NEWSLETTER

JULY 2023 / QUARTER 2

As the cost-of-living crisis persists, many are heading into this summer vacation season with more than relaxation on their minds. A recent survey by MNP found that 52% of Canadians are $200 or less away from the inability to make payments, while 35% don't make enough to cover their living expenses. Food bank usage is at all-time highs and many users are the working poor. Let's be clear – although almost everyone is noticing the increase in the cost of many essential goods, it is younger and lower income individuals who are struggling the most.

The cost-of-living increase (inflation) and debt are linked. The Bank of Canada is trying to lower inflation by raising interest rates, which is a problem for borrowers with existing debt (lines of credit and mortgages) and those who want to borrow money for housing. Homeowners with either variable rate mortgages or mortgages up for renewal at much higher rates are also starting to have more difficulty making payments. These demographics are under major pressure to make ends meet and are increasingly using credit to make up the difference between their income and their monthly expenses.

Equifax Canada's most recent consumer quarterly credit trends report showed credit card balances increasing by 14.5% in the first quarter of 2023 as compared to Q1 2022. More and more Canadians are missing non-mortgage payments, leading to a steady increase in consumer proposals, which are up 36.5% year over year. Equifax also reported that new mortgage originations are down 42% since the beginning of 2022 and are at their lowest level since 2014. This is not surprising given that in the first three months of 2023, first time homebuyers in Canada were paying on average $900/month more for their mortgages than those that purchased their first home during the same time frame in 2020.

Many think it's the federal government hiking rates – it's not! The Bank of Canada is a non-political, independent body tasked with controlling inflation. They are looking for a higher unemployment rate and a slowdown in the economy as indicators that they can stop raising rates. They also hinted that higher corporate profits due to "greedflation" (raising the cost of goods excessively) are an issue.

Although many Canadians are frustrated with the current interest rate levels, controlling interest rates is really the only tool that the Bank of Canada has at its disposal to slow down the economy in an effort to reduce inflation. Some economists and policymakers are saying we need to reconsider the singular mandate that we have given to central banks. There are many unprecedented factors contributing to the economic challenges we are facing, such as extreme weather events caused by climate change, increasing income inequality and swiftly changing demographics in the labour market. It is time for new approaches and a wider range of tools to make a real impact on inflation without causing long term damage to Canadians' financial well-being.

As I write this, the Bank of Canada – hopefully for the last time – raised rates by 0.25%, to a total of 5%. The very good news is that U.S. inflation numbers released on July 12 showed only a 0.2% increase for the month of June. With holidays in progress and a new school year on the horizon, many Canadians will be eager to see if this U.S. data, which was a welcome surprise for markets, is a positive indication of things to come.

**Source: CNN Money*	Market	Dec 31/22	Mar 31/23	Jun 30/23	YTD
Canada	TSX	19385	20100	20155	3.97%
U.S.	DOW	33147	33416	34645	4.52%
U.S.	S&P 500	3840	4110	4482	16.72%
U.K.	FTSE	7452	7746	7532	1.07%
France	CAC	6573	7337	7399	12.57%
Germany	DAX	13869	15605	16148	16.43%
Japan	NIKKEI	26095	28041	33189	27.19%
Canadian $		73.53	73.93	75.52	2.71%
Oil (U.S. $)	WTI	80.26	75.68	70.64	-11.99%
Western Canadian Select	WCS	52.64	61.32	58.33	10.81%

Group Benefits & Disability Income

This month we are pleased to present a guest column from Lori Power, owner of MP Benefits Inc. Lori has been working exclusively in group benefits for over 25 years and designs benefits packages that align with her clients' business strategy, culture, and compensation.

If you are fortunate enough to be a member of an employer-sponsored group benefits plan, you are no doubt familiar with the extended health benefits that your plan offers. Coverage for dental cleanings, prescription medications, eyecare, and many other services can help you to focus on your health and wellbeing without being weighed down by the burden of occasional healthcare costs. But what if your medical needs suddenly became much greater than a yearly checkup or a monthly prescription, and you found yourself unable to work, either through illness or injury? Does your group benefits package include the financial support that you would need to stay afloat during a period of disability?

Statistics for disability are staggering: 1-in-4 will suffer a disability before retirement. Remember, a disability that lasts two years can continue to cause health problems for a lifetime. For this reason, disability insurance is an integral part of any long-term financial plan, no matter your age. A disability can be more financially devastating than death as it can take away your ability to earn your regular income, while your monthly expenses remain the same – or even increase.

Income is the foundation of the lifestyle you created, and if that income is no longer available, how will you maintain the household and pay expenses? An acquaintance recently confided that despite being covered for an unexpected disability by both WCB and a group benefit plan, financially, things were touch-and-go for months and he simply couldn't afford to take the time for the recovery his doctors recommended.

To that point, employee group benefit plans have maximums and non-evidence maximums and are therefore an unlikely source for full income protection, as many employees do not bother to complete the medical questionnaire necessary to achieve the overall maximum. For higher income earners, the monthly maximum may still fall substantially short of their needs.

It is critically important for anyone eligible for an employee group benefit plan to understand their disability insurance coverage. This allows you as an employee to assess whether your coverage is sufficient based on your monthly expenses and life circumstances. Start by reviewing your employee benefits handbook and speaking to your benefits coordinator to clarify how much your disability insurance would pay if you became disabled. Find out whether you have maximized the amount you are eligible for, and if you haven't, ask how to apply for an increase in coverage.

If your current level of disability insurance coverage is just not enough given your monthly financial obligations, or if you don't have any disability insurance at all, speak to your life/accident and sickness insurance advisor about your options for individual disability insurance. No matter how young or healthy you may be, disability does not restrict itself to the old or infirm, and the time to act is before you're unable to work. Your ability to earn an income is often your most valuable asset and it is worth protecting!

Jessica Buffalo Baby News!

We are delighted to share that Jessica Buffalo and her husband Colby welcomed their adorable son Ryder on March 23. Congratulations to the Buffalo family!

New Employee

We are pleased to announce that Sarah Ganske joined the Maude Financial Inc. team in April. Sarah graduated from the U of A Augustana Faculty with a degree in English, which she has put to use over more than a decade in office administration. She is enjoying getting to know her Wetaskiwin neighbours and recently obtained her Life and Accident & Sickness licenses in order to better serve our clients as a Licensed Administrative Assistant. Welcome, Sarah!

John Maude
Life Insurance Advisor

Bridget Maude
Life Insurance Advisor

Jessica Maude
Life Insurance Advisor

Julie Zorn
Life Insurance Advisor

Maude Financial Inc.
5116 – 50 Avenue
Wetaskiwin, AB T9A 0S6

Tel: (780) 352-8111
Toll free: 1-877-352-8111
info@maudefinancial.com

MAUDE FINANCIAL INC.