



QUARTER 3 – 2021

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**BASIC**  
FINANCIAL SERVICES INC.

We're back at it again with another issue of In Touch. We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

## What's New

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The second quarter continued to be busy with Basic Financial and Goodfellows Financial strengthening our partnership under one banner. Bill, Graeme, Mumin and the team thank you for your continuous loyalty and trust. Similar to last quarter, we have had a few new clients join the firm – thank you again for all your referrals and we always have room for some new clients.

The summer has started to look promising in terms of things opening and being able to socialize safely outside. With more vaccines being made available to the public, that light at the end of the tunnel is shining a little brighter. We have beautiful summers here in Ontario and we're hoping you make the best of the weather.

Our team plans on taking some much-needed time off this summer (camping, cottaging, golfing and cutting grass), but rest assure the office will be open all summer. Bill will be enjoying his summer

spending more time with his family and working on his golf game. He will be in the office Monday through Wednesdays and will be available for any appointments as requested.

An update to Budget 2021 – Canada has launched a \$2.6 Billion Canada Greener homes grant, which you may qualify for up to \$5,000 for home upgrades. All Canadian homeowners are eligible and you must have a pre and post retrofit evaluation. You can book your evaluation at [www.nrcan.gc.ca](http://www.nrcan.gc.ca).

Our team wishes you an enjoyable and safe summer.

## Market & Economic Update

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If only we could see into the future and know what lies ahead. Picking the right stocks and bonds would be a no-brainer, your portfolio would be stuffed with winners and no losers. The lottery would be easy-peasy if you knew which numbers to pick. No one was ready for this global pandemic even with the latest, top-of-the line crystal ball.

However, the latest headline makers are the “MEME stocks.”



MEME stocks often start as low-priced, highly shorted stocks (investors betting against the stock going up) that users of online forums such as Reddit's WallStreet Bets rally behind. According to Yahoo! Finance, they are some of the most heavily traded and volatile stocks on any given day. In meme stocks, individuals contribute as much as 70% of the trading volume. Some examples of MEME stocks would be GameStop, AMC Entertainment and an old favourite BlackBerry.

The portfolio managers we use tend to stay away from highly volatile, short term investments like MEME stocks and focus on long term, sustainable growth firms with intrinsic value. The goal for our portfolio managers is to provide consistent returns over both the short and long-term. I believe MEME stocks will dominate the headlines for many more months to come with amazing up returns and similarly volatile down returns.

Markets - both Canadian and US stock markets have returned low double-digit returns, with Canadian and Bond markets showing signs of rising interest rates for the first time in a few years.

Housing - Cliff Stevenson, Chair of CREA states Canadian home prices remain on an unprecedented tear upwards. The average selling price of a Canadian home was \$688,000 last month, a figure that has risen by more than 38% in the past year. In Ontario, the peak hit in March, however home prices have cooled to the tune of -2.59% from March 2021 to May 2021. The Federal Government recently imposed new mortgage "stress test" rules, although this has not had a cooling affect on red-hot home prices.

We will continue to monitor the markets and broad economy throughout the year and report back. If there is a need to adjust if change happens, we will be reaching out to you directly.

As always, please feel free to reach out if you have any questions, comments or would like to book some time to speak. We offer both face-to-face or electronic meetings via Zoom. If you feel the information above may be helpful to a family member or friend, feel free to share or visit our website [www.basic360.ca](http://www.basic360.ca)

Sincerely, your team!

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## Articles of Interest



### 14 Ways to Get Moving—And Live Longer

By Zoomer

Regular exercise is the best thing we can do for ourselves. Here are some rules to actively live by. According to Donald M. Vickery, MD, author of *Live Young, Think Young, Be Young ... At Any Age*, "We need to become more aware of how sedentary we have become and how that is affecting us." Adaptation to disuse is relentless, he adds. "It undermines our stamina and strength, and it makes us feel stiff and sluggish. Our body is designed to be active every day; we feel better when we are active."

And the simple rewards of it all. Vickery goes on to



explain, “When we use our muscles or exercise our heart and lungs or stretch, it feels so good afterward. It is simply the best thing we can do for ourselves.” So think active, says the good doctor.

## Rules to Live By: Becoming More Active

### 1. A little goes a long way.

This is one of the most overlooked rules for reversing physical disuse. Every little bit of movement helps. Moderation is really the key because it can become a habit. Adaptations occur daily – so the key is being active daily. Just walking a little more, stretching a little, doing a few push-ups for upper body strength and doing some knee bends for lower body strength can make such a difference.

### 2. Use a strategy, rather than an exercise prescription, to become more active.

There are many different exercise prescriptions for losing weight, building muscle, improving your 10K run time and so on. We’re not endorsing any specific program but rather a strategy for life that leads to a new way of thinking about using your body and being active. The strategy is based on this set of rules. It is about self-managing how you use your body, using it more and in different ways and focusing on the positive effects. A specific exercise program can be part of your strategy, but that is not the primary focus.

### 3. Have long-term goals for both health and fitness.

Health and fitness are both improved when we become more active or begin an exercise program. It’s never one or the other; health and fitness are linked to the same set of positive adaptations that make our body function more efficiently. Disuse undermines both health and fitness. Health and fitness have different measures and goals: health is related to the three megacauses [constricted circulation, metabolic madness and insidious inflammation] and disease processes, and fitness is about functioning, reserve capacity and quality of life. Take steps to improve both, knowing that whatever you do for one will help the other.

### 4. Seize the NEAT opportunities – adopt the principle of every opportunity.

Increasing non-exercise activity costs little in time or money or change. It’s an attitude about being active. As such it is the key to our new way of thinking: embracing the concept that any increase in activity has health

benefits. The “principle of every opportunity” means grasping every opportunity to be a little more active. Think active. And remember that starting an exercise program doesn’t give you a free pass to become less active in other parts of your life. NEAT [non-exercise activity thermogenesis, or all movement other than planned exercise] burns more calories and has health benefits beyond exercise.

### 5. Reducing inactivity is an easy way to become more active.

Differences in NEAT are largely a matter of time spent sitting or lying down. We sit more than ever, especially those who commute to desk jobs. Become aware of this time and find ways to break it up – this is the first step toward reducing inactivity. We’ve become less active in other ways too – activities that we used to do but have given up (e.g., skiing, playing basketball), chores that we used to do but now hire out (e.g., cleaning gutters, painting the house), time spent on the computer, watching TV, driving and so on.

### 6. Pay attention to your posture and breathing.

How we stand, sit, walk, and breathe are habits that we develop over time. This is the heart of “use determines function.” Think of all of these functions in an old, frail person – the slumping posture, the slow gait, the shallow breathing. They are all adaptations to a manner of use. Become aware of how you hold your body and how you are breathing in everything you do, whenever you think about it. This helps you focus on the present moment, which really is all we can control. Think tall, head pulled upward (as if on a string), shoulders back, abs slightly pulled in. Think deeper, slower breathing, feeling your stomach and ribs expand as your lungs fill completely. Make these habits. The more you do them consciously, the sooner they will become subconscious behaviors. Feel the sensation of relaxation and increased energy that result.

### 7. Walk with a purpose.

Our usual walking gait slows with age. This is another hallmark of “aging.” A slower “normal” walking gait usually means more weakness, less capacity and an increased risk for disability and disease. Remember that our goal is strength. A simple way to promote strength is to walk like a younger person, sort of like you’re late for a meeting. Combine walking with a purpose with deeper breathing and a taller, stronger posture.



## **8. Endurance, flexibility, strength ... and the greatest of these is strength.**

Anyone over age 50 grew up in the age of aerobics. There is no doubt that aerobic exercise is vital for cardiovascular health. However, a funny thing happened on the way to the 21st century. The greatest challenges and opportunities switched to increasing strength, a proposition endorsed by no less an expert than Dr. Kenneth Cooper, the father of aerobics. This is not to say that endurance activities are no longer of value – quite the contrary. It only emphasizes the increasing importance of maintaining muscle mass and the vitality of muscle cells as we age. Disuse raises havoc with them, just as they thrive on increased use. Increasing overall strength is the key to a healthy metabolism, well-functioning joints, strong bones, and a greater capacity for work and fun. All of these are essential for a high quality of life in later years.

## **9. Distraction is the name of the game.**

The great enemies of exercise are discomfort and boredom. Fun is the ideal solution, but distraction is probably a more practical and useful goal on a daily basis. Diverting your attention away from the discomfort and boredom of exercise is the most successful approach to these problems. Depending on the type of exercise you're doing, reading, watching TV, listening to music or an audio book and having a partner to visit with are all effective ways to distract you and keep you going.

## **10. Safety does not depend on your doctor.**

There is usually no need for a physical examination before increasing exercise or NEAT, assuming you take a very gradual approach. There are a few exceptions, however:

- If you have no idea what your health status is.
- If you're having symptoms that you do not completely understand.
- If you have other health concerns, have advanced disease or take multiple medications.

In these cases, it makes sense to talk to your doctor about your plans to see whether you should take any special precautions, especially if you're thinking about a specific exercise program. However, there's seldom a need for an exercise stress test just to see whether you can safely become more active. There is more risk in remaining inactive than in becoming more active. Just

don't try to do too much too soon. Safety in exercise is best assured by following the self-managing approach – allowing your body to adapt to reasonable, simple goals of gradually increasing activity.

## **11. Find activities that you enjoy or at least distractions that you enjoy.**

There are dozens of ways to become more active. Don't listen to the "experts" who advocate one specific program. The "do it my way" approach is not supported by data and doesn't make good common sense either. We're all different and we all have different interests and preferences. More variety is better. It provides a wider range of stimuli to more muscle cells as well as brain cells, bone cells, and others. Ultimately, we do the things we enjoy, so the key is finding something you enjoy or at least distractions that you look forward to.

## **12. Listen to your body.**

It is more important to do what feels right than to do what someone else thinks you should do. Coax your body into becoming more active rather than push it. If you allow your body to adapt gradually, you will get to the point where it will crave movement and stretching when you have been inactive for a while. Your body is meant to move; when it is awakened from its sedentary slumber, it will recall the good feelings of movement. Listen to your body – when you feel stiffness, it needs stretching; when you feel fatigue, it needs oxygen or aerobic exercise; when you feel weak, your muscles need strengthening; when you feel the pain of injury or the discomfort of illness, you need rest.

## **13. Time management is easier than you thought.**

"Not enough time" is the No. 1 excuse for not being more active. There's a good reason for that – poor time management. Time for exercise or activity is easy to put off. Allocating time for exercise, however, becomes easier when we realize the payoffs – more energy and greater productivity, which actually saves time in the long run. We're able to accomplish more in less time, so we end up with more quality time. Besides, it doesn't require a great time commitment to get great results. However, if you can't get over the time barrier, focus on increasing NEAT. We all have time for that.

## **14. Don't let the monitoring mess get to you.**

We've got to measure progress because it keeps us going. Without progress, motivation fades. The question is what to measure. That depends on your



priorities. If your goal is just to become more active, then measure your steps with a pedometer or the time you spend in certain activities (both active and inactive). If lowering blood pressure is a priority, then monitor it at home. If losing fat is the goal, then waist circumference, BMI or pants size can be measured. If fitness is the goal, then use measures of endurance and cardiovascular efficiency (e.g., heart rate, time and distance walked), strength (e.g., resistance, repetitions) and flexibility (e.g., stretching distance). A few simple measures will help you stay on track. And, they can show you how quickly you adapt to disuse when you become inactive for any reason.



## The retirement downsizing myth: No, seniors aren't moving in droves — and that will affect the housing market

Retirement community developers and aspiring young homebuyers may be in for disappointment

By Jason Heath

Retirement community developers, for-profit retirement homes, and aspiring young homebuyers are all counting on aging seniors to downsize their homes. While some seniors will move to a smaller home, what if they do not downsize to the degree expected?

A recent survey by Ryerson's National Institute on Ageing found that 91 per cent of respondents would try "to live safely and independently in their own home as long as possible." The survey was conducted this summer, so the findings may be influenced by the impact of COVID-19 on retirement and nursing home residents.

However, Mustel Group and Sotheby's International Realty Canada's pre-pandemic 2020 Generational Real Estate Trends Report: Aging in Place revealed similar findings, with 86 per cent of boomer homeowners looking to live in their current home as long as possible.

Survey results about seniors' intentions are interesting to consider, but statistics about what they are actually doing may be more insightful. In the 2016 Census, Statistics Canada found "seniors are less likely to move than the general population. In 2016, only 5.5 per cent of seniors 65 to 74 years old, and 4.7 per cent of those 75 years and older had moved compared to 13 per cent of the general population in the previous year."

The seniors most likely to move were those who were separated, divorced, or widowed, suggesting unexpected life events may be triggers for moving in retirement as opposed to proactively downsizing as part of a retirement plan. If seniors are not downsizing in droves, there must be reasons, as well as ramifications, for the wider real estate market.

In Toronto, Canada's biggest city, a municipal land transfer tax was introduced in 2008 in addition to the existing provincial land transfer tax. The average price for all Toronto home types combined in September was \$960,722, with an estimated land transfer tax payable of \$31,379 for the average buyer (over 3 per cent). Real estate commissions are higher in Ontario than in some other provinces, with sellers paying up to five per cent plus sales tax, though commissions are sometimes discounted.

Transaction costs to move in Toronto approaching 10 per cent including legal fees, movers and incidental costs may be a deterrent for a homeowner. Although it may be less costly to move in other parts of the country, the high rates of price appreciation in some cities may be further fuelling a hesitancy among seniors to sell their homes and causing them to stay put.





Another hesitation may be due to the cost per square foot of condos — a potential downsizing option for seniors — compared to houses. A recent Royal LePage report found the median price per square foot in Montreal, Ottawa, Greater Vancouver and Greater Toronto all surpassed that of single family dwellings. In fact, in the Greater Toronto area, the median price per square foot for a condo was about 53 per cent higher. This means without a significant square footage downsize, or a move away from city centres, seniors may not pocket much in net proceeds from a downsize, especially after transaction costs.

Seniors will continue to sell their homes and move to lifestyle communities, and some may require long-term care not available at their homes. In addition, demand for condos and bungalows will also remain high as the population ages. But if most people want to stay in their homes as long as they can — and many will stay put for the rest of their lives — it is important that we are planning for it.

Most financial advisors are paid to manage investments. If seniors are depleting their stocks, bonds, and mutual funds in retirement and do not want to sell their homes to replenish their accounts, that could limit the financial industry's interest in providing retirement planning advice to them.

Furthermore, retirement planners who simply assume a house will be downsized or sold at some time should be having conversations with their aging clients about the different ways to access home equity if it's needed.

People who are used to borrowing most of their home's value during their working years may find that banks are reluctant to lend money to retirees. Foreclosing on a senior who cannot make their debt payments may result in bad press the banks might prefer to avoid.

A reverse mortgage may be an alternative to a traditional mortgage or line of credit for someone over the age of 55. It provides a lump-sum payment to a borrower or pays out some of their home equity over time. Only a couple of companies offer reverse mortgages in Canada. Interest rates are higher than traditional real estate borrowing rates, but seniors who have limited options from banks may be able to borrow up to 55 per cent of their home value depending on their age, location, and type of home.

Reverse mortgage rates may be more like five per cent currently compared to 2 to 3 per cent for mortgages and secured lines of credit. This could mean an extra \$2,000 to \$3,000 of annual interest per \$100,000 borrowed. That may seem like a lot, but the reverse mortgage market in Canada is still developing and may in some cases be the only option to buy extra time for a senior in their home.

A common criticism of reverse mortgages is that they may deplete the estate to be left to beneficiaries. In fairness, selling or downsizing a home and spending some of the proceeds also reduces the estate size. Reverse mortgages may be a tool for a senior who wants to stay in their home and does not have another option.

An alternative to a reverse mortgage for a senior who does not want to move could be to sell a home and then sign a long-term lease agreement for that home. Listing a home for sale with a condition that the seller wants to lease the home from the purchaser may limit the potential buyers. But it could also match up a senior who does not want to move, and needs money, with a potential rental property investor, assuming the proper realtor and legal advice.

Families of aging seniors can try to talk to them about the lifestyle and financial implications of a downsize, but ultimately, the decision is theirs as long as they can make their own decisions — as it should be, of course.

The cost of long-term care in a private residence is significantly more than in a retirement or nursing home. Private caregivers may care for a single person as opposed to many people or need to travel between multiple homes over the course of the day. This is something to consider for retirement planners, policy makers, families, and seniors.

Many homeowners will move in retirement, and given the size of the aging boomer population, this will amount to millions of seniors in the coming years. However, many millions more will not downsize, and that has financial and practical implications for them and everyone else.