



Fixed Assets ~ Laurel Hickey & Garth Bluekens

What's Fixed Assets Got To Do With It?

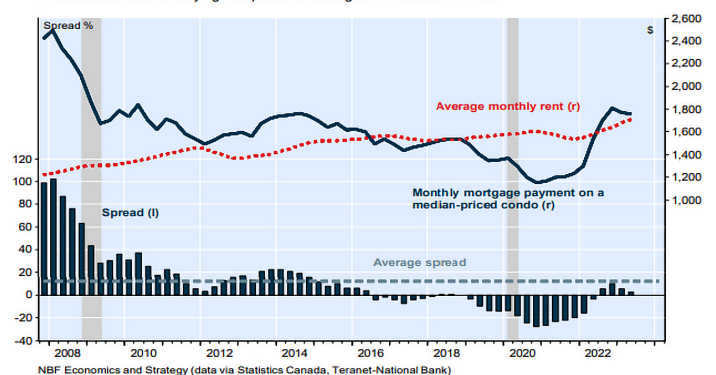
When we do our annual know-your-client updates one of the categories that we cover is fixed assets, which is different than liquid fixed income assets on the balance sheet. Often clients are surprised that we go into so much detail with this section of their net worth since they feel it doesn't tie into their investable assets they have with us. As Canadians, fixed assets are a large part of our net worth, especially with the rise in property values across the country in the past few years. When we do retirement projections for clients, we try to not add their home as an asset they will need to sell down the road to fund their retirement. We always start by only looking at investable assets and pensions to determine retirement income. A reason for this is now more than ever the traditional concept of downsizing is not as practical with today's real estate market. For example, a client may have a large home in the suburbs that has a value of \$1,000,000. In planning for retirement, they always imagined that they would downsize to a condo in a more central location. With the current cost of real estate, buying a condo in a central location and factoring in condo fees, may put the client in the same situation as before they sold their original home. As we see the rise of housing prices, clients that own their home may feel it is time to capitalize on the market to get the best value for their home. It is important to remember that your net worth is the same if you keep your home or sell it, it just moves the assets from the fixed asset category to the liquid. Yes, this makes the funds accessible, but it could also bring higher expenses when renting or moving to a condo that has condo fees.

The other side of the housing affordability issue is that rental prices are at the highest they have been in years, even in markets like Alberta that have been traditionally more affordable. The below graph from the National Bank Economics and Strategy report on Housing

Affordability shows the shift in the difference between renting and buying in Calgary.¹ In 2008, the average monthly mortgage payment on a condo was 100% more than what the average monthly rent was. In 2020 with the low interest rate environment, the average monthly mortgage payment was actually about 20% less than average monthly rent. Today, this spread has narrowed significantly with the cost to rent being not much different than the cost of a monthly mortgage payments and both being at the highest levels seen in years.

Calgary: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



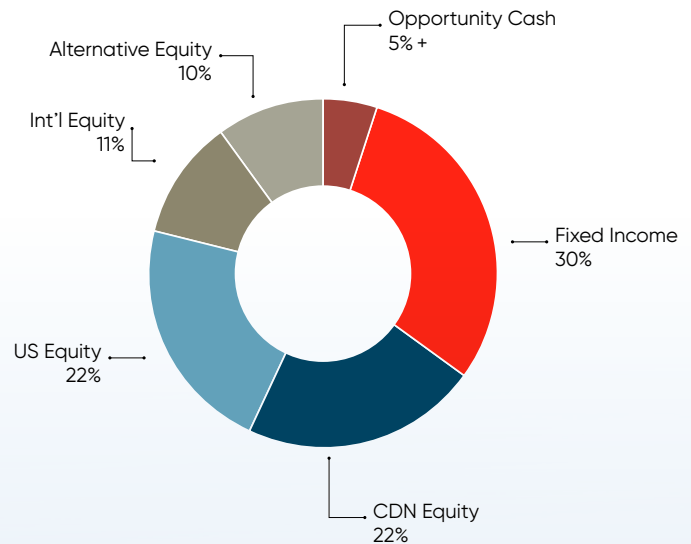
Source: Housing Affordability Monitor August 2023 – National Bank Financial Markets Economics and Strategy

The benefit of financial planning in these uncertain times is that we can run multiple scenarios to show our clients every situation. If a client has a mortgage and is coming up on renewal, we can help to illustrate scenarios of what taking a lump sum from their investments will do to their potential income in retirement. If a client wants to look at selling their home, we can help to illustrate how much extra income in retirement the influx of funds to their portfolio could potentially provide. We want to be there to let you know your options so you can make the most informed decision!

¹ [Housing Affordability Monitor - 2023Q2 \(nbc.ca\)](#)

Growth Investment Model Goal Asset Allocation

Your Investment Policy GROWTH PROFILE: Your main goal is to achieve growth in your investments. Although you can tolerate greater changes in the market value in order to increase the value of your assets, you are not prepared to invest your entire portfolio in equities. If you feel that your risk tolerance is shifting, please let us know!



Source: This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.



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