July 2025 Financial Planning Email Update

In mid June I attended the Annual Canadian Institute of Financial Planners Conference. There were many engaging speakers covering a wide variety of topics.

Fred Demers, Head Strategist for BMO Global Asset Management, offered the following insights. With reference to President Donald Trump's tariff announcements, he believes that they are in a de-escalation stage. The war in the middle east is just another blip in the market and he does not believe it will escalate. These are the big issues of 2025 and will not negatively impact the investment markets. That being said, markets were very positive in 2023 and 2024, and this will be difficult to replicate in 2025.

Also speaking of President Donald Trump, Mr. Demers indicated that he is 'waking up the world'. The U.S. represents 35% of global consumption demand and is changing the way future business will be done. Inflation has stabilized but price levels are higher by 30% in the food and shelter sectors based on cumulative inflation. 2026 growth expectations world-wide will be minimal but positive. Canada's GDP growth is forecasted to be 1% for 2026 and the Canadian dollar is improving, not due to positive expectations for Canada but simply due to funds moving away from the U.S. dollar. Actual foreign investment in Canada is approximately zero. Mr. Demers stressed that we must increase investment in Canada to increase productivity.

There is a large gap in intellectual property investment with the U.S. being much greater than Canada. There is a larger degree of government spending in Canada, which is choking out the private sector; therefore, we need to increase the private sector to reboot the Canadian economy. Also, there has not been any job creation in the past 24 months in the business sector, only in the government sector. Manufacturing represents 9% of the Canadian economy which is where most of the impact of the trade war will be, which is a small share. Manufacturing is the only sector which will likely see a recession. Geographically, this will primarily affect only Ontario and Quebec. In manufacturing, unemployment will increase but housing prices will likely decrease.

Peter Brown, Vice President Tax and Retirement Research for Fidelity Investments Canada, introduced the Fidelity Retirement Survey 2025, which is attached. Fidelity has been completing this survey every year for the past 20 years. This year's survey took place between March 13 and March 28, 2025. The overall outlook on retirement by all surveyed was 71% positive, with 81% of those already retired (retirees) being positive about their retirement and 60% of pre-retirees being positive about their retirement prospects. By comparison a greater number of pre-retirees were positive (at 78%) in 2015. Canadians are now retiring on average at age 65.3 which is very similar to the 1970s, however, the average age of retirement trended to as low as age 60.9 in 1998. The average age of retirement has been steadily increasing since the financial crisis of 2008/2009. In response to the survey's question regarding retirement timing, Fidelity noted a new response in that some respondents are now saying they never plan to retire. The main reason for any suggested delay in retiring are inflationary factors. Most people working from 70 to 74 years of age are doing so by choice. Also, pre-retirees today believe they'll need on average $1.02 million in liquid assets to retire comfortably which is more than double what Canadians thought they needed when the first survey was produced in 2005.

Canadian current trends in Financial Planning discussed included the following. We have an increase in life expectancy which increases the risk of running out of money. 27% of those age 15 and over now have one or more disability. With regards to tariffs and trade, the June 6, 2025, One Canadian Economy Act to remove federal barriers to trade and labour mobility within Canada was highlighted. It was pointed out that with barriers internal trade was $532 billion or 18.1% of Canada's GDP which would have a multiplier effect increase if barriers were removed. Currently trade with the U.S. represents 20% of our GDP with 75% of our exports going to the U.S. The outstanding question is can Canada sell elsewhere? The U.S. number one export country is Canada at 24% and Canada is the third largest import country at 19%. These continue to be uncertain times regarding employment, inflation, retirement income and investment returns therefore Financial Planning and Financial Advice in general are needed more now then ever. The Baby Boomer generation who are now age 61 to age 79 have significant deferral of taxation through Registered Retirement Savings Plans (RRSP), unrealized capital gain of non-registered investments and corporate savings which requires a heightened level of both tax and estate transfer planning. That along with real estate holdings will result in a transfer of wealth like never before. The Canada Pension Plan phased in increases in contributions are now in place however the full enhanced retirement income benefit will not be realized until the year 2062. There is a possibility of changing the minimum withdrawal required from Registered Retirement Income Funds (RRIF) by either decreasing the percentage required to withdraw or increasing the age requirement which is currently age 71. The increased usage of Artificial Intelligence (AI) was also discussed.

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.

Thank you! Have a great day!

Respectfully Yours,

Gary

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