

# LARA AUSTIN MINDINGMONEY

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FOR THE FRIENDS AND CLIENTS  
OF LARA AUSTIN OF  
RBC DOMINION SECURITIES

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**In my household, we like to have company – from Ontario specifically.** There is nothing better than showing off the features of Vancouver Island and the Comox Valley – the place we made home in 2002!

Of all of the family who has visited, one of the most memorable experiences was Sept. 2014. My husband's nieces (age 22 and 24) came to visit for a week. Picking them up at the Vancouver Airport, we did a quick overnight tour of Whistler, the always-memorable ferry ride to the island, and a day trip to Tofino. On our last day, the plan was to walk the trail at the river just before Elks Falls in Campbell River and then take the free water taxi over the Painters Lodge for a lunch. As we were walking the trail, Danny in the lead, we came across a large mother bear. She was crossing the walking path with a baby just behind her! I have to admit – we all turned tail and ran for about 60 paces before we clued in – she wasn't after us since she was after the salmon. We gave her and her cub a few moments to carry on to the river... then we continued with our hike – seeing 2 more mother bears with cubs along the way (from a comfortable distance). To this day, those nieces talk about the day “Zio Danny and Zia Lara almost got us eaten by a bear!”

Having spent prior years on Vancouver Island – I knew the likelihood of us coming across a bear eventually was fairly high. We had prepared with knowledge about how to deal with it, but our natural instincts kicked in. Fear of something large, looming and immediate overshadowed all our “common sense” and what we had been “taught” – back away slowly, keeping eye contact – was forgotten. The same can be said for Bear Markets. We can talk circles around past Bear Markets, what to do in a Bear Market and how to prepare and how to respond to a Bear Market. But sometime instinct overrides. It is okay to acknowledge that that can happen. But as soon as you give yourself a moment to calm down... try to remember all you have learned and observed along the way and allow rational thought to kick in!

I will continue to send out articles from our Economists and Senior Portfolio Advisor Group. I feel that arming yourself with knowledge will allow for those “rational thoughts” to prevail. If you are not a client and would like to be part of that distribution list... please contact myself or Una to be added.

Also note our workshop series that is being offered February through to May. It is open to clients (who are encouraged to bring a friend) and this readership. Let us know if a topic interests you!

Sincerely,

*Lara D. Austin*



**RBC Wealth Management**  
Dominion Securities

# UNDERSTANDING THE NATURE OF A BEAR

Living on Vancouver Island, you understand that if you are going to spend any time outdoors - you run the risk of coming across a bear. For an investor, if you are investing in anything with a risk level great than GICs (Guaranteed Investment Certificates), you also know that there is a likelihood of coming face to face with a bear (market that is).

## What is a Bear?

According to Investopedia, the **DEFINITION** of “**Bull Market**” A financial **market** of a group of securities in which prices are rising or are expected to rise. The term “**bull market**” is most often used to refer to the stock **market**, but can be applied to anything that is traded, such as bonds, currencies and commodities.



## HOW do you know if you have run into a Bear?

There is no formal definition of a “Bear Market”, but it is generally accepted that when an index (measurement of a basket of like investments) drops by 20% from its **PEAK**, it is considered a Bear – any drop less is considered a “correction.”

In Canada, Since 1955 there has been 9 BEAR markets and 9 BULL markets.



Source: <https://www.iacларington.com/en/investor-resources/investor-education/understanding-risk/bull-and-bear-markets.aspx>

## I'm facing a Bear – What should I do?

The rule on Vancouver Island is “don’t run.” The same holds true for Market Bears. We know that Bear periods are short relative to Bull periods, and we know that each Bear is unique. Prior Bears in Canada were the result of Vietnam Crisis, Oil Embargo of 1979, Conflicts in the Middle East, The Asian Crisis of 1997, the Dot.Com Crisis of 2000. Do these sound familiar? Sure they do, if not Wikipedia is a great source! Investors tend to have short memories. “Haven’t you ever seen a bear before?”

## Should I FEED the Bear?

If you talk to the folks in Cumberland, they will assure you that laying out garbage is a bad choice. But we know the bears are there to eat apples and spawning salmon to stock up for the winter. Similar with Bear Markets. Add to quality holdings. Have a discipline for rebalancing your portfolio. If you are not in the position of adding regularly to your investments (ie retiree’s), make sure that your drawing dividends only. Any large capital draws should be avoided in a Bear Market. In fact – funds for large immediate capital withdrawals should never have been in the market in the first place!

## Will the Bear Go AWAY?

Just as the bears on Vancouver Island hibernate, a Market Bear will never be gone “soon enough.” But we do know it **WILL** leave... and we know it will someday again return. Will you be ready?



# CANADA PENSION PLAN - YOUR PENSION UPDATE

Government Pensions were never designed to cover all your retirement income needs. As a portion of baseline secure income, it is comforting to know that it will last the remainder of your life. Despite the importance of this core source of retirement income, a lot of Canadians don't understand some important aspects.

CPP (Canada Pension Plan) is a separate income from OAS (Old Age Security). CPP is a contributory plan (they record your and your employers' contributions through your working life) where OAS is received based on residency (how long you have resided in Canada).

In the 1990s some serious allegations floated in the media that the CPP plan was going bankrupt. Currently the plan is valued at \$272.9 BILLION and has returned a NET (after fees and costs) nominal return of 7.3% over the last 10 years. If you would like to learn more about how the CPP plan is invested, you can look for yourself at <http://www.cppib.com>

When CPP was first introduced in 1965, the plan was designed to start paying at age 65. At that point, the qualifying age for OAS was age 70 (reduced to age 65 by 1970). Life expectancy in 1965 was 71.87 years... (not a lot of years for the plan to pay out!)

You can take CPP early for a reduced payment, although the formula has been adjusted significantly over the last 6 years. Prior to 2012, taking CPP early at age 60 reduced your payment by 30% and delaying your CPP to age 70 increased your payment by 34.2%. From 2016 onward, taking CPP at 60 reduces your payment by 36.0% and delaying CPP to age 70 increased the payment by 42.0%. If you are already receiving a payment – it is not affected!

## Should I take CPP Early?

There are many considerations for both taking early and taking late. If you are receiving CPP Disability, you would wait until CPP regular payments start at 65 (this one is obvious). It is less obvious for those who are still working or working part time. Obviously the Pension plan is encouraging participants to delay their payments.

## Consider the “Crossover Calculation”

We all hope to live long lives, but in the event of a quick demise - there is a calculated “cross-over” age. The age whereby the accumulation of payments received is “even” for someone taking the payments early compared to someone delaying their payments. This

simple calculation does NOT factor in the time value of money. Which means that a dollar today has more value than a dollar paid out to you five years from now. With this consideration, it would move the calculation closer to age 80!

Age	2016 Income*	Crossover age 2016
60	614	73.9
61	683	74.9
62	\$753	75.9
63	\$822	76.9
64	\$893	77.9
65	\$960	
66	\$1,040	76.9
67	\$1,121	76.9
68	\$1,202	76.9
69	\$1,283	76.9
70	\$1,363	76.9

\*Using Projected payment rates from 2011. Source: Daryl Diamond “Your Retirement Income Blueprint”

## Other reasons to take early payment:

- There is no capital value of government benefits to the estate other than the \$2500 TAXABLE death benefit
- CPP income if not needed, can be directed into Tax Free Savings accounts to grow and compound tax free
- If you are a couple, there is the ‘topping up’ of the reduced benefit by the survivor benefit should one of the two not survive to age 65

**Update on OAS.** In the 2012 Budget, it was announced that OAS would be delayed from 65 to 67 starting the year 2023. The change would have a graduated implementation for those born 1958 through to 1962 (those after 1962 were age 67 for sure).

*During the 2015 campaign, the Liberals promised to restore the future eligibility age for Old Age Security and the Guaranteed Income Supplement from 67 to 65. The fiscal implications of the change are not incredibly demanding – OAS expenditures **currently** represent 2.38 per cent of gross domestic product and are projected to peak at 2.77 per cent in 2033. Restoring OAS eligibility at 65 will not be disastrous. We will watch for Trudeau's first full budget and keep you updated!*





**Deadline Reminders: February 29, 2016 is the last day for 2015 RRSP contributions! May 2, 2016 to file your 2015 income taxes!**

## LUNCH AND LEARN FINANCIAL EDUCATION EVENTS

As a financial literacy advocate, Investment and Wealth Advisor Lara Austin is pleased to be presenting these complimentary workshops. Each workshop is open to clients and the general public and is limited to 14 people per session. **The sessions are held in the boardroom at 777A Fitzgerald Ave in Courtenay.** They run from **12:00 p.m. to 1:00 p.m. and include a light lunch.** For your convenience, each topic is presented on two different dates.

### **ESTATE PLANNING FOR BLENDED FAMILIES – February 25 and April 21**

**Guest Speaker: Catherine Miller | Lawyer**

*Naming beneficiaries on accounts and designing a Will to accommodate all those you care about becomes more challenging when a divorce or two have happened along the way. Discover the tools and resources as they apply to your unique situation.*

### **INVESTING FOR INCOME – March 17 and April 28**

**Speaker: Lara Austin, BA, FMA, CIM | Investment and Wealth Advisor, RBC Dominion Securities**

*Searching for cash flow from your investments? With the lowest interest rates in 60 years, we explore options for income, discuss how types of income are taxed, talk about OAS clawback, and the tools and resources for investors looking to control their cash flow streams.*

### **TAX STRATEGIES FOR HIGH NET WORTH – March 3 and April 7**

**Guest Speaker: Nicole Cahoon, CPA**

*You may drop your taxes off every year, but when was the last time you created a long-term tax strategy? This presentation will review the changes in tax law for 2015 and 2016, along with the tools and resources to apply to not only the current year – but also future tax planning.*

### **POWER OF ATTORNEY PLANNING – February 19 and May 5**

**Guest Speaker: Catherine Miller | Lawyer**

*Designed for both those named Power of Attorney - understanding your duties, and naming a Power of Attorney. Understand the documentation, the process, what triggers the roll, and review the complications that are avoidable.*

### **YOUR RETIREMENT LIFESTYLE – Kick start your vision – April 14**

**Guest Speaker: Sue Maitland / Life Transitions Coach**

*Retirement is not just about the money. You need to have a clear vision about how you will spend your time in each stage in retirement. Learn: What is important to a baby boomers' retirement, the three phases of retirement and Sue's 7 tips for a successful retirement.*

Contact Una Guile at 250-334-5604 to register. For more information, visit [www.laraaustin.com](http://www.laraaustin.com)

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