Weekly Updates Issue # 555

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1. Weekly Markets Changes

[March 11, 2016]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
13,522.00 +309.5 +2.34%	2,022.19 +22.20 +1.11%	17,213.31 +206.5 +1.21%	4,748.47 +31.45 +0.67%	$0.7571 +0.62¢ +0.83%	$1,251.10 -9.00 -0.71%	$38.49 +2.16 +5.95%

2. Despite "housing crisis" Canada lacks national strategy: UN

[March 11, 2016] Canada has a laundry list of economic and social improvements to make, according to recent UN report. The organization is not only concerned about the persistence of our "housing crisis," but also about the lack of support for students and those who are unemployed.

In the report, which was based on a review by the Committee on Economic, Social and Cultural Rights, the organization says it's worried about Canada's lack of a national housing strategy, which should include aspects such as sufficient funding for housing and plans for more social units.

All Canadians have a right to housing, says the UN, so it urges the government to take these four steps:

1. Progressively increase federal and provincial resources allocated to housing, and reinforce the housing subsidy within the social assistance benefit.
2. Take effective measures to increase the availability of social and affordable units.
3. Regulate rental arrangements with a view to ensuring tenants enjoy the right to affordable and decent housing, rather than be vulnerable to forced evictions and homelessness.
4. Ensure legislation on forced evictions is compatible with international standards.

The organization also warns against the issue of "increasing tuition fees in post-secondary education, combined with decreasing governmental funding, which disproportionately impacts students and families with low income."

Further, for those in the workforce, "The [UN] is concerned that certain disadvantaged and marginalized groups continue to be disproportionately affected by unemployment." These groups include persons with disabilities, African-Canadians, youth, recent immigrants, minorities and indigenous peoples."

Plus, "while noting that minimum wage has been adjusted in all provinces during the period under review, the Committee is concerned that the minimum wage in all provinces remains inadequate and falls short of the living costs."

On the upside, the UN supports the Canadian government's move to restore the long-form census and introduce a survey on disability, and the diversification of the new federal cabinet—50% of ministers are women and 17% are visible minorities.

3. Household debt hits another record

[March 11, 2016] The ratio of household debt to disposable income hit a new record in the fourth quarter of last year.

Statistics Canada says the ratio rose to 165.4 per cent in the fourth quarter, up from 164.5% in the third quarter.

That means Canadian households on average held $1.65 in debt for every dollar of disposable income.

The increase came as disposable income increased 0.6%.

However, total household credit market debt, which includes consumer credit and mortgage and non-mortgage loans, increased 1.2% to $1.923 trillion at the end of last year.

The total included $573.6 million in consumer credit debt and $1.262 trillion in mortgage debt.

4. Unemployment hits three-year high

[March 11, 2016] The national unemployment rate crept up to 7.3% last month for the first time in three years amid flat overall job growth, Statistics Canada said Friday.

The jobless rate increased by 0.1% for the third month in a row, the agency's latest labour force survey found.

The report says the country lost 2,300 net jobs in February compared to the previous month, though the agency deemed that figure statistically insignificant.

A consensus of economists had been predicting the country to add 9,000 net jobs and for the unemployment rate to stay at 7.2%, according to Thomson Reuters.

The number of net full-time positions fell by 51,800, while less-desirable part-time jobs increased by 49,500.

By sector, the agency said the net number of jobs in natural resources fell by 8,900 last month compared to January.

Services industries, meanwhile, lost 44,500 positions last month following declines in categories such as education and health care and social assistance.

"The 7.3% unemployment rate is only likely to edge higher in the months ahead," writes CIBC economist Nick Exharos in a note to investors. "The provincial breakdown continues to highlight how the blow from oil continues to have very acute effects on Western Canada."

The report found that Saskatchewan was among the hardest hit provinces, losing 7,800 jobs compared to the previous month and seeing its unemployment rate climb 0.3 percentage points to 5.9%.

Alberta, which has suffered from the oil-price slump, saw its unemployment rate rise from 7.4% to 7.9%. Compared to a year earlier, employment in the province decreased 21,200 net positions or 0.9%, including a drop of 56,300 full-time jobs or 2.9%.

New Brunswick lost 5,700 net positions last month and saw its jobless rate move up to 9.9%.

The data also showed that self-employed positions across Canada increased by 3,000 last month while the net number of employee jobs fell by 5,300.

The number of private-sector jobs rose by 15,200, while public-sector positions declined by 20,400.

5. Canadian bankers' humble pay

[March 11, 2016] **RBC**'s David McKay made more than $11.6 million in 2015.

In his first full year as President and CEO, McKay made $10,875,000 in direct compensation, 9% above his 2015 goal. That includes a base salary of $1.3 million, a bonus of $2.3 million and equity incentives worth $7.3 million. The equity was made up of 80% deferred share units and 20% stock options.

Factoring in his pension, which has an annual value of $742,000, and miscellaneous other compensation, worth $38,893, his total pay and benefits were worth $11,655,893 in 2015.

And, McKay is getting a raise. For 2016, the board increased his base salary by $200,000 to $1.5 million. His total target compensation for this year is $11.25 million, up $1.25 million from 2015.

BMO head William Downe marked his 32nd year at the bank, and ninth year as CEO, by bringing home $10.2 million in total compensation in 2015.

The bank's proxy circular shows his direct compensation of $10,155,000 included a $1.9 million salary, a $1.4 million bonus, and almost $7 million in equity and stock options. An additional $16,625 in miscellaneous benefits rounded out his total compensation. He has no pension contributions for the year.

In 2012, after 29 years of service, Downe's pension hit a lifetime cap. When he retires, he'll be entitled to a US$10-million annual pension (currently worth CA$1.3 million).

Downe's salary is actually paid in U.S. dollars, reflecting his history with the bank's American operations. Last year, as the Canadian dollar's value has declined compared to the greenback, the bank reduced his target cash compensation to 96.7% of his total direct pay. As a result, Downe's combined salary and bonus for 2015 was about $100,000 less than 2014. At the same time, he received about $300,000 more in equity.

CIBC CEO Victor Dodig made $8.15 million in direct compensation last year, and his total compensation reached $8.54 million.

In its proxy circular, CIBC's board said Dodig deserved the amount because fiscal 2015 adjusted EPS was $9.45, 3% above target and 6% higher than fiscal 2014. He also improved the firm's adjusted revenue by 6% over the previous year, putting year-over-year growth at fourth among major Canadian banks.

The board noted, however, that return on assets was "down slightly from fiscal 2014, and third among peers."

TD's CEO, Bharat Masrani, made $10.7 million in 2015.

CIBC's group head of Retail and Business Banking, David Williamson, got a 2% raise on his direct compensation, making it $4.85 million. The board's rationale was that "adjusted fiscal 2015 revenue for Retail and Business Banking was 1% above target and up 5% from fiscal 2014, primarily on the strength of lending and deposit growth." His total compensation was $5.05 million.

6. Canadians aren't planning for travel insurance

[March 8, 2016] Only 26% of Gen Y list travel insurance as one of the items they'd definitely pack when travelling, finds an RBC Insurance survey.

Instead, young travellers are more likely to remember to bring items such as their electronic devices (69%) and medication (38%).
Further, 43% of Canadian travellers have experienced at least one unwanted travelling scenario while on vacation, with 16% finding themselves in the lost luggage office and 15% having to make a stop at a local hospital or doctor's office.
Here are some tips for travellers.

- Keep a photocopy of your passport, insurance policy and all other important documents in a safe place that's separate from the originals.
- Provide family and friends with a copy of your itinerary. It will help reduce their worries and provide assistance if you get lost or delayed. You should also leave a contact number so they can get a hold of you in case of emergency.
- Ensure you understand what your policy does and does not cover.

And do not forget – I can set you up with the best travel insurance you can get for a reasonable price. All you have to do is give me a call, even from the airport right before take off. It will take 10 minutes to get you covered for up to 5 million dollars of unexpected medical expenses.

7. Ontario changed its bankruptcy laws, and it may affect your home

[March 7, 2016] Ontario has changed the law governing what bankrupt people may keep, and what creditors may seize, to settle debts. While upping protection for certain types of assets, the changes introduce uncertainties into the law — and whether people can keep their homes, cars and wedding rings is in the balance.
The significant changes the provincial government made to the Execution Act came into effect December 1, 2015. The act sets limits on the things you own that may be seized by creditors or sold in a bankruptcy filing. Conversely, it sets limits on what you may try to seize if you are suing someone else.
Execution creditors rank in priority behind secured creditors. A Writ of Execution or a Writ of Seizure does not give a creditor a specific right to an asset. Instead it gives the creditor a right to the net proceeds from the sale of the asset, if the asset may be seized and sold.
The Ontario government's changes affect what and how much property is exempt from seizure. Some changes may need interpretation and raise questions for creditors, licensed insolvency trustees and debtors.

Asset class	New exemption limit
Necessary clothing	Unlimited
Furnishings	$13,150
Motor Vehicle	$6,600
Tools of the trade	$11,300
Farm equipment and livestock	$29,100
Home equity restriction	$10,000

Principal residence protection: a $10,000 home equity protection was introduced in the updated legislation. The most significant change to the act, it has caused a great deal of discussion and confusion.

Prior to these changes, there was no exemption or protection for equity in Ontario. Other provinces, including Alberta, have had this type of protection for a number of years. When the changes were announced in Ontario, everyone assumed it meant that the first $10,000 of equity in your principal residence was protected, similar to a motor vehicle. On further analysis of the language of the law, it appears that the $10,000 is a restriction, not a protection.

What's the difference? A restriction means that unless an execution creditor (or a licensed insolvency trustee) can demonstrate that the net equity in a principal residence exceeds $10,000, they cannot force the sale of the property. If there is more than $10,000 in net equity, then the property can be seized and sold and the net proceeds will be paid to the execution creditors (or the trustee).

Here are a few examples:

1. David and Susan own a home worth $275,000. It has a first mortgage of $266,000. If an execution creditor tried to bring a motion to seize and sell this home, the request would likely be denied simply because the projected net equity in the home is less than $10,000.
2. David and Susan's home is still worth $275,000, but the first mortgage is only $260,000. Here the law is much less clear. If equity is calculated as value less mortgage, then the home is not protected ($275,000 – $260,000 = $15,000). However, if you factor in regular closing costs (let's say $14,000 for real estate and $2,000 for legal), the calculation becomes value less the mortgage less closing costs ($275,000 – $260,000 – $14,000 – $2,000 = $NIL). The problem is, the equity calculation is not defined in the act.
3. Larry and Betty own a home worth $300,000, with a mortgage balance of $282,000. Larry has been sued and has a judgment against him for $20,000. The creditor wants to seize and sell the house. Can they?

> Ignoring the issue of closing costs for the moment, the net equity appears to be $18,000 and Larry's share is therefore $9,000. Larry believes the house is protected. Unfortunately, Larry is wrong. The $10,000 restriction applies to the entire net equity, not Larry's share. The execution creditor could argue that the home should be sold to try and recover their debt. The creditor is only entitled to Larry's share of the net equity, but they could apply to the Court to try and force the sale of the home. In a bankruptcy, Larry would be required to pay an amount equal to his share of the equity into his bankruptcy, or his trustee could apply to the court to force the sale of the home as well.

Presumably, all of this will be tested and resolved in court. The current standard is that closing costs are not automatically deducted when determining net equity in a home. Rather, the amount of equity is determined in negotiation between the bankrupt person (who will argue for the inclusion of closing costs) and the trustee (who will argue against the inclusion).

Necessary clothing and ordinary apparel: the phrase "ordinary apparel" has been dropped and the limit on necessary clothing is now unlimited (it used to be $5,650). At first glance, this seems to be increasing protection for individuals under the law – clothing is now effectively excluded from any sort of seizure. Unfortunately, by removing the clause referring to ordinary apparel, my firm is of the opinion that things like jewellery (such as a wedding band) may no longer be exempt.

Furnishings, appliances, utensils, equipment, food and fuel: the limit has been increased from $11,300 to $13,150. The phrasing has been changed to simply "household furnishings and appliances" and it is no longer clear whether things like children's toys or sports equipment is protected.

From a practical standpoint, it is unlikely the average person has much to worry about with these two changes – we don't believe it is likely that execution creditors will start seizing wedding rings and teddy bears. However, it does complicate personal bankruptcy filings. A licensed insolvency trustee is required by law to try and convert all of a bankrupt individual's non-exempt property for the benefit of their unsecured creditors. An argument can be made that a trustee should consider the value of wedding bands and other personal possessions when determining how much a person has to pay to their creditors in a bankruptcy.

Motor vehicle: the exemption has been increased from $5,650 to $6,600. The Execution Act now provides specific instructions for the distribution of monies received from the sale of a seized asset.

Some examples:

1. John owns a car worth $2,500 with no liens or charges registered against it. This vehicle is exempt from seizure by an execution creditor or by a licensed insolvency trustee. Should it be seized and sold, 100% of the net proceeds, up to $6,600, would have to be paid to John. In other words, if the car were seized, no money would accrue to the creditor (or the trustee).
2. Jane owns a car worth $15,000 with an outstanding loan of $10,500 to a finance company. As long as Jane continues to pay the finance company, this vehicle is exempt from seizure. If it were seized and sold, first the loan would be repaid in full and then the net proceeds up to $6,600 would be paid to Jane. Similar to the first example, no money would be paid to the creditor.
3. Bob owns a car worth $35,000 with an outstanding loan of $20,000. If this car were seized and sold and the loan would be repaid in full for $20,000. Then, the next $6,600 would be paid to Bob as his protected portion and the remaining $8,400 would be paid to the execution creditors in the order that their writs were registered.

Note that the motor vehicle protection is limited to one vehicle per person. If in the first example, John owned a second car worth $1,500 it may be seized and sold, and John would not be entitled to any of the proceeds.

Tools of the trade: no changes have been made to the exemption limit of $11,300. This protection is designed to provide a person with the means of earning an income. It only applies to things that are actively used to generate income. For example, a courier will be able to claim a motor vehicle as a tool of the trade, but someone that works at the local manufacturing plant and simply drives back and forth to work, cannot claim her car as a tool.

Whether you are in financial difficulties, or trying to collect on a loan, my best advice at this time is to consult your lawyer or a licensed insolvency trustee before making any decisions.

Have a nice and fruitful week!