WINTER 2025

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ADVICE FOR LIFE

Market Watch: Interest rates, inflation and the market

Helping your kids with their first home

Will you be living solo? Tips to manage your finances.

PLUS HOW HEALTHY ARE YOUR FINANCES?

ADVICE FOR LIFE

TIPS, TRENDS & TALK ABOUT MONEY MATTERS AND YOU

HELLO!

In this issue you'll find:

Market outlook

Financial "health check"

Helping your kids with their first home and so much more

MARKETWATCH

On January 29, the Bank of Canada (BoC) continued to cut interest rates, lowering its key policy rate (i.e., its target for the overnight rate) by 25 basis points to 3.00%. The BoC cited a relatively weak labour market, easing wage pressures and reduced business investment as some of the main reasons for cutting rates. The next BoC interest rate announcement is scheduled for March 12, 2025.

Based on the Consumer Price Index (CPI), year-over-year inflation in Canada rose by 1.8% in December, which was a slight decrease from the gain of 1.9% in November. Lower costs for restaurant food purchases and alcoholic beverages, given the temporary HST/GST break, contributed most to the deceleration. On a monthly basis, the CPI declined 0.4% from November's reading.[1]

Regarding the labour market, employment in Canada increased by 91,000 jobs in December (a month-over-month rise of 0.4%), while the unemployment rate was 6.7%, down 0.1 percentage points. Strong gains were made in educational services and also in transportation and warehousing. Provincially, Alberta added the most jobs for the month, while Manitoba was the only province to post declining employment in December.[2]

On a month-over-month basis – using a standalone, seasonally adjusted annualized rate – housing starts in Canada were basically flat (-0.7%) in December relative to November, with 242,637 units.[3] In December, home sales within Canada declined by 5.8% month-over-month, but remained roughly 13% higher than in May, which was shortly before the BoC began lowering interest rates. Month-over-month, the number of newly listed properties dropped by 1.7% in December.[4]

Regarding the securities market, as investors considered how a Donald Trump U.S. presidency might boost the world's largest economy, equities staged a rally into the latter stages of 2024, at which point markets declined amid concerns about the incoming U.S. administration's trade policies. Canadian markets faced an extra challenge when Prime Minister Justin Trudeau announced he was stepping down as leader of the federal Liberal Party, paving the way for a new Party leader and subsequent federal election. Also in Canada, the BoC forecasts our economy to remain robust, including a strengthening of consumption, housing activity and GDP growth. As well, the BoC expects economic growth to continue across the globe, to varying degrees. While Trump's threat of tariffs on Canadian goods and services entering the U.S. could impact consumers, our federal ministers and provincial premiers are preparing countermeasures to help support and protect the Canadian economy.

FACT vs FICTION

Here are three common misconceptions about financial planning.

1. Financial planning is for the wealthy.

As long as you have financial goals and challenges, you could benefit from a plan. It doesn't have to be elaborate, but a financial plan empowers you with direction and discipline to help meet your objectives.

2. I don't need a budget.

Within a financial plan, a budget provides a real-time snapshot of your income sources and expenses. If you have debt concerns, consider ways to reduce spending and/or increase income. Without a budget, you're only guessing about your finances.
Read more

3. Having money issues can impact mental health.

This is true! Challenges with money often cause anxiety, especially if you feel helpless about your situation and don't know where to turn. An Alterna Advisor can work with you on your finances, helping to reduce your stress.

1 https://www150.statcan.gc.ca/n1/daily-quotidien/250121/dq250121a-eng.htm
2 https://www150.statcan.gc.ca/n1/daily-quotidien/250110/dq250110a-eng.htm
3 https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables
4 https://stats.crea.ca/en-CA/

How healthy are your Finances?

Many people wait until the new year before improving some facet of their life. While there's no real reason to do this – aside from having a nice clean starting point – if that motivates you now to conduct a "health check" on your finances, then go for it! Getting a sense of your financial circumstances raises awareness of your strengths and weaknesses, which can guide your actions to improve your finances. Here are six things to keep in mind:

1. **Monthly cash flow.** Everyone has regular expenses, so it's important to have enough cash flow to cover them. Try creating a budget that lists your sources of cash flow and expenses. If there's a shortfall, then either you need to trim expenses, or take on some form of debt (credit card, loan, line of credit, etc.) to meet your monthly obligations. It is always a good idea to pay off your credit monthly.
2. **Track your debts.** A good financial check keeps tabs on the money you owe. List all your debts and note the interest rate being charged. See if you can negotiate a lower rate, or whether it makes sense to consolidate debt. Also check your credit score, as your score could impact the interest rate offered on loans and credit cards.
3. **Make use of savings.** Well done if you've managed to build some savings, but what should you do with it? Consider paying down debt or putting it toward expenses when you're short on cash flow. It's also wise to start (or add to) an emergency fund for unexpected expenses. Also think about maximizing RRSP and TFSA contributions. Another use for savings is to automate your investments (e.g., $250 per month into a mutual fund) so you can conveniently invest on a regular basis.
4. **Check your investments.** Review your asset class mix to see if your investments still reflect your desired allocation (e.g., 60% equities/40% fixed income) and diversification (e.g., level of exposure to certain industries or countries). If your risk tolerance, time horizon or financial objectives have changed, you may need to adjust your investments.
5. **Set financial goals.** You can't meet any goals if you don't create them, so think about what you'd like to achieve over the short, medium and long term. Examples of goals include buying a car next year, owning a home in the next five years, and having enough money to retire in 15 years. Be realistic and try to attach steps and timing around each goal.
6. **Follow up during the year.** A good financial health check isn't an annual event. To stay on top of your finances, consider scheduling monthly or quarterly check-ins regarding the points discussed above. Consider setting up automatic transfers - both for regular bills and for building savings. These automated payments help ensure bills are paid on time and savings grow consistently.

Regular financial health checks become easier with practice and can lead to lasting financial confidence. Connect with an Alterna Advisor to create a personalized plan that works for you.

STAY UPDATED WITH REAL-TIME RATES

Rates frequently change. **Scan with your phone camera** to stay updated on our featured promotional rates on mortgages, term deposits and more.

QUICK FACT

Credit card debt tends to spike during the holiday season. For example, in December 2024, Canadians added more than $800 million in credit card debt. Good financial health means keeping debt under control – all year long!
Read more

Living solo?
Tips to manage your finances.

Let's face it, there's a good reason for the old axiom that "living as two is usually more economical than living as separate individuals." Certain expenses don't double (or increase much at all) when you join forces in a household, so each person can lower their individual expenses. Over time, that can add up and help you build wealth more effectively.

But what happens when your cohabitant is no longer around? It might be because of divorce, death of a spouse, or your roommate has gone their own way. Sure, there's an emotional aspect to losing that familiar companion or partner, but it also requires careful evaluation of your financial situation and how these new living circumstances could impact your current life and future wealth. While there are many steps to take during the process, we highlight four of them related to your finances:

1. **Gather information and assess your financial situation.** To get started, you'll need a clear picture of your finances and what you can now reasonably afford. Create a budget that lists your sources of cash flow and expenses.
2. **Create a framework for dividing assets**. This one applies mostly to divorcing partners, although it may also relate to roommates who have brought certain assets. Being organized and willing to compromise makes dividing combined assets easier and more successful.
3. **Update policies and other legal documents.** For divorcing couples, you've probably named each other on key policies and accounts, bestowing to them certain legal and financial rights. When divorcing, go through all documents and amend as required.
4. **Build your support team.** From financial advisors and accountants to lawyers and tax & estate specialists, you may need professionals to guide you through the proceedings as you go from two to one.

For more info about taking care of your finances when getting divorced, please read our blog article.

What if?

I want to help my kids (grandkids) get into the housing market, but don't want to compromise my financial goals, including retirement. Every parent wants a good life for their kids, which may include home ownership. However, most parents don't have unlimited cash available, so what can they do? Here are three ideas to think about:

1. **Provide a loan.** Supporting your child's down payment through a family loan can bridge the savings gap. Creating a clear written agreement, whether independently or with professional help, protects everyone's interests.
   Talk to an Alterna Advisor today.
2. **Keep the nest full**. Invite your child to stay (or move back) home so they can build a good down payment. Consider placing conditions on this arrangement, such as a target date to move out, or sharing certain expenses.
3. **Offer a financial gift.** Offer a financial gift. If helping with a direct gift fits your financial plans, consider putting money into their First Home Savings Account (FHSA) - it's a tax-smart way to contribute while protecting your own financial future.