COVID-19 and finances: Five opportunities you can seize

In the last few weeks, COVID-19 has reshaped the country's economy. The stock market has plummeted, and many are wondering about their personal finances. But the current circumstances also provide opportunities that can be seized, depending on your personal and financial situation. Here are 5 pieces of advice about opportunities you should seize.

1. Take advantage of lower mortgage rates

Buying or selling property

"The Bank of Canada wanted to provide more accessible liquidity measures to alleviate the situation, which explains the drop in real-estate interest rates when the crisis began," Mohamed Wakkak, senior advisor at National Bank, readily admits.

"Interest rates in general should remain low for as long as the economy remains in the state it's in. But in the coming months the situation is likely to change quickly, which will lead to significant rate volatility," indicates Frédéric Plamondon Simard, financial planner at National Bank Investments. "If you were thinking of buying a home, don't wait to discuss it with your advisor. It might be the right time."

"In real estate, everything is a matter of perspective," tempers Mohamed Wakkak. "You should buy a home when you're financially stable enough, because you're seeing the future in a positive light. There's never really a good or a bad time; it depends on the individual."

"Mortgage rates have gone down. While they're likely to fluctuate in the short term, it's a good time to buy real estate. On the flipside, if you're already in the process of buying and there's a chance you might experience a loss of employment or significantly reduced income, talk it over with your advisor," advises Mohamed Wakkak.

"Uncertainty when it comes to job security makes buyers hesitate more," says Frédéric Plamondon Simard. "If you're already in the middle of a real-estate transaction – meaning you're buying and selling property at the same time – your buyers' financial situations may have changed since you last negotiated. They may have less money for a down payment, or they may no longer qualify for a mortgage loan. Conversely, the current situation is favourable for buyers who are solid financially – which is to say they have a sizeable down payment available and a good income – because mortgage rates are low."

Refinancing your mortgage

“If you just bought a home, refinancing isn’t a viable option,” explains Frédéric Plamondon Simard. “It could increase your payments, which would put you in a precarious financial situation. However, if you have good equity and you’ve already paid off a large portion of your mortgage, this could be an interesting option for you.”

“Ask yourself the right questions before deciding to refinance your mortgage. Are you doing it to take advantage of lower interest rates, or because you have to invest in something major and urgent?” questions Mohamed Wakkak. “Once again, it varies case by case. And keep in mind that rates weren’t very high before the crisis began.”

2. Consolidate your debts

If you work in a risky industry or if you think you might experience financial difficulty, consider consolidating your debts. Lower interest rates could play to your advantage considerably. Most importantly, don’t wait to talk about it with your advisor.

3. Take advantage of market opportunities

“The current stock market is full of opportunities when it comes to investments,” Frédéric Plamondon Simard points out. But avoid making decisions on a whim. Before selling or buying, think about the goals that are motivating you to save and invest. Evaluate your short- and long-term risk tolerance. Then develop a plan with your advisor.”

“In terms of investing, diversification is always the best strategy,” Frédéric Plamondon Simard reminds us. “Don’t put all your eggs in the same basket. What we mean by that is build a portfolio that includes asset classes that respond differently to market fluctuations. You can work with your advisor to assess whether your current portfolio allocation meet your objectives based on your risk profile.”

4. Set up or reassess your retirement plan

It’s also a good time to set up or reassess your retirement plan with the help of an advisor. If you have a retirement plan, see if the drops in the market have an impact on your 20- and 30-year forecast horizons. Your goals may have changed, or the current situation may not have any effect on the calculations that were made.

5. Prepare for the next unexpected situation

Learn from this exceptional situation and re-evaluate your savings. The first thing to do is to set up an emergency fund that will help you cover unexpected expenses or a potentially reduced income. Saving the equivalent of three to six months' worth of salary is recommended; this would allow you to cover your recurring expenses, such as your rent, your bills, groceries, loan payments, etc.

“If you set up a systematic savings plan to create an emergency fund, we recommend having six months' worth of savings if you're self-employed, and three months' worth if you're salaried,” Frédéric Plamondon Simard points out.

Another way to make sure you're prepared is to review your mortgage insurance, your personal loans and your credit lines in case of illness or disability. Independent workers are particularly vulnerable to these risks and should get insurance before they run into any unexpected situations.

Note: The information contained in this article is provided for illustration purposes only and is not exhaustive. For advice about your personal and business finances, and to determine whether the opportunities described in this article would benefit you, please consult your advisor or, if applicable, an expert (accountant, tax expert, lawyer, etc.).

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