T·E·WEALTH

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# STRATEGIES

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# Sage advice for investing in turbulent times

Ten years ago, the world was in the midst of a financial panic. Rooted in the bursting of the U.S. housing bubble, the crisis saw equity markets plummet and economies contract sharply. There were widespread fears that things could get much worse. The fall of 2008 was arguably one of the most difficult times to be in the business of giving investment advice.

Amidst the chaos, a concerned client had asked T.E. Wealth consultant Robert Bentley (since retired) whether the firm was staying the course with its strategy. His response, which was turned into a blog post in October of that year, makes for a worthwhile read a decade later.

Bentley reminds us in that all-knowing, fatherly way that we can never control the markets – but guess what? We don't need to. We just need to control how we respond to them and we'll be okay. This encapsulates the firm's long-term approach to investing that's as effective today as it was back then.

At the outset of his October 2008 letter (available online at bit.ly/oct_2008), Bentley clarifies that his thoughts are not "market-focused," but rather personal in nature. The reason for this, as he freely admits, is that he doesn't really spend much time following short-term movements in the markets. Nevertheless, with much of his own wealth tied up in equities and real estate, he

## Editor's note

Anniversaries. They're an occasion to look back, to learn, and to see how we've evolved. It's been 10 years since the financial crisis of 2008, and though some of the values held then still ring true today – like the wisdom of Bob Bentley shared in ***Sage advice for investing during turbulent times*** – other values have changed considerably, forcing our lifestyles to change with them as shown in ***Business as usual no more***. Sometimes, we learn that we were on the right track all along, but need to maintain vigilance as shown in ***A reality check in realty***. And other times, we find we must come to terms with what we don't understand and, frankly, would rather hire someone else to understand for us, which is what you may feel when you read ***Returns are only half the battle***. Happy 10 years since the financial crisis, everyone! May it be ten million more until the next one.

*Lucy Conte, Editor-in-chief*

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acknowledges being directly affected.

"And yet," he said, "none of this worries me in the least." "I have no fear," he continues, "that my paper losses will become permanent as long as I hold on to the well-diversified funds that make up my portfolio." Sure, there's bound to be some exposure to the investment banks and mortgage lenders that recently failed. "But," he reasons, "this is all part of the push and pull of equity investing, which means that I also hold many other companies that are not going to go bankrupt and, in fact, will continue to grow quite nicely after we pass through the current rough times."

At the heart of Bentley's resolve lies a belief in the capitalist system. "Is the worldwide system of making goods and trading back and forth at a profit really failing now?" he asks rhetorically. "I don't think so. Not with a world population that is expanding and generally experiencing unprecedented levels of wealth."

The letter has aged admirably. Equity markets bottomed in the first quarter of 2009 and have, with stumbles along the way, performed very well. Major economies have also recovered.

The panic of 2008 offers some important lessons, many of which are outlined in Bentley's comforting words in the eye of the storm.

For one thing, discipline is an essential part of investing, particularly when our emotions threaten to overcome a carefully constructed plan. When asked today if he had any doubts during the financial crisis, Bentley says that, in a sense, he did. "Humans are built to doubt," he reasons. "As these market cycles go, prices go up and up and up, and you start thinking: maybe we should do a bit of timing here, maybe we should sell everything off and wait for the crash."

Natural as those thoughts may be, Bentley believes focusing on the long term is what's important. This is true even in our later years. "You can look beyond your own life with your assets and think about where they go after you go."

There's another reason, addressed in the October 2008 letter, why trying to outsmart the market can be a fool's errand. As Bentley explains, it's impossible to reliably time the market, and history shows that equities eventually go on to make new highs.

The financial crisis reinforced the idea that for patient investors, large market corrections can actually be a wonderful buying opportunity. Looking back, Bentley says it was nice to see how it all worked out. "Clients [who bought at depressed prices] ended up with a lower cost position. Then, as so often happens, things rocketed back," he observes.

The meltdown of a decade ago was a reminder that the only variable we *do* have a say over is our own behaviour. Reflecting on T.E. Wealth's philosophy, Bentley emphasizes that, "Everything we built on, our whole investment style and approach, was long term," with the recognition that they couldn't control markets – only exposure.

Bentley is quick to share the credit for the firm's steady approach during the crisis with his colleagues. "There was no panicking at T.E. Wealth…the whole company felt like that," he points out. "Any of my colleagues could've written that letter in the sense that it would've reflected their feelings as well."

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# A reality check in realty: Where Canadian home-buying has been and where it's going

Given the impact that changes to the housing market can have on our financial future, it makes sense to pay attention to where the market's been – and where it may be going. Since the crisis of 2008, residential real estate has been fairly stable in Canada. Still, there have been notable changes. Some industry experts give their take on how it's changed, and what they think is coming next.

**How was Canada's residential real estate market affected by the 2008 financial crisis? For instance, how did it affect mortgage rates or people's buying behaviour?**

Brad Henderson, President and CEO of Sotheby's International Realty Canada, notes that the impact to Canadian markets was minimal. "While many of Canada's major housing markets experienced an initial shock when the 2008 financial crisis took hold, most recovered quickly. After peaking in 2007, Vancouver, Toronto and Montreal experienced a pullback in sales volume in 2008 and into 2009; however, there were no significant drops in property prices. By 2009, housing prices in these three metropolitan areas had begun to increase, and by 2010 each of these markets had experienced significant price gains above pre-recession levels. Calgary took a few more years to recover and stabilized by 2013, while Canada's recreational real estate markets were more dramatically impacted and took additional time to recover."

Dominic St-Pierre, Vice President and General Manager at Royal LePage in Quebec, believes that not only was the impact of the crisis negligible, it may have even had a positive effect. "One could say that the crisis even helped the Canadian real estate market, as banks ended up lowering the overnight rate to historic lows. While interest rates started to pick up again over

the past two years, consumers here are still benefiting from lower than normal rates."

Scott Bartle, a sales representative with RE/MAX West Realty Inc., saw this period as having a somewhat positive effect for Canadians. "Because our dollar fared so well compared to the U.S. dollar, our real estate became more attractive as a safe investment to the rest of the world. Canadians, on the other hand, saw buying opportunities in the U.S. For the five years following 2008, many of them purchased property in the vacation or retirement states, such as Florida and Arizona.

### How did the 2008 situation in Canada compare to the rest of the world, and what do you think is the reason for any differences?

St-Pierre believes the Canadian housing market was largely unaffected during that period, mainly due to our tighter lending regulations – which have continued to tighten since then. Our neighbours to the south didn't fare so well. The reason, he notes, is twofold: "The U.S. economy and housing market suffered much more because U.S. financial institutions were allowed to turn high-risk loans into mortgage-backed securities. These were then sold to investors who did not know what they were buying. Once the loans started to default, it created a chain reaction that destroyed both the housing and financial markets. Canada experienced a setback due to the financial part of the crisis, but our housing market remained mostly intact thanks to strong economic fundamentals."

### Since the financial crisis, what changes have occurred in Canada's governmental policy with regards to real estate?

"In July of 2008," notes Henderson, "a number of new mortgage rules were introduced to reduce financial system vulnerabilities and protect real estate consumers. Amortizations were shortened from 40 years to 35 years, a minimum down payment of 5% was required, new documentation was required to prove property values and borrower's sources and levels of income, and a credit score of 620 was required with some limited exceptions."

St-Pierre adds that, more recently, the Office of the Superintendent of Financial Institutions (OSFI) has put a mortgage financing stress test in place to further secure market sustainability. "With this new regulation, financial institutions need to impose a stress test on buyers to ensure that they are able to afford a rise in interest rates during their loan term. In order for a buyer to qualify for a loan, banks need to demonstrate that the buyer could afford an interest rate equal to their current approved rate plus 2%, or the average five-year posted rate, whichever is higher."

Another policy change that's come about more recently was in response to concerns about foreign investment. St-Pierre says: "Prior to the OSFI stress test, a 15% foreign-buyer transfer tax was launched in the past two years in two of Canada's largest cities (Vancouver and Toronto). This was a reaction to concerns about foreign investors driving up residential real estate prices. Just before the introduction of the new tax, foreign buyers represented about 5% of the market in Toronto. In Vancouver, their proportion at the time had reached about 16%. The new regulations have helped slow down the market and stabilize housing prices slightly. That being said, foreign buyers aren't the sole driver for price appreciation. Royal LePage believes that the lack of inventory is largely responsible for recent runaway home prices beyond the historic norm, as Canada's largest cities struggle to meet increasing housing demands."

### What does the residential real estate landscape look like in Canada today?

According to Henderson, overall national sales activity pulled back in the fall of 2018. However, market performance has varied widely between Canada's major metropolitan areas, and between housing segments within each market. "As the country's largest real estate market, activity in the Greater Toronto Area (GTA) has been notably robust, particularly in the City of Toronto. This has continued to place upward pressure on prices. Overall price gains have largely been driven by the condominium and attached home segment. Consumer demand in Toronto's luxury housing market has been particularly heated, limited only by the lack of available inventory."

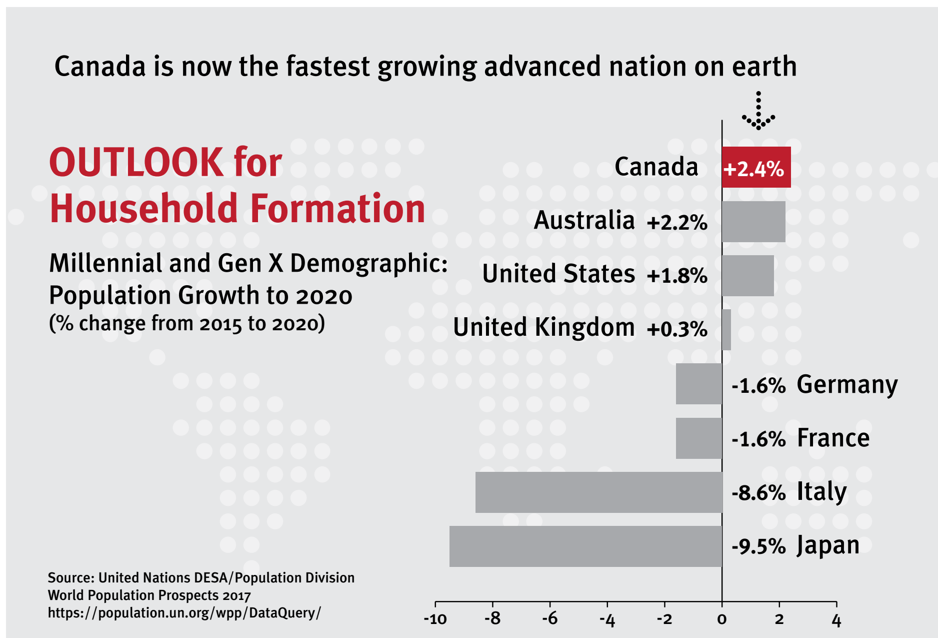
He adds that, "Activity and pricing in Vancouver's real estate market have slowed down across the board, as the market responds to rising interest rates and the cooling effects of recent housing taxes and policies. A challenging economy continues to dampen consumer confidence, sales activity, and pricing in the Calgary market. Montreal is emerging as a real estate 'hot spot' not just within Canada, but as a global market on the world stage. Conventional and luxury real estate sales are set to surpass 2017 records to reach new highs in 2018, and demand is expected to remain strong into the new year."

St-Pierre believes the Canadian economy is on solid footing, although

2018 will see a lower expansion rate when compared to last year. "Double-digit home appreciation has disappeared from the Greater Toronto or Greater Vancouver real estate markets. Price appreciation in the Greater Montreal Area is strong, but nowhere near the extremes witnessed in the GTA and Greater Vancouver. Condominium prices in the City of Toronto and City of Vancouver have also become more moderate."

St-Pierre believes Canada's biggest concern is the supply problem we're facing due to increased demand. "Canada is one of the fastest growing developed countries in the world today in terms of demographics. This increase comes down to three main factors:

1. Millennials, who make up the largest demographic cohort of our population, surpassing baby boomers, are now entering the housing market.
2. Baby boomers are living longer and holding onto their homes, leaving fewer single-family detached homes available for purchase.
3. We have a growing population of immigrants, with this demographic gravitating towards Vancouver, Toronto and Montreal."




"We simply can't build residential property fast enough to meet the growing demand," says St-Pierre. Added to this, "Canada has much tighter regulations for builders and permits than other countries, and this impedes residential development significantly." The solution, he thinks, is condo development.

"Condominium development is the most effective type of housing to accommodate Canada's growth in terms of land use and affordability. By focusing on vertical living and developing larger, affordable condominiums in urban markets, supply limitations would ease, providing long-term, appealing solutions, especially to young buyers and families in search of affordable property."

## Where do you see the Canadian housing market going five to ten years from now?

Henderson feels confident about the future of Canadian markets: "Even though housing market performance varies significantly from year to year and from region to region, it is always fortified by economic stability, political security, population growth and overall livability. In all of these areas, Canada will continue to have a global advantage. Our major cities are not only hubs for migration within Canada, but magnets for immigration, and our real estate markets continue to be safe havens for investment. In the long term, these fundamentals will support a healthy and stable Canadian housing market."

St-Pierre thinks buyer behaviour will be driven by the baby boomer and millennial preferences. "We expect to see many baby boomers downsizing in the next ten to twenty years, so they'll likely be looking at the condo market as well. This will free up a lot of detached single-family homes for the millennial demographic."

He sees no slowing down in the condo trend, "We expect to see the current trend in condo building and purchasing continue to grow because condos are more affordable than single-family homes. Currently in Montreal, about 45% of new homeowners are buying a condo. Montreal, being an island, has limited available land. Therefore, condos provide a solution to the high housing demand."

St-Pierre observes a new trend emerging in luxury home buying. "There's an interesting trend right now with luxury homes that we expect to continue. We see more and more people building and buying high-quality functional homes with less square footage, high-end materials and integrated home technologies, rather than the extremely large, opulent properties. Sobriety in both design and size seems to be the new norm."

In Bartle's view, the Canadian housing market will remain strong with continued growth in the condo market. "I don't believe we'll see the escalating prices that we've experienced the past five to ten years. We know that interest rates are going to increase, keeping the prices from increasing at a rapid rate. I think the condominium market is going to remain strong due to baby boomers downsizing and the lifestyles of first-time buyers."

## We keep reading that the millennial generation is reluctant to commit. They prefer to rent rather than buy. Is that the way you see them too, and what does that mean for the future of the Canadian real estate market?

There are many theories on the spending habits of millennials and the actual numbers often tell a different story than what people would expect. St-Pierre says that millennials' reluctance to commit to home buying is definitely not the case in his experience.

"According to the *Royal LePage Peak Millennial Survey*[1], 87% of Canadian millennials surveyed believe that home

buying is a good investment, 69% hope to own a home in the next five years, and 35% already own a home. Millennials are currently the second largest demographic of home purchasers, after Gen Xers, and we expect to see their presence in the marketplace continue to grow as their large number will put additional pressure on entry-level housing. With peak millennials as a group now reaching their late 20s, the number of people aged 25 to 30 is projected to increase 17% in 2021 compared to 2016."

Henderson believes the idea that millennials have an aversion to home ownership is misplaced. "There are a lot of misconceptions about home ownership and the millennial generation. Rather than being reluctant to commit, millennials have had to face daunting challenges in housing affordability, particularly in markets such as Vancouver and Toronto where real estate costs have escalated over the past decade. This has discouraged or delayed their entry into the housing market."

Sotheby's recently released *Modern Family Home Ownership Trends Report*[2] found that 83% of young Canadians living in Canada's largest metropolitan areas would choose to raise their families in detached homes over any other housing type if costs were not an issue, with only 5% preferring condos.

"With 9.1 million Canadian millennials now entering the partnership, marriage and parenting stages of the family life cycle – a time when home ownership becomes an even greater priority – we believe that demand for housing, and in particular, single-family homes will only increase" notes Henderson. "This will pressure several of Canada's largest real estate markets to look for solutions to ongoing affordability challenges."

Bartle believes it's the post-millennial demographic – known as Gen Z – that we should be more concerned about. "The world seems to be a smaller place now, allowing millennials to travel and work globally. Having real estate debt may not be their first priority for now. I think we need to be more concerned for the generation following the millennials. For the last few years, I've heard parents expressing concern that their children who are millennials can't afford a home – or can only do so at the expense of being house poor. If the millennials can't afford to get into the real estate market, how will the next generation afford it? I don't have a crystal ball, but I can see those children living with their parents longer. Those who can't make that work will rent, and we're already seeing a large increase in the rental market."

*Lucy Conte, Editor-in-chief*
*T.E. Wealth*

[1] The Royal LePage Peak Millennial Survey, released August 17, 2017. An online survey of 1,000 peak millennials (age 25-30), conducted between June 7 and June 14, 2017. The term "Peak Millennial" was first coined by U.S. economist, Dowell Myers to describe the largest cohort of millennials and their potential purchasing power. In Canada, the highest millennial birth rates occurred between 1987 and 1993, making those between the ages of 25 and 30 years old a sizeable, and important demographic in the Canadian residential real estate market.

[2] Sotheby's International Realty Canada, released November 2018. A new report released by Mustel Group and Sotheby's International Realty Canada reveals the impact of rising housing costs on young families across the country's major metropolitan real estate markets, highlighting the significant contrast between the home ownership aspirations and realities of this demographic.

# Investing in today's world – returns are only half the battle

Investing in today's world can be daunting. With so many different investment vehicles and products to choose from – and a myriad of advisors, providers, brokers, sub-advisors, and salespeople all looking to 'help' us – it's sometimes difficult to separate the value from the noise.

Moreover, the market itself often leaves cause for concern. Stock prices have gradually risen since the 2008 credit crisis, leaving many people wondering if the next bear market is around the corner.

I don't know what the future holds. In fact, no one does – not your advisor, not the world's leading economist, and not any politician. All we can do is build reasonable expectations of the future, based on our understanding of history and of the world today. One such expectation is that the world's economy will continue to grow. That is why we invest – to partake in that economic growth. In doing so, we expect a positive rate of return on our investments. We can quantify that return historically, but can never predict it with perfect accuracy. All we can do is make sure our investments are balanced, diversified, and tax-efficient. That's the first half of the battle.

When looking at return, balance, diversification, and tax efficiency, one is often undervalued. This is the 'second half of the battle' – tax efficiency. I fully realize that income tax cannot exist without income, so make no mistake – tax is the tail and return is the dog (and the tail doesn't wag the dog). However, this article will explain the importance of income tax, and the impact it has on your wealth.

To show this, let's compare three types of investment accounts: regular (non-registered), RRSPs, and TFSAs. Registered and non-registered investment accounts have been around for a very long time. TFSAs, however, are relatively new – having been first introduced in 2009.[1]

As you may know, investment income (interest, dividends, royalties, and realized capital gains) is taxed on an annual basis in regular investment accounts. Investment income is not taxed at all in TFSAs, and is taxed upon withdrawal from RRSPs. While I appreciate that comparing regular accounts with TFSAs is easy, comparing RRSPs with TFSAs is a little more complicated, given the tax deduction RRSPs offer when you contribute, and the taxable income inclusion you experience when you withdraw. I'll try to zero in on this difference using some sample numbers.

Let's assume you are a 40-year-old adult who has lived in Canada your whole life, and you have never invested before. You earn a decent living, and as such, your marginal tax rate while you are working is 45% (Tw). Your income will drop when you retire, so your tax rate in retirement will be 30% (Tr). You have never contributed to a

TFSA, so you have $57,500 of cumulative TFSA contribution room (this amount has built itself gradually since TFSAs were introduced), and we'll assume you have that same amount of RRSP contribution room. We'll also assume you have $57,500 (I) of savings to invest.

As such, you have a choice to make - do you invest your savings into a regular account, an RRSP, or a TFSA? These days, you can hold the exact same types of investments in each type of account, so the only difference in your three choices is income tax. Let's see which account would leave you with the most after-tax savings (S), after 25 (n) years, assuming a 6% (R) annual rate of return.

The income you earn in a regular account would be taxed annually at your applicable marginal tax rate[2], so your after-tax savings, after 25 years, assuming full reinvestment of your after-tax investment earnings, is calculated as follows:

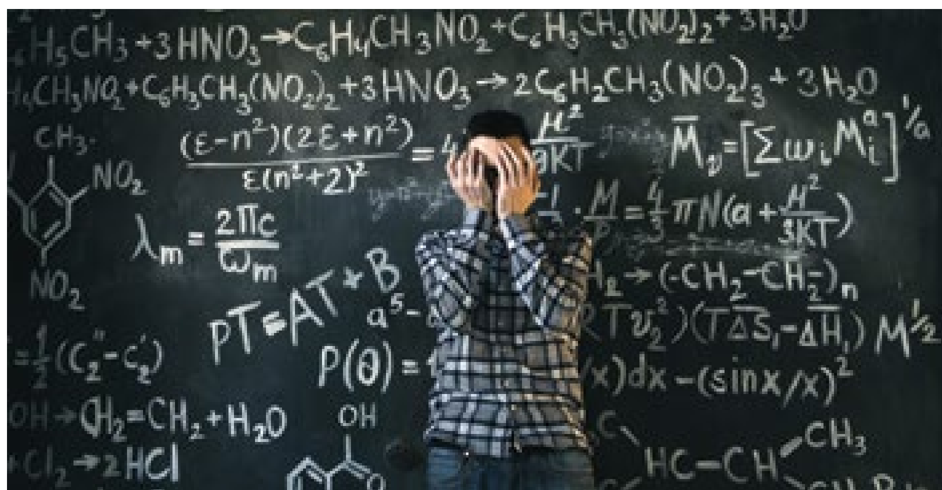
$$S = I \times [1 + R(1 - Tw)]^{n}$$
$$= \$57{,}500 \times [1 + 6\%(1 - 45\%)]^{25}$$
$$= \$129{,}472$$

Don't get me wrong, $129,472 is a lot of money now, and will be a lot of money 25 years from now; however, let's compare that to what you would have accumulated had you invested the same $57,500 in a TFSA. In this instance, income tax rates are irrelevant, as your annual growth could be re-invested in full and on a tax-free basis:

$$S = I \times (1 + R)^{n}$$
$$= \$57{,}500 \times (1 + 6\%)^{25}$$
$$= \$246{,}782$$

As you can see, you would have accumulated almost twice the wealth, had you invested the same initial funds into a TFSA. As I mentioned above, the difference between a regular account and a tax-free savings account, in terms of their 'choice' as a home for your investments, is a no-brainer!

Now, let's compare a TFSA to an RRSP. The formula for calculating after-tax savings from an RRSP is a little bit more involved. The reason for this is that RRSP contributions earn you a tax deduction in the year you make the contribution. Conversely, they are fully taxable in the year you make any withdrawals. We also need to make an assumption as to what an investor might do with their tax refund.



You could spend your refund, or save and invest it. If you save and invest it, you could do so within a regular account, or a TFSA. We will explore both options.

Also, RRSPs are not tax-free. Rather, they are what is termed 'tax-deferred'. There is certainly value in that deferral – the longer you can defer paying taxes, the more money you have working for you.

Moreover, if you can defer taxation from a year where your tax rate is high (Tw = 45%) until a year when your tax rate is low (Tr = 30%), there is an inherent benefit to investing in an RRSP.

Here is a calculation of your after-tax savings, given the above example and assumptions. First, we'll assume you invested your tax refund into a regular account:

$$S = [I \times (1 + R)^{n}(1 - Tr)] + [(I \times Tw) \times (1+R(1 - Tw)^{n})]$$
$$= [\$57{,}500 \times (1 + 6\%)^{25}(1 - 30\%)] + [(\$57{,}500 \times 45\%) \times (1+6\%(1 - 45\%))^{25}]$$
$$= \$231{,}010$$

Next, we'll assume you invested your tax refund into a TFSA:

$$S = [I \times (1 + R)^{n}(1 - Tr)] + [(I \times Tw) \times (1+R)^{n}]$$
$$= [\$57{,}500 \times (1 + 6\%)^{25}(1 - 30\%)] + [(\$57{,}500 \times 45\%) \times (1+6\%)^{25}]$$
$$= \$283{,}800$$

As you can see, RRSPs are a viable option, especially if you can 'couple' them with a TFSA. In the above-noted example, the reason using an RRSP (coupled with a TFSA) works out better than using strictly a TFSA is inherent in the individual's current versus future marginal tax rates. Because the individual's tax rate is higher now than it will be in retirement, the RRSP offers a unique multiplying effect, in that your tax refund now is higher than the taxes you will be paying later. In other words, Tw > Tr means RRSP > TFSA. Of course, the opposite could be true. Here is a basic chart, summarizing this effect.

When Tw > Tr, RRSP > TFSA

When Tw = Tr, RRSP = TFSA

When Tr > Tw, TFSA > RRSP

The objective of these examples isn't to confuse you, but to stress the importance of income tax as it relates to your investing. As you can see from the numbers noted above, income tax really is half the battle.

Balance, diversification, low fees, and the performance of the world economy all drive the bus, but income tax is probably the investment world's biggest passenger.

*Brent Soucie, VP and Financial Planner, T.E. Wealth, Toronto*

[1] For those of you who are reading this from the United States, RRSP is the Canadian name for IRA, and TFSA is the Canadian name for Roth IRA.

[2] Interest and foreign dividend income is taxed at one's full marginal tax rate. Domestic dividends and capital gains receive preferential tax treatment.

# Business as usual no more: How the retail, travel and restaurant industries have changed since the financial crisis

Though we've recovered for the most part, a few industries haven't exactly gone back to business as usual since the crisis of 2008. At the height of it, the retail, travel and restaurant industries took drastic measures to keep us spending. This meant offering deep discounts and catering to our increasingly impatient attitudes, and when it was over, we expected this level of service to continue. So, they had to rethink their way of doing business.

## RETAIL

When Lehman Brothers filed for bankruptcy on September 15, 2008, just a couple of months before the holiday season, it brought spending to a halt. This left retailers with so much stock that they were forced to slash prices by as much as 80 percent (instead of the usual 50) in order to draw in shoppers. The massive discounts taught consumers that there was no need to pay marked-up, or even list prices, and those deals stuck around well past December.[1]

Declining sales forced many retailers to close low and underperforming stores. As shops were shut down, retailers began to push online shopping. By putting their products online, they'd found a way to reduce overhead and continue to offer the kinds of discounts we had come to know and expect. Enter Amazon. Now a major online retail giant, selling everything from laptops to lava lamps, Amazon has trained consumers to expect products cheaply – and quickly!

The crisis also created a shift towards a more casual style of dress across all income brackets. Millennials may have had something to do with this trend. Many of them had difficulty finding work given that they were trying to do so during the biggest economic downturn since the Great Depression. This delayed their entrance into adulthood, affecting the kinds of attire they were purchasing, thus shifting what retailers would supply. The trend caught on with all ages, and many people now wear jeans to the office or upscale restaurants without anyone batting an eye. This has reduced the need for so much dressy – and expensive – attire.

Department stores like Macy's, Saks and Nordstrom have responded and started pushing their own discount models since sales began to stagnate in their premium stores. In the third quarter of 2018, Nordstrom generated roughly 30 percent of its sales through its off-price business, Nordstrom Rack.[1]

While the number of brick-and-mortar travel agents has continued to decline since the crisis, there's been new growth in online bookings. The shift to online travel bookings is a long-term trend that was slowed, but not interrupted, by the global financial crisis.

As a result of the crisis, new startup-led markets emerged, like apartment sharing.

## TRAVEL

The travel industry saw a decline not only in vacation travel, but in business travel as well. Travel company stocks were hit even worse. From January 2007 to March 2009, airline stocks declined 68 percent while hotel, resorts, and cruise lines fell by 74 percent. In the years that followed the crisis, the hotel and airline industries have seen cyclical recoveries in line with the broader U.S. business cycle.[2]

This was a response to a demand for more affordable travel accommodations, and their popularity has continued to grow ever since. Enter Airbnb. Airbnb answered the call of a new kind of consumer. One that had become more frugal and preferred experiences over luxury. Founded in late 2008, the company has since exploded and now boasts over five million online listings and $2.6 billion in gross bookings.[2]

The airline industry, known for its flimsy profit margins, lost a collective $24 billion in the U.S. alone during the crisis, creating a margin of negative 13 percent. Carriers stemmed their losses in 2010, but still struggled to make money as they were faced with near-record-high oil prices, low-cost carrier competition, legacy labour contracts, and slow consumer recovery. This led to several bankruptcies, restructurings, and consolidations in 2010-2013.[2]

The industry has since turned around, earning a profit in recent years thanks to an increased number of passengers, lower costs, and moderate oil prices. Discount airlines such as Ryanair and Air Canada Rouge have managed to keep ticket prices low – and their popularity high – by reducing freebies and charging fees for baggage and seat selection.

While things are looking up for the time being, climbing fuel prices are re-emerging as an area of concern, and it remains to be seen if airlines will be able to pass on these growing costs to passengers.

## DINING OUT

A CNN Money report from mid-2008 noted that casual dining chains were taking a major hit as people turned to cheaper food alternatives, which meant an increase in fast food sales. A number of restaurants were forced to close, with many of them filing for bankruptcy. By mid-2009, things began to slowly turn around and the restaurant industry has been growing – and changing – steadily ever since.[3]

In recent years, a new trend in dining has emerged which is a direct result of a change in people's grocery shopping preferences, namely, buying organic. An ever-growing demand for organic, locally-sourced foods at the grocery store has forced restaurants to provide the same. This has spawned an increase in farm-to-table concepts that focus on healthy ingredients and environmental sustainability. Unlike the trend in cheaper retail, this is an area where people seem willing to spend a bit more to ensure they're getting quality, ethically-sourced food.

Another trend that has significantly influenced people's dining patterns is social media. Restaurant marketing has experienced a paradigm shift over the past ten years, which has caused businesses to rethink their advertising tactics. Social media has become an essential part of restaurant marketing, and restaurants are now tasked with more than just advertising their services. They've got to post quality content and reach out to foodie influencers to help bolster their reputation. This means an independent food blogger, TripAdvisor, Yelp, or Zagat review can make or break a restaurant's reputation.

Along with being present on social media, a more tech-savvy approach is now needed as consumers grow increasingly impatient. Amazon Prime offers delivery in two days and online grocery shopping has become much more common. This has created a demand for a new kind of restaurant; one that lies somewhere between fast food and fine dining. The concept of "fast-casual" dining has mushroomed in recent years, combining a slightly elevated in-house dining experience with quickness and convenience.

According to Restaurant Business magazine, fast-casual chains grew sales by 8.9% in 2017.[3] In keeping with preferences for a more casual style of dress, people like having the option to dine out without having to dress up.

Dining in has also changed drastically, with a vast array of meal options now available in addition to the standard pizza and Chinese food that were once the mainstay of the takeout world. Delivery services like Foodora, Uber Eats, and Eat Now are dedicated to bringing you almost any meal you could purchase at a sit-down restaurant, to be enjoyed in the comfort of your own home. And you can arrange it all with just a few taps on your smartphone.

Prefer to kick it old school? Now you can quickly – and affordably – make your own meal at home using services like GoodFood and HelloFresh. These companies deliver expertly curated, ready-to-cook recipes with all the necessary ingredients right to your doorstep.

Where are these three industries headed next? With the increase in drastic weather patterns, technological advancement and continuously evolving societal preferences, it's anyone's guess. Perhaps Elon Musk will have us jetting off to the moon for lunch, sporting an elaborate – but eco-friendly – space suit that was made in our own home on a 3-D printer. As long as they're not serving soylent green, I'm in.

*Lucy Conte, Editor-in-chief*
*T.E. Wealth*

[1] https://www.cnbc.com/2018/09/18/ten-years-after-the-financial-crisis-were-still-looking-for-a-deal.html

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