RBC Dominion Securities Inc.

PORTFOLIO ADVISOR

SUMMER 2015

TODD KENNEDY, CIM, FCSI
Vice President &
Portfolio Manager
613-566-4582
todd.kennedy@rbc.com

CORRIE CASSALMAN, CIM, CFP
Associate Wealth Advisor &
Financial Planner
613-566-2032
corrie.cassalman@rbc.com

Suite 900, 45 O'Connor Street
Ottawa, ON
K1P 1A4

www.toddkennedy.ca

MAKING A DIFFERENCE

To many of us, it will come as no surprise to learn that Canadians believe strongly in giving back to communities, causes and organizations that are important to them. Over 40% of us participated in some form of volunteer work in 2013, and nearly twice that many (82%) made a financial donation, according to a new report published by Statistics Canada.

But there's more than one way to do what feels right. For many Canadians, philanthropy has become an increasingly important part of overall wealth planning. What's more, Canadians are looking for ways to "do good while doing well" when investing their wealth.

Read on to learn more about the variety of ways you can build wealth, pass it on and potentially minimize tax – all while making a difference in your community and the world around us.

Investing With Conscience

Many investors want to invest without having to compromise on the social issues that matter to them. With growing demand and availability, it's now easier than ever to invest with your conscience.

Often, investors hear the term "socially responsible investing" — also known as SRI or responsible investing — and assume it means avoiding investment in controversial companies, products and technologies, such as alcohol and weapons production. Responsible investing (RI) in fact refers to any number of socially conscious investment strategies.

The RI market in Canada is experiencing a surge. At the end of 2013, assets in Canada being managed using one or more RI strategies increased from $600 billion to more than $1 trillion in just two years. This represents a 68% increase in responsible investments under management, and today comprises over 31% of the Canadian investment industry, according to the 2015 Canadian Responsible Investment Trends Report published by the Responsible Investment Association.

Three notable factors in the growth of RI, noted in the report, include:

- Large Canadian pension funds under RI guidelines have grown by over $820 billion – over 80% of Canadian RI assets under management.
- Portfolio managers, investment firms and fund companies are increasingly aware of "environment, social and governance" (ESG) factors and integrating them into their investment decision-making processes.
- Individual investors are looking for ways to invest according to their personal values, including younger, often more socially conscious people who are inheriting wealth.

Responsible Investing Strategies

Portfolios large and small tend to rely on some or a combination of strategies to build RI discipline.

- **Corporate engagement and shareholder action**. Institutional investors such as asset managers, foundations, endowments and pension funds can use their size and influence to encourage positive corporate behaviour, such as majority voting (ensuring corporate board members and directors are elected by majority) and say on pay, where shareholder votes influence director compensation.
- **ESG integration**. Utilized by personal investors, ESG stands for "environmental, social and governance" and emphasizes companies' economic best practices and sustainable operating practices. In principle, well-governed companies that follow economic best practices and sustainable operating practices are likely to be less risky over time, and may be more effective in protecting shareholder value.
- **Norms-based screening and negative screening**. Used by personal and institutional investors, norms-based screening is based on compliance with international norms and standards, such as those issued by the United Nations, UNICEF and others. Negative screening simply "screens out" undesirable investments from the portfolio, such as companies that profit from alcohol, firearms or tobacco.

Another RI strategy is impact investing, however the risk for investors and companies can be significant. With impact investing, an "ultra-high-net-worth" investor like a large institution provides direct capital funding to companies and communities that are often underserved by traditional financial services, such as renewable energy startups.

Making a Difference – Starting With Your Portfolio

Investors have raised their expectations of the companies they invest in: they should engage with the communities where they operate, their financial records should be open and transparent and they should have an opportunity to voice their concerns as shareholders. The general consensus is that companies that operate responsibly tend to be better performing, lower-risk investments.

While not all investors can have the same influence over companies as a pension fund or a foundation, growing demand and support for RI have made it possible for investors of all sizes to invest in a meaningful way.

Speak to us today to learn more about RI and whether it's right for you.

Making the Most of Your Charitable Giving

Many people don't realize that there are well-established, meaningful ways to make a difference that go beyond simply writing a donation cheque.

If you're looking for ways to give back as part of your wealth management plan, consider some of the following tax-effective giving strategies.

Donating Securities

If you simply sell stocks from your portfolio and then donate the proceeds to charity, you are subject to capital gains tax. But if you donate publicly traded securities directly "in kind" to a qualified charity, you are eligible for a tax incentive. When you donate a publicly listed security with accrued capital gains, you benefit from the elimination of the capital gain plus the usual donation tax credit. As the table below illustrates, it costs less to donate securities directly than to sell securities first, then donate the cash proceeds.

	Sell shares and donate cash	Donate shares directly
FMV of donation (a)	$50,000	$50,000
Adjusted cost base	$10,000	$10,000
Capital gain	$40,000	$40,000
Taxable capital gain	$20,000	$0
Tax on capital gain @46% (b)	$9,200	$0
Tax savings from donation tax credit (c)	$23,000	$23,000
Total cost of donation = (a) + (b) − (c)	$36,200	$27,000

For illustration purposes only. Assumes a fair market value (FMV) of $50,000, an adjusted cost base (ACB) of $10,000, and a tax rate of 46%.

Donor-Advised Funds

A private foundation can help engage children and family members in your charitable legacy. However private foundations often require a great deal of your time (and money) to administer and manage.

One alternative is a donor-advised fund, which enables you to create an enduring charitable legacy without the time and funds required for a private foundation. You make an irrevocable gift of cash or other assets to a fund administered by a registered public foundation. You can give your fund a unique name that reflects your family's values, and provide recommendations on how your donations are invested and which charities receive grants from your fund. You can also bequeath your fund to your beneficiaries to continue your legacy.

One option is the RBC Dominion Securities Charitable Gift Program, in which there are two types of funds – Classic (minimum $25,000) and Flex (minimum $100,000), through which you can make an irrevocable contribution to the program partner Gift Funds Canada, a public charitable foundation registered with the Canada Revenue Agency. You then recommend an investment strategy from among approved, prudent investment options or, where appropriate, develop a custom-designed plan to match your philanthropic objectives. For greater convenience, all of the investment details are handled for you.

Gifting of a Life Insurance Policy

If you are looking for a way to create an enduring legacy, while enjoying important tax benefits, charitable giving through the use of life insurance may offer you new ways to maximize your gifting possibilities.

Gifting a life insurance policy during your lifetime allows you to receive donation receipts and appropriate tax credits when the charity is named as beneficiary and owner. If an existing policy is donated, you may receive an additional donation tax receipt depending on the type of policy being gifted.

Alternatively, you may choose to defer the gift (upon your passing) of the insurance proceeds by naming a beneficiary. This allows you to retain ownership and control over the policy and the beneficiary. There is no tax relief while you pay policy premiums, but you will be eligible for a charitable donation tax credit to be used on your final income tax return equal to the insurance benefit.

In both options, the proceeds of insurance would be paid outside your estate and are not subject to probate taxes. For detailed information, please speak with both your tax and life-licensed advisors.

To learn more about how charitable giving can be incorporated into your overall wealth management plan, please contact us today.

Giving Back at RBC

At RBC, we believe that giving back is an investment in the future, and are active in initiatives that protect children, the environment and the communities we serve.

The RBC Blue Water Project

Launched in 2007, the RBC Blue Water Project is a 10-year global charitable commitment of $50 million to help provide access to drinkable, swimmable, fishable water, now and for future generations.

To date, RBC has pledged over $41 million to more than 700 charitable organizations worldwide that protect watersheds and promote access to clean drinking water, with an additional $8.8 million pledged to universities for water programs.

The RBC Kids Pledge

This five-year, $100 million commitment to improve the well-being of 1 million kids and youth has supported more than 2,000 initiatives for kids around the world since 2013.

The initiative supports programs that help build mind, body and spirit for children, including after-school care, mental health support and recreation for kids in need.

RBC's commitment to children also includes the annual RBC Run for the Kids, first held in New York City in 2008 and now taking place in seven other cities around the world, to raise funds for a range of children's charities. These runs have attracted more than 45,500 participants, and raised over $13 million to date.

The RBC Generator Fund

The RBC Generator Fund is a $10-million pool of capital for investment in Canadian for-profit businesses tackling social or environmental challenges, like energy and water solutions, and access to employment and education.

Investee businesses also receive business support from RBC to help them reach their maximum potential and effect the greatest long-term change, including financial advice and mentoring and accelerator programs designed for social entrepreneurs.

*Visit **rbc.com/community-sustainability** to learn more about these and other RBC community initiatives.*

This publication is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. Insurance products are offered through RBC Wealth Management Financial Services Inc. ("RBC WM FS"), a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC WM FS. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC WM FS. RBC WM FS is licensed as a financial services firm in the province of Quebec. ®Registered trademarks of Royal Bank of Canada. Used under licence. © 2015 RBC Dominion Securities Inc. All rights reserved. 15_90083_084 (06/2015)