

June 2023 Financial Planning Email Update

Recently I attended a virtual meeting with Frances Donald, Global Chief Economist and Strategist of Manulife Investments. From her view all recession indicators are 'flashing red' and she believes that Canada and perhaps the globe will be in a recession in the second half of 2023. A recession by definition is two consecutive quarters of negative economic growth. Within a recession we normally witness high unemployment. The 'mega' difference in this potential slowdown is that we still have a labour shortage. A reasonable expectation therefore is that as growth declines businesses may not wish to cut labour costs but instead find other cost cutting measures. Unemployment would therefore not increase. That being said, Frances suggested this is one of the most difficult environments to forecast.

Interest rate hikes began one year ago to reduce inflation which declined during that period. Central banks are concerned that if rates go up further there will be a long-term negative impact on real estate values, business decline/insolvency, consumer spending/insolvency, and government debt-servicing costs. Central banks such as The Bank of Canada are therefore in a tough position. Frances has many concerns. Mortgages are undergoing the steepest refinancing shock since 1990. That is to say that the new interest rate that mortgages are now renewing at is significantly higher than the previous interest rate. Consumers are facing increased debt levels and increased costs to service their debt. When we do begin a recession, central banks will begin to reduce interest rates which is suggested to be in late 2023 or early 2024. If unemployment remains low and interest rates decline that would make this a fairly positive recession.

Frances also discussed the US bank failures and does not believe this was a systematic risk but a localized problem base on outflows to alternative savings options such as money market mutual funds. The strength of the Canadian banking system was discussed in that Canada has six (6) major chartered banks as opposed to the US which has thousands of regional banks.

In the reopening of the economy the savings rate in Canada has declined as spending has been increasing faster than incomes.

Another issue on Frances' radar is the housing supply is decreasing as interest rates have increased with new housing starts declining. Frances concluded that 2022 was an inflation shock which cannot be unwound. \$100 dollars of groceries in 2020 is now \$120 in 2023. So even as inflation declines, the cost will only increase from here.

Investment markets do reward uncertainty and climb a wall of worry.

With the increase in cybersecurity data breaches, we should all be aware of the precautions we can take to prevent us from being affected by cybercriminals and fraudsters.

1. Keep your contact information current with your financial institutions and our office.
2. Sign-up for alerts or notifications with your financial institution(s).
3. Choose strong, complex, and unique passwords – not your birthday, anniversary, pet or a child's name, or common phrases.
4. Recognize common scams. The latest information can be found at the Canadian Anti-Fraud Centre <https://www.antifraudcentre-centreantifraude.ca/index-eng.htm>
5. Keep an eye out for phishing attempts. Do not reply or click on any links in unsolicited or suspicious emails or texts but delete them immediately.
6. Use multi-factor authorization to prevent identity theft and account take-over.
7. Practice safe browsing by limiting online activity to sites and apps you are familiar with. Never download files or share information with untrusted websites and programs.
8. Use antivirus and firewall security software for your devices and update them regularly.
9. Keep Smart home devices on a separate WiFi network than your computer or tablet.
10. Don't share too much information on social media which can provide clues about your identification and passwords.

11. Seek and understand what you can do to protect yourself from fraud and identity theft.

Equifax who's plan is called my.equifax.ca (<https://www.consumer.equifax.ca>) and TransUnion who's plan is called mytrueidentity.ca (<https://www.transunion.ca/>) are two companies which you can register with (for a fee) to have your credit monitored and to obtain up to \$1,000,000 in identity theft insurance. These services will not only notify you of any change in the use of your identity and credit but they can assist in restoring your identity if stolen.

Your financial institution(s) will have monitoring services available for your bank services. For example, at the Bank of Montreal their service is called OnGuard®. In addition, you may wish to review your home owner's policy as it may also include identity theft insurance coverage, including coverage for expenses and lost wages due to identity theft. Finally, you may consider looking into title insurance (to protect your rights to your property) which can be purchased through your lawyer.

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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Financial Services Inc.

investia.ca

Gary H. Attack, BBA, CFP®, RFP, RRC®
CERTIFIED FINANCIAL PLANNER®
Investia Financial Services Inc.
203-1601 River Rd. E, Kitchener, ON N2A 3Y4
T: 519-894-2661
TF: 1-800-716-5538
Fax: 519-894-6656
gary@ghafinancial.com
www.ghafinancial.com

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