June 2024 Financial Planning Email Update

In the last few weeks Fidelity Investments introduced their 2024 Retirement Report which is attached for your perusal. This report summarizes an annual study which identifies significant trends in pre-retired and retired Canadians which I believe you would find of interest.

In May I attended the Canadian Institute of Financial Planners Annual Conference. Many industry leaders including the authors of the above-mentioned Retirement Report gave informative and insightful presentations.

Topics under discussion and the key points made were as follows:

Equity and Fixed Income Market Forecasts:

As a result of mergers and an increase in private company's there is a scarcity of high-quality investments to invest in which along with the significant funds in money market instruments (6 Trillion Dollars in the U.S. alone) will ensure a continued rise in equity values. The Canadian inflation rate is at 2.1% and has been below 3% since the summer of 2023. Currently 1% of the 2% inflation rate is due to the increase in mortgage interest. Any delay in interest rate cuts would be bad for interest sensitive sectors such as banks. A few interest rate cuts in Canada will not likely reboot the economy. Canada has become unfriendly to foreign investors. Labour shortages have diminished due to the strongest increase in population growth (3.2% in 2023) since Newfoundland joined confederation followed by the post war baby boom. The unemployment rate in Canada is now 6.1%. The household debt service ratio in Canada has increased to 168% with an increase in bankruptcies. Canada's economy is expected to remain at slow growth.
The U.S. economy on the other hand has powerful tailwinds with the labour market at full employment (3.6%) and strong wage gains as well as inflation anchored at approximately 3%.

Agri-Food Trends:

Dr. Sylvain Charlebois from Dalhousie University gave us the 2024 food price forecast of a 2.5% to 4.5% increase overall with meat and vegetables increasing 5% to 7%. The recent surveys suggest that in the last four years the overall perception of the public is that food prices have increased 78% when in fact food prices have increased 23%.

The Housing Crisis:

Dr. Ian Lee from Carlton University led a presentation on Canadian Home Ownership. The housing crisis is new since 2017. Vacancy rates have declined, rent inflation is at 8% which is one third of the inflation factor. Less then 5% of all real estate is foreign owned therefore that is not the problem. One third of all housing units are owned by investors but are still a part of the house inventory. The unprecedented immigration surge was noted as an issue. The decline in labour productivity in construction was also noted as 20% are over age 55 and it now takes longer to build a house due to permit delays by municipalities. The CMHC delinquency rate on mortgages is and always has been less then 1%. When a household has financial difficulty they can turn to the bank of mom and dad for assistance and they will become delinquent on a car loan or credit cards before they will get behind on their mortgage. Dr. Lee forecasts a housing shortfall of between 3.4 and 4 million units by 2030. As 80% of all Canadian's live in the suburbs and 2/3rd's of all immigrants live in our five largest cities we cannot possibly build 2/3rd's to 80% of 3.4 to 4 million housing units in the suburbs of our large cities by 2030. This will create a serious shortage and definite price increases. He feels that it is unlikely the Bank of Canada will decrease the interest rates to the previous lows therefore the best estimate is that mortgage rates may decline over the next few years from 5% to 3% at best. Dr. Lee's recommendations are to reduce municipal housing delays, redevelop the inner city as well as build in the suburb's, to permit finished basements as rental units, permit prefab and modular homes and to return to historic immigration levels of approximately 350,000 per year.

Canada Pension Plan Investments:

Two thirds of all Canadians want a full stop retirement. 22 million Canadian's participate in the CPP. CPP Investments have seven international offices and invest globally. The only goal of CPP Investments is to manage the fund to meet the income requirements of the CPP. CPP Investments was created in 1998 to maintain a sustainable pension plan which was previously not sustainable. As a result today the CPP is actuarily sustainable for 75+ years.

Other topics discussed and presented on included Intergenerational Wealth Transfer Trends, Succession Planning, Ethics in Pharmaceuticals, The Use of Nuclear Energy in Assisting with Electrification, Current Trends in Financial Planning, Retirement Planning as well as Highlights of the 2024 Federal Budget.

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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