RBC Dominion Securities Inc.

Portfolio Advisor

Wealth Management
Dominion Securities

Fall 2018

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Market commentary

While the U.S. business cycle is clearly mature, economic and earnings growth are both sturdy, and we see no signs of an imminent recession. This positive background is reflected in valuations that are at a modest premium to historical levels. We maintain a slight overweight in global equities.

Fundamentals in other developed countries are perhaps not as robust, but they remain very respectable, and valuations are at notable discounts. Emerging markets are beginning to look interesting, but fundamentals and valuations need to improve before we can become more positive.

Overall, we would expect modest gains from equities over the next 12 months. Bouts of volatility arising from concerns over tariffs, the U.S. midterm elections, or emerging markets are to be expected and may offer selective opportunities to add to positions.

Fixed income

"Accommodative" monetary policy should soon be a thing of the past, although the Federal Reserve is well ahead of its counterparts in normalizing monetary policy. The Fed and Bank of Canada are slowly raising interest rates as the U.S. and Canadian economies continue to grow and inflationary pressures begin to firm. Across the pond, the Bank of England is on pause as it awaits the outcome of Brexit negotiations, while the European Central Bank confirmed it will take initial steps to slow the expansion of the balance sheet and ultimately phase out asset purchases by year's end. It too is on the lookout for inflationary pressures.

We maintain our underweight recommendation for fixed income, and prefer to be invested in shorter maturities given the flatness of global yield curves. We are overweight credit, and favor high-quality bonds due to rich valuations in riskier areas of the market.

To learn more, please ask us for the latest issue of Global Insight.

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A new horizon: planning for 100

Longer lives leading Canadians to rethink their investment plans

Have you ever asked yourself how long you will live? Call it superstition or just plain fear of death, many of us avoid the topic like the plague. When we are young, we imagine we'll live forever; as we age, the end seems all too possible.

Interestingly, more than 50% of Canadian adults don't have a Will, with one of the most pervasive reasons being that they don't like thinking about death. But to consider the question rationally – with all its implications – is more important than ever. That's because Canadians are living longer lives, driven by scientific, environmental, medical and lifestyle improvements.

A mixed blessing

While it's a blessing for most of us, a longer life also presents challenges. Outliving retirement savings is one – and it's the greatest fear of pre-retirees, according to a recent RBC poll[1]. Health problems are another: out-of-pocket medical costs after age 65 are estimated at $5,400 annually[2] – and are likely to keep rising. This means that aging Canadians require their investment portfolios to support longer lifespans while generating cash-flow to cover potentially increasingly higher living costs.

Rethinking investment time horizons

For many years, a key investment planning question was "When do you plan on retiring?" That timeframe – from today to the assumed year of retirement – became the standard investment time horizon for an investment portfolio. It largely determined the degree of risk you could prudently take: the longer your time horizon, the more risk you could take to ride out the ups and down of the markets and realize potentially higher growth over time.

Towards the end of your time horizon, you would gradually ratchet down risk, eventually transferring to assets with little to no risk, such as GICs and bonds. The presumption being, once you hit retirement, you couldn't afford to take any risk, as you would need your savings to fund your retirement.

This strategy made more sense when the average Canadian retired at 65 and was only likely to live for another 5-8 years. But a new approach is required with Canadians today retiring on average at 63[3] and living into their 80s and 90s (and an increasing number to 100 and beyond).

Planning to – and through – retirement

Today, your retirement portfolio should ideally focus on two things:

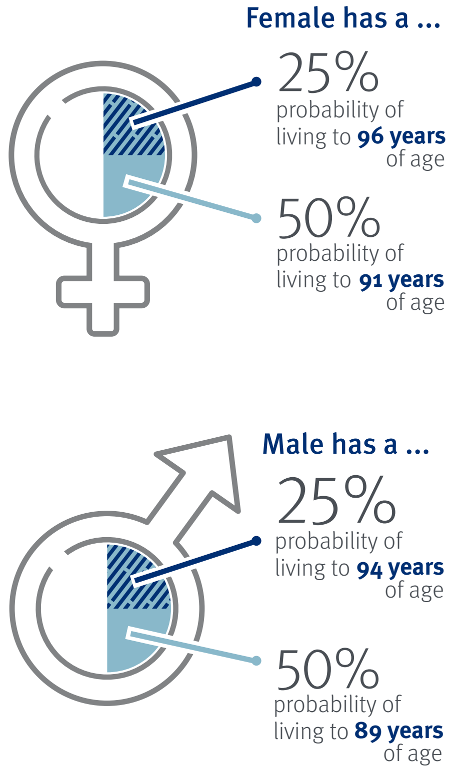
1. tax-efficient cash flow for a well-funded retirement lifestyle
2. a prudent combination of capital preservation and growth to maintain the long-term value of your portfolio through your golden years, while also offsetting the ravages of inflation.

Time is on your side

Fortunately, longer life spans mean longer investment time horizons, allowing today's retirees to take advantage of the long-term growth of equities to meet their preservation and income needs. Whether or not you live to 100, considering the odds and planning ahead can help ensure that your golden years are just that.

To learn more, please contact us today.

Today, a 60-year-old Canadian ...



Source: Financial Planning Standards Council (FPSC), Projection Assumption Guidelines (2018).

[1] RBC 2017 Financial Independence in Retirement poll.

[2] Anna Sharratt, Hidden health care costs can be a shock for retirees, The Globe and Mail, Nov. 18, 2015.

[3] Statistics Canada. 2015.

Time well spent

Planning for a successful retirement is about more than just saving – it's also about your state of mind

Will Rogers once said, "Half our life is spent trying to find something to do with the time we have rushed through life trying to save." While the famous humourist may have been exaggerating for effect, the fact is that Canadians today are retiring on average at 63* and yet are living longer than ever before – many into their 90s. This means retirees will increasingly experience a retirement life stage of 30+ years – often longer than many have worked.

The 2,000-hour conundrum

While longer lifespans can be a blessing, they can also be a challenge regarding physical and psychological well-being. Many retirees are thrilled to be ending their working years and have thoroughly planned for it from a financial standpoint. However, many do not plan for a new and very real challenge: with the average Canadian working approximately 2,000 hours a year, what will they do with all that suddenly free time?

Beating the retirement blues

Soon-to-be retirees often view their retirement as a permanent vacation from work. It's the chance to do the things they've always wanted to do but never had the time or opportunity to: hit the snooze button, travel the world, play endless rounds of golf, catch up on their reading list or tick the box on their various "bucket list" items.

However, after spending the initial years of retirement occupied by fun-filled activities, many retirees must adjust their lifestyles to address health constraints or mobility issues. What's more, many retirees begin to miss the engagement that their work life provided them, whether intellectual or social, or both. This letdown often leads to the retirement blues, or, more seriously, depression.

A different kind of bucket list

To beat the retirement blues, retirement experts recommend the following activities for retirees:

- **Working:** Working? Didn't we just put that behind us? Yes, as counter-intuitive as it may sound, many retirees choose to work – mostly on a limited basis – not because they have to but because they enjoy it. Almost half of Canadian retirees have done some sort of post-retirement work, reporting that it provided them with purpose, social interaction – and a little extra spending money.

- **Volunteering:** Giving back to their communities or important causes is another way retirees can meaningfully fill their time. Many retirees volunteer because they can be as active as their time or health permits, and balance their volunteer work with their other retirement pursuits.

- **Lifelong learning:** Going back to school to learn or complete a degree can provide retirees with a high level of engagement and mental stimulus, along with the joy of learning and the fulfillment of accomplishing a goal. New hobbies are another area of learning that can provide sustainable activity and engagement over time.

While a fulfilling life comes in many forms, retirees who plan for the non-financial aspects of retirement can avoid the retirement blues and discover that retirement, like age, is just state of mind.

To learn more, please contact us today.

* Statistics Canada, 2015.

Know what you are paying for

There is a cost to investment advice and it's important to know what you're receiving – or could be receiving. With a recent regulatory reform known as "CRM2" – which requires Canadian investment firms to provide clients with more detailed cost reports – many investors are now asking themselves: "Am I getting value for my investment dollar?" To help answer that question, consider the following four questions:

1. Can your advisor provide access to a full range of investment solutions?

GICs and mutual funds are only the tip of iceberg when it comes to investment solutions. Access to individual stocks, bonds, preferred shares and ETFs can provide important diversification benefits, while "alternative investments" can play a key role in risk management for certain investors. Additionally, insurance solutions can offer more than just the security they're typically associated with, especially in retirement. The ability to employ a full range of investment solutions can benefit growth, income and wealth preservation strategies.

2. Does your advisor help manage your overall wealth?

Managing your investments is just one key part of managing your overall wealth. Can your advisor assist with your tax, retirement, estate, trust and insurance needs? Is there a team of accredited specialists backing up your advisor in these key areas? If you own a business, can your advisor help you take advantage of unique planning opportunities? If this expertise is available at your wealth management firm, it can add a lot of value in helping simplify and coordinate your finances.

3. Can your advisor offer the flexibility to tailor investment solutions and advice to your objectives?

There can be a lot more to wealth management than simply determining your risk profile, then choosing the right asset mix. Your needs may be more complex from a risk management standpoint, or your asset level may be such that you can benefit from solutions that can be customized and tailored to very specific requirements. A firm that can meet this level of customization might be a better fit to help you meet your financial objectives.

4. Are you confident that your advisor is backed by a reputable company?

In addition to considering whether your investment firm offers the solutions you need, consider its financial stability. You should be confident that your advisor works for a company that's on solid ground financially, where your money is secure. After all, there's great value in peace of mind.

If you, or someone you know, have questions about CRM2, or the value we can provide to investors, we'd be pleased to talk.

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