

SUMMER 2024

alterna **savings**

ADVICE FOR LIFE

Market Watch:
Interest rates, inflation
& the employment market

All about
estate planning

The benefits of
having a last will
and testament



HELLO!

Interest rates, inflation
& the housing market

All about estate planning

Securing your legacy
with a will



MARKET WATCH

On June 5, the Bank of Canada lowered its policy interest rate from 5% to 4.75%,¹ the first decrease since rates peaked on July 12, 2023.

Based on the Consumer Price Index, inflation in Canada rose 2.9% (year-over-year) in May, up from April's gain of 2.7%.² Higher prices for services like rent, cellular services, tours and air transportation helped nudge May's inflation rate slightly above consensus expectations.

Helping to contain inflation somewhat was Canada's employment market, as the 27,000 jobs created in May (down from 90,000 in April) pushed the unemployment rate up to 6.2%, an increase of 0.1 percentage points from April, and 0.9 percentage points higher year-over-year.³

Using a standalone, seasonally adjusted annualized rate, month-over-month housing starts in Canada were up 10.0% in May, with a notable decline in the Vancouver market. Over the same period, housing starts were stronger in Montreal and Toronto.⁴ Meanwhile, Canadian home sales dipped 0.6% in May (month-over-month) even as new listings rose 0.5%,⁵ indicating less demand by prospective homebuyers as more homes were being listed for sale.

The effects of the most recent rate cuts remain uncertain, and the next release of the Consumer Price Index (CPI) on July 16th will provide critical insights. This data will help determine if the Bank of Canada might consider additional rate cuts on July 24th.

1. <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>

2. <https://www150.statcan.gc.ca/n1/daily-quotidien/240521/dq240521a-eng.htm>

3. <https://www150.statcan.gc.ca/n1/daily-quotidien/240607/dq240607a-eng.htm?indid=3587-2&indgeo=0>

4. <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>

5. <https://stats.crea.ca/en-CA/>

FACT **vs** FICTION

Estate plans are for the wealthy.

This is a common misconception. Estate planning applies to anyone with assets to distribute. For example, even if your wealth is modest or you wish to determine who gets certain cherished items, you could benefit from an estate plan. It's about making legally recognized decisions to help protect the value of your assets upon transfer to your loved ones and putting in place the paperwork and people required to execute on your decisions.

Having an estate plan may help reduce tax liabilities. Assets will be excluded from your estate and won't be taxed when transferred. An estate plan clearly stipulates your wishes for distributing assets to your heirs, it can help minimize confusion and potential family conflicts, offering some peace of mind to all involved. [Learn More](#)

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All about Estate Planning

If you've been thinking about estate planning and leaving an inheritance to your family and perhaps other heirs, kudos for being proactive. After all, for most people their legacy options when gifting money to loved ones starts with an estate plan. As part of the planning process, consider creating a will that stipulates whom you've designated to receive which assets. And when we say "assets," it could mean cash, investments, real estate, vehicles, heirlooms/keepsakes, a business, and more.

Although estate plans are typically crucial for transferring intergenerational wealth, a 2022 Ipsos survey¹ found that only 30% of respondents had one. Without thorough estate planning, things can get messy and complicated in a hurry. You'll also want to keep tax efficiency in mind, so more of your assets go to your heirs by minimizing the amount of your estate that's subject to probate fees (probate is the process where the courts validate a will and its contents).

As well, consider your circumstances, such as dependent children or those living with disabilities, so you can make contingencies to reflect your family's unique needs. For example, you could create a trust that your children may access once they reach a particular age. If you believe a child might squander their inheritance, you could set up a "spendthrift trust" so they receive their assets incrementally instead of in a lump sum. For children living with a disability, a special trust (e.g., a Henson Trust) may help ensure their ongoing care needs are met while still allowing them to collect certain government benefits without clawback of financial aid.

Whatever you decide, keep your family involved in the process so they stay informed about your planning decisions. Clarity regarding your estate plan and how you intend to allocate your assets helps avoid future disagreements among your heirs, while also giving them a chance to include their expected inheritance into their own financial planning. Oftentimes, introducing the kids to your advisor is beneficial because your advisor can explain how your estate plan may impact them. In fact, an intergenerational wealth transfer could be a great time to have your children work with your advisor, who can offer integrated advice that begins with your estate plan and then addresses what each beneficiary should consider from a financial perspective.

Read more about [the importance of estate planning](#) and consult with an [Alterna Advisor](#) for personalized guidance regarding your specific estate planning needs.

¹ <https://www.theglobeandmail.com/business/adv/article-why-you-must-have-a-will-no-matter-the-size-of-your-estate/>

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If you become incapacitated and can't adequately manage your affairs, delegating power of attorney for your finances or personal care is valuable – yet only about 40% of Canadians do so. [Learn more.](#)

¹ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=9810013401>



Did you know?

Having a Last Will and Testament is important because it's a legal document that states how you want your estate (e.g., your property, investments and other possessions) settled after you die. A will is an essential document for all adults, regardless of circumstances. Just as you go to the doctor for regular check-ups, wills are basically a check-up on your estate. Not having a will could increase the time and cost of distributing your assets, plus the court will decide who receives which assets.

Through a will you can decide how to distribute your various assets, and to whom. If you have minor children, guardianship can be established in your will, and if you're a business owner you can provide instructions on what should be done with the operations. A will is especially relevant for new parents, the elderly, or people with significant health issues. It's good to be prepared - at any age.

While the purpose of a will is clear and compelling, according to a 2023 Angus Reid Institute survey,¹ about half of Canadians don't have one, while roughly 13% have an out-of-date will. Unsurprisingly, younger people are less likely to have a will (15% of those aged 25 to 34), but perhaps shockingly, 30% of people aged 65+ don't possess a current will.

Life is full of surprises and you never know what the next day may bring. For the sake of your loved ones, consider a will as part of your overall estate strategy. By having a will, you can name your beneficiaries and arrange for a smooth, tax-efficient transfer of wealth to the next generation(s). [Learn more](#) about the benefits of a will.

In addition, another valuable document for your estate plan is the "power of attorney" (POA). If you become mentally incapacitated and unable to make rational decisions regarding your financial or health matters, a POA lets you delegate this crucial decision-making to a loved one, like your spouse. Some people assume these powers are automatically delegated to their spouse or partner, but legally you must make such elections in your estate plan. In conjunction with a will, POAs can help you and your family approach the future with greater certainty and confidence. [Read more](#)

¹ <https://angusreid.org/canada-will-testament-intestate-dying-without-will/#gsc.tab=0>

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