RBC Dominion Securities Inc.

Lara Austin MindingMoney

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For the Friends and Clients of Lara Austin of RBC Dominion Securities

Lara D. Austin
BA (Hons.), CIM, FMA
Investment & Wealth Advisor
250-334-5606
lara.austin@rbc.com

Una Guile
Associate Advisor
250-334-5604
una.guile@rbc.com

www.LaraAustin.com

RBC Dominion Securities
777A Fitzgerald Avenue
Courtenay, BC V9N 2R4

In This Issue

Empathy.

I have the greatest clients. As an advisor, I empathize when clients are exposed to negative returns in their accounts. There is no denying, unless a client is an all GIC investor, this year has definitely been trending down. I realize that clients have scrimped and saved and made purposeful lifestyle choices to accumulate savings in their RRSP and Investment accounts over their lifetime. It has to be disappointing to see account values drop for a period of consecutive months, even if we all know markets sometimes operate this way and it should be expected.

Handholding is my best feature! In part, my client's confidence about their portfolios at times like these stems from the regular review meetings we have had when "times were good". Every meeting is designed to improve a client's understanding and knowledge about their investment choices. To focus on what is in our control, and garner a better understanding of those things not in our control. The last thing I want to see is fear driving my clients decision making.

When markets get 'interesting', and events like Greece or significant swings in the Shanghai stock exchange reach headline news, it is difficult to discern what has really gone on. After all, the media only has a fixed amount of seconds to run through all the headlines. For readers who wish to access more information about what has moved the markets, your welcome to check out "The Morning Insight", a complimentary resource that is updated daily on my website. It is a compilation of information from all areas of our firm (economics, research, portfolio management, feature articles, data releases, and number crunching). Simply go to www.laraaustin.com under "commentary" and "Daily Insight". http://profile.rbcwealthmanagement.com/lara.austin/markets. It is a great page to bookmark.

In this issue of my newsletter, I had added a suggested "to do" list if you are feeling the anxiety of a market correction. Sometimes the correct course of action is choose to "do nothing", but that often doesn't fit with "normal human behavior". Inside are some ideas we can explore together.

I'm excited to announce an event on Sept 14th. I have been blessed with some fantastic contacts in this industry who are just as excited about financial literacy as I am. Women in particular need to feel more confident about their financial knowledge, so together with community partners I'm offering a fun afternoon of speakers. The event will benefit Hospice and attendees alike. Details are on the back side of this newsletter. I hope you can attend!

In the meantime, if someone you care about is in need of a little handholding, I'm happy to have a onetime meeting to see if I can address their concerns, answer questions, and generally set them on a path for good decision making. This is a complimentary service to you, my valued readers, my community and my clients.

Sincerely,

Lara D. Austin

Tax Free Saving Accounts - the estate perspective

If you have held a TFSA account since day 1 in 2009, this may be a good time to reflect on your beneficiary forms.

For the first 6 months or so, many of the institutions offering TFSAs had the account paperwork ready to open an account – but since the legal wording behind the beneficiary designations is done at the provincial level and they needed to update their legislation – the document for naming beneficiaries was postponed. Therefore, many institutions didn't follow up with their 'beneficiary forms' after the fact and those clients have no form signed. (Nt. All clients with RBC DS/Lara Austin have a beneficiary form signed).

Since then, various versions of beneficiary forms have come to light. Most clients will name a spouse. There are two options for how to name a spouse. As a 'successor holder' or 'beneficary'.

What are the differences between the "successor holder" and "beneficiary" designations and which is the best way to proceed in regards to my spouse? What are the benefits of one designation over the other?

In general, a spouse should be designated as a successor holder rather than a beneficiary. Here's why:

When you die, your spouse, as successor holder, becomes the new owner of your TFSA. The value of the TFSA and any income it earns after you die continues to be sheltered from tax under the new owner. The surviving spouse can continue to maintain the account, and can contribute new money, subject to his/her own unused contribution room.

If your spouse was designated as beneficiary, the situation is more complicated. When your estate is settled, the full value of the TFSA will be paid to your spouse. She has the option to contribute an amount up to the value of the TFSA on your date of death to her own TFSA without impacting her contribution room. However, this must be done within a certain time frame, and paperwork has to be filed with Canada Revenue Agency (CRA) when the contribution is made. In addition to these complications, any income or growth earned by the TFSA after you die is fully taxable to your spouse.

So, in order to make sure that the TFSA passes to your spouse as simply and as tax-effectively as possible, the successor holder designation is the way to go.

Note that only a spouse or common law partner qualifies as a successor holder – anyone else must be listed as a designated beneficiary.

There's no such thing as a joint TFSA account. However, you and your spouse can each have a separate TFSA, and one of you can give the other money to make a contribution. You can name one another as "successor holder", so that, when one of you passes away, the survivor simply becomes the new owner of the plan.

What happens if we die at the same time? If no contingent beneficiaries are named, the assets will pass through the deceased's estate subject to provincial legislation.

Contingent Beneficiaries. Typically the survivor of a couple would re-do the beneficiary paperwork when their spouse dies and name the adult children or other desired beneficiaries. However, if the surviving spouse has dementia or is incapacitated for some reason, the Power of Attorney has no authority to change or update beneficiary designations. Therefore, if you know exactly who you would like to see get the TFSA funds if your spouse pre-deceases you, you should consider signing the new revised 'TFSA Contingent Beneficiary' form.

Form Improvements. New forms request the SIN number and address for beneficiaries. While the SIN number is not obligatory, it is further security that the person receiving the distribution is who was intended.

Why it is important to review your TFSA Beneficiaries regularly: Currently TFSA cumulative contribution Limit is $41,000 plus growth. Under the recently approved Budget; $10,000 per year can be contributed going forward. Since this asset will be distributed outside the will, it makes sense to ensure it meets with your overall estate plan in terms of objectives and fair distribution.

What to do in a Market Turndown…

1. **Don't Panic.** It sounds trite, but individual investors are known to panic when negative news hits. The studies of market composition, which are portions of tradable shares are owned by institutions, pensions, companies or individual investors. Those studies reveal that in time periods where individual ownership is peaks, is when markets are the most volatile. This happens to be the case right now for the Shanghei market. 2014 returned 52.9% and 2015 is up 16.6% even after the recent drop (as of July 28, 2015). A combination of cooling housing market, a growing middle class and access to margin accounts (leverage) resulted in a significant lift in the markets – and now the inevitable decline is here. Similar scenarios have happened in other markets at other periods of time (Tech crash anyone?).

2. **Remind yourself – it's a marathon, not a sprint!** Have a Financial plan that tests various rates of return. The idea is to ensure your actual measured experience falls between your required minimum return and your "desired realistically possible" return over time.

3. **Reflect on what stocks have done in prior periods of strife.** Whether you hold individual stocks, or review the top holdings in your funds, it is reassuring to look at 10, 20 and 30 year periods for the holdings you have. Those stocks have faced periods of great uncertainty – recessions, depressions (arguably 2008), political changes, economic changes, cycles and surprises! Stocks are companies that are being actively managed by skilled leaders that are aware and reacting to these issues. It's like changing the course of a large cargo ship. It takes some time and the short term trades on the stock market often do not reflect that changes are happening in the short term.

4. **Ensure that rebalancing is taking place.** If you feel like you are supposed to be doing 'something' and worried your not – perhaps you already are! Funds and portfolios based on a set asset allocation are being automatically rebalanced during periods with Asset classes (Bonds, Stocks and Stocks of Different regions). If you have individual stocks, it is much tougher to have the discipline to "sell a portion of the winners" and "add to the losers" but this is action behind the idea "buy low, sell high!" The uncoupling of sector performance within a market becomes very evident at times like these, (ie Canadian Financials are up 8.9% for the year and Canadian Energy is down 30.8% for the year – June 28, 2015 figures).

5. **Ensure that drawdown (withdrawal rate) of the portfolio is reasonable for the dividends/return the portfolio can produce.** Depending on your asset allocation, your "sustainable withdrawal rate" can range between 2% to 5%. Much higher and you may be facing diminished capital in time periods greater than 20 years! RRIF accounts with a payout requirement north of 7% are account types that fall into this category. You may want to "recalculate" your drawdown regularly to ensure you are still in a "safe range."

6. **Have a cash cushion – and/or GICs.** Over the last five years, one of the biggest challenges in my day has been to convince my conservative clients to stick with their GIC ladder for the safe part of their portfolios. Declining interest rates and positive markets have made a switch to equity appealing… until a correction of course.

7. **Consider Tax strategy.** If you are making an adjustment to a portfolio that is not tax-sheltered or tax-deffered (ie RRSPs, RRIFs are tax-deffered but TFSAs are tax sheltered). Keep in mind that trigged Losses (selling of a stock or fund that is down), can be carried back three years on tax returns. If you have a year with capital gains in the past three years, you may be able to recoup some of your taxes paid.

8. **STICK TO YOUR PROGRAM.** The reason I meet with clients regularly in "good times" is to ensure they understand and are comfortable with their holdings for the "bad times." Those clients are less likely to have knee-jerk responses to dramatic market conditions when they occur.

"Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver."
– Ayn Rand

Welcome to PINK…

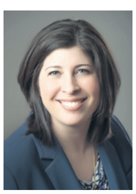
"The mini-conference designed to empower women in all things financial."

Date & Time:	**Monday September 14th**, event runs **12 noon to 5pm**
Location:	**Kingfisher Spa, Royston**
Keynote:	**Barry LaValley** starts at 12:30, followed by three sets of breakout sessions (6 speakers)
Topics include:	Business Succession planning, Understanding Markets and Portfolios, Women and Investing, Estate Planning, Philanthropy contact
Demo tables by:	**Hairpins Salon**
Register online:	**eventbrite.com/e/welcome-to-pink-tickets-17983163125** or contact Lara Austin at RBC Dominion Securities

Suggested donation is $100 per person. Your entire donation will support the Comox Valley Hospice Society

Donors can expect to receive a 100% charitable tax receipt.

Comox Valley Hospice Society



Lara D. Austin, CIM, FMA
Investment and Wealth Advisor
250-334-5606
lara.austin@rbc.com
www.laraaustin.com

RBC Wealth Management
Dominion Securities

There's Wealth in Our Approach.™

RBC Dominion Securities is a member of the Canadian Investor Protection Fund.

The Comox Valley Record

Kingfisher Oceanside Resort & Spa

Investing Trivia!

Liquid Paper — Founded by Bette Nesmith Graham

Liquid Paper was the brainchild of executive secretary Bette Nesmith Graham, who in the 1950s began using white, water-based tempera paint and a thin paintbrush to cover her typing errors. She sold her first bottle, originally called Mistake Out, in 1956. Graham later patented the must-have officeproduct and renamed it Liquid Paper.

After starting out with just 100 bottles a month in sales, Liquid Paper was selling 25 million bottles a year when Graham sold it for a reported $47.5 million in 1979. She passed away six months later at age 56. (And, yes, the rumors are true, she was the mother of Mike Nesmith of The Monkees).