajectory?



W / Population / World / World Population Projections

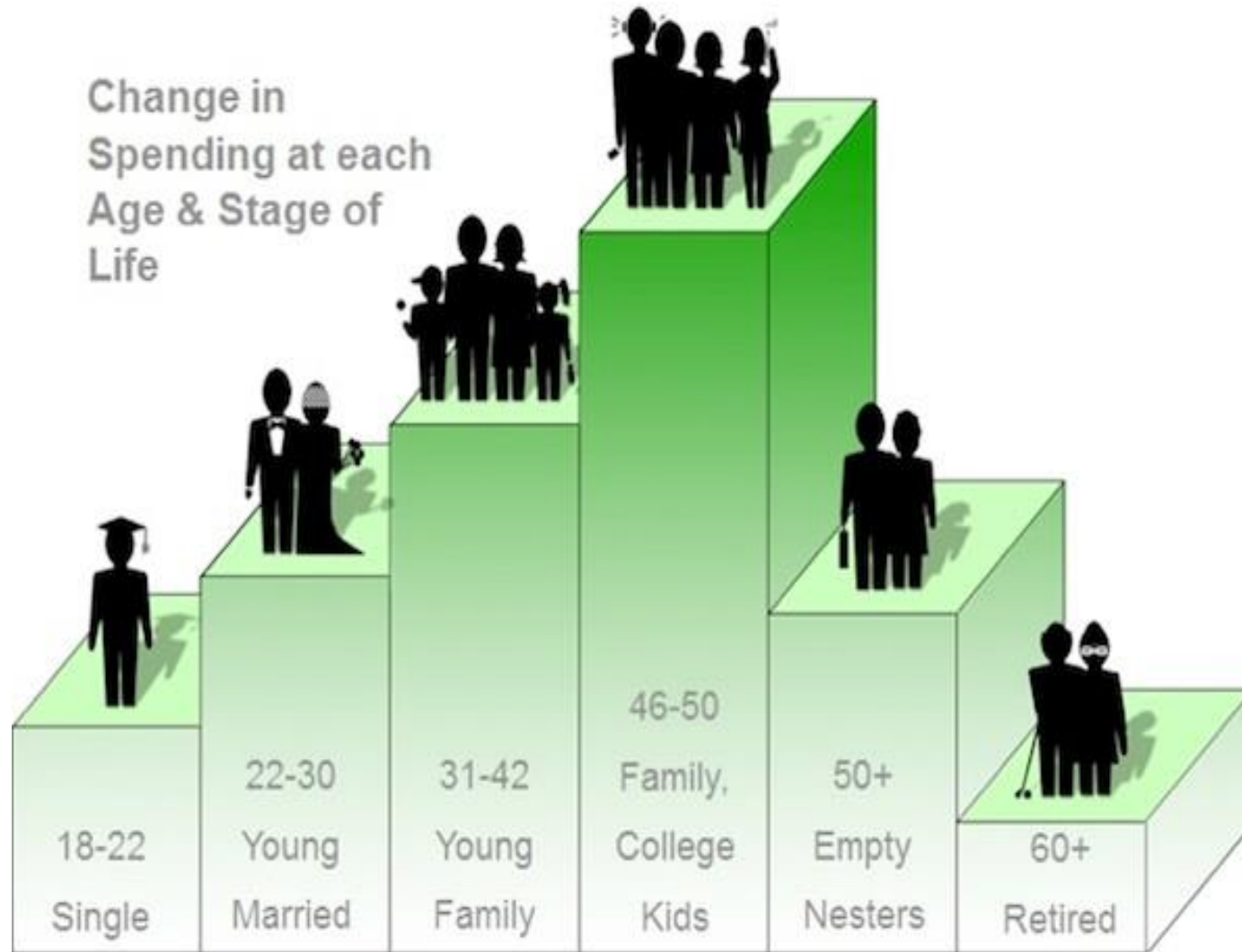
World Population Projections

Year	World Population	Yearly Change	Net Change	Density (P/Km ²)
2020	7,794,798,739	1.05 %	81,330,639	52
2021	7,874,965,825	1.03 %	80,167,086	53
2022	7,953,952,567	1.00 %	78,986,742	53
2023	8,031,800,429	0.98 %	77,847,862	54
2024	8,108,605,388	0.96 %	76,804,959	54
2025	8,184,437,460	0.94 %	75,832,072	55



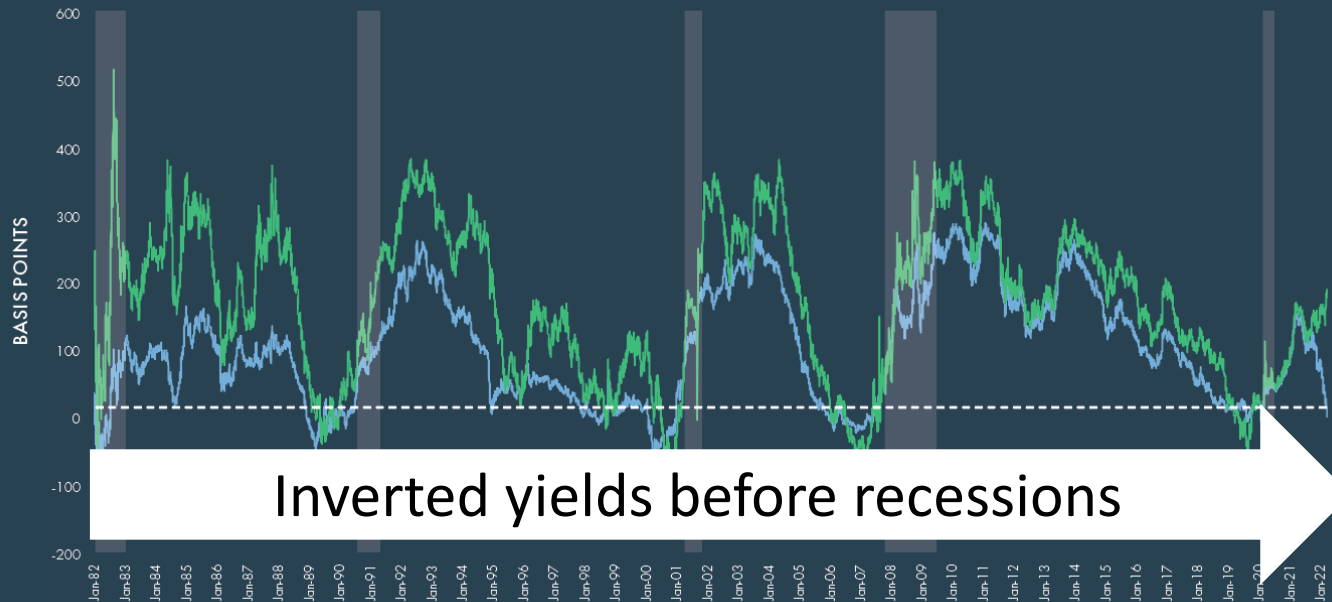
Global Population will peak in 2100 (2050 Ex Africa). Estimates are between 9.7B and 11B. However, the major issues is the rate of aging and overall old age dependency ratios. Population decline already in China, Russia, Italy, Japan, South Korea, Germany, Greece, Portugal and Spain.

Change in Spending at each Age & Stage of Life



Aging and population decline are often, if not usually, deflationary (think Germany and Japan)

HISTORIC YIELD SPREADS VS RECESSIONS



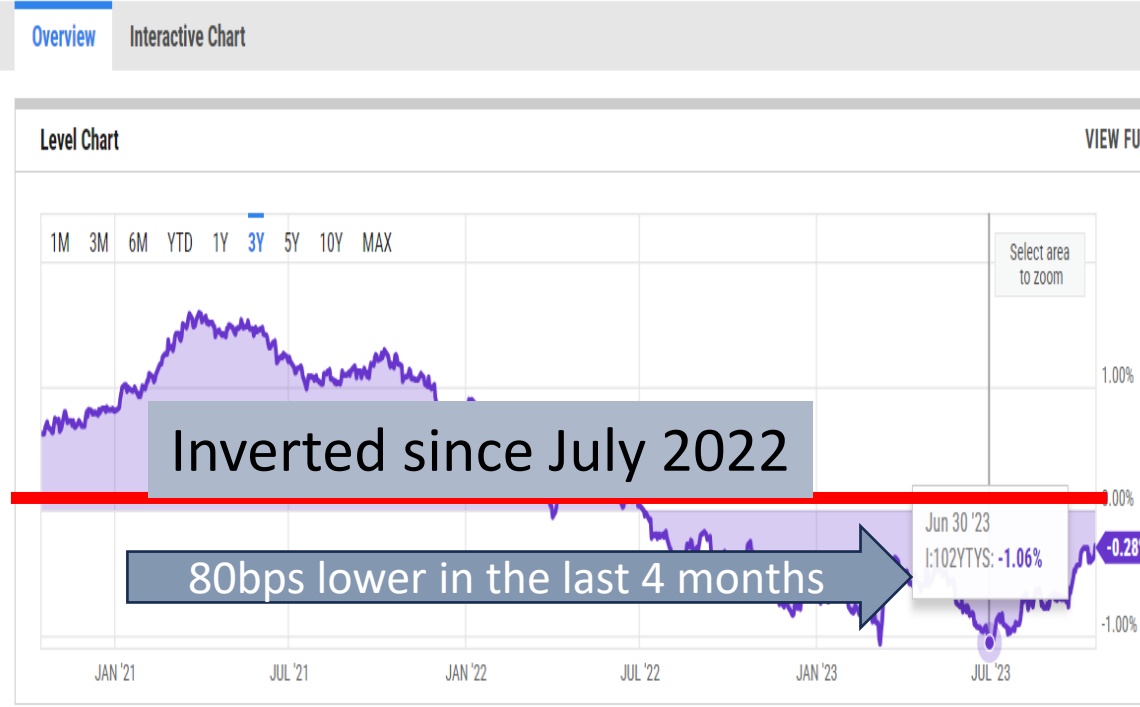
Inverted yields before recessions

Shaded areas indicate U.S. recessions — 10-Year - 2-Year — 10-Year - 3-Month

Source: Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity [T10Y3M], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10Y3M>, March 30, 2022. 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity [T10Y2Y], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10Y2Y>, March 30, 2022.

10-2 Year Treasury Yield Spread (1:102YTYS)

-0.28% for Oct 18 2023



Inverted since July 2022

80bps lower in the last 4 months

Jun 30 '23
1:102YTYS: -1.06%
-0.28%

Morgan Stanley
INVESTMENT MANAGEMENT

2023
Investment
Outlook

INSTITUTIONAL INVESTORS



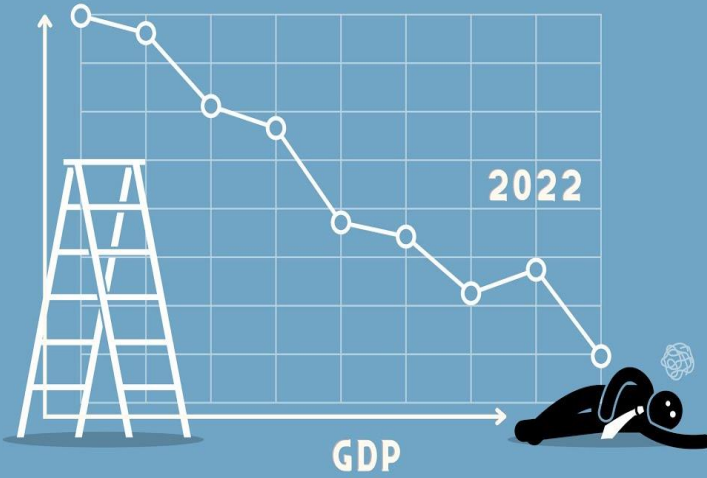
Andrew Slimmon
Head of Applied
Equity Advisors

We See A Resilient Economy Without a Looming Collapse

KEY POINTS

- 1 In our view, the first quarter of 2023 has the ingredients to build on strengths of the fourth quarter of 2022.
- 2 An inverted yield curve hints at a potential economic slowdown at some point in the year ahead.
- 3 We're scaling back on megacap stocks after a mega run-up.

A RECESSION IS COMING



The Economist

Menu Weekly edition The world in brief Search

Could America's economy escape recession?

The route to a soft landing is narrow



Forbes ADVISOR

Advisor > Investing Advertiser Disclosure

Recession Or Soft Landing: What's Next for the U.S. Economy?

By Wayne Duggan Contributor

Reviewed By Benjamin Curry Editor

Updated: Aug 15, 2023, 6:51pm

Editorial Note: We earn a commission from partner links on Forbes Advisor. Commissions do not affect our editors' opinions or evaluations.



Recession Coming

- Relatively effective way to deal with inflation
- If successful, rate hikes stop
- Opportunity to acquire longer duration bonds and equities?

on the
margin.

2023 Recession

Incoming



David Rosenberg

<https://www.rosenbergresearch.com/subscriptions/>

<https://hub.rosenbergresearch.com/free-trial>

ELO Network



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Rosenbergresearch.com

ECONOMIC COMMENTARY

Breakfast with Dave

September 6, 2023

IN THIS ISSUE

MORNING MACRO/MARKET MUSINGS

- Finally, I see one factor behind the generalized run-up in government bond yields — investors have been making room for the deluge of high-grade corporate issuance

MEMO FROM THE CHIEF ECONOMIST: INFLATION — IN THROUGH THE OUT DOOR

- Why inflation is not going to be sticky and why we are adding duration (the crowd goes “hush...”) to the bond portfolio

TRAILERS FOR SALE OR RENT

- The Apartment List group released its National Rent Report for August and rents last month dipped -0.1% outright, which is really akin to a -0.4% decline in seasonally-adjusted terms

WHAT'S BEHIND THE BOND YIELD BACKUP?

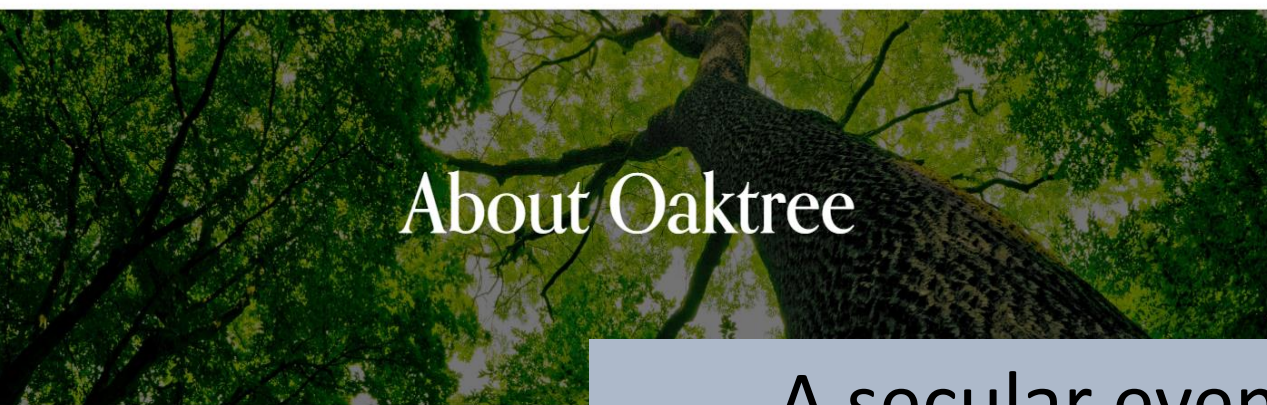
- After all, we can always rely on the Fed to end up tightening more than we can ever imagine and the very same thing applies to the easing cycles

Geo-Politics



- Trade War in Tech
- World's largest housing bubble
- Debt issuance and defaults
- Much lower future economic growth
- Rule of Law
- Demographics
- China Un-investable?

- Impact on commodity inflation
- Russia a pariah state?
- Nuclear threat
- Russia demographically imploding
- Oil / Gas revenues down \$150M USD per day
- 2022 deficit = \$47B (Jan 2023 = \$25B)
- GDP 10% lower than Canada



About Oaktree



A secular event that requires us to make fundamental changes in our overall asset allocation

1995

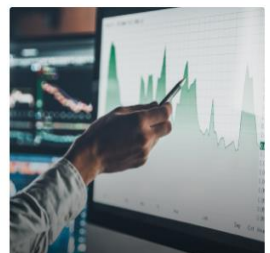
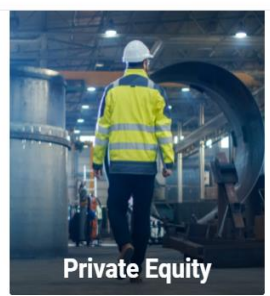
Firm founded

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Assets und

Strategies

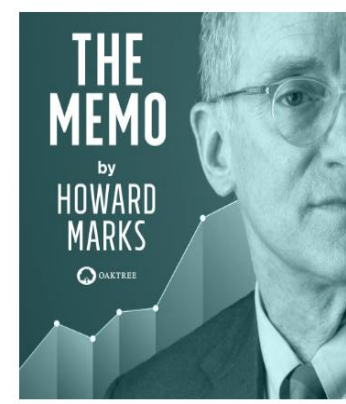
As a leader and pioneer in alternative investments, we offer a broad range of products across the capital structure.



MEMOS FROM HOWARD MARKS
DEC 13, 2022

Download PDF

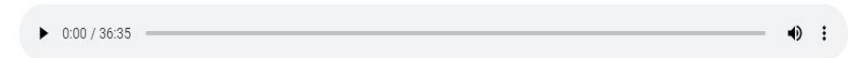
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Sea Change

Profound or notable transformation

of the last four decades. Howard discusses what this potentially new era could mean for lenders, especially bargain hunters.



MEMOS FROM HOWARD MARKS
DEC 13, 2022

- Download PDF
- Listen to Memo
- Archived Memos

SUBSCRIBE

Sea Change

sea change (idiom): a complete transformation, a radical change of direction in attitude, goals ... (Grammarist)

In my 53 years in the investment world, I've seen a number of economic cycles, pendulum swings, manias and panics, bubbles and crashes, but I remember only two real sea changes. I think we may be in the midst of a third one today.

As I've recounted many times in my memos, when I joined the investment management industry in 1969, many banks – like the one I worked for at the time – focused their equity portfolios on the so-called "Nifty Fifty." The Nifty Fifty comprised the stocks of companies that were considered the best and fastest-growing – so good that nothing bad could ever happen to them. For these stocks, everyone was sure there was "no price too high." But if you bought the Nifty Fifty when I started at the bank and held them until 1974, you were sitting on losses of more than 90% ... from owning pieces of the best companies in America. Perceived quality, it turned out, wasn't synonymous with safety or with successful investment.

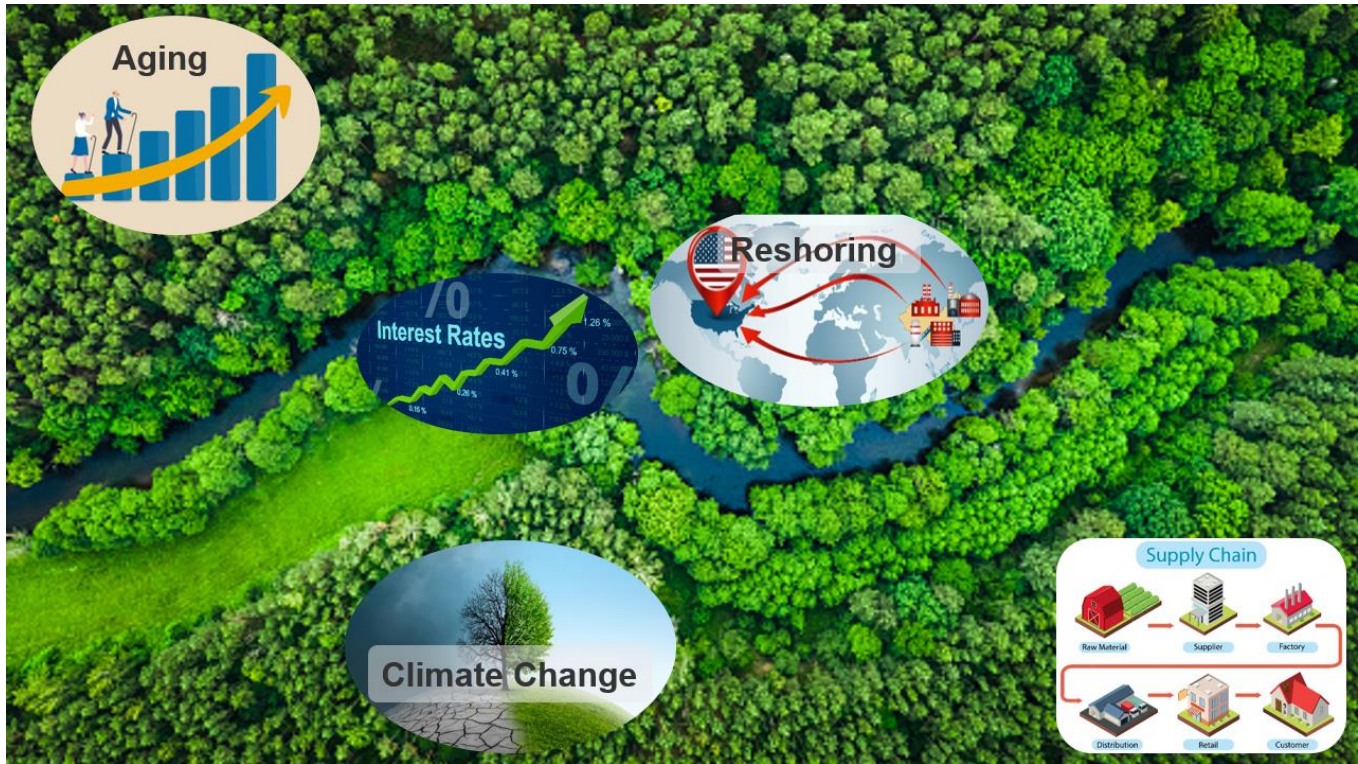
Meanwhile, over in bond-land, a security with a rating of single-B was described by Moody's as "failing to possess the characteristics of a desirable investment." Non-investment grade bonds – those rated double-B and below – were off-limits to fiduciaries, since proper financial behavior mandated the avoidance of risk. For this reason, what soon became known as high yield bonds couldn't be sold as new issues. But in the mid-1970s, Michael Milken and a few others had the idea that it should be possible to issue non-investment grade bonds – and to invest in them prudently – if the bonds offered enough interest to compensate for the risk of default. In 1978, I started investing in these securities – the bonds of perhaps America's riskiest public companies – and I was making money steadily and safely.

Howards sees Third Sea Change Underway in Markets

Investment Television - Jan 18, 2023



MARKS: WE MAY BE IN MIDST OF A 3RD SEA CHANGE



A 40-year period of declining interest rates has ended and money will have "real costs" from now on.

THE COMPONENTS OF OUR APPROACH

Second Step

Third Step

- What rate of return have you earned after fees for the last 1, 3, 5, and 10 years?
- Is your compensation the most tax effective it could be?
- What tax rates are you paying on non-registered assets?
- What is the tax liability in your estate?
- What income is being generated annually by your current portfolio?
What percentage is that of your retirement income needs?
- What is the most tax efficient way to build investment capital?
- How will you best monetize the equity in your company?

Advanced Planning Tools

Compensation Analysis

- Dividends vs. Salary for compensation
- Impact of Active Business Tax rate
- Impact of AMT
- When to use IPPs vs. RRSPs

Compensation Analysis - British Columbia													
Salary + Registered Savings VS Dividends + Corporate Savings (2023)													
Pre-Tax Income	Corporate Active Tax Rate	Corporate Passive Tax Rate	Top Personal Tax Rate	Annual Investment Return	Inflation Factor	Div. Payout Ratio	Current Year YMPE	CPP Non Contribution Threshold	2023 CPP Tier 1 Rate (Self Employed)	2025 + CPP Tier 2 Rate	Current Year CPP maximum premium Tier 1	Current Max CPP Benefit - Monthly	Enhanced CPP Benefit
150,000	27.0%	50.17%	53.0%	6.0%	2.0%	82.0%	\$ 66,600	\$3,500	11.90%	8.00%	\$7,500	\$1,307	50%

Summary of Results														
Years	After-Tax Compensation				Salaried Income Results				Dividend Income Results				Dividends vs. Salary	
	Salary	Dividend	Difference (\$)	Difference (%)	Before-tax savings	CPP notional account	Total Registered and CPP Notional	After Tax registered	Before Tax corporate	RTOH	Total Corporate	Corporate after Tax	Before Tax	After Tax
5	466,003	451,867	(14,136)	-3.1%	167,531	47,061	214,592	77,902	121,057	370	121,427	77,058	(93,164)	\$
10	969,142	948,506	(20,636)	-2.2%	409,161	110,954	520,115	190,260	292,954	896	293,850	186,502	(226,225)	\$
15	1,513,784	1,451,783	(62,001)	-4.1%	751,769	194,522	946,290	349,572	533,210	1,631	534,841	339,410	(411,449)	\$
20	2,103,804	2,084,791	(19,013)	-0.9%	1,231,510	302,636	1,534,146	572,652	864,746	2,645	867,391	550,446	(666,754)	\$
25	2,740,571	2,731,059	(9,512)	-0.3%	1,896,980	441,282	2,338,262	882,096	1,318,076	4,031	1,322,108	839,010	(1,016,154)	\$
30	3,427,916	3,435,677	7,761	0.2%	2,813,439	617,818	3,431,257	1,308,219	1,933,479	5,914	1,939,393	1,230,739	(1,491,864)	\$

Estate Planning and Philanthropy

- Tax impact on income and asset building
- Timing and structure of philanthropic gifts
- Projections as to estate growth and foundations or DAFs
- Tax liabilities in estates and how to mitigate them

Estate and Philanthropy Projections							Estate / Philanthropy little planning					
No or little planning												
Age	Gross estate	Tax estimate plus probate fees	Net Estate after taxes and charitable gifts	Donor advised Fund charitable gifts	Cumulative Charitable gifts	Total net estate after taxes+DAF + Charitable gifts	Total Spendable Income	Age	Gross estate	Tax estimate plus probate fees	Net Estate after taxes and charitable gifts	Donor advised Fund
47	\$ 98,870,250	\$ 32,882,379	\$ 65,987,870	\$ -	\$ -	\$ 65,987,870	\$ 953,383	47	\$ 84,598,500	\$ 24,937,415	\$ 59,661,085	\$ -
50	\$ 126,256,630	\$ 46,847,631	\$ 79,409,000	\$ 3,432,087	\$ 356,784	\$ 83,201,871	\$ 4,931,623	50	\$ 111,004,265	\$ 32,733,360	\$ 78,270,905	\$ -
55	\$ 192,863,487	\$ 75,491,170	\$ 117,372,317	\$ 11,982,889	\$ 2,347,676	\$ 131,702,881	\$ 9,394,393	55	\$ 176,734,341	\$ 52,028,147	\$ 124,706,194	\$ -
60	\$ 299,236,816	\$ 116,819,164	\$ 182,417,652	\$ 28,719,879	\$ 6,596,588	\$ 217,734,119	\$ 17,225,932	60	\$ 284,660,451	\$ 83,442,717	\$ 201,217,734	\$ -
65	\$ 447,887,377	\$ 172,238,086	\$ 275,649,291	\$ 62,445,282	\$ 23,125,574	\$ 361,220,147	\$ 26,461,295	65	\$ 424,768,332	\$ 146,173,432	\$ 278,594,900	\$ -
70	\$ 692,887,419	\$ 262,032,893	\$ 430,854,526	\$ 102,291,993	\$ 66,629,802	\$ 599,786,319	\$ 37,758,261	70	\$ 606,993,467	\$ 221,298,136	\$ 385,695,331	\$ -
75	\$ 1,047,888,619	\$ 414,953,947	\$ 632,934,672	\$ 178,887,487	\$ 75,873,325	\$ 887,695,484	\$ 54,883,389	75	\$ 911,009,419	\$ 312,198,583	\$ 598,810,835	\$ -
80	\$ 1,574,888,289	\$ 612,956,636	\$ 961,931,653	\$ 277,825,952	\$ 107,633,581	\$ 1,347,401,186	\$ 81,238,588	80	\$ 1,343,439,813	\$ 451,265,663	\$ 892,174,150	\$ -
85	\$ 2,347,446,686	\$ 882,894,998	\$ 1,464,551,688	\$ 415,289,777	\$ 145,868,375	\$ 1,725,709,840	\$ 117,671,283	85	\$ 2,113,168,574	\$ 701,326,991	\$ 1,411,841,583	\$ -

Tax Analysis of Investment

- Tax efficiency of non-registered assets
- Corporate vs. personal investing
- Using life insurance, debt restructuring, and philanthropy to reduce taxable income

2016-2020 TAXABLE ANALYSIS OF INVESTMENT PORTFOLIO						
Assumptions	Corporate (Passive)	Corporate (Active)	Personal	Exchange Rate		
Maximum Tax Rates	50.70%	27.00%	53.50%	1.26		
Expected Tax Rates	50.70%	27.00%	30.00%			
*BC Tax Rates Used						
	Starting Balance	Net Deposits	Ending Balance	Return Net of Fee(\$)	Return Net of Fee(%)	Taxal
CANADIAN DOLLAR ACCOUNTS						
Registered Accounts						
2020		29,024	0	30,903	1,880	6.46%
2020		88,526	6,000	100,544	6,017	6.36%
2020		2,340,472	(76,500)	2,375,272	111,300	4.78%
2020		147,591	0	155,983	8,392	5.67%
2020		88,818	6,000	100,857	6,039	6.37%
Cad Totals		2,694,431	(64,500)	2,765,559	133,628	4.90%
Non-Registered Accounts						
2020		33,785,857	(464,627)	34,976,640	1,655,409	4.91%
2020		6,537,548	(47,130)	6,900,594	410,177	6.28%
2020		5,778,733	(31,000)	6,136,672	388,939	6.75%
2020		1,112,177	69,575	1,140,649	(41,103)	-3.62%
Cad Totals		47,214,315	(473,182)	49,154,555	2,413,422	5.01%

N Tax Efficiency Analysis

Select Client

Sample3, Client

Year

2022

2022

Year

658.2K

Return, Net of Fees (\$)

438.8K

Cash Flow, Net of Fees

131.7K

Taxable Income (Loss)

68.0K

Tax Payable (Refund)

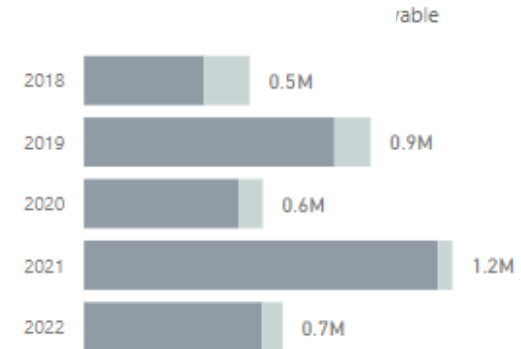
10.3%

Effective Tax Rate

Annual Summary

Year	Starting Balance	Net Deposits (Withdrawals)	Ending Balance	Return, Net of Fees (\$)	Return, Net of Fees (%)	Effective Tax Rate	Cumulative Tax Rate	Return, Net of Fees and Tax	Net of Fees	Income (Loss)	(Refund)
2018	11,000,561	(404,711)	11,144,465	548,615	5.07%	27.45%	27.45%	3.68%	518,733	310,551	150,607
2019	11,144,465	(483,287)	11,610,877	949,700	8.70%	12.58%	18.03%	7.61%	464,704	239,048	119,518
2020	11,610,877	(1,559,310)	10,643,922	592,354	5.49%	13.61%	16.78%	4.74%	458,230	153,604	80,622
2021	10,643,922	(2,450,505)	9,413,882	1,220,466	13.00%	3.92%	12.04%	12.49%	377,861	91,664	47,875
2022	9,413,882	(711,213)	9,360,823	658,154	7.31%	10.33%	11.76%	6.55%	438,768	131,669	67,976
Total		(5,609,026)		3,969,288		11.76%			2,258,296	926,535	466,598

Donate \$100K to Foundation or DAF and Tax rate drops to 2.4%



Canadian Dollar

Registration

Year

Non-Registered 2022

Why is the tax rate so low?

- Holdco tax rate is 50% but most of the returns are not taxable
- Depreciation, capital gains, deferred gains (low turnover), eligible dividends
- Interest income in registered plans
- Income splitting

Effective Tax Rate

11.86%



Alternative Minimum Tax (AMT)

[ˈɒl-ˈtər-nə-tɪv ˈmɪ-nə-məm ˈtɑks]

A floor on the percentage of taxes that a filer must pay to the government.

AMT – Overview and Refresher

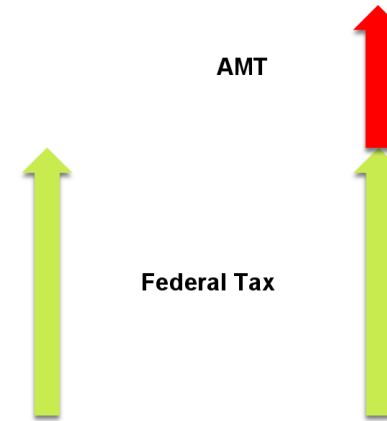
- AMT rules apply to certain individuals, estates and trusts
- The AMT calculation is performed concurrently with the regular tax calculation, and applies several “adjustments” to taxable income to arrive at an AMT base tax
- AMT paid may be carried forward as a tax credit to offset regular taxes paid for up to seven years
- Provincial AMT is determined as a % of the calculated federal AMT



AMT – Overview and Refresher

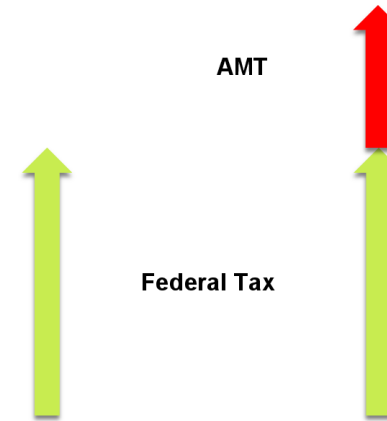
Calculation Mechanics:

- Taxable income
- Adjustments (+/-)
- Adjusted taxable income
- Basic exemption
- Net adjusted taxable income (“AMT base”)
- Minimum tax rate
- Tax credit adjustments
- Minimum Amount



AMT – Overview and Refresher

- AMT calculation is similar for trusts, except no basic exemption amount
- Taxable income
- Adjustments (+/-)
- Adjusted taxable income
- ~~Basic exemption~~
- Net adjusted taxable income (“AMT base”)
- Minimum tax rate
- Tax credit adjustments
- Minimum Amount



Summary of Proposed Changes to AMT

AMT is changing in several fundamental ways:

- **Rate increase from 15% to 20.5%**
- **Basic exemption amount increases from \$40,000 to \$173,000 (indexed to 4th bracket)**
- **Multiple changes to the actual calculation of AMT**



Summary of Proposed Changes to AMT

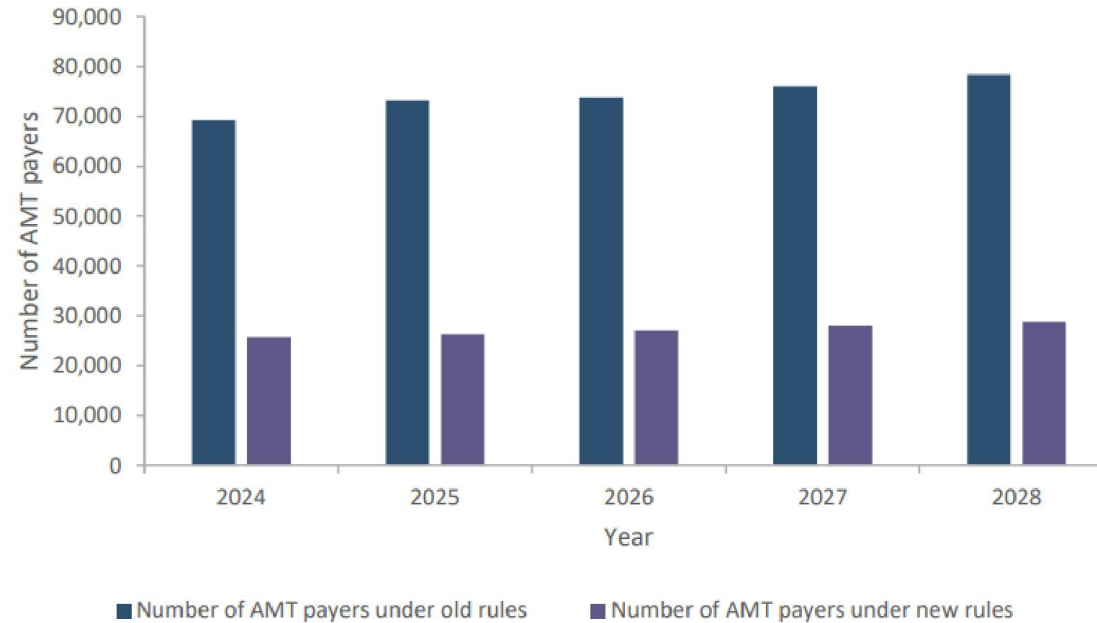
Change	AMT Inclusion Rate		Outcome
	Pre-2024	Post-2023	
AMT rate	15%	20.5%	Increases AMT when applicable
AMT exemption	\$40,000	\$173,000*	Higher adjusted taxable income before AMT applies
Capital gain	80%	100%	Adjusted taxable income higher
Gain on donated shares	0%	30%	Adjusted taxable income higher
Stock option benefit	80%	100%	Adjusted taxable income higher
ABILs	80%	50%	Adjusted taxable income higher
Most non-refundable credits	100%	50%	Adjusted taxable income higher
Non-capital loss carryovers	100%	50%	Adjusted taxable income higher
Capital loss carryovers	80%	50%	Adjusted taxable income higher
Selected deductions and tax credits	100%	50%	Adjusted taxable income higher

* Indexed to the 4th Federal tax bracket



Summary of Proposed Changes to AMT

Number of AMT payers under new and old rules (individuals)

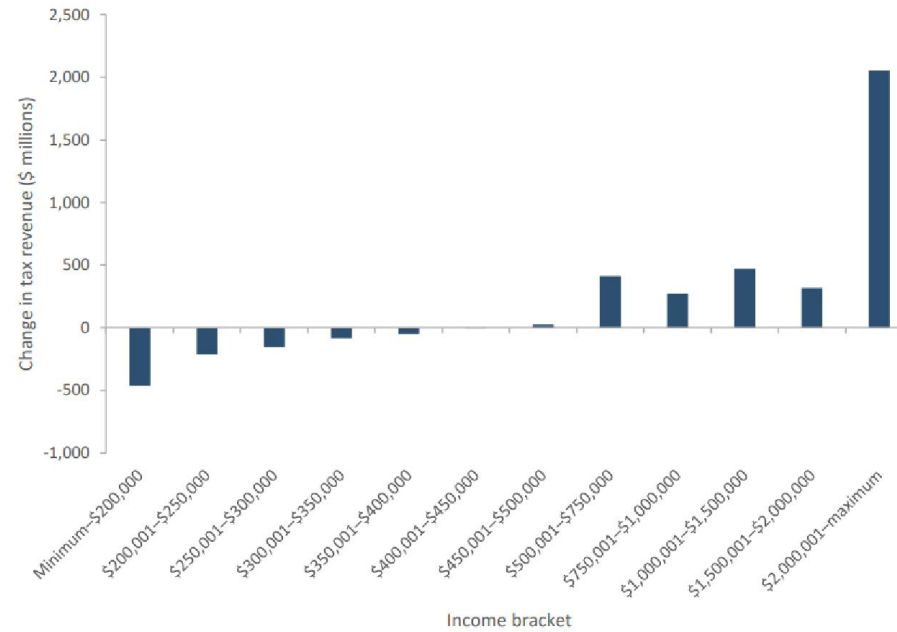


Source: Office of the Parliamentary Budget Officer



Summary of Proposed Changes to AMT

Total change in tax payable by total income bracket, fiscal years 2023-24 to 2027-28



Source: Office of the Parliamentary Budget Officer



Compensation

- The following slides provide various income scenarios in the context of AMT being applied under the old rules and the proposed rules.
- Reminder, provincial AMT is applied as a percentage of the calculated federal AMT so the following scenarios present only the **federal portion of the AMT** payable.

Provincial AMT Rates	
BC	ON
33.7%	33.67%

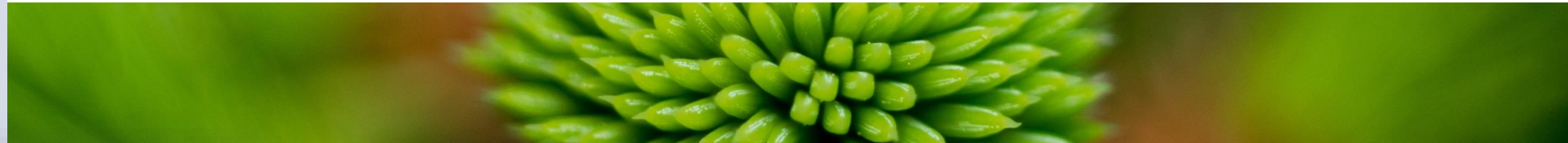
Employment Income and Stock Options

Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$100K wages only	\$ 100,000	\$ 14,400	\$ -	\$ -	\$ -	0.00%
2	\$100K wages + \$100K stock option	\$ 200,000	\$ 26,800	\$ -	\$ -	\$ -	0.00%
3	\$100K wages + \$200K stock option	\$ 300,000	\$ 40,600	\$ -	\$ -	\$ -	0.00%
4	\$100K wages + \$1M stock option	\$ 1,100,000	\$ 170,800	\$ -	\$ 18,000	\$ 18,000	1.64%
5	\$100K wages + \$2M stock option	\$ 2,100,000	\$ 335,800	\$ -	\$ 58,000	\$ 58,000	2.76%
6	\$400K wages only	\$ 400,000	\$ 104,800	\$ -	\$ -	\$ -	0.00%
7	\$400K wages + \$100K stock option	\$ 500,000	\$ 121,300	\$ -	\$ -	\$ -	0.00%
8	\$400K wages + \$200K stock option	\$ 600,000	\$ 137,800	\$ -	\$ -	\$ -	0.00%
9	\$400K wages + \$1M stock option	\$ 1,400,000	\$ 269,800	\$ -	\$ -	\$ -	0.00%
10	\$400K wages + \$2M stock option	\$ 2,400,000	\$ 434,800	\$ -	\$ 20,000	\$ 20,000	0.83%



Dividend Income

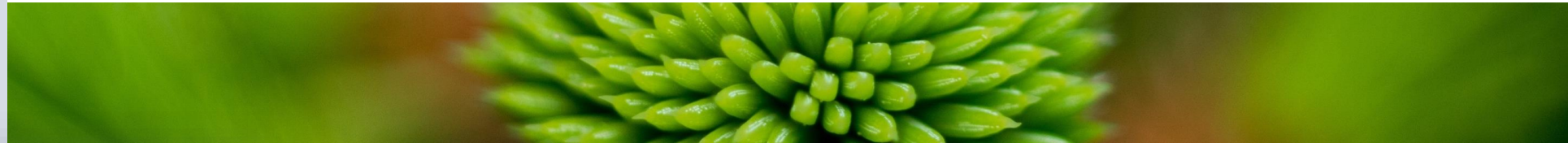
Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$100K eligible dividend only	\$ 100,000	\$ 3,900	\$ 3,000	\$ -	\$ (3,000)	-3.00%
2	\$100K non- eligible dividend only	\$ 100,000	\$ 8,300	\$ -	\$ -	\$ -	0.00%
3	\$100K eligible & \$100K non eligible dividend	\$ 200,000	\$ 26,000	\$ -	\$ -	\$ -	0.00%
4	\$150K eligible dividend only	\$ 150,000	\$ 12,500	\$ 2,000	\$ -	\$ (2,000)	-1.33%
5	\$150K non- eligible dividend only	\$ 150,000	\$ 18,000	\$ -	\$ -	\$ -	0.00%
6	\$150K eligible & \$150K non eligible dividend	\$ 300,000	\$ 52,300	\$ -	\$ -	\$ -	0.00%
7	\$1M eligible dividend only	\$ 1,000,000	\$ 221,800	\$ -	\$ -	\$ -	0.00%
8	\$1M non-eligible dividend only	\$ 1,000,000	\$ 249,400	\$ -	\$ -	\$ -	0.00%
9	\$1M eligible & \$1M non eligible dividend	\$ 2,000,000	\$ 497,500	\$ -	\$ -	\$ -	0.00%
10	\$100K wages+\$100K eligible+\$100K non eligible dividend	\$ 300,000	\$ 58,200	\$ -	\$ -	\$ -	0.00%



Lifetime Capital Gains Exemption and AMT

- \$1M capital gain on QSBC shares:

Item	Regular tax calculation	Current AMT calculation	New AMT calculation
Taxable capital gain (50%)	\$500,000	\$500,000	\$500,000
Additional taxable capital gain (0% / 30% / 30%)	n/a	300,000	300,000
LCGE	(500,000)	(500,000)	(500,000)
AMT exemption	n/a	(40,000)	(173,000)
Taxable income / Adjusted taxable income	\$0	\$260,000	\$127,000
Tax (graduated rates / 15% / 20.5%)	\$0	\$39,000	\$26,000
AMT	n/a	\$39,000	\$26,000



Lifetime Capital Gains Exemption and AMT

- On smaller QSBC gains, the AMT may be less, primarily due to the proposed increase in the basic exemption amount

Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$1M QSBC gain	\$ 1,000,000	\$ -	\$ 39,000	\$ 26,000	\$ (13,000)	-1.30%
2	\$100K employment income + \$1M QSBC gain	\$ 1,100,000	\$ 14,500	\$ 36,600	\$ 30,600	\$ (6,000)	-0.55%
3	\$250K employment income + \$1M QSBC gain	\$ 1,250,000	\$ 55,300	\$ 18,300	\$ 20,500	\$ 2,200	0.18%
4	\$400K employment income + \$1M QSBC gain	\$ 1,500,000	\$ 104,800	\$ -	\$ 1,800	\$ 1,800	0.12%
5	\$2M QSBC gain	\$ 2,000,000	\$ 136,200	\$ 19,700	\$ 91,600	\$ 71,900	3.60%
6	\$4M QSBC gain	\$ 4,000,000	\$ 466,100	\$ -	\$ 171,600	\$ 171,600	4.29%
7	\$10M QSBC gain	\$10,000,000	\$ 1,456,100	\$ -	\$ 411,600	\$ 411,600	4.12%
8	\$100K employment income + \$2M QSBC gain	\$ 2,100,000	\$ 168,200	\$ 1,700	\$ 79,600	\$ 77,900	3.71%
9	\$100K eligible dividend + \$2M QSBC gain	\$ 2,100,000	\$ 161,000	\$ 9,800	\$ 87,300	\$ 77,500	3.69%
10	\$100K non-eligible dividend + \$2M QSBC gain	\$ 2,100,000	\$ 163,700	\$ 7,100	\$ 84,600	\$ 77,500	3.69%

Capital Gains and AMT

- What is the actual tax rate impact on capital gains?

	Regular	AMT	Increase	% Increase
Top federal rate (capital gains)	16.50%	20.50%	4.00%	24.24%
Provincial (BC)	10.25%		1.35%*	13.17%
Total	26.75%	32.10%	5.35%	20%

- Because provincial AMT is always calculated as a % of the federal AMT payable, the effective tax rate increase to capital gains becomes 20%

* Federal increase x Provincial AMT inclusion rate (4% x 33.7%)



Capital Gains and AMT

- \$800,000 capital gain:

Item	Regular tax calculation	Current AMT calculation	New AMT calculation
Taxable capital gains (50% / 80% / 100%)	\$400,000	\$640,000	\$800,000
AMT exemption	n/a	(40,000)	(173,000)
Taxable income / Adjusted taxable income	\$400,000	\$600,000	\$627,000
Tax (graduated rates / 15% / 20.5%)	\$105,716*	\$87,972*	\$127,521*
AMT	n/a	\$0	\$21,805

* Including basic personal exemption



Capital Gains and AMT

Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$200K capital gain	\$ 200,000	\$ 15,400	\$ 600	\$ -	\$ (600)	-0.30%
2	\$350K capital gain	\$ 350,000	\$ 34,300	\$ -	\$ 900	\$ 900	0.26%
3	\$1M capital gain	\$ 1,000,000	\$ 138,800	\$ -	\$ 29,800	\$ 29,800	2.98%
4	\$5M capital gain	\$ 5,000,000	\$ 798,800	\$ -	\$ 189,800	\$ 189,800	3.80%
5	\$150K wages + \$1M capital gain	\$ 1,150,000	\$ 187,300	\$ -	\$ 11,500	\$ 11,500	1.00%
6	\$150K eligible dividend + \$1M capital gain	\$ 1,150,000	\$ 175,900	\$ -	\$ 23,300	\$ 23,300	2.03%
7	\$150K non eligible dividend + \$1M capital gain	\$ 1,150,000	\$ 180,000	\$ -	\$ 19,200	\$ 19,200	1.67%
8	\$150K eligible+\$150K non eligible+ \$1M capital gain	\$ 1,300,000	\$ 217,300	\$ -	\$ 12,700	\$ 12,700	0.98%



Capital Losses

Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$500K capital gain	\$ 500,000	\$ 56,200	\$ -	\$ 9,800	\$ 9,800	1.96%
2	\$500K capital gain + \$100K capital loss carryover	\$ 500,000	\$ 41,600	\$ -	\$ 14,200	\$ 14,200	2.84%
3	\$500K capital gain + \$200K capital loss carryover	\$ 500,000	\$ 27,700	\$ 200	\$ 17,756	\$ 17,556	3.51%
4	\$500K capital gain + \$300K capital loss carryover	\$ 500,000	\$ 15,400	\$ 600	\$ 19,900	\$ 19,300	3.86%
5	\$500K capital gain + \$500K capital loss carryover	\$ 500,000	\$ -	\$ -	\$ 15,800	\$ 15,800	3.16%



Donation of Publicly Listed Securities

- Consider: Shares with A FMV of \$500,000 and a \$400,000 capital gain, taxpayer donates 15% (shares with a FMV of \$75,000 and a \$60,000 gain)

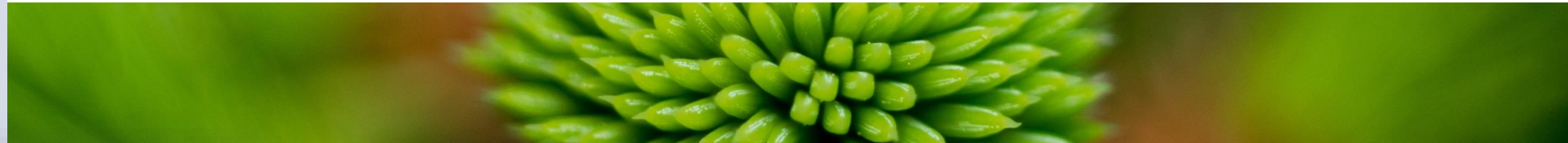
Item	Regular tax calculation	Current AMT calculation	New AMT calculation
Taxable CG on donated shares (0% / 0% / 30%)	\$0	\$0	\$18,000
Taxable CG on sold shares (50% / 80% / 100%)	170,000	272,000	340,000
AMT exemption	n/a	(40,000)	(173,000)
Taxable income / Adjusted taxable income	\$170,000	\$232,000	\$185,000
Tax (graduated rates / 15% / 20.5%)	\$32,965*	\$32,772*	\$36,991*
Donation tax credit (100% / 100% / 50%)	(21,722)	(21,722)	(10,861)
Tax / Minimum tax	11,243	11,050	26,130
AMT	n/a	\$0	\$14,887

* Including basic personal exemption



Donation of Publicly Listed Securities

Scenario	Income in 2024	Cash	Estimated 2024 federal income tax	Federal AMT Payable (Old Rules)	Federal AMT Payable (New Rules)	Estimated Additional AMT under New Rules	Additional AMT As a % of Cash Income
1	\$350K capital gain + \$80K capital gain from \$100K PTS donation	\$ 350,000	\$ 5,400	\$ -	\$ 20,300	\$ 20,300	5.80%
2	\$500K capital gain + \$80K capital gain from \$100K PTS donation	\$ 600,000	\$ 26,200	\$ -	\$ 29,700	\$ 29,700	4.95%
3	\$1M capital gain + \$80K capital gain from \$100K PTS donation	\$1,100,000	\$ 105,800	\$ -	\$ 51,200	\$ 51,200	4.65%
4	\$300K wages + \$80K capital gain from \$100K PTS donation	\$ 400,000	\$ 39,800	\$ -	\$ -	\$ -	0.00%
5	\$300K eligible dividend + \$80K capital gain from \$100K PTS donation	\$ 400,000	\$ 15,300	\$ -	\$ -	\$ -	0.00%
6	\$300K non-eligible dividend + \$80K capital gain from \$100K PTS donation	\$ 400,000	\$ 23,500	\$ -	\$ -	\$ -	0.00%
8	\$300K wages + \$200K capital gain + \$80K capital gain from \$100K PTS donation	\$ 600,000	\$ 71,900	\$ -	\$ -	\$ -	0.00%
9	\$300K wages + \$350K capital gain + \$80K capital gain from \$100K PTS donation	\$ 750,000	\$ 96,700	\$ -	\$ -	\$ -	0.00%
10	\$300K wages + \$500K capital gain + \$80K capital gain from \$100K PTS donation	\$ 900,000	\$ 121,400	\$ -	\$ -	\$ -	0.00%



Prescribed Rate Loan - Individual

- Consider: \$4M prescribed rate loan with a 12% ROI (mixed income sources)

Item	Regular tax calculation	Current AMT calculation	New AMT calculation
Taxable capital gains (50% / 80% / 100%)	\$115,000	\$184,000	\$230,000
Eligible dividends	150,000	150,000	150,000
Gross-up (38%)	57,000	0	0
Interest	100,000	100,000	100,000
Carrying charges (interest paid @ 5%)	(200,000)	(200,000)	(100,000)
AMT exemption	n/a	(40,000)	(173,000)
Taxable income / Adjusted taxable income	\$222,000	\$194,000	\$207,000
Tax (graduated rates / 15% / 20.5%)	\$16,864*	\$27,072*	\$41,421*
AMT	n/a	\$10,208	\$24,557

* Including basic personal exemption



AMT at Death

- Individuals are exempt from AMT in year of death
- GRE's will also be exempt from AMT in the proposed rules (currently not)
- Consider:
 - GRE status only lasts for a maximum of 3 years
 - Allocating income to beneficiaries where possible and minimizing expenses in the trust/estate

AMT at Death – Alter Ego Trusts & Joint Partner Trusts

- AET's and JPT's are subject to AMT upon death of the settlor (last to die in the case of JPT's)
- AET's and JPT's are not eligible for the basic exemption amount
- Review case by case whether AET's and JPT's are still beneficial
- Consider:
 - Will variation
 - Estate privacy
 - Possible to achieve the same result with a Secondary will?

AMT at Death – Alter Ego Trusts

- \$40M gain on private company shares upon death of the settlor:

Item	Regular tax calculation	Current AMT calculation	New AMT calculation
Taxable capital gains (50% / 80% / 100%)	\$20,000,000	\$32,000,000	\$40,000,000
AMT exemption	n/a	n/a	n/a
Taxable income / Adjusted taxable income	\$20,000,000	\$32,000,000	\$40,000,000
Tax (33% / 15% / 20.5%)	\$6,600,000	\$4,800,000	\$8,200,000
AMT	n/a	\$0	\$1,600,000



A close-up photograph of a green flower bud, showing many small, pointed petals arranged in a dense, spherical pattern. The background is blurred green foliage.

Rules of Thumb

AMT “Rules of Thumb” and Speaking Points

AMT Review Trigger	Possible Discussion Points
Majority of income is tax advantaged income (capital gains, eligible dividends) with little to no fully taxable income (interest, employment, rental, pension etc.)	Rebalancing of portfolio to redistribute income categories
	Payment of salaries (if client has a private corporation)
	Consider IPP’s and timing of payouts to potentially offset AMT (including terminal funding)
Large donation of public securities	Tax estimate performed to determine the most efficient donation amount without triggering AMT
Capital gains in excess of \$1M in a tax year	Tax estimate performed to determine other income sources to potentially mitigate AMT
Sale of QSBC shares	AMT and ability to recover could impact share/asset sale analysis



AMT “Rules of Thumb” and Speaking Points

AMT Review Trigger	Possible Discussion Points
Personal transaction/sale with significant capital gains	Restructuring sale to sell asset corporately?
Flow through share arrangement in current tax year	Tax estimate performed to determine most efficient flow through investment
Significant prescribed rate loans	Review income breakdown and deductions being taken, tax estimate performed to determine next steps
Any clients with AET's	Review end of life planning and potential tax liability



2023 “Must Do’s” and Looking Ahead to 2024

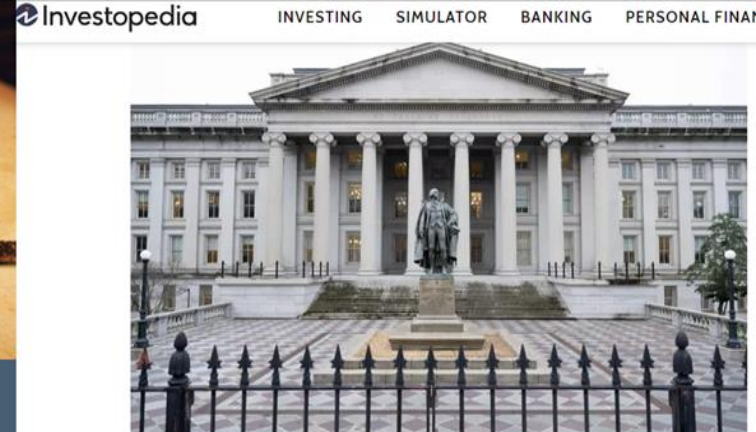
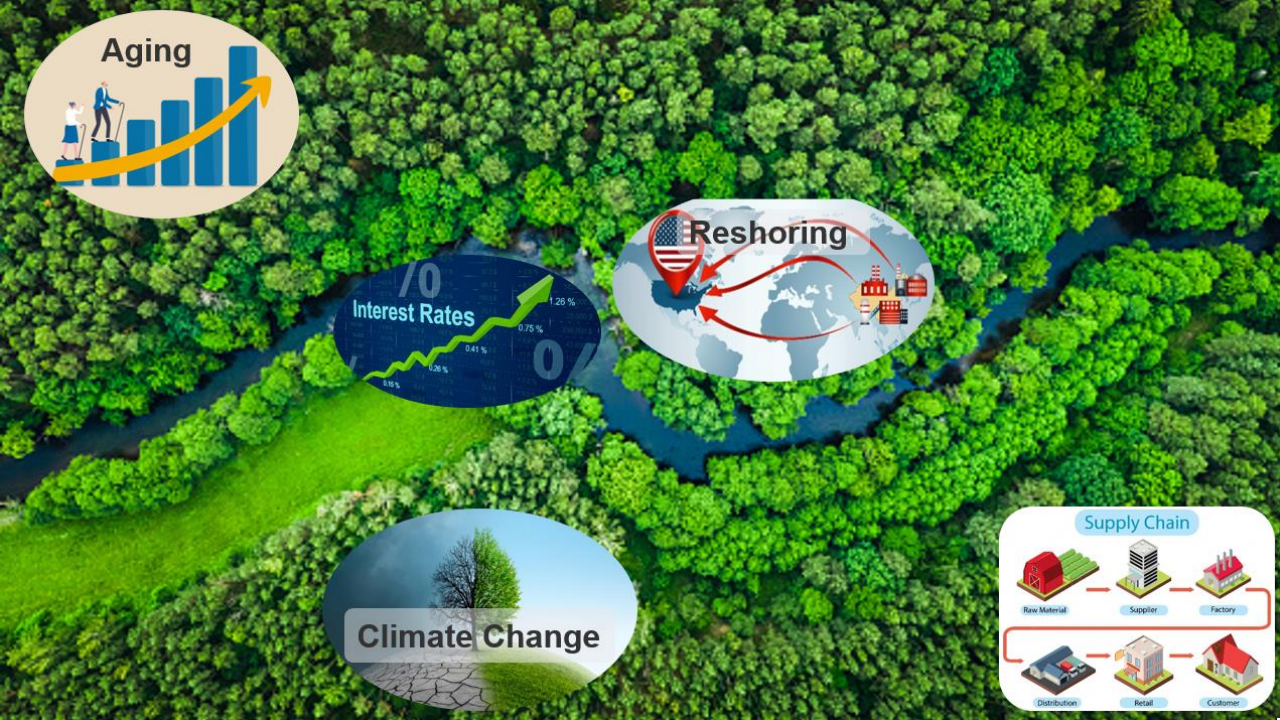
- **Review clients with significant prescribed rate loan arrangements**
 - *Consider reducing / repayment of the loan or rebalancing income*
- **Review clients with high growth / low income balanced portfolios**
 - *Consider timing of large gains and rebalancing portfolios with income sources to offset potential AMT*
- **Review clients with significant pregnant gains in their portfolio or personal holdings**
 - *Consider timing of gains and future income planning (IPPs / RRSPs)*



2023 “Must Do’s” and Looking Ahead to 2024

- **Review clients wanting to make significant donations in the near future**
 - *Consider triggering gains and donating before end of 2023*
- **Review assumptions for individuals wanting to participate in flow through for 2024**
 - *Consider taxable income sources and planning to trigger additional income to offset FTS arrangements*





SAUL LOEB / Contributor / Getty Images

KEY TAKEAWAYS

- The market for U.S. Treasuries has shed almost a quarter of its value since Treasury yields bottomed out in the summer of 2020.
- It's the biggest Treasury bond bear market in history, surpassing two similar periods in the 19th century, according to a Bank of America research note.

Alternative Minimum Tax (AMT)

['öl-'tər-nə-tiv 'mi-nə-məm 'taks]

A floor on the percentage of taxes that a filer must pay to the government.

Investopedia

Advanced Planning Tools

Compensation Analysis

- Dividends vs. Salary for compensation
- Impact of Active Business Tax rate
- When both make sense
- When to use IPPs vs. RRRPs

Estate Planning and Philanthropy

- Tax impact on income and asset building
- Timing and structure of philanthropic gifts
- Projections as to estate growth and foundations or DAFs
- Tax liabilities in estates and how to mitigate them

Tax Analysis of Investment

- Tax efficiency of non-registered assets
- Corporate vs. personal investing
- Using life insurance, debt restructuring, and philanthropy to reduce taxable income

Compensation Analysis - British Columbia

Salary + Registered Savings VS Dividends + Corporate Savings (2023)

Year	Salary	Dividends	RRSP	RRPP	TFSA	Net Income	Income Tax	Provincial Tax	Other Tax	Total Tax	Net After Tax
2021	\$100,000	\$0	\$0	\$0	\$0	\$100,000	\$18,000	\$3,000	\$0	\$21,000	\$79,000
2022	\$100,000	\$0	\$0	\$0	\$0	\$100,000	\$18,000	\$3,000	\$0	\$21,000	\$79,000
YTD 2023	\$100,000	\$0	\$0	\$0	\$0	\$100,000	\$18,000	\$3,000	\$0	\$21,000	\$79,000
Cumulative	\$300,000	\$0	\$0	\$0	\$0	\$300,000	\$54,000	\$9,000	\$0	\$63,000	\$237,000

Estate and Philanthropy Projections

Year	Net Worth	Charitable Contributions	Net Worth
2021	\$1,000,000	\$0	\$1,000,000
2022	\$1,000,000	\$0	\$1,000,000
YTD 2023	\$1,000,000	\$0	\$1,000,000
Cumulative	\$3,000,000	\$0	\$3,000,000

2016-2020 TAXABLE ANALYSIS OF INVESTMENT PORTFOLIO

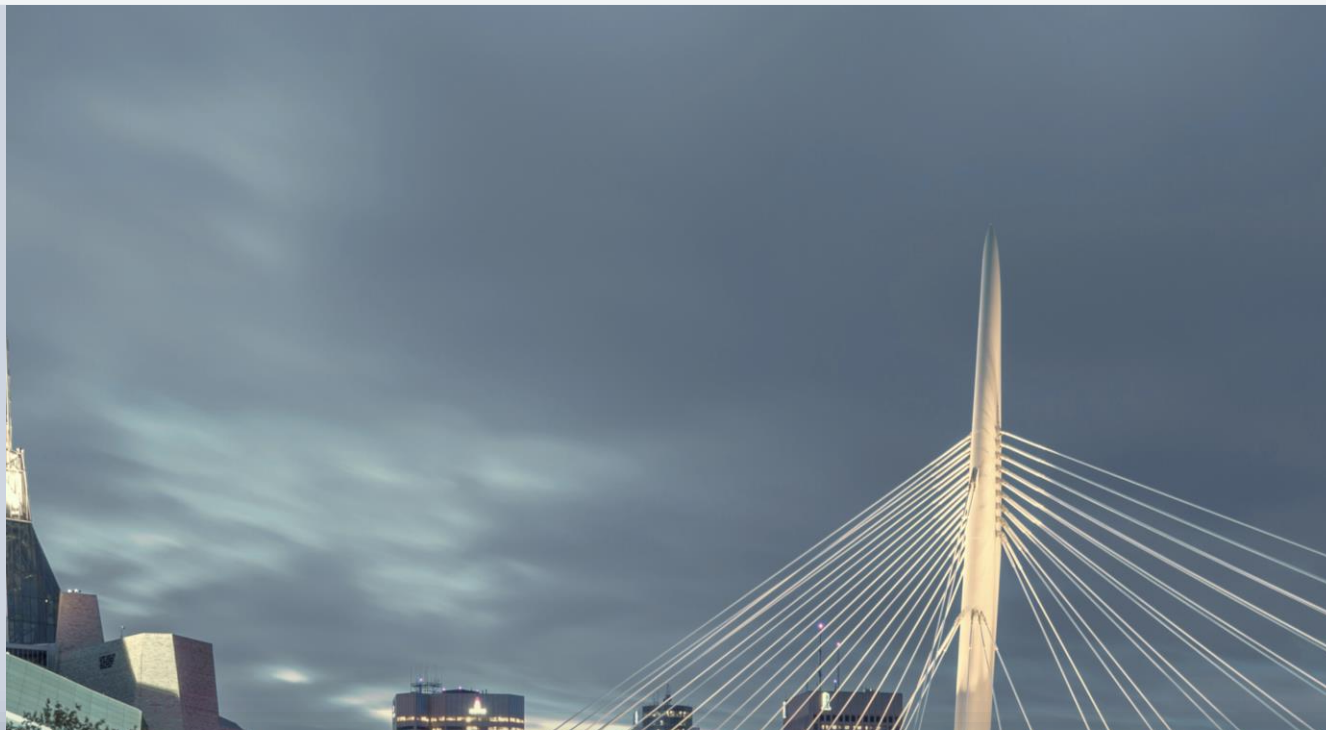
Year	Starting Balance	Net Deposits	Ending Balance	Return Net of Fees (%)	Return Net of Fees (%)	Total
2016	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2017	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2018	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2019	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2020	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2021	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
2022	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
YTD 2023	\$100,000	\$0	\$100,000	0.00%	0.00%	\$100,000
Cumulative	\$500,000	\$0	\$500,000	0.00%	0.00%	\$500,000

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Thank You.

