



Alex's Monthly Newsletter

March, 2016

PHOTOS: PRESIDENTIAL RANGE TRAVERSE, NEW HAMPSHIRE, MOUNT ADAMS AND MADISON,



ALEX VIEIRA, CPA, CA
Investment Advisor

Upcoming Events:

Presentation Events:

Build Your Dream Retirement the Everest Way
March 10
Aurora Public Library
7:00 – 8:30 pm
Discover how to transition to your life's next big adventure with professional guidance

Webinar:

re-commencing in May after tax season!

For details click on Events & Seminars at:
<http://www.alexvieira.ca>

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The Presidential Range Traverse is a 20 mile hike over a string of summits over 4,000 feet tall. Mount Washington, dubbed "Home of the World's Worst Weather," was the long-time holder of the [highest wind speed](#) ever recorded on the earth's surface. On April 12, 1934, a gust of 231 miles per hour (372 kilometers) was recorded atop the peak. Because of the poor weather conditions, the Presidential Range is often used for mountaineering training for those who go on to climb some of the world's highest mountains, including K2 and Everest.

Lets' hope that if Trump becomes President they don't decide to change the name of one of the mountains to Trump Mountain!

This month's newsletter focuses on investing in the US. Please contact me for a review of your portfolio to help you reach your wealth management goals.

Cheers!

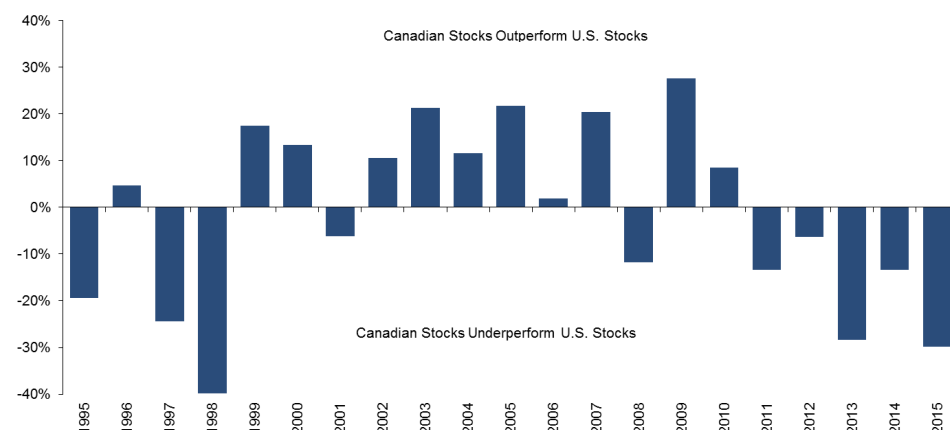
Alex

Investing in the US, the Dollar & Taxes

1. Market Diversification

In 2015, there was a difference of almost 30% between the total return of the broad based US market index, the S&P 500, which in Canadian dollars, returned 21.6% vs. the Canadian market index, the S&P/TSX Composite Index, which returned negative 8.3%.

Annual Performance: Canadian Stocks - U.S. Stocks
Percent Difference

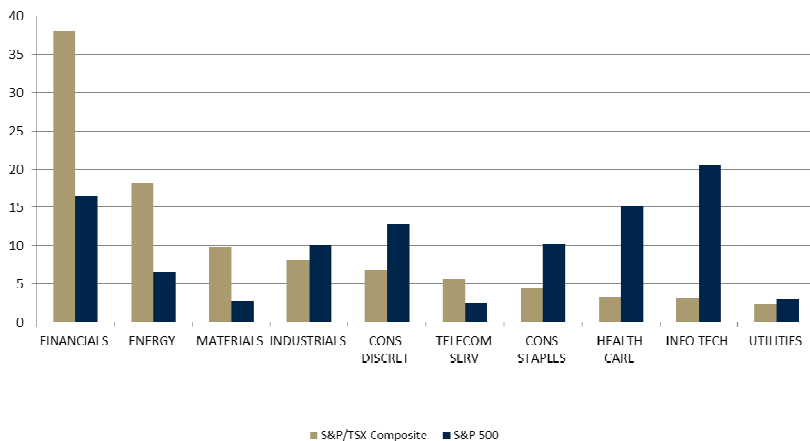


Since Canada represents only a small percentage of the world's economy, more and more Canadians are investing in the U.S. to diversify their portfolios. In addition, the Canadian markets are highly concentrated in Financials and Energy, while the US market provides diversification across many other sectors.



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The chart below compares the exposure to the different industry sectors between the two markets.



With proper exposure to global markets and strategic asset allocations across industry sectors, the volatility of your portfolio can be reduced and performance improved.

2. The Dollar – is now the time to hedge the USD?

Canadian investors who invested in U.S. equities have been rewarded with not just solid relative performance but also with gains from the U.S. dollar (USD). From 2011 to 2015, the S&P 500 delivered total returns of 80% in USD terms and 150% in Canadian dollar (CAD) terms, compared to 12% for the S&P/TSX Composite. With the CAD having weakened to its lowest level versus the USD in more than a decade, investors are talking about whether to hedge or not hedge their portfolio's exposure to the USD.

While no one can forecast exactly when the Canadian Dollar will bottom out, or at what level, many believe that we are near the bottom and that the loonie will settle in around \$0.70 USD before regaining some of its value over the longer term. It may make sense to hedge some of your portfolio's exposure to the USD. Your personal situation should be reviewed to assess the impact of a low Canadian dollar.

3. Taxes

There are three important tax considerations for Canadian investors with respect to investing in U.S. equities.

1) Withholding tax and registered accounts

Canadian investors generally face a withholding tax rate of 15% on dividend income received from publicly traded U.S. corporations, while they face no U.S. tax on capital gains triggered on the sale of shares. However, Canadian investors can claim foreign tax credits on their Canadian tax return for U.S. tax paid.

There is a special exemption from U.S. withholding tax for certain U.S. investments held inside an RRSP, RRIF, or other retirement trust account. However, U.S. investments in accounts such as RESPs or TSFAs do not qualify for this exemption.



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2) Canadian Information Reporting of Foreign Assets

Canadian residents are required to provide information on foreign assets (including U.S. investments) if the total cumulative cost of these foreign assets exceeds \$100,000 Canadian at any time during the year on Form T1135 - Foreign Income Verification Statement. The requirement to provide this information does not create a tax liability but failure to complete this form may trigger penalties.

3) Estate Taxes



Naples, Florida

Did you know Canadians who die owning U.S. assets – such as stock of a U.S. corporation, a yacht in Florida or a ski chalet in Colorado – may be subject to U.S. estate tax? When a Canadian dies owning U.S. property with a value exceeding US\$60,000, the executor/liquidator of the estate is required to file a U.S. estate tax return. No U.S. estate tax will apply if U.S. assets are less than US \$60,000 or if the total worldwide estate of the deceased is less than the exemption amount applicable for the year of death (for 2016 the exemption is US \$5.45 million).

If the estate exceeds the exemption amount, the estate tax is calculated on the market value of U.S. assets based on applicable rates. The estate tax is calculated based on a graduated tax rate system. The top marginal tax (before applying certain credits) is 40%.

U.S. estate tax may apply to the market value of U.S. assets owned in personal name at death (including U.S. equities in an RSP/RRIF). However, U.S. equities can always be sold or gifted prior to death. It is important to review exposure to potential U.S. estate tax annually to assess the impact of any changes in the exemption amount and/or tax legislation.

There are a number of estate planning strategies that can be employed to minimize, eliminate or defer the potential tax liabilities. Some of these include setting up a Canadian corporation to hold U.S. equities, investing in Canadian mutual funds or structured notes that invest in U.S. markets and the use of life insurance trusts and other trusts.

Together we can work with our team of experts to minimize your exposure to U.S. estate taxes.

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