Quarterly Newsletter September 30, 2017

Well I'm sure everyone agrees it's been one traumatic summer dealing with the forest fires that have burned in and around our area. A large number of us were evacuated for weeks and unfortunately some residents lost their homes.

Let's hope for a rainy fall, lots of snow this winter, as spot fires could still pop next spring.

Market Focus

REUTERS

SEPTEMBER 29, 2017

Canada's main stock index rose to a four-month high on Friday, ending the month with a 2.8-per-cent gain, as the heavyweight financials group climbed and BlackBerry Ltd. added to strong gains posted a day earlier.

The Toronto Stock Exchange's S&P/TSX composite index unofficially closed up 16.69 points, or 0.11 per cent, at 15,634.94. Seven of the index's 10 main groups ended higher.

The gains helped the Toronto market to rise nearly 3 per cent in September, its best month since July, 2016.

The Canadian dollar slid to 80.14 cents (U.S.) after Canada's economic growth stalled in July, snapping an eight-month winning streak, serving up evidence that the hot economy has headed into a more temperate phase in the second half of the year.

Statistics Canada reported that Canadian real gross domestic product was flat in July, on a seasonally adjusted basis, compared with June – the first time since October, 2016, that the economy failed to show month-over-month growth.

Construction booms in B.C., as skilled worker shortage grows

'It is an unprecedented time in British Columbia in terms of large projects,' says construction association

By Clare Hennig, CBC News Sep 29, 2017

The construction industry is booming across British Columbia and while a record -breaking number of projects are underway, there is a growing shortage of skilled workers to do them.

Close to a third of a trillion dollars worth of construction projects are on the books and about $75 billion of those are currently underway in the province.

Chris Atchison, the president of the B.C. Construction Association, said he has never seen anything like it before.

"It is an unprecedented time in British Columbia in terms of large projects," Atchison told CBC host of *Daybreak South* Chris Walker. "It's just a staggering number … [and] it's compounding that shortage of skilled workforce."

The construction association estimates there will be 15,000 unfilled construction jobs because of the growing labour shortage in the coming years. A lack of workers drives up prices and will affect both the province's economic growth and individual British Columbians looking to purchase homes, Walker said.

Residential construction makes up roughly 65 per cent of spending in B.C., Central 1 Credit Union estimates. Atchison said part of what is driving the construction boom is the demand for housing and a growing population.

"More and more people are choosing this entire province — not just specific regions, but this entire province — as both a place to move to and invest in," he said. "That's going to continue to drive up the need for infrastructure spending and the need for investment."

Average family to pay more tax

Jon Manchester - Sep 26, 2017

More than 80 per cent of middle-income families face higher income taxes under the federal Liberals' tax plan, according to a new study.

The Fraser Institute says, contrary to rhetoric from Ottawa, middle-class families will pay an average $840 more in federal income taxes this year.

“The federal government has repeatedly claimed they’ve lowered income taxes for the middle class, while in reality, taking their major income tax changes into account, they’ve actually raised taxes on the vast majority of middle-class families,” said study co-author Charles Lammam.

The study found the tax changes will result in higher income taxes for 81 per cent of middle-class Canadian families with children (including both single parents and two-parent households) whose incomes fall between $77,089 and $107,624.

Lammam says while Ottawa did reduce the second-lowest personal income tax rate (from 22 to 20.5 per cent), it also scrapped income-splitting for couples with young children and eliminated a series of tax credits, which more than offset the tax savings from the rate reduction.

The eliminated credits include: the children’s fitness tax credit, the education tax credit, the textbook tax credit and the public transit tax credit.

“The often repeated claim from the Trudeau government, that it reduced income taxes for the vast majority of middle-class Canadian families, is false,” Lammam claimed.

“By promoting one of its many income tax changes and downplaying the others, Ottawa is leaving Canadians with an incomplete picture of the overall impact of their tax changes, which is burdening the vast majority of middle-class families with a higher income tax bill.”

The Globe and Mail

THE GLOBE AND MAIL

Investors need to be ruthlessly pessimistic about their returns

By ROB CARRICK
00:00 EDT Thursday, August 10, 2017

The need to be ruthlessly pessimistic in your expectations for investment returns cannot be overstated.

The latest update of investment return guidelines for financial planners suggests conservative investors should expect annual returns of 3.25 per cent after fees over the long term, which is specified as 10 or more years.

Balanced investors should expect 3.92 per cent and aggressive investors 4.75 per cent. Dismiss from your mind any ideas you have about strong investment returns compensating for a lack of saving for retirement.

The projections come from Financial Planning Standards Council and Institut Québécois de planification financière and were developed by actuarial and financial-planning professionals.

They drew from sources such as the Canada Pension Plan actuarial report, the Willis Towers Watson annual Canadian investment perspectives survey and historical market data.

Here's a summary of the numbers for 2017, which are designed to be free of financial industry sales hype:

Inflation: 2 per cent, down from 2.1 per cent last year

Short-term debt: 2.9 per cent, down from 3 per cent

Bonds: 3.9 per cent, down from 4 per cent

Canadian stocks: 6.5 per cent, up from 6.4 per cent

Foreign developed market stocks: 6.7 per cent, down from 6.8 per cent

Emerging market stocks: 7.5 per cent, down from 7.7 per cent These projections were used to generate sample portfolio guidelines for conservative, balanced and aggressive investors.

The conservative portfolio is 5 per cent short-term bonds, 70 per cent diversified bonds and 25 per cent Canadian stocks. The balanced portfolio is 5 per cent short-term bonds, 45 per cent diversified bonds and 40 per cent Canadian stocks and 10 per cent foreign stocks. The aggressive portfolio is 5 per cent short-term bonds, 20 per cent diversified bonds, 35 per cent Canadian stocks, 25 per cent foreign stocks and 15 per cent emerging market stocks.

Fees were set at 1.25 per cent, which reflects what high-net worth investors would pay. If you have a smaller account, expect higher fees and lower returns.

Sorry to burst your bubble, but owning a home won’t fund your retirement

ROB CARRICK

SEPTEMBER 26, 2017SEPTEMBER 26, 2017

A disturbing number of people are building their retirement plans on a weak foundation – their homes.

Years of strong price gains in some cities have convinced some people that real estate is the best vehicle for building wealth, ahead of stocks, bonds and funds. Perhaps inevitably, there's now a view that owning a home can also pay for your retirement.

Don't buy into the group-think about home ownership being the key to wealth. Except in a few circumstances, the equity in your home won't pay for retirement. You will sell your home at some point in retirement and use the proceeds to buy your next residence, be it a condo, townhouse, bungalow or accommodation at a retirement home of some type. There may be money left over after you sell, but not enough to cover your long-term income needs in retirement.

Read also: The latest retirement obstacle: Even thirty so me things are still living at home

In a recent study commissioned by the Investor Office of the Ontario Securities Commission, retirement-related issues topped the list of financial concerns of Ontario residents who were 45 and older. Three-quarters of the 1,516 people in the survey own their own home. Within this group, 37 per cent said they are counting on increases in the value of their home to provide for their retirement.

The survey results for pre-retirees – people aged 45 to 54 – suggest a strong link between financial vulnerability and a belief in home equity as a way to pay for retirement. Those most likely to rely on their homes had larger mortgages, smaller investment portfolios, lower income and were most often living in the Greater Toronto Area. They were also the least likely to have started saving for retirement or have any sort of a plan or strategy for retirement.

The OSC's Investor Office says the risk in using a home for retirement is that you get caught in a residential real estate market correction that reduces property values. While housing has resisted a sharp, sustained drop in prices, there's no getting around the fact that financial assets of all types have their up and down cycles.

But even if prices keep chugging higher, you're limited to these four options if you want your house to largely fund your retirement:

-Move to a more modest home in your city;

-Move to a smaller community with a cheaper real estate market, probably located well away from your current location;

-Sell your home and rent;

-Take out a reverse mortgage or use a home equity line of credit, which means borrowing against your home equity.

A lot of people want to live large in retirement, which can mean moving to a more urban location and buying something smaller but also nicer. With the boomer generation starting to retire, this type of housing is in strong demand and thus expensive to buy. Prediction: We will see more people who take out mortgages to help them downsize to the kind of home they want for retirement.

Selling your home and renting will put a lot of money in your hands, but you'll need a good part of it to cover future rental costs. As for borrowing against home equity, it's not yet something the masses are comfortable doing. Sales of reverse mortgages are on the rise, but they're still a niche product.

Rising house prices have made a lot of money for long-time owners in some cities, but not enough to cover retirement's full cost. So strive for a diversified retirement plan – some money left over after you sell your house, your own savings in a tax-free savings account and registered retirement savings plan, and other sources such as a company pension, an annuity, the Canada Pension Plan and Old Age Security.

Pre-retirees planning to rely on their home at least have the comfort of knowing they've benefited from years of price gains. Far more vulnerable are the young adults buying into today's already elevated real estate markets. They're much less likely to benefit from big price increases than their parents were, and their ability to save may be compromised by the hefty mortgages they're forced to carry.

Whatever age you are, your house will likely play some role in your retirement planning. But it's no foundation. You have to build that yourself.

SEGREGATED FUNDS

Guaranteed Investment Funds (also known as "Segregated Funds" or "Individual Variable Insurance Contract") are basically enhanced Mutual Funds. They come with a protective wrapper provided by an Insurance company.

They come equipped with a guarantee.

At least 75%, and in some cases up to 100%, of the initial investment is guaranteed upon the maturity of the premium deposits or the death of the plan holder, regardless of what the funds are worth on the market at the time.

Segregated Funds are a deferred annuity contract between an insurance company and a policy owner. The policy owner makes deposits through the contract and the insurance company invests the money in Segregated Funds. Segregated Funds are an asset of the insurance company and are similar, in essence, to money held in trust for the investor. The segregated nature protects the investor against the insolvency of the insurance company.

Segregated funds are made up of underlying assets that are purchased via the Life Insurance companies. The value of the segregated fund fluctuates according to the market value of the underlying securities. Segregated Funds have guarantees and run for a period. Should the investor leave before the end date, he/she may be penalized.

You get the full potential for growth and the comforting protection of a guarantee.

Life insurance companies often partner with mutual fund or money management companies in offering these funds. The partnerships are structured so the money management company handles the investing of the money and the administration of the contracts and the insurance company issues the contracts and provides all the guarantees that are associated with them.

The deposits are insured by the underwriting insurance company and/or Assuris. If the client's life insurance company fails, their policies will be transferred to a solvent company. Assuris guarantees that the client will retain at least 85% of the insurance benefits they were promised. Insurance benefits include Death, Health Expense, Monthly Income and Cash Value. Deposit type products will also be transferred to a solvent company. For these products, Assuris guarantees that the client will retain 100% of your Accumulated Value up to $100,000. Deposit type products include accumulation annuities, universal life overflow accounts and dividend deposit accounts.

If you have questions about whether Segregated Funds are a suitable investment for your portfolio, please Contact our office.

AdvisorNet Communications Inc.

Insurance rates

For those of you who are looking for life insurance that is available through our office, here are some recent quotes. Monthly premiums, non smoker, 10 year term. Rates effective Aug 1, 2017

All rates subject to change.

Male					Female		
Age		30	40	50	30	40	50
100K	$	9.37	12.27	22.95	7.46	10.13	17.24
250K	$	15.07	20.48	45.45	11.70	16.65	32.62

Office News

If you have any family or friends that would like a second opinion of their portfolio, or need advice or have questions on retirement planning, insurance products, or other financial products, please let us know and we would be happy to meet with them. We would like to thank all of our clients for helping to make our business a continued success.

What Products Do We Offer?

Mutual Funds

Banking Products: GICs*, Savings Accounts, Mortgage Referrals

RRSPs, RRIFs, RESPs, LIFs, TFSAs

Non-Registered Investments

Guaranteed Income Products*

Segregated Funds *

Cancer Insurance *

Disability Insurance *

Term Life Insurance*

Universal Life Insurance *

Extended Health Plans *

Critical Illness Insurance *

Travel Insurance *

Investment Planning

Retirement & Estate Planning

Pension Plan Analysis

Referrals to Accounting, Mortgage and Legal Professionals

Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the applicable Fund Fact Sheet before investing. Mutual fund products are offered through Investia Financial Services Inc.

**Insurance products provided through multiple insurance carriers. Segregated funds products are offered through Investia Financial Services Inc. and/or multiple carriers.*

Guaranteed Investment Certificates (GICs) are offered through Investia Financial Services Inc. and/or multiple carriers.

All information is for general information purposes only and is not intended to provide legal, accounting, tax or personalized financial advice. Please speak to your own advisor concerning your personal situation.

"To unsubscribe from receiving commercial electronic messages from Investia Financial Services Inc., click here."

"I've crunched the numbers in your retirement account. It's time to figure out who will be wearing the mask and who will be driving the getaway car."