



The David Miner Communiqué

Summer 2023

"The foundation of every state is the education of its youth."

- Diogenes Laërtius



Twilight Days of Summer



Summer is ending and the kids are back at school!

Like many, we looked forward to the long, lazy days of summer, only to be 'surprised' when our schedules were so packed that by the time we blinked, summer was over!

In July, Dave and Dorinda attended a beautiful family wedding in Mexico. Kiran spent a few days with friends camping in the scenic wilderness of Killarney Provincial Park. Soumya's trip to India was (*joyously*) cut short by how quickly she received her permanent residency in Canada! Oliver, by contrast, played host to family and friends from the UK who visited over the summer.



Maya & Nalina cool off on a hot summer day

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Market Commentary

Performance in equities year-to-date remained strong, even as markets around the globe softened through August. The MSCI all-country-world index was up 14.1% and the US S&P was up 18.2% as of September 1st, 2023.

Canada, Europe, and much of the rest of the world delivered modest returns when compared to the US, while China has been an outright drag on emerging market and global performance.

No government intervention is anticipated in the credit market, so it is unclear how long it will take China to find its footing. China is currently the only country showing signs of deflation and is on pace to fall short of its forecasted growth rate in 2023.



The Naidoo's out for a stroll and enjoying a scoop (or two)!

While the results may be disappointing in the short run, China appears intent on reining in debt and reducing the impact of the real estate sector with respect to its economy going forward.

In North America, the conversation continues to center around recession, with inconsistent data points around whether we have avoided it, are in it, or if it is forthcoming. The risk in the current economic setup is that labour markets continue to appear strong, inflation remains sticky, while central banks continue to raise interest rates and truly impair growth.

The Canadian picture may be a little clearer than the US one, as Statistics Canada noted

the economy contracted by a marginal 0.2% in Q2 while growth was revised downward by 0.5% to an annualized 2.6% for Q1. Some of the contraction is attributed to a 2.1% decline in housing investment, the fifth consecutive quarterly decline, while weakened household spending, manufacturing and exports were also cited. Such developments have proven enough to defer any interest rate movement by the Bank of Canada in September.

Thoughts from Across the Country

In April 2023, Manulife Bank polled individuals from every province culminating in an interesting take on our collective attitudes and beliefs about the financial health of Canadians. Here are a couple of the more interesting findings:

- The vast majority of those polled think Canada is facing an affordable housing crisis (80%) and an affordability crisis more generally (81%).
- 54% of Canadians do not feel great about their financial future.
- 84% of Canadians think their country is headed for a recession, or is already in one.
- 60% of Canadians say their expenses are rising faster than their incomes.

Despite these concerns, the results also showed that preparedness and planning resulted in tangible economic AND social benefit:

- 79% of Canadians who have a financial plan feel like it has helped them improve their financial ability to cope with the current economic environment.
- 73% of Canadians say that having a financial plan has improved their spousal relationship.
- 78% of Canadians say that having a financial plan improves their happiness.

Preparedness is proven to improve mindset (and outcome!), which is inherent in our advocacy for clients to take early preventative action over reaction.

Source: Manulife Bank Financial Health Survey (2023)

The Shifting Culture around Home Ownership, Debt and Retirement

For many middle-class Canadians of the baby boomer generation, the economic ideal was to purchase a modest detached home and pay off their mortgage ASAP given the higher interest rate environment of the '80s. Sure, they'd keep a small rainy-day fund, but most lived off a lucrative pension plan in their twilight years after many decades of service to their employer. Oh, how things have changed...

The once modest detached home that cost approximately 3 times household income, now costs closer to 8 times household income (*after tax*) based on data from CMHC and Statista. These days few people outside of the public sector benefit from pension plans, so in addition to wage growth not keeping pace with housing prices, the onus for retirement savings has shifted to the individual.



David and Dori basking in the Mexican heat

According to a TransUnion report, total household debt reached \$2.3 trillion in Q2, and is up 4.2% over the prior year, primarily as a result of mortgage debt. Canadians have the highest level of household debt among G7 nations. The report also highlights that climbing average credit card balances are being driven by spending habits and variable rate debt is eating into budgets. The world around us has changed and as Canadians, our approach to personal finance needs to evolve.



Nalina with her grandparents after her ballet recital

A similar study from the Chartered Public Accountants of Canada found that 1 in 3 people with consumer debt do not understand the impact that fluctuating interest rates has on them and noted that 1 in 4 Canadians wouldn't be able to come up with \$500 within 24 hours without borrowing or selling a possession.

Approximately two thirds of mortgages will need to be renewed by 2026 and many of these homeowners will have to weigh between higher payments, a longer repayment term or selling their current home.

Your household finances have unique considerations; part of our value to you, is our ability to identify and assess the relevant variables, the corresponding risk, and help you chart a path forward. We take a logical, data-driven approach in tackling even the most uncomfortable circumstances. If you or a loved one are facing a difficult financial scenario, please don't hesitate to reach out to one of us - we're on your team!

Consider the ‘What If’ in Financial Planning

One thing that we highlight when talking about a sound financial plan is minimizing risk. We usually apply this concept to investing, but that shouldn't belittle the role of life or disability insurance. This is particularly relevant when we have dependants (kids) and material debt (mortgage) as we want to protect against any loss of income.

Group benefit plans usually offer some level of protection (1-2 times gross salary for example), but with the rising costs of living and debt, it's not likely to be sufficient and is contingent on remaining with your employer.

Let us know if you feel your circumstances warrant an insurance review. As much as we advocate for growing wealth first, knowing our families and loved ones are safeguarded may bring the most comfort.



Helena enjoying a kayak excursion on Georgian Bay

Congratulations Helena on your Retirement!

Congratulations Helena on an amazing career! We look forward to hearing about your adventures on the high seas and traveling the globe!

Helena will forever be part of the David Miner & Associates family, just as she will always care about all the folks she's gotten to know over the years. As Helena is no longer a licensed advisor, all business inquiries should be directed to our office to ensure your needs are met promptly!

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