



**October 2022**

Welcome to our Liahona Capital Q3, 2022 newsletter!

## **Real Estate Market View**

On September 7<sup>th</sup>, the Bank of Canada increased its target for the overnight rate to 3.25%, with the Bank Rate at 3.5% and the deposit rate at 3.25%. The Bank is also continuing its policy of quantitative tightening. The Bank has two remaining meetings this year on October 26<sup>th</sup> and December 7<sup>th</sup>; so far, the markets are expecting further rate hikes.

The increase in the Bank of Canada's overnight rate has pushed CIBC and RBC to increase their prime rates to 5.45% while pushing TD Bank's to 5.6%. While it is too early to review any significant statistical data since these rate increases, anecdotally, we have been seeing property values decline slightly as the number of sales and listings have dropped.

On September 15<sup>th</sup>, the Canadian Real Estate Association ([CREA.CA](https://www.crea.ca)) released its national housing statistics for the month of August alongside an updated forecast. While the CREA is projecting Ontario sales volume for 2022 to be 27.6% lower than 2021, the projected average sales price is 8.4% above 2021.

With interest rates on the rise, home sales have continued to cool. In some parts of the country, home prices have fallen from their peaks reached earlier this year, are flat in some regions, and are still climbing in others. The issue of not enough homes for sale has not gone away.

What does this mean for Liahona MIC?

The "stress test" adjustments implemented in June '21, qualifying at the greater of 5.25% or the negotiated rate +2%, have now come in to play with prime rates ranging from 5.45% and 5.6%. This means that borrowers who qualified last year for a loan directly through their banking institution may now be looking for a refinance through a Mortgage Investment Corporation (MIC), leading to increased deal volumes. With increased demand and lower supply of capital in the MIC world, versus the institutional banks, we continue to increase our rates allowing us to generate higher returns to our investors while adding mortgages with lower

risk profiles.

## What's New?



Here we grow again!

We are excited to introduce you to Nicky Ghorbani, Liahona's new Mortgage Administrator. Nicky comes to us with a wealth of mortgage industry knowledge having a background in Mortgage Underwriting and previously as a licensed Mortgage Broker.

In this new role, Nicky will be supporting our Mortgage Underwriters, work with Liahona mortgage clients, deal with Mortgage Brokers and assist in day-to-day administrative tasks. Please join us in welcoming Nicky to the team!



### **How & Why to Convert Term Life Insurance to Permanent Life Insurance with Liahona Insurance & Wealth Creation Inc.**

First let's remind ourselves of the difference between the two. Term Life is an affordable way to provide a financial safety net for your loved ones who may count on you for support. It costs less than permanent life insurance because it provides coverage for a specific term in our lives, often 10, 20 years, it is also cheaper because you are merely renting the insurance vs. owning it, it does not have a cash value component like permanent does. Once the term is over it can be renewed for another term, but the cost goes up because you are older and the risk for the insurance company is higher, but once the policy is cancelled or becomes unaffordable then there is no coverage in place in the future to meet your long-term estate transfer goals and tax liabilities upon death.

Permanent insurance on the other hand is an asset. The cost is higher because you are paying to have insurance for the rest of your life, AND there is a cash value component which grows within your policy, an investment portion. This cash value is something that you may wish to use in retirement or borrow to start a new business or help your kids through college. It is your money and accessible by you in many different ways.

## How to convert Term Life to Permanent Life?

Conversions are much simpler than you may think...

- First, check the language of your policy to see if conversion is an option
- Next, check the term conversion period, the time frame during which you are able to convert
- It is typically one document to make the conversion, you simply fill out the questionnaire and your permanent policy will be issued in a few days
- You **DO NOT** have to undergo any additional underwriting as it is a conversion and not considered a 'new policy' and you have already qualified under the original term policy
- There is NO cost of converting, only an increase to the annual premium

## Reasons to convert a Term Life to Permanent Life?

- You have just had a health change: Conversions allow to you change your policy to permanent without doing any additional underwriting, this can be valuable if your health worsens and locks in your insurability for life.
- Your budget has changed: You may have considered buying permanent insurance from the beginning but could not afford the higher premium, if you are making more money now or your estate liabilities are higher or you just want to make sure that you leave all that you can to your beneficiaries, this may be the time.
- You want a cash value asset: One of the benefits of Permanent insurance is that part of your premiums go toward the cost of insurance and part goes towards building cash value. Some people want the cash value in their policy to access in retirement or for other reasons, **this is tax-free growth.**
- You want to leave a legacy: If you want to be able to leave an inheritance to children, charities or other beneficiaries then a permanent life insurance policy will ensure that this happens.

For more information, please contact one of our advisors at Liahona Insurance & Wealth Creation Inc. at [clientrelations@liahonainsurance.ca](mailto:clientrelations@liahonainsurance.ca) to see if a Term to Permanent Live conversion is right for you.

## Did you Know?

Liahona is always looking for new Dealing Representatives to join our team. If you or someone you know is interested in learning more about this career opportunity, please reach out to [careers@liahona.ca](mailto:careers@liahona.ca)



## Fund Updates

To keep you informed about the various investments Liahona Capital offers, we are happy to share some recent Fund updates with you. This quarter we will highlight Liahona Mortgage Investment Corp. (LMIC) and Equiton Real Estate Investment Trust (REIT).

**Liahona MIC** continued to see steady growth in Q3 with our Assets Under Management now at \$50.6 Million as at September 30<sup>th</sup>, 2022. We placed almost \$9 Million in mortgages this past quarter and raised just over \$4.86 Million in new investment dollars into the Fund! Call us today to learn more about Liahona MIC and how it might be the right fit to add to your investment portfolio.

**Equiton REIT** was pleased to share the news of their recent acquisition of a newly built residential property in Sherwood Park, Alberta. The purchase price for the property was \$27.75 million. They noted they are excited to expand their presence beyond Ontario and further diversify their portfolio with this acquisition. They believe this was the opportune time to invest in Alberta due to the fact that the economy is now starting to rebound, which will result in an influx of residents, decreasing vacancy rates, and an increase in property values. The Assets Under Management (AUM) for this Fund is now at \$732 million in 29 properties. Well done Equiton!

For information on our products, or to make any investment, please contact your Liahona Dealing Representative!

Robert Rumley



Brandon Renault



Adam Gignac



Doug Edwards

Eric Anderson



Summary

We appreciate your continued interest and investment with us. For additional information visit our website at [www.liahona.ca](http://www.liahona.ca)

As always, we welcome your feedback.

Sincerely,

## The Liahona Team

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