A Husband's Point Of View

A.M.H. Financial Services

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On the Lighter Side

What did the fish say when it hit a concrete wall? Dam!

What do you call cattle with a sense of humour? Laughing stock

What do you call Santa's helpers? Subordinate clauses

How do you know when you're really getting old? The candles cost more than the cake

When do cannibals leave the table? When everyone's eaten

Merry Christmas, Happy Hanukkuh!

Rising inflation, interest rate hikes, stagflation, stock market volatility… chances are, you've been hearing these terms a lot lately. Now, there's constant talk of an impending recession in Canada. Are you wondering how a recession may impact you?

Recessions are an unavoidable part of every economic cycle. Canada has faced 2 recessions in recent memory – the first taking place after the collapse of the US housing market and subsequent Global Financial Crisis in 2008, and the most recent occurring as a result of the COVID-19 pandemic in 2020.

A recession refers to a period of economic decline. During this time, the country's gross domestic product (GDP), which measures the value of goods and services being produced, drops. Companies make fewer products which leads to fewer sales, and spending decreases overall.

This lack of income can lead to companies having to slash costs, which often means cutting jobs or restructuring. This can lead to high rates of unemployment, which also contributes to the lack of spending required to stimulate the economy. Banks and lenders may also revisit lending practices and criteria to make it harder to borrow money. This can impact things like the housing market, making it tougher to qualify for a mortgage as well as other credit accounts. A lack of consumer confidence also impacts the stock market. Stocks and other investments can drop in value as cautious investors sell or divest to protect their portfolio against losses. Market volatility can impact the performance of investments as well as retirement savings accounts.

It is important to note during these unstable times with investments down, that it is a good time to move your money if it is not in a secure portfolio with guarantees and death benefits. Buy low, sell high. This applies however, only if your money is in a bank account or someplace else with no guarantees or security benefits. The segregated funds that I deal with come with guarantees and death benefits that the banks don't offer and this makes them a good option to consider as they will ensure that your money is protected and working for you. All of this being said, to all of you with investments with me, you can rest easy. You have all the guarantees and death benefits that are available at this time and your money is as secure as it could ever possibly be. You just have to wait it out and your values will come back.

I wish you and your families a Very Merry Christmas, Happy Hanukkuh! I hope that you are able to have some restful time during the season!

For more information on recessions or if you have money that you would to invest in a more secure way call me today (780) 425-4058 or email me at andy@amhfinancial.ca

How to Prepare for a Recession

As sure as the spring will follow winter, prosperity and economic growth will follow recession!

With a recession seeming imminent, many Canadians are rightfully concerned about the state of their finances. In anticipation of a recession, here are six tips Canadians can follow to prepare for a recession:

1. Reduce spending, particularly spending on non-essential items, immediately. Take the opportunity to review your budget and reconsider daily spending habits that add up. Rather than buying lunch each day, consider packing a lunch. Reconsider those subscriptions that automatically come out of your account each month. It's a great time to rationalize and justify your spending habits and reconsider budgets.

2. Pay off your credit card debt now. It's important to pay down high-interest debt as much as possible, as soon as possible. Over the coming months, interest rates will continue to rise, making it harder to manage debts. Lower balances allow a lower level of interest payments during any period of lost income or employment, thus making it easier to navigate financially difficult periods.

3. Pay close attention to bill payments and avoid paying late charges. These charges also add up over time. Make a plan to ensure bill payments are paid on or before the due date. Paying bills late results in monetary penalties, which you always want to avoid, but especially during a recession.

4. Be prepared to lose your job. Ensure your resumes and cover letters are up-to-date and you are prepared to job hunt. In the event of a job loss, be ready to find another job at a moment's notice.

5. Become more hireable. Because recessions typically hit those with less experience and lower skills harder, you should keep job-related skills up-to-date. Explore virtual options that provide excellent opportunities for upgrading, or in-person offerings through colleges and universities across the country, to further your education and skills development.

6. If possible, try to move into a recession-proof job. The most recession-proof jobs depend on skill levels, but tend to be in the government sector, health care and within education. Of course, these jobs are not for everyone. Each person should consider options that are conducive to their skill set and preferences. This strategy is far more successful when skills and resumes are updated, and you are well prepared.

What to Expect From a Recession

A recession, which is what we are looking at right now, can have several negative effects on your household finances. Some of the key pressure points that Canadians could feel include:

- Higher interest rates
- Higher cost of goods and services
- It can be harder to find employment (especially for recent graduates\
- There may be pay cuts, or you may not receive bonuses at work
- Investment losses from the stock market potentially declining
- Small businesses may have trouble keeping or getting clients

Below, I'll cover each of these in a bit more detail, so you have a better idea of what to expect.

1. Job loss or reduced hours
When an economic recession occurs, the whole economy suffers. Many businesses may find it hard to retain clients or attract new business. In turn, business owners may have to lay off some of their employees, or cut hours in an effort to save money. This could even affect high-performing employees. If you have a unionized job or a government job, your position may be a bit more secure. However, nothing is promised, so make sure that you do what you can to prove your value to your employer.

2. No bonuses or pay raises
If you're used to receiving quarterly or annual bonuses, then you may be in for disappointment this coming year. Just as many businesses will have to cut employee hours, they'll also have to cut additional spending on bonuses and other rewards. Employees who are scheduled to receive a wage increase could also be affected and may see their raises postponed for the time being. You can ask your employer if this is what to expect and budget your finances accordingly to what they tell you.

3. Harder to find good-paying jobs after university or college
I have some bad news for recent grads - it could be difficult to find employment in your desired career path. Some of the companies you may want to work with will already be laying off employees, which means that hiring new employees is likely the last thing the company is thinking about. In this case, recent grads may find it easier to join the gig economy, move back in with their parents to save money, or develop new skills and wait for the economy to improve.

4. Lower demand for service-based businesses
If you operate a service-based business such as landscaping, snow shovelling, house washing, or doing custom audio installations, you may see a dramatic drop in your clientele. As Canadians' finances are squeezed, many will drop some of the "luxury" services that they were subscribed to. They'll start taking care of their own maintenance or postponing certain purchases until after the recession.

5. Higher interest rates on credit cards and loans and increase in credit card interest rates.
If you have a credit card with a variable interest rate, then you may see increased interest rates going into 2023. The Bank of Canada recently increased its policy interest rate by 50 basis points to 3.75%, and many Canadians have already seen this.

6. It will be more difficult to obtain a loan or financing
If you're applying for a small business loan, trying to mortgage a home, or need to finance a new car, then you'll likely undergo higher levels of scrutiny. In addition to higher interest rates for all loans, applicants may be subject to more rigorous screening or required to make a higher down payment on the amount they're financing.

7. Investments could be more volatile
If you're invested in the stock market, then you may be in for a bumpy ride. Stock prices generally sink during a recession. Investors often lose faith in their investments as companies show reduced earnings, and many people take their money out of the market for fear of heavy losses.

8. Harder to build a business
If you're thinking about starting a new business, you could run into some difficulties. For one, lenders are less likely to approve small business loans. Secondly, Canadians will be spending less, making it hard to obtain new customers. Lastly, your business expenses and cost of goods may increase as you lose some of your buying power. During this unstable time, it's important to save money where you can, spend wisely, and continue to provide value at your job.

Financial Advisor
Since 1976

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FINANCIAL
SERVICES

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Take a look at our website!

www.amhfinancial.ca

AMH Financial Services is a full-service firm. We offer services to help you examine your financial goals and select the options that will best suit your needs, timeframe and investment style. We believe in helping you create a comprehensive financial plan for your family that includes planning, insurance and portfolio management.

MY COMMITMENT AS A FINANCIAL ADVISOR IS TO HELP PEOPLE TO REACH THEIR FINANCIAL GOALS. IF YOU HAVE A FAMILY MEMBER, FRIEND OR COLLEAGUE WHO YOU FEEL COULD BENEFIT FROM A CONVERSATION WITH ME, I WOULD BE PLEASED TO SPEAK WITH THEM WITHOUT OBLIGATION.

I believe that every individual has an unalienable right to make the best and most effective use of hard-earned income, to have easy access to up-to-date and informed advice, and to be able to provide for short and long-term requirements.

I am committed to serving the individual customer with investment and financial portfolios which will meet current needs and provide for future requirements and situations.

My mission is to help you to make an educated decision that you are comfortable with!

Understanding what matters to you.

As life changes, your financial priorities evolve. That's why at AMH Financial Services we are here to understand you first, and then your financial picture.

We take the time to understand your unique investment goals. Through an in-depth discovery process, we'll get to know who you are and what truly matters to you and your family.

I have been helping people reach their financial goals for over forty years!
I need your assistance to help me reach out to other people that can benefit from my over 40 years of experience in the financial industry.
Perhaps your children, friends, neighbours or even coworkers!

If you know of someone that is in need of a financial advisor please provide me with their name and contact information. If they place business with me I will award you with a gift card for either Tim Hortons, Amazon or Wayfair.

Together we can make good things happen for other people!