

August 2025 Financial Planning Email Update

I was recently privileged to attend two presentations put on by the Fraser Institute (FI). The FI was established over 50 years ago (in 1974) in Vancouver and today has offices across Canada. The mission statement of the FI is to improve the quality of life for Canadians, their families, and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship, and choice on their well-being.

The first presentation titled “The trouble with Canada and the return to prosperity” was presented by Niels Veldhuis, President and CEO of the Fraser Institute. Niels stated that Canada is in a living-standard crisis with our Gross Domestic Product (GDP) per person in Canada declining since 2022 and is now the same as 10 years ago, and regarding personal income growth, we are last among the G8 countries. Additionally, in comparison with the United States, workers in every Canadian province earn less than all workers in every U.S. state, based on median employment earnings.

Canada has a decimated investment climate. Over the past 10 years, Canadian investment abroad has been \$388 billion above foreign investment in Canada. Business investment per worker in Canada is now at \$11,080 (which is down 20% over the past 10 years) compared to \$22,482 in the U.S. As a result, the Organization for Economic Cooperation and Development (OECD) predicts Canada will be the worst performing country of all advanced economies into 2060.

There are several federal policies affecting investment in Canada.

1. A major concern is tax competitiveness. Canadians face higher personal income taxes at every income level compared to Americans. Canada has incurred massive increases in taxes over the past 10 years outpacing housing and food increases making it difficult to attract skilled labour.

2. We have unsustainable federal finances. Federal spending has hit record highs with little to show for it. Justin Trudeau's government recorded the 8 highest annual levels of spending per person in Canadian history. From 2015 to 2022 the rate of federal government job growth (26.1%) was almost three (3) times faster than the population growth (9.1%) costing \$7.5 billion.

The Trudeau government also recorded the 6 highest annual levels of per person national debt in Canadian history. The Canadian national debt is now \$2.179 trillion. It was noted that the national debt in 2007-2008 was \$1.177 trillion for a \$1 trillion increase since just prior to the financial crisis. Within the G7, Canada had the largest increase in government spending and debt as a share of the economy from 2014-2024.

3. The Emission Reduction Plan with a goal of net zero carbon emission will decrease net income per worker by \$8,000 per year. However, reaching net zero is unlikely as we are using more fossil fuel in the world now than ever before.

4. Canadian government policy uncertainty is the highest ever regarding both the direction of policy and the direction of the economy. During and after the financial crisis, Canada was recognized world-wide for excellent financial management and from 1998 to 2008 Canada was a world leader in job growth.

The second FI presentation, titled “A Federal blueprint of prosperity in Canada”, was presented by Jake Fuss, Director of Fiscal Studies at the Fraser Institute. Jake first reviewed Canada's problems including declining living standards, federal debt and government spending, and higher taxes, all of which were covered in great detail by Niels Veldhuis.

Also of great concern to Jake is the housing crisis. The median price of single and semi-detached home in Canada has increased from \$435,000 in 2013 to \$860,000 in 2023 and the average monthly rent for a 1-bedroom apartment has increased from \$786 in 2013 to \$1,150 in 2023. The average annual housing starts has remain largely unchanged since the 1970's while absolute annual population growth has more than tripled. In an example of over regulation relating to housing, it takes an average of 250 days to obtain a construction permit which makes Canada the second slowest of the 38-member countries of the OECD. The Canada Mortgage and Housing Corporation (CMHC) projects that Canada will be short 3.45 million homes by 2023.

Canada has many barriers to competition. 31% of Canada's economy is shielded from foreign competition by federal and provincial governments thereby leaving consumers with less choice and/or higher prices, such as in the airline and telecommunication sectors. Interprovincial trade barriers add between 7.8% and 14.5% to prices of Canadian goods and services that we buy each day, harming productivity and economic growth.

The Fraser Institute's Blueprint for Prosperity:

1. Balance the Federal Budget in 2 years.
2. Reduce/restrict government spending.
3. Reduce personal taxes. – FI recommends a 25% across the board tax rate cut.
4. Lower business taxes. – This will encourage investment thereby increasing productivity and living standards. FI recommends not taxing income which is reinvested in equipment and capital expenditures.
5. Create a roll-over mechanism for capital gains.
6. Eliminate barriers to unleash the energy industry.
7. Remove barriers to competition thereby opening up competition.
8. Remove interprovincial trade barriers. – The IMF estimates the removal of internal trade barriers would increase output in Canada's economy by almost \$90 billion.
9. Remove the regulatory burden by addressing excessive regulations.
10. Build more homes.

The Fraser Institute has ongoing critical research studies which can be found on their website: www.fraserinstitute.org

Here are a few of the topic areas being studied:

- a) 'Aging, Retirement and Pensions' which has generated numerous commentary worth reviewing.
- b) 'Competitiveness' which includes several studies including Canada's changing immigration patterns and the need to open-up competition in our skies.
- c) 'World Economic Freedom' which shows Canada is ranked 8th in the world, with a rating of 7.99 out of 10, while the U.S. is ranked 5th, with a rating of 8.09 out of 10. By comparison Canada was ranked third and the U.S. was ranked eighth worldwide in 1970.
- d) FI regularly rates and ranks elementary and secondary schools in each province based on real world empirical evidence.
- e) FI studies and consequently offers suggestions to improve government policies affecting crime, energy, education, the environment, government spending, taxation, health care, labour, monetary policy, municipal policy, national resources, and trade.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary



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