RBC Dominion Securities Inc.

Lara Austin MindingMoney

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For the friends and clients of Lara Austin of RBC Dominion Securities

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Reflections of 2013

As we draw to a close on the year 2013, it is a great time to reflect on what has been accomplished, and what we can look forward to in future years.

Equity markets around the world surprised investors by mostly moving up, in a geo-political environment that would seem more prone to downward volatility. Fixed income/bond markets surprised with a strong negative June return based simply on speculation of higher interest rates, only to quickly reverse course in the last few months. Clients who adopted a balanced discipline of bonds and stocks, domestic and global tended to fair quite well this year. Over the coming issues, I will provide more background on the roll of asset allocation and disciplined re-balancing in successful investing. Since, obviously, just when you think you have it all figured out… it doesn't quite transpire like you thought it should!

From the point of view of my practice – it has been a year of exciting events. Spring 2013 brought forth 18 presentations on three topics – "Planning for Income", "Estate Planning Basics" and "Executor and Power of Attorney Planning." They were well attended by clients and the general public. In April, my guest speaker, Mo Ahmad from Trowbridge proved to be very popular. He highlighted issues faced for Canadian residents of US descent, and Canadian born residents with US properties. Fall 2013 brought trade shows. I had the pleasure of greeting clients and meeting new friends at the West Coast Women's Show, the WBN Trade Show, and the Seniors Expo. In addition to all this, we did (or updated) 84 Family Snapshot projections for clients as part of their regular review meetings. From my perspective it was interesting to see the different reactions to the results. For some clients it absolved lingering concerns or worries they hadn't before expressed, for other clients it highlighted opportunities they hadn't considered. Overall, it was a great way for me to understand their affairs better and fine tune the solutions I provide them.

We have welcomed 14 new families to our care. We appreciate the trust you have placed in us and will do our best to serve you well for decades to come. As I close out the year, I'd like to introduce my new Administrative Assistant Jessica Casey. You know her well as she has been working at our front desk welcoming clients and managing the 'Cage' (duties related to deposits, cheques and transfers for the branch). Just wait to see what I have in store for you for 2014!

Have a great year end. Cheers,

Lara D. Austin

How to make the MOST of your TFSA contribution room

Quick recap on TFSA accounts

- Accumulated room as of January 2014 will be $31,000 per person (assuming you have been over age 19 since 2009!)
- TFSA allow you to grow your assets TAX FREE, and draw income, dividends or capital TAX FREE at any point in the future
- As of current CRA Rules, TFSA's are tax free and probate free on your estate wind-up!
- When you withdraw money (capital plus growth) in any given year – you can replace the SAME amount the following calendar year
- Your RBC DS statement shows your history of contributions and withdrawals for the current year and 'since inception'. Found at the bottom of page 1 of your statement (If you transferred in an existing TFSA from another firm it does not reflect in this area)
- TFSA's at RBC DS are designed for growth and high yield investments. There is a 1% management fee, based on assets in the plan. Fees are charge once a year in November.

MORE about those fees…

As the size of your TFSA grows, those fees will be come more noticeable.

What that fee pays for:

- Up to 8 trades a year are commission free (for equities, ETF's and exchange traded assets)
- For clients using a mutual fund solution in their TFSA, the mutual fund used is specially designed for fee based accounts (the MER is reduced by 1%)
- The fee covers the firms costs of reporting your TFSA contributions and withdrawals to Canada Revenue Agency – a national requirement
- Retaining the services of your advisor, including personalized portfolio management support, tax strategy, estate planning resources and quick access to answers on urgent questions

How the Fee is calculated:

- The fee is prorated for the number of months your account is held at RBC DS
- A 'snapshot' of the market value of your account is taken monthly and 1/12 of 1% is attributed to each value (therefore if the value drops mid year- your fee is lower to reflect the drop)
- If you have any questions about your fee calculation, please don't hesitate to contact me

How to pay the fee:

- At most institutions the fees for investing in your TFSA are embedded in the product (commission charged on stock purchases and Full MERS on Mutual Funds) and 'use up your precious TFSA Room'
- At RBC DS you can pay the fee from OUTSIDE of your TFSA as a Fee PAYMENT
- For example, if your account was charged $250 in November 2013, you can make a $5500 contribution in January AND add an additional $250 coded as a 'fee payment'

Lara's recommendation:
Allow MORE of your money to grow tax free. It is incredibly powerful to pay the fee from outside of your TFSA, and to do so year after year. While it is extra administration work from our end (the default is to charge the TFSA account), the ability to focus more funds into this unique tax shelter will benefit both you and your estate!

When you give us your 2014 TFSA contribution instructions, please indicate how you would like the fee to be paid.

My 'Spare Time' Fun Read: Nick Murray's 'Behavioral Investment Counseling'

While not a fun read for the average investor, I appreciated Nick Murray's insights on Investor Behavior and the resulting consequences. As I suspected, investors are sometimes their own worst enemy. Over my last 17 years in this business, I have seen a client pressure an advisor to slowly morph a fantastic diversified portfolio into 4 tech stocks (before the tech crash); refused the order from a client to buy Icelandic Bonds paying 9% (Iceland subsequently went bankrupt); and turned down the opportunity to manage a million dollar portfolio because the client's expectation was for returns in excess of 20%! (his own franchised business has subsequently folded too).

Please find below Nick Murray's 'Eight Great Mistakes' – condensed version:

1. **Overdiversification**: buying things without selling things, or buying everything and owning nothing. He's not even an investor anymore; he's a collector.
2. **Underdiversification**: the fatal narrowing down a portfolio to essentially one idea – the deadly certainty, if you will – be it a new era or the end of the world. Another version of this is the over concentrated stock position; loving a stock that will never love you back.
3. **Euphoria**: often mislabeled as 'greed', it's the loss of an adult sense of principal risk. In the euphoric state, investors unconsciously define 'risk' as 'the danger that other people are making more money than I am.'
4. **Panic**: invariably follows episodes of euphoria, and is usally as deep as the euphoria was high. It manifests as an unconscious belief that the curve of equity returns has been permanently broken, or at least that equities will not come back in the investor's lifetime. Most investors will be doing this at the same time, forming a market bottom and offering prices at deep discounts.
5. **Leverage**: the wrong loan on the wrong terms to do the wrong things at the wrong times for the wrong reasons.
6. **Speculating when you think you are investing**: not seeing that you have gone over to the dark side. Putting money into a miracle – at the prices venture capitalists extract from public investors rushing to cash in – is very different from investing in a business. It will help if you remember that VC's see you as their exit strategy (this mistake is often made in concert with underdiversification, euphoria and leverage). The combined effect is almost invariably lethal.
7. **Investing for current yield instead of for total return**: the classic retiree's mistake. It ignores the fact that the relationship between current yield and long-term returns is inverse, and that the only rationale test of an investments income potential over time is it's total return.
8. **Letting your cost basis dictate your investment decisions**: your COST is no determinant of an investment's value; indeed yours are sunk costs, and your investments value today is what someone is willing to pay for it. Your investments do not know what you paid for them and would not behave any differently if they did. Tune out tax consequences; tune out your ego. Just ask yourself if this investment – in this amount – is a desirable component of a well diversified portfolio. If it is not, cut it back until it is, or liquidate it all together.

Nick Murray also reminds us Investment Advisors:
"Expect that, on the most pivotal days of the advisor/client relationship, the essence of good advice is no more or less than: "You must not do that."

Welcome Jessica Casey

Jessica has been with our firm since 2011. Her interests are snowmobiling, watching great movies and sunny summers by the lake.

Jessica will be doing the following for you:

- Provide updates on assets moving over to RBC Dominion Securities (Transfer In's)
- Ensure all forms and documents are in order for new accounts
- Can issue cheques and wire funds to client bank accounts (US and Cdn$)
- Can follow up on tax documents for clients accounts (including issuing duplicates)
- Can book appointments for new or existing clients
- Help set up your DS Online Viewing

You are welcome to call Jessica directly if you wish to do any of these tasks. Jessica can be reached at 250-334-5604. Her normal hours are 8:30am to 4:30pm. If you are looking to process a trade and I am in a meeting, Jessica will find a licensed assistant to help you transact.

Year End Review Meetings

We will be covering the following in our year end review meetings:

- Capital gain/loss strategy for 2013 (applies to Cdn$ accounts only)
- TFSA contribution instructions for 2014 – many clients travel or have family visiting over December and January. If you would like leave a post dated cheque OR provide transfer and purchase instructions, we will process starting January 2, 2014
- Return figures for all accounts
- Move RRSPs to RRIFs for any clients age 71
- Discuss RESP contributions for children or grandchildren on existing RESPs (deadine Dec 31). Final contribution for children age 17 this year
- Discuss the impact of a rising interest rate environment on accounts
- Review file for any unresolved estate planning or tax strategy tasks
- Enjoy coffee/tea together!