Four financial planning strategies to watch in 2024

Brenda BouwGlobe Advisor
Published January 2, 2024Updated January 3, 2024

It may be a good time to hold more cash in an emergency fund in case of a job loss or a market drop, one advisor says.

The new year is another opportunity for advisors to revisit financial plans with clients, taking into consideration their changing circumstances as well as new and shifting tax rules.

An uncertain economic landscape with the possibility of a recession and interest rate cuts could have an impact on investment income and returns.

Here are four financial planning trends that experts are paying attention to in 2024:

1. Taking advantage of the FHSA

The tax-free first home savings account (FHSA), launched last year, is the "No. 1 strategy for 2024," according to Jamie Golombek, managing director of tax and estate planning at CIBC Private Wealth in Toronto.

The registered plan gives qualifying new homebuyers the option to save up to $8,000 a year – to a maximum of $40,000 – tax-free. FHSA contributions are tax-deductible, similar to a registered retirement savings plan (RRSP), and income generated in the plan is tax-free, similar to the tax-free savings account (TFSA).

More than 300,000 Canadians have opened a FHSA as of late last year, according to the federal government.

While that's a good start, Mr. Golombek sees "even more opportunity" for Canadians to take advantage of the program, including both new homebuyers and their parents and grandparents who may wish to gift the money to adult children and grandchildren once they turn age 18 to help them buy a home down the road.

Dami Gittens, wealth advisor and client relationship manager at Nicola Wealth Management Ltd. in Vancouver, says the FHSA is a regular topic of conversation among clients at her firm who are looking for tax-efficient ways to help their loved ones get into the housing market.

"It's an intergenerational wealth transfer tool for many of my clients right now," she says.

2. Topping up the TFSA

Another year is also another opportunity for investors to add to their TFSAs, and the contribution limit has increased to $7,000 in 2024, up from $6,500 in 2023. It's the second year in a row the TFSA limit has increased after sitting at $6,000 between 2019 and 2022 – and is in response to rising inflation.

"The TFSA is a wonderful way not only to save money but also do some intergenerational gifting," Mr. Golombek says "So, in addition to someone contributing to their own TFSA, parents and grandparents can gift funds to their kids and grandkids that they can use to make their own 2024 TFSA contributions."

He notes the child or grandchild must be 18 or older to be eligible to open a TFSA.

3. Adding more to RRSPs

A new year is also a time to contribute to your RRSP, either for the current year or the last year. Canadians have 60 days after the end of the year to make their RRSP contribution for the previous year. For the 2023 tax year, the deadline is Feb. 29.

The RRSP contribution room is 18 per cent of someone's earned income in the previous year or the annual contribution limit, which was $30,780 in 2023. Any unused contributions can be carried forward to future years.

But it's not just procrastinators who wait until January and February to contribute to the previous year's RRSP. The first two months of a new year is a chance for people, particularly those with variable income, to top up their RRSP contributions for the previous year, Ms. Gittens says.

"It's an opportunity for them to look at what their tax situation was for the previous year and then decide how much they can contribute," she says.

The new year is also an opportunity for Canadians to invest in their RRSP for the current year, Mr. Golombek adds. The annual contribution limit for 2024 is $31,560.

"You can get a head start on tax-deferred compounding at the beginning of the year," he says.

Mr. Golombek says it's also a good time to get started on other registered plan contributions for the year, such as the registered education saving plan (RESP) and the registered disability savings plan (RDSP).

"If you can afford to do it, January is the perfect time to start," he says.

4. Focusing on cash flow

The rising cost of living and ongoing forecasts of an economic recession have many investors worrying about the future. Ms. Gittens says it may be a good time to hold more cash in an emergency fund in case of a job loss or a market drop.

“It’s always good to have a cash buffer,” she says.

Holding a little extra cash might also be a good idea for someone looking to invest, she says.

“You can use the cash to take advantage of any opportunities in the market.”

Canadians may also want to consider paying down or consolidating their debt, especially if they’re about to renew a mortgage at higher interest rates, says Janet Gray, certified financial planner with Money Coaches Canada Inc. in Ottawa.

She notes that cash flow planning may mean cutting spending to ensure Canadians have enough cash to weather any economic storm that could be coming.

“It’s really focusing on cash flow, which includes paying debt and cutting back a little bit where you can,” she says. “As advisors, we can often point out some areas where they can find savings and hopefully, inspire them to do that little extra to help meet their financial goals.”

Examples might include cutting back on groceries – the wants versus the needs – and maybe some subscriptions that aren’t being used.