

Good Money by Vancity – Episode 1 – The Big Picture

Speaker 1: It's funny how we haven't been going out at all, but my partner's beer budget has actually gone up.

Speaker 2: Watching the old savings account dwindle by the day is definitely been stressful.

Speaker 3: I've also lost contracts.

Speaker 4: It's been really difficult to watch our debt increase and our work diminish.

Speaker 5: My daughter lost her job. She's just graduated with her master's degree. What's she going to do?

Speaker 6: Owning a small business has been tough, not knowing what the future holds means that we have to make some difficult decisions.

Speaker 7: Also, my husband works in performance and we're not sure what's going to happen with his job. So, that just adds to the financial stress.

Speaker 8: I don't feel that I have any power to deal with at all.

Speaker 9: I feel like we're really lucky being here in Vancouver, but it's also so scary. What's going to happen next? We just don't have a script for it.

Annika Quinn: Okay. So there's no way around it. It has been a rough few months. When COVID-19 hit, it created a massive chain reaction that hit every corner of society and hard. If you're like me, you're worried about your house and the health of your loved ones. Maybe you lost your job and you're not sure how to pay rent or your mortgage, or even buy groceries.

Maybe you're a local business owner and you've watched your revenue dropped to zero. Investments are on a roller coaster, deaths are piling up, and you're probably hearing more than your share of piano music.

So how do we get through this? How do we reduce the hit to our finances? That's what Good Money is for. It's a new podcast, that's brought to you by Vancity. We're going to get practical answers to your financial questions. We'll demystify markets, investments and retirement planning. We'll delve into housing and the growing challenge of debt. We'll explore a locally owned business and the real economy. We'll examine the global forces affecting our lives and let you know what to expect in the weeks and months ahead. And we'll not only talk about how to rebuild the economy, but how to make it fair for people and better for the planet. That's Good Money. I'm your host, Annika Quinn, and I'll be joined by top financial experts. One of those experts is Joe Reed. He's Vice President of Wealth Management and Impact Investing at Vancity. And this week, we're looking at how forces affecting the entire world are affecting your bank account. Hey Joe, how are you doing?

Joe Reed: I'm doing well, Annika. How about yourself?

Annika Quinn: Not too bad. So tell me, how has your life changed in all of this?

Joe Reed: Well, like everybody else, I have been working predominantly from home over the last little bit, trying to navigate what that means with having my wife, my oldest daughter at home, and we've realized how difficult it can be when everybody's sucking up all of the wifi. So, it has been a challenge just like everybody else, and finding that balance between the normal work day and not having that break between that home and work life. So it's been an interesting time for us in our house.

Annika Quinn: Yeah, no kidding. So what are some of the things you're doing to keep your spirits up?

Joe Reed: At the end of each day, my wife and I are trying to get out for a walk and it's a chance to just to debrief, talk, clear the head from the work day. And then in our house, you have to watch the minute you walk out of a room, because my wife, my eldest daughter, and I all have Nerf guns and you never know when you're going to get pellet being being shot at you, so.

Annika Quinn: That's amazing.

Joe Reed: How about you, Annika? What have you been doing?

Annika Quinn: Yeah, so for me personally, this period's had lots of ups and downs too. I was one of those people that lost my job fairly early on. I was laid off, I worked for a magazine and of course all our advertising disappeared. So our whole team was laid off, and the unknown of that is what's so challenging. And right now, I am desperately searching for an online group karaoke app, because I missed that so much, that social that I had with my friends when we were at singing karaoke.

Joe Reed: We have car-aoke in our car. So we may have to resort to trying that on some of our longer trips.

Annika Quinn: Yeah, no kidding. Oh my God, I need to look into that. Okay, well, let's get down to it. So when it comes to finances, what are some of the big picture questions that people are asking these days?

Joe Reed: Yeah. You know what, it's been an interesting time for people because you're seeing people who are in financial situations that they've actually never been in before. You've seen people who have been in established jobs, working through the careers, much like yourself who are now in positions, where they've been laid off. So questions that we're seeing coming in and people are asking a lot of, what do I do with, now that I've lost my job? How am I going to pay the mortgage? Yes, there's the relief that's out there, but how do I do that for an extended period of time? What happens if my company doesn't open back up again? Or if it does, what's it going to be like when I go back to work, I'm seeing a lot of people who, and my wife and I do this a lot. We like to go out to local restaurants.

And it's a question a lot of people are having, even in their community. Are the businesses that they frequent, are they going to last through this? Kids are now at home and how do you navigate a full time job and teaching your kids at the same time? And what about those going on to university? How are they going to afford to pay for university? So I think for a lot of people, it's just a time of uncertainty. And just trying to figure out how to navigate things that maybe they wouldn't have had to question in the past.

Annika Quinn: And so when it comes to finances then, how would you characterize this, so-called new normal that we're living?

Joe Reed: I've heard some people talking about that it's messy and you have to really be comfortable right now in that messiness, because we're not doing the same things that we would have normally. So, from a finance point of view, whether that's saving, whether that's working, just going to the grocery store now has changed so dramatically that you have to really do a lot more thinking. Many of us are, we're creatures of habits. I know for me, I go to a grocery store, I park in the same area. Part of that is because I'll lose my car, part of it is being on that normal way you do things. And I think when you start to get out of that routine, that it does create that messiness, that challenge for a lot of people.

So I think even on the finance side to it, when you have a regular income coming in and you've got a paycheck that you know is going to go into your bank account, it's very much like parking that car in the same spot. It's there, you can depend on it. And now all of a sudden you're having to look at things and realize that maybe that money isn't coming in or maybe less is coming in, you've still got those same responsibilities and bills that are out there. How do you stretch it? What are you doing from a point of view of your spending to compensate for that? So I think that messiness is what a lot of people are feeling in their personal lives. And I think that's what we're seeing in the financial world.

Annika Quinn: Yeah. It's amazing that loss of routine, the kind of stress that it does bring onto you, from all levels. So we think of it as just this virus crisis that causes that kind of constant exhaustion, but it is, as you say, the not being able to park in the same spot that you used to parking in, or myself, I have to lie down after I go grocery shopping. I need to schedule that time in, because I know I'm going to be running on adrenaline for a good chunk of that.

Joe Reed: And I think that's that stressfulness that we never would've thought in those basic things. So I think that laying down, I think a lot of people are feeling that on a day by day basis in those everyday things that we're just used to.

Annika Quinn: So, in upcoming episodes, we're going to be talking about housing, investing, small business, retirement. But, so we're just going to briefly touch on some of those. What are some of the issues you see for people who have lost their jobs, for example?

Joe Reed: Yeah. I think for people that have lost their jobs, the challenge is going to be what happens. Under normal circumstances, you go on, you can apply for a job, but how do you reach out and find those jobs? How do you do interviews? Do you want to go back to the career that you were in before? What if that industry is one of those industries that may not be the same way that it was before? My youngest daughter is a dental assistant and that's an industry

that there's a lot of concern in for going back to work. So I think for a lot of people that are out of work it's, what do I do to find a new job? And then it's also, how do I get through with not having that regular income that's coming in?

Annika Quinn: Right. Absolutely. I went for a quick walk just before we talked here and I saw a poster for a company that had obviously just launched grocery delivery service and they had listed what all their precautions were about. I came home to look it up and it was a catering company. So it's a catering company that obviously there's no catering right now with big events being canceled. So they've figured out how to pivot quickly in that time and shifting. It's pretty interesting.

Joe Reed: I think it is. And I think you're seeing some businesses that are looking at doing that. And that's the other part, will we see more entrepreneurs that come out in the next while from individuals who have been laid off and they start businesses to fill some of those gaps that, in the new areas like that, things that we may not have used as much in the past, but are definitely now mainstays for most of us.

Annika Quinn: Yeah, absolutely. What do you think some of the issues are for homeowners and renters?

Joe Reed: I think for homeowners and renters, a lot of it has been, am I going to be able to afford my mortgage or my rent? There are government programs, there's a financial institutions have done some deferrals in there, but are we actually going to see people being able to sustain that for an extended period of time? And what happens when those government programs or when the financial institutions stop allowing those deferrals, how are they going to be able to pay? I think there's homeowners that have been able to create a lot of individual wealth through their home. I think people are starting to wonder what's going to happen when housing prices come down, am I still going to have access to that money? What if I wanted to sell right now? I think for a lot of people, it's a bit of a challenge even to do that.

My wife's a realtor and that industry is definitely changing on the way that they do things. So I think for renters, it's the concern on what happens with the landlords, if the landlords start putting pressure on. So it's a scary proposition when you're renting and you're not in control of what happens. So I think that a lot of people are worried that the landlords may be able to get back to being able to evict right now, there's obviously that freeze on it. But what happens when that freeze is lifted?

Annika Quinn: Yeah. What about investors? What are some of the big issues there?

Joe Reed: Well, I think we've seen a very interesting ride on the markets over the first part of the year. And in my 25 years in the investment business, it's the fastest I've ever seen us go from a really good market, a bull market, as we say in the industry, down to a bear market or a really bad market, and then back to a bull market. So I think what we're seeing on the investment side is that, for some people they've been able to do quite well.

And I think for those that have had larger portfolios, larger amounts of money saved, they have gone on that roller coaster ride, but they're still not far off from where they were when it all began. I think the biggest challenges for those that are newer into investing, and now they've seen this wild ride and realizing, is this what I want to be invested in or concerned, will it remain this way? And will they be able to accumulate the money that they're going to need either for purchasing a house or sending a child to school or retirement. So I think that it's sort of a tale of two groups of people in that those that have been in there for a while and those that are just getting started.

Annika Quinn: Sure. And I imagine that's particularly important for retirees, right? So maybe you can talk a little bit about that. If someone's close to cashing out, what are their issues coming up for them?

Joe Reed: Yeah. When you look at retirees, it's an interesting one because a lot of times people will be in the markets, but then they also have term deposits or they've put their money into something that creates an income stream. And we know right now that term deposits or interest rates are quite low. So we're starting to see a lot of seniors wondering, how are they going to be able to live with interest rates being as low as they are?

And often what you see happen in environments like that is that people tend to take a little bit risk than they maybe should. And now you've got that sort of double edged sword of a really volatile market and up and down roller coaster ride. But at the same time, you kind of need to get a little bit more income. So what do you do? And I think that's where we're starting to see seniors asking those questions around, should I be in the market or should I be in interest rate bearing investments? And if I'm there, how am I going to get the income that I need to maintain that lifestyle that I want to have?

Annika Quinn: And then, of course we know small business owners have been hit particularly hard right now. What are we seeing coming up for them?

Joe Reed: Small business is really the engine of the economy in many ways. They're the ones that we love to go out to. They're the ones that we want to patronize right now or go and see

because they're part of our community. And I think this is when you look at small businesses, it's really community businesses that are out there. And I think the challenge for small businesses is, how do you navigate this? Where in the past, and I was watching on the news, a retail store in Vancouver that had literally just opened a couple months before all of this happened and they hadn't really put an online presence out there.

And now they've had to scramble to completely change their business model away from that bricks and mortar being in front where a customer can come in and quickly pivot to being able to have an online presence. So we're starting to see some really great stories of businesses that have pivoted, but you're also starting to hear those businesses that are saying that they may not open and that has that domino effect. A small business employs people, and that leads to people being laid off. And so it's going to be an interesting time to see how many of these businesses are able to come back or how many of them are able to pivot and do well in a time like this as well.

Annika Quinn: Mm- hmm (affirmative). Yeah. And then what about people that are just entering the job market? What about young people right now?

Joe Reed: Yeah, as a father of two, a 24 year old and a 23 year old, who my youngest has been in the job market for a couple of years now as a dental assistant. But my oldest is just coming into her first career as a doctor. Under normal circumstances, you enter into your first job and you have the ability to come in and meet your coworkers. And it's a much, much different time for people right now where you're maybe not starting a new job and actually in a physical space. The other part to it is you're starting to see with the numbers of unemployed, it's probably a challenge for those individuals that are just graduating and now wanting to come into the job market, and now they're going to be competing with all these other people who maybe, have been in the job market for a long time, have a lot more experience, that they wouldn't have been three or four months ago.

Annika Quinn: Yeah. We saw some pretty amazing images of all of those young people that are graduating online for the first time, right? Having their virtual graduation ceremonies, it's really surreal. So, right now a lot of people are getting through this time by taking on huge personal debt. How big of a concern is that?

Joe Reed: I think it's a large concern for a lot of people, because it's interesting when you start to see people who have been working for their entire career, have always had a job, and maybe were in debt with their mortgage and maybe some credit card, but now they don't have that income coming in. So it becomes that snowball effect. And it's a challenging one to get out of. Even the deferrals of credit cards or mortgage payments or rent, at some point in time, you're

going to have to pay that debt down. And that just snowballs in where it just seems like the debt just gets bigger and bigger.

And what do they do? How do they chip away at that? And traditionally, when in our line of business, in the investment industry, you would always say that you pay down debt first and then save. It's going to be tougher to do that for a lot of people. So is there ways that you can start to pay down, but at the same time, put a little bit aside, so rounding up some of your purchases or back in the day when we used to have change jars. It's just that ability to try and break that debt cycle a little bit, because it is definitely one of the biggest risks that we see right now. It just becomes insurmountable and it's harder to get out of.

Annika Quinn: Yeah, that's interesting. So the idea of even tiny steps towards it can at least break a little bit of that anxiety cycle around it too. Because I imagine that's a huge part of it, that becomes kind of paralyzing.

Joe Reed: It does. It actually then contributes to it, because a lot of time what you see with individuals that are going into debt, you end up seeing them taking out loans or paying one credit card with another. And that becomes that ping pong effect that just really gets them back and forth into more and more debt. And I think a lot of that is driven by stress, and rightly so, because it's a matter of right now for some people, choosing to feed the family and debt is becoming that replacement for that income that they were having coming in. So it's definitely a challenge.

Annika Quinn: You're listening to Good Money, a podcast by Vancity. I'm Annika Quinn, and my guest is Joe Reed. Coming up, we'll talk about what we can expect in the months ahead, and when we'll know we're on the road to recovery. We'll also have more great advice in the coming episodes, so don't forget to hit subscribe. Okay, let's get back to it. So Joe, this is Canada and we love weather forecasts. So looking at Canada's big economic picture, what's your short range forecast?

Joe Reed: So yeah, especially at this time of year, it's always the best time of year to start looking at the weather forecast because the sun is starting to come out. I think from the short term perspective, it would be the equivalent of a weather forecast, a little bit volatile and partly cloudy with a big chance rain. But I think the reality is it's going to be kind of messy, as I said earlier, for a lot of people. As we start to see the economy opening up across the country and in the different phases, I think what we're going to find in the short term is people being very tentative.

We're still seeing the overall landscape on the stock market doing well, but we're starting to see those cracks of businesses, large and small, that are not coming back up as each of the stages comes through. So I think it's, that messiness is going to be everybody trying to find their way around. And then I think we'll start to see what happens from there. And, do we move into mid and longer term? What does that look like? But I think for the next foreseeable, while it's going to be quite tentative, people are not spending as much money as they maybe normally would. So I think that that's going to be a little bit of a challenge to see that economy get back up or that big engine start to rev again.

Annika Quinn: Right, because there's a natural instinct, even if you are employed, perhaps you're worried about whether you will remain employed. So maybe you need to be hanging on to your finances a little more tightly that has a sort of trickle down effect I would assume.

Joe Reed: Exactly. And I think that's where you're starting to see when I'm saying that re- jiggling of what that norm is. Normally on a Friday night you might have gone out to dinner or met up with friends. You're not doing that now, so conceivably you'd have more money to save, but at the same time, if you're worried about your job, you may not actually want to go out and do any shopping or go out and spend that money. You may actually want to be sort of tucking it away, and just because of that nerve, that what's next? What happens next is I think there for a lot of people right now.

Annika Quinn: So what role does government have to play in all of this?

Joe Reed: We've seen a big role. In fact, I think unprecedented role over the last little bit, and in many ways a much needed role for a lot of Canadians. And it's been interesting to watch all levels of government and how they have had to step up and be there as that sort of, I don't want to say safety net, but as that buffer against sort of the bad things that were going on. So we've seen governments come out with programs that were immediate and being able to help. The challenge is that there's still been a lot of people that have been falling through the cracks on these things. I think the government spot going forward, it's going to move from that reactive part that they've been doing and it's going to have to shift to more proactive. And you're starting to hear people talk with the interest rates being as low, and the government doing what they've done on that, how are they going to help out going forward when they don't have a lot of stimulus or a lot that they can put back into the economy?

So you're starting to hear people talking about, a minimum wage, a guaranteed wage for all Canadians. Is that something that government has a place in? Is it helping to defer some of the property taxes on the municipal level? Is it on the provincial level, helping out on policies around back to school and how that works? And I was just listening in New Zealand where the prime

minister is actually talking about moving to a four day work week for businesses as a way to help the economy get back up and going. Four day work week means a three day weekend, which means people have more time for family, but it also means that they have more time to get out into the community and spend money. So I think it's going to be interesting to see as the government moves from that reactive stage to that proactive and then tackling some of the issues.

Annika Quinn: Yeah, it's interesting. I think one of the kind of, illuminating things about this time period is in a lot of ways how quickly things can happen, that we essentially did launch this universal income, at least a test market for it, so quickly, in a way that you wouldn't have thought possible until this kind of crisis.

Joe Reed: And I think that's where businesses and governments have all been able to see is how quick they've had to move. And what I would love to see is that sustained, so that we can take that in and move and react quickly, but actually do it in more normal circumstances. But you're right, look how quickly we were able to pull all these different things together.

Annika Quinn: Now what about banks and credit unions? What are they doing?

Joe Reed: So you've seen in the financial industry, financial institutions have been called upon to help out from a point of view of differing mortgages and credit card payments, to helping to facilitate loans and helping with everyday people, trying to figure out what their new norm is and what that means from a financial point of view on budgeting and things like that. I think where financial institutions have though, a greater spot that they can play is, many financial institutions have for a long period of time made large profits and Canadians look at that large profit, and there is a responsibility that comes with that as well. And I think where we're starting to see the conversation shift or the expectation shift of the public is, if you're going to be making all this money, what are you doing to help us in the community?

And, that's where we're seeing institutions like Vancity who have come out with not only just deferring credit card payments, but also looking at making sure that there is no interest being charged during that time, helping out to look at, with businesses that are looking to pivot their business to a different model. Whether it be those distilleries that have we've heard about in the news that are now manufacturing hand sanitizer or the catering company that you were talking about. So financial institutions can play a part in being able to help those businesses pivot and get access to funds. But I think that there is going to be more of a focus of the general public wanting and needing financial institutions to walk side by side with them and not just be sitting in the ivory towers and collecting the money. It's getting down into the community and really helping out and making a difference in that way.

Annika Quinn: So, how are we going to know that we're on a road to recovery? What are the signs that you'll be looking for to know that there's a break in the clouds that we've been experiencing?

Joe Reed: For me, it's often the little signs. And my wife, and I've always talked, you celebrate the little wins in life. And I think that that's very much what we have to look out for those little signs of, as the businesses start to open, are they able to have people coming out? So I think where I will start to look to see is, when the businesses that are out there, those small local community businesses, where they're able to not only open, but able to thrive and where they start to see the products that they sell and that they manufacturer.

Where we start to see people coming much like yourself, we're coming back off of being laid off and coming back to work. So I think the little signs are, are we starting to see those little wheels start to turn? I think the challenge is going to be that often when it comes to economic recovery, it goes down faster than it comes back up. And the economy itself is like that big wheel. Sometimes you can spin those little wheels very quickly, but those big wheels take a lot longer to get going at a fast pace. So celebrating those little wins or looking for those little signs is going to be important because we may not see the large signs for a while now.

Annika Quinn: Right, and there's some economists saying that the effects could be worse than the great depression and it will take a long time to recover. But at the same time, there's also this idea that perhaps it's a chance to rethink how we're doing things. And so, when it comes to the economy, what kind of opportunities do you see and how we might pivot as a whole?

Joe Reed: Yeah, I think it's actually, we would be remiss if we didn't actually start to have this conversation, whether it be as individuals, as small businesses or both on the provincial and the federal side. Because, when we talk about things that are important, it's been so incredible to see the images of Mount Everest from areas that haven't been able to see Mount Everest in years, to seeing in some of the communities where the amount of smog that normally was there. So we're starting to see signs like that, so why would we not want to be looking at ways that we can change our way of doing business so that it adapts and maintains that climate that we're seeing right now? And I do think that it's going to be interesting to see as companies start to do that. I also think from individuals, we're spending a lot more time right now buying locally.

So we're seeing people wanting to go out because we have to, we can't really travel that far. And I would love to see the buy local movement, which has been around for a long time and a lot of people will do, but it becoming more mainstream and use the companies and the goods that are in our own communities. And then the other interesting one is travel. My wife and I love to travel. Our favorite spot was Italy down to the Caribbean, but I think travel now is going to be

much, much different for us. And we're already starting to plan for the summertime as things do come up, where we can do a little bit more. Our travel is going to be locally and in BC, and there's a lot of areas we've lived here for 15 years, but there's a lot of areas that we still would love to see.

And I think Canadians are going to start to do look at that as well. And all those little steps of people doing that, that actually does help our economy and the rationale behind that is, when you are so dependent on others, other countries, when you export a lot of goods to other countries and you're not manufacturing, or you don't have that supply chain inside your own walls, in times like this, it can be a really challenging thing. We've had to import things rather than be able to manufacture them ourselves. So I'm really curious to see if we see that trend of wanting to be more focused inside, but at the same time, still doing that global outreach and looking at climate as affecting everybody and still looking at the broader world, but really trying to look at that more community- based side of things.

Annika Quinn: Yeah. And it's been fascinating to see how quickly people could work from home, right? There was an idea that, oh, it's impossible, maybe we can get 20% of our workforce, maybe. And then suddenly, just everybody stopped commuting. And the kinds of impacts that has on our local air quality, environment, well, certainly oil demand, all those sorts of things, how quickly that happened.

Joe Reed: Well, and I think that's a great point. It's that way of changing those little things of our commute. And I have to say, I'm one that I never would have thought I could do as many meetings in a day as I'm doing from home. Does it make sense for us to be commuting as far as we have? And I think this is where businesses are going to have to rethink as well, which will lead to maybe, a lifestyle change for a lot of people instead of having to spend as much time on transit or in their cars, that they're working closer to home. And that has a great impact on the local communities and the local economy as well.

Annika Quinn: Yeah, there's been a lot of discussion around, in the last recession, 2008, the government sort of mobilized very quickly around shovel ready projects. So projects that were just ready to instantly go. Whereas, now there seems to be a lot more conversation around the idea of shovel worthy. What can these stimulus projects be that could see some kind of change for us?

Joe Reed: And, we saw a little bit, that's a really great point. We saw a little bit about that with the federal government looking at in the oil industry and putting some money towards cleanup and rather than just expanding. So I think that's where, when we talk about the roles of

government and individuals and industries can play, you're right. It's that ability to have that purpose maybe embedded in some of the work that's being done as well.

Annika Quinn: So, yeah, and I ask this, knowing that people are truly facing some of the toughest periods in their lives, as we speak, emotionally, physically, in terms of their own health and the health of their loved ones, and financially. Is it possible that we could come out of this stronger than before? Could it be a better normal?

Joe Reed: My short answer would be, I hope so. That's what you want anytime you go through a challenging time, is to come out stronger, to come out better. And the next step to that, or the next parts of that would be, why would we not want it to be that way? So I think we've seen in challenging times, after 2009 with the downturn, that there was a lot of businesses that have come back and done things in a much, much different way. You've seen after the depression, the way that people live their lives and it did change it, but in many ways, some of the best generations have come out or the best ideas have come out of that.

When you look at whether it be government programs or ideas from industry that have come out of challenging events. So my hope would be that that's exactly what we do, start to see that. We see us strengthen, I think it's going to be a little bit of time before we see that. It may not be as easy as just wishing it, I think we're going to have to really do some hard work to get it there. But I think that if everybody sort of is focused on that, then yes, that could be one of the best that comes out of this.

Annika Quinn: Joe it's been great talking with you. Thanks for all of your insights. Joe is Vice President of Wealth Management and Impact Investing at Vancity. That's it for Good Money this week, I'm your host, Annika Quinn. We also have more great advice in the weeks ahead, with a new episode out every two weeks. So don't forget to hit subscribe. Thanks for listening, take care and stay safe.