Quarterly Newsletter September 30, 2016

We hope everyone had an enjoyable summer, even though it was definitely a wet one. On the positive side no forest fires, and I'm sure it helped out the water table.

Everything You Need to Know About Canada's New Housing Rules

October 3, 2016

Today the Canadian government announced several major changes to mortgage rules.
The changes seem to be aimed at curbing high demand in two of the country's fastest growing markets - Toronto and Vancouver - with seeming disregard for the potential negative consequences in other markets across Canada.

What Are The New Mortgage Rules?

The government will restrict insurance on mortgages to loans on owner-occupied dwellings with amortization periods less than or equal to 25 years, purchase prices (not loan amounts) of less than $1 million, and for borrowers who meet a minimum credit score standard of 600.

All insured mortgages in Canada (i.e. any mortgage where the borrower puts less than 20% down OR portfolio insured mortgages - i.e. bulk insured loans with MORE than 20% down) will be underwritten using posted rates to qualify borrowers based on their income. For perspective, based on today's rates, that means a borrower that could qualify for a mortgage at a 5-year fixed rate of 2.29% now will have to qualify - as of the 17th of October - at the qualifying rate of 4.64%.

Foreign buyers will need to prove that a home they sell is their primary residence to avoid capital gains tax exemption abuse.

Oh yeah: OSFI is also driving up capital requirement costs which will probably make insurance premiums go up and interest rates too. This was announced on the 23rd of September to less fanfare but goes into effect in January 2017. Bonus.

The stated goals of these rule changes are - according to Finance Minister Bill Morneau - to help middle class families who see prices "climbing often out of their reach". Some are even "in a rush to buy before it's too late." If you read between the lines here the goal is to monkey with the market so some people in certain parts of the country can still buy a home...instead of, you know, moving somewhere else where they can afford a home, or renting, or pursuing a higher paying career so they can afford a home, or buying a condo instead of a house. The government would hate for people to have to actually do something for themselves and act like a normal market or something.

The effects of these changes are hard to predict on each individual housing market in Canada - but it's a safe bet that it'll cool the hot ones. It'll also cool the mediocre ones. It'll almost certainly cool the already cold markets. Basically it's a big wet blanket over the entire country inspite of the vastly different real estate markets, job markets, economic conditions, political climates, and *housing* If you're a homebuyer and you have a pre-approval, then talk to your mortgage broker because the numbers you qualify probably just changed. If you're a seller you might want to accept the next offer that walks in the door before it's too late. If you're thinking about renovating your home before you sell it then reconsider your plans because you just lost more money on your renovation.

What tends to happen when the government makes changes like this is it brings forward all kinds of demand. People rush to qualify so they can get the home they wanted before the rules make it harder. The government has figured this out the last couple of times and instead of giving two months' notice, now they give only two weeks. Not enough time to really do much. The long and the short of it is this: people still need to live somewhere and owning a home right now is still better than renting because you get to pay yourself. Everyone's expectations about how much house they can buy just needs to change as a result and this will likely result in a short-term drop in prices in some markets as sellers come down to meet buyers where they're at.

Realistically, How Bad Is It?
If you want to play around with the numbers you can use our *Canadian Mortgage Pre-Qualification Calculator* to see. I did a quick test and if you have an annual household income of $60,000 and all other variables remain the same, the difference between the old rules and the new rules are a $338,000 home vs. a $272,000 home. Not earth shattering, but your purchasing power just went down by $66,000.

With tuition costs on the rise, parents should start RESP early: experts

Craig Wong, The Canadian Press Published September 6, 2016

OTTAWA -- Parents looking at the bills rolling in as students head off to university and college may be wishing they had saved more.

But if you're not at that stage yet, financial advisers say, it's important to start early and put aside as much as possible.

Jamie Golombek, managing director at CIBC Wealth Strategies Group, says parents' biggest mistake is waiting too long before they start saving with a registered education savings plan, or RESP.

"You can't catch up on the tax-deferred compounding. Depending on the rate of return, this can really be significant," he said.

If you can afford it, Golombek advises putting $2,500 a year per child into an RESP to maximize federal government grants.

"If you can set aside that money in the year the child is born and start saving every single year to maximize the grants ... that really is the best way to accumulate the most amount of money over the long term in an RESP," he said.

Regardless of your family's income, the basic grants are equal to 20 per cent of contributions, up to $500 per year for each child under age 18 and a lifetime limit of $7,200.

These government incentives, called Canada Education Savings Grants, can also be carried forward but $1,000 is the maximum grant parents can receive per child in any one year.

Families with net incomes of $90,563 or less in 2016 are entitled to additional CESG. Households with a family net income of $45,282 or less receive an extra 20 per cent on the first $500 of annual RESP contribution, and households with a family net income exceeding $45,282 but not more than $90,563 receive an extra 10 per cent on the first $500 of annual RESP contribution.

RESPs can also provide a tax break on investment gains, which become part of the student's taxable income when the money is withdrawn from the plan -- not the contributor's.

David Lee of BlueShore Financial in North Vancouver, B.C., says that there'll be enough in an RESP to cover tuition if you start early, maximize the government grants and get a conservative rate of return of three per cent.

But if your child plans to go away to school and you're hoping to pay for it all, including the cost of living, Lee said "that is quite a stretch for what we're seeing."

He estimates that four years of tuition, plus room and board, adds up to a total of about $90,000 right now at the University of British Columbia.

Lee says parents need to ask themselves a lot of questions such as: How much of their child's education do they plan to pay? Will they expect their child to have a part-time job? Will they qualify for scholarships?

"Those are some of the other factors a parent needs to kind look at as well ... in terms of determining their targets," Lee said.

The location of the school and whether the student lives at home are also factors.

The Ontario Securities Commission's GetSmarterAboutMoney.ca website can help calculate the future costs of education based on how much tuition and room and board cost today.

The online calculator allows to you to see how your savings add up to find out if you're on track

Liberals consider ending costly Canada Savings Bond program

'It's a program that was developed for another time, another world,' economist says

By John Paul Tasker, CBC News Sep 26, 2016

Finance Minister Bill Morneau is seriously considering an end to the Canada Savings Bond program in his next federal budget, Radio-Canada has learned.

The program, introduced after the Second World War to help Ottawa raise money from individual Canadians, is about to launch its 70th year of sales, but senior government sources who spoke to CBC's French-language service say it could be the last.

Sales of the federal government bonds have been in a free fall since the late 1980s, when the program was a lucrative savings tool for consumers looking to cash in on then sky-high interest rates.

The bonds have been seen as one of the safest investment vehicles, because they are fully backed by the federal government and can be cashed in at any time. Interest earned is also compounded, and at times returns could be lofty.

But now banks and other financial institutions offer readily available products like GICs, self-directed trading accounts, mutual funds and exchange-traded funds (ETFs), which often offer better rates of return.

Fewer people are buying Canada Savings Bonds each year — because of paltry payouts in an era of sub-one per cent bank rates — and the government is questioning the $60-million price tag it costs to run the program each year.

Morneau has in his hands a report from accounting firm KPMG, commissioned by the previous Harper government, which recommends Ottawa pull the plug. "There are currently no valid economic reasons to justify this program," the report reads.

Its main recommendation: "An orderly phasing out of the program."

The auditor general has in the past raised questions about the program's profitability. Administered by the Bank of Canada, it is costly to run because thousands of Canadians still hold bonds (even if they are buying fewer each year) and their main point of contact is the central bank itself.

The national advertising campaign, which coincides with the two-month sales period each year, also costs millions.

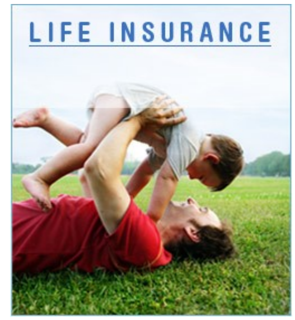
A spokesperson for Morneau was unable to comment Monday.

Canada Savings Bonds were first offered in 1946 in an effort to replicate the success of Victory Bonds campaign, launched during the First World War, which solicited funds from individual Canadians to help fund the war effort.

It was then much more difficult for a country to finance its sovereign debt, Serge Coulombe, an economist at the University of Ottawa, said in an interview, as international bond markets were not nearly as well-developed as they are now.

"This is probably the most expensive loan tool for the government, and it can borrow on world capital markets with much lower costs," he said. "It's a program that was developed for another time, another world."

Canada would follow Germany, which also eliminated its savings bond program in 2012.



<u>Why Canadians Aren't Buying Life Insurance</u>
September 27, 2016 in [Life Insurance Canada News]

According to a BMO survey, over half of all Canadians are concerned that their death will put their family's financial stability in jeopardy. The survey revealed that 26% are very concerned. However, only about 43% (less than half of all respondents) say they already have or plan to purchase life insurance in the next 12 months. Of the people surveyed, 31% reported not having any life, accident, disability, travel, critical illness or long-term care coverage. Approximately the same proportion stated they are confident that their financial plans are sufficient to cover any insurance needs.

In spite of the complexity of the insurance industry, half of the Canadians surveyed felt they had an adequate amount of understanding about insurance products appropriate for their stage in life and 16% stated their understanding was very good.

This suggests that a large number of Canadians don't have adequate insurance protection and don't understand the complexities of the insurance industry.

Top Reasons for Not Buying Life Insurance

Approximately 31% of Canadians don't have any type of life insurance. These are some of the top reasons people give for not buying coverage.

Lack of Knowledge - Don't know what to do about it.

Canadians know they need life insurance, but don't understand it or don't know where to start. These are the main questions and concerns people have about life insurance:

- How much coverage do I need?

o You want enough insurance to cover essential financial obligations, such as paying off debts, income replacement and funeral costs.

o Do I need more coverage if I have children?

o If you have kids, you know they aren't cheap. You don't want to put an extra burden on your surviving spouse or appointed caretaker, so make sure you have enough coverage to help them raise your children.

Speak with an experienced insurance broker or advisor before deciding which type of insurance is best for you and what kind of policy you need.

Finances – Many Canadians don't think they can afford life insurance.

The majority of Canadians consider life insurance an important factor in their financial plans, but when money is tight, insurance premiums are one of the first things to hit the chopping block. The Bank of Canada has been concerned about household debt for some time. According to a story in the Globe and Mail, Canadians have $1.65 of debt for every dollar of disposable income. This situation could potentially harm the financial stability of the country.

Canadians tend to shy away from purchasing new policies or increase current coverage during times of economic uncertainty and with their own personal debts at historic highs, many Canadians have cancelled their insurance in an effort to save money.

Health Issues – Most Canadians don't know about the variety of new No Medical Simplified issue options. You may have heard that you can't get life insurance if you have been diagnosed with an illness or that your health condition will get you denied for coverage. This is no longer true. Today, there are many options available that allow you to get insurance without a medical exam. You may have to pay a bit more, but you should be able to qualify for a suitable policy.

Procrastinate – People always tend to put things off until tomorrow.

Canadians don't usually make the decision not to buy life insurance. They make the decision to put it off until later. Unfortunately, later they forget.

Canada's population tops 36 million as immigrants, refugees swell numbers
Increase in people living in the country in 2016 the largest since 1988, Statistics Canada says

CBC News Posted: Sep 29, 2016 12:35 PM ET Last Updated: Sep 29, 2016 1:06 PM ET
A record number of immigrants and refugees arriving on Canadian shores helped push Canada's official population over 36 million as of July 1, Statistics Canada says.

The data agency says there were 437,815 more people living in Canada than there were on the same day a year earlier, bringing the official population to 36,286,425.

In absolute terms, that's the biggest annual surge since 1988. In percentage terms, the population grew by 1.2 per cent.

The "increase is one of the largest increases since the baby boom in the 1950s," BMO economist Doug Porter said, "although this recent increase is driven more by immigration."

Indeed, the numbers show that some 320,932 immigrants arrived in Canada between the two Canada Days. More than 30,000 Syrian refugees are included in that figure, as they are classified as permanent residents by Immigration, Refugees and Citizenship Canada.

"The country had not received such a large number of immigrants in a single annual period since the early 1910s,

Canada's population on July 1	Population (in 000's)
N.L.	530.1
PEI	148.6
Nova Scotia	949.5
N.B.	756.8
Quebec	8326.1
Ontario	13,983
Manitoba	1318.1
Sask.	1150.6
Alberta	4252.9
B.C.	4751.6
Yukon	37.5
N.W.T.	44.5
Nunavut	37.1

By age bracket, the single largest demographic group was people between ages 50 and 54, with 2,711,318 across the country.

Other statistics as of July 1 include:

The average age was 40.6, up slightly from 2015's level.

- There were 7,345 centenarians across the country.
- There were more than 56,000 people between ages 95 and 99.

Market Focus

B.C. to lead provinces in economic growth, Alberta still grappling with recession: BMO
David Paddon, The Canadian Press

TORONTO -- British Columbia is on track to lead Canada's other provinces in economic growth in 2016 and 2017, according to a report released Thursday by BMO Financial Group.

It estimates B.C.'s economy will grow by three per cent this year -- more than twice the national growth of 1.2 per cent.

But BMO says neighbouring Alberta is in a recession, with its economy expected to shrink by another 2.3 per cent this year -- following a decline of four per cent in 2015.

The banking group says the downturn in Alberta's energy sector has spilled into other parts of the economy, and the provincial unemployment rate is above eight per cent for the first time since the early 1990s.

"The fallout from lower oil prices has Alberta's economy still grappling with recession," BMO senior economist Robert Kavcic writes in the 26-page report from the Canadian banking group.

"By next year, the economy should return to growth, but remain historically subdued at just above two per cent, assuming a gradual upward grind in oil prices."

The report says Ontario, Manitoba and Quebec are expected to have growth above the national average while the three Maritime Provinces will come in below the average.

B.C.'s economy is expected to grow a more subdued 2.5 per cent in 2017 -- above BMO's estimate of national growth of 2.0 per cent next year.

None of the provincial economies is projected shrink next year, with Alberta matching Ontario with growth of 2.3 per cent and Newfoundland and Labrador eking out a 0.7 per cent increase in its real GDP

WTI tops $50 a barrel for 1st time since June

CBC News Oct 06, 2016
The price for benchmark North American crude oil topped $50 US per barrel on Thursday, the first time it has crossed that threshold since early June.

Oil has been inching higher since September 28, when OPEC announced it had agreed to a loose framework for a production cut. The cartel's members agreed to reduce output by about 700,000 barrels per day to a range between 32.5 million and 33 million barrels daily. Reuters said OPEC estimates its current output is around 33.24 million barrels each day, and it has not cut its output since 2008.

On Thursday, Reuters reported that Algerian Energy Minister Nouredine Bouterfa said OPEC could even decide at a November meeting in Vienna to cut production by another one per cent on top of the reduction agreed to in September if producers deem it necessary.

Oil rallied Wednesday following a data release from the U.S. Energy Information Administration that showed there was 499.7 million barrels of crude in storage. While high by historical standards, that figure is a drop of 3 million barrels from the previous week — a sign that the market is eating up some of the excess supply that has kept a lid on prices since 2014

Canada added 67,000 jobs in September
Jobless rate stays steady at 7%

CBC News Oct 07, 2016

Canada's economy added 67,000 jobs in September, blowing away expectations of a small uptick for the month.

Statistics Canada reported Friday that despite the job surge, the unemployment rate stayed steady at seven per cent as more people were looking for work, too.

"Simply put, around as many people entered labour markets looking for work as those who got it," Scotiabank economist Derek Holt said of the numbers.

By sector, services led with 56,000 new jobs, but manufacturing and construction each added 6,000 jobs. Education saw a large surge, but that's likely seasonal as school started during the month.

"Education employment jumped by 17,000 in the month, reversing three straight monthly declines through the summer — this sector is often plagued by seasonal wonkiness," Bank of Montreal economist Doug Porter noted.

Most of the new jobs were part time, the data agency said. There were 44,100 part-time jobs while full-time jobs were up 23,000. Self-employment surged by 50,100.

New jobs didn't come evenly across the country, with most from Quebec, Alberta and New Brunswick. There was little change in the other provinces.

Overall, the uneven showing is in keeping with a recent trend. "Up and down, down and up. Canada's monthly job growth has been especially noisy over the past several months, echoing the volatility in the overall economy," TD Bank economist James Marple said. "Looking through the monthly din, the trend is consistent with a moderate pace of growth, but one that appears to be turning the

Travel Plans

Travel insurance

If you plan to go abroad, even on a day trip to the United States, you should purchase the best travel insurance you can afford before you leave Canada. Your travel insurance should include health, life and disability coverage that will help you avoid large expenses, such as the cost of hospitalization or medical treatment outside Canada. If you are flying, being insured for flight cancellation, trip interruption, lost luggage and document replacement will save you from major disruptions and additional costs. If you are travelling by car, make sure you have driver and vehicle coverage in case you have an accident abroad.

You can purchase travel insurance through an insurance broker or your travel agent. Your credit card company may also offer travel and health insurance. Regardless of how you obtain travel insurance, it is very important that you understand the eligibility requirements, terms and conditions, limitations, restrictions and exclusions of the policy.

As insurance brokers, travel insurance can be purchased through our office. Please contact us for more information.

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 Oct. 7, 2016.

All rates subject to change.

Male				Female		
Age	30	40	50	30	40	50
100K $	10.13	11.70	21.24	8.82	10.66	15.84
250K $	15.53	19.35	41.40	11.93	16.20	30.38

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.

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Pension Plan Analysis

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