Best Buy leaves Chase for Desjardins Group

TORONTO — Best Buy Canada is moving its private-label credit card portfolio to Desjardins Group, ending a longtime relationship with Chase Bank.

The electronics retailer sent notices to Chase cardholders this week saying their co-branded Best Buy Reward Zone Visa would deactivate at the end of February.

The changes come after Best Buy announced a new partnership with Desjardins that will take effect on April 15. Under the agreement, the Quebec-based financial institution will acquire the private-label credit card portfolios under the brands of Best Buy and its sister company Future Shop.

Financial terms, and the value of the portfolio, were not disclosed.

Private-label cards are designed to be accepted only at a specific retailer and are particularly common with department stores and electronics chains.

— *The Canadian Press*

Managing inflation in retirement

BRETT **MILLARD**

Planning Ahead

The way things have been going the past few years, inflation has not been the top threat for most people's retirement plans. While nobody can predict what the future will bring, it is likely inflation will continue and your retirement plan should be ready for it.

An inflation rate of three per cent per year would cut the purchasing power of your money in half over a 24-year period.

This means if you have $50,000 per year of fixed retirement income today, you would be living on $25,000 per year in 24 years if your income sources are not indexed and/or not growing.

While it sounds like a long period of time, a 24-year retirement period is not unrealistic these days and many will enjoy a retirement even longer than that.

So what should you watch for?

Take a look at your income sources in retirement. Government benefits like CPP and OAS are indexed for inflation to the Consumer Price Index (CPI), which means the benefit amount you receive will go up in-line with the CPI.

Likewise, some pension plans will also feature an indexing option, but many others will not.

It is important to determine if your plan includes indexing and it is very important to make the right selection of options when your pension starts.

When you select pension options at retirement, you might be offered a reduced monthly benefit in exchange for a "Cost of Living Adjustment" rider.

This would give you a lower monthly benefit now but that amount would increase with inflation. While not right for everyone, this type of rider is often a really good choice.

When it comes to your personal investment portfolio, the protection of the future purchasing power is up to you.

Some investors feel they want "no risk" in their retirement accounts and don't realize the risk they are subjecting themselves to by going this route.

For example, let's take a look at a single retiree with no pension who holds her $500,000 non-registered portfolio entirely in GICs since she wants "no risk."

The GICs earn a two per cent rate of return and she pays a 40 per cent marginal tax rate.

At the end of the year, her GIC account has earned 1.2 per cent after tax and with inflation at 2.5 per cent, her real return (net of inflation) is -1.3 per cent.

This means that the purchasing power of her $500,000 portfolio has actually decreased by -1.3 per cent before she has even pulled out any money to live on for the year. With multiple years of these negative net returns, she may run out of money far faster than you'd expect.

Often, those that want "no risk" would be far better served by investing in a conservative portfolio with bonds and GICs that still holds some equity or other alternative investments that will offer a certain amount of inflation protection.

These riskier assets can of course lose money as well, so it is imperative the investor fully understands the plan they are putting in place.

A properly tailored investment plan should both protect you from inflation and other retirement risks while simultaneously stay in synch with your risk tolerance and comfort.

When planning for your retirement, ignoring the impact of inflation can have disastrous consequences.

Whether you're still working, about to retire or already enjoying your retirement years, take some time to review your retirement plan with a certified financial planner to make sure it can withstand the inflation that will no doubt come.

Brett Millard is a certified financial planner and owner of SPEIR Wealth Management Inc. Email brett@speirwealth.com or call 778-478-4277.

Time for a quantum leap in home design

By ANDREW GAUCHER
Special to The Okanagan Saturday

For some, things change too fast. For others, perhaps not fast enough. No matter which side of this debate you may fall, one thing is for certain – homes, in a general sense as we know them today, are quite stagnant.

While the size, and to some degree the aesthetic aspects, of the homes in most of North America have evolved over the decades, the basics of our living spaces are essentially the same.

As a developer, we ultimately look at a home, business space or other physical environment as a product, and products evolve in a few different ways.

There have been "sustaining" technology changes that have brought gradual and incremental improvements over time. Superior insulating systems or WiFi versus hardline internet both represent sustaining technologies.

Then, in contrast, there are disruptive technologies. A disruptive technological change is one that is "curve jumping."

This means the change is not linear in nature and may be many years ahead of the incremental sustaining technology.

Humans are particularly bad at envisioning how disruptive technologies may change things, partly because of how we have evolved in a fairly slow and linear way.

As far as disruptive changes in physical environments (homes, offices and such) go, we haven't seen one in a long while; none at all which have been adopted on a widespread basis.

A related analogy to consider is related to vehicles. The progress Tesla and Google have made in recent years, in my view, could be indicative of what we may see in the next decade in homes.

Consider this: Tesla and Google have both pledged to have self-automated (artificial intelligence (AI-controlled) vehicles in the average household in as little as 24 months. Google has had AI controlled vehicles all over North America for years.

The aim is vehicles will be completely reinvented and, when combined with car sharing operations, vehicle ownership can be massively reduced.

Read: you could live anywhere in Kelowna, and with tremendously efficient automation, have an AI vehicle pick you up (at your option, with others or privately) and drop you off at work, only to return whenever you need to go for lunch, or return home.

Can you envision what this would mean for roadway traffic? For parking? The latter could become all but extinct. Think about how much less gas consumption we will see when electric vehicles are combined with this efficient, automated system.

All this analogy is meant to illustrate is that we hope, and expect, to have some big shifts in physical environments coming down the chute as well. By all means, they will likely be positive and address environmental and affordability concerns.

When all this sounds too much, remember that less than 100 years back, more than 95 per cent of our relatives in North America were employed as farmers or in a directly related agricultural field.

If you asked those farmers of 100 years ago to imagine their grandchildren's world as a place where only five per cent of people worked in agriculture, they would likely have had no idea what to imagine, or thought it impossible.

Considering that such drastic change has only happened in 100 years, perhaps we aren't evolving so slowly after all.

Live and work environments are due for big changes, and it will be fascinating to see what they will be.

One thing is known: A historical challenge has been Kelowna's job base...but as every job becomes more technology enabled, working at distance will allow people to live anywhere...which will benefit locations such as the Okanagan, our beautiful home.

Andrew Gaucher is an Urban Development Institute Board member, and general manager of G Group Land Developments.

4,300 jobs lost in December

OTTAWA — The Canadian labour market capped off 2014 by losing 4,300 net jobs in December, a slight dip from the previous month that left the unemployment rate locked at 6.6 per cent, Statistics Canada said Friday.

The agency's latest job-market survey found that Canada added 185,700 net new positions in 2014, with the bulk of the increase coming in the second half of the calendar. The unemployment rate, meanwhile, moved down over the course of the year from 7.2 per cent.

"I think we can say it was a fairly good year for employment — nothing through the roof, but it was just a decent year," said Jimmy Jean, a senior economist with Desjardins Capital Markets.

"Looking forward, we continue to expect the Canadian economy to benefit from the U.S. acceleration... so we should continue to see a very decent pace of job creation on an overall basis."

For December, the agency's report found the country gained 53,500 full-time positions, a tally more than offset by a loss of 57,700 part-time jobs.

December was the second straight month the survey registered a small drop in employment. The economy shed 10,700 net jobs in November, but those decreases followed large back-to-back increases of 74,100 in September and 43,100 jobs in October.

The unemployment rate matched the projection of economists, who had also predicted a net gain of 15,000 jobs for December, according to Thomson Reuters.

Experts were watching for clues that Canada's economic strength was shifting from the energy sector to manufacturing, an expected fallout from the lower loonie and the oil prices that began to plummet in October.

Jean said he was surprised to see the natural-resources sector add 10,200 jobs across Canada in December, while the manufacturing industry lost 18,300 positions.

"We've kind of been expecting the opposite to be at play with the weaker currency," he said.

"I think it speaks volumes to the challenges still faced by the (manufacturing) sector. Even if the currency is weaker, it's going to take time before businesses really start to invest."

By industry, accommodation and food services saw the biggest job one-month decline in the survey, losing 32,800 positions in December. But, over 2014, the category had added 38,300 jobs.

The Statistics Canada findings also show the youth unemployment rate moved up 0.3 percentage points in December to 13.3 per cent, but that 62,500 more young people had jobs compared to a year earlier.

The survey found that 23,600 fewer women between the ages of 25 and 54 were working last month. The unemployment rate, however, for that category remained unchanged at 5.2 per cent as fewer participated in the labour market.

For men, the agency said 22,600 more males in the same age bracket found employment last month, which nudged the category's jobless rate down 0.2 percentage points to 5.5 per cent — its lowest level since 2008.

CIBC chief economist Avery Shenfeld said Friday he expected the "weak headline" in the December numbers to apply pressure on the Canadian dollar, but he thought the details provided "some comfort."

"The story for Canada is all about what lies ahead given the recent drop in energy prices, rather than the (fourth-quarter) picture," Shenfeld wrote in a note to clients.

The senior policy adviser from the left-leaning Broadbent Institute think-tank was disappointed by the 2014 job numbers.

"2014 was a pitiful year for Canadian working people," Andrew Jackson said Friday in a statement released by the organization, which was founded by former NDP leader Ed Broadbent.

— *The Canadian Press*