

It's One Economy

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The financial planner responded by saying that if the public stock markets were going down the drain, then real estate would follow as well. Why? Well it is one economy and we are all connected at the end of the day! Shocked, the veteran of 30-years in real estate responded that he had never thought of it that way and walked away shaking his head.

Needless to say, the stock markets regained their footing as the governments of the G20 moved to put a floor under the credit crisis. Global stock markets have since recovered strongly and real estate has largely continued to hold its value in Canada as well.

The point of this story is not to advocate for one type of investment versus another, although that is what many people do when promoting their favourite asset class in a competitive race for scare investment dollars. Instead, readers need to recognize that the health of the Canadian economy in general is what drives their personal wealth building over their working lifetime.

Too often, the thinking around wealth building gets muddled between different asset classes and even between the basic difference between a consumption asset, such as a car and a wealth building asset, such as an RRSP or private or public shares in a business.

For example, in the early 1990's a major national Canadian real estate firm ran billboards in major cities with the following message: You can't live in your mutual funds.? This again raised the issue of an either or choice for consumers.

Why not do both? Financial planners focus on balance and diversification when assisting clients to meet their cash flow, lifestyle and retirement planning or wealth building needs. A balance needs to be struck in a client's financial affairs between spending on today's lifestyle and saving for the future to replace earned income with investment income (pensions, CPP etc).

Another area of the economy that is often raised during elections is optimal level of taxes to be imposed on businesses. After all they need to pay their fair share so that the burden of taxation doesn't fall entirely onto the shoulders of the average Canadian.

While this makes for great political debates, it misses the mark. At the end of the day consumers wind up paying for any and all taxes since any increases in business taxes gets reflected in the price of the goods provided by the company.

For example, many small businesses today are objecting to the rising cost of processing fees being imposed by credit card companies. Many have signs asking clients to use cash or debit as a way of avoiding the higher credit card processing fees. Again this operating cost, just like higher corporate taxes, gets passed along to you the consumer and is reflected in the final price.

Call us today for an appointment to review your situation and for ideas on how you can accelerate your asset/wealth building efforts!

Need help with managing your assets?

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