



Wealth Management
Dominion Securities

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Wealth Management Review



Coming soon – a new RBC Dominion Securities experience on the RBC Mobile app

In the coming weeks, we're updating our mobile app with more functionality and a refreshed design.

- Sign in effortlessly with Touch ID®, Face ID® or fingerprint authentication if you have connected your RBC banking and investment accounts.
- Access information and tools to help you manage your wealth while you're on the go.
- Quickly toggle between your various RBC accounts.
- Share important information with your Investment Advisor team with two-way secure messaging.
- Safely transfer funds between your RBC accounts whenever and wherever it's convenient for you.
- Enjoy all the same features as the full website version.

Look for more information about the upgraded app coming soon.

Green light for economy and markets

By Jim Allworth

In our view nothing that has transpired in the past six months has fundamentally changed the outlook for the remainder of the year or for 2022. All of the developed economies, led by the U.S., will post above-average GDP growth compared to last year's slump. Absent a vigorous return of the pandemic, the momentum provided by repeated applications of fiscal stimulus by governments – supported by entrenched accommodative monetary policies – should keep most economies powering on through next year and probably beyond. Robust growth this year followed by slower, but still above-average growth next year looks to be the odds-on favourite outcome.

For the all-important U.S. economy, this view is supported by our recession scorecard. All six of the leading indicators of recession we track are giving the economy a decisive green light. These indicators are strong enough to suggest that even an "early warning" phase lies a long way off.

In our view, the next recession, when it eventually arrives, will likely be

triggered the good old-fashioned way: by a tightening of credit conditions sufficient to make interest rates prohibitively expensive and banks more cautious about lending. No such tightening appears nearby.

No recession on the horizon

Recessions are the enemy of the equity investor, as they have always formed the economic backdrop associated with bear markets. So seeing a recession coming ahead of time is extremely useful from a portfolio management perspective. As yet and probably for some time there is no recession on the horizon.

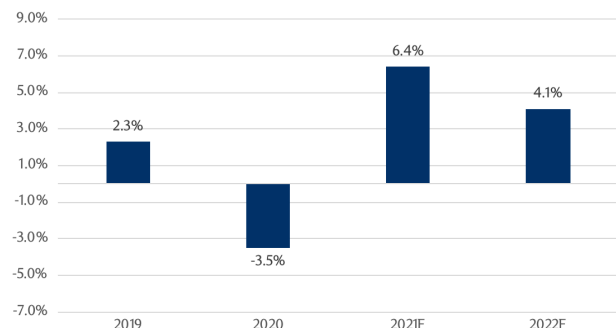
While a bear market-inducing recession may not be in the offing any time soon, there is always the potential for worries to arise in response to a growth slowdown. In several bull markets over the past 70 years, such worries have led to a correction 12 to 18 months following the start of the new economic advance. However, these were always eventually superseded by another substantial up leg in the economy, corporate profits and the equity market.

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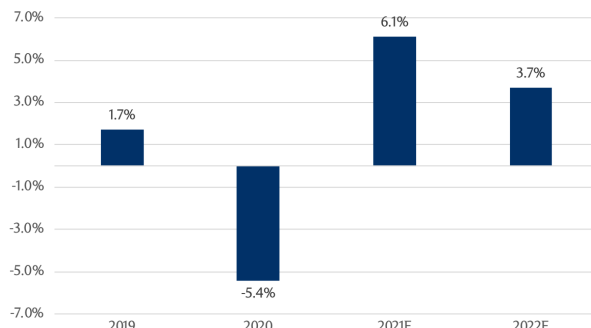
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U.S. GDP forecast



Source: RBC Global Asset Management

Canada GDP forecast



Source: RBC Global Asset Management

History lessons

Another way to plot the path ahead is suggested by Eric Savoie, investment strategist at RBC Global Asset Management. He points out that in the U.S. there have been 17 Federal Reserve tightening cycles since 1954. Eight of these produced enough credit tightening to bring on a recession; nine others did not.

Looking at market performance over the 12 months leading up to the first Fed rate hike in each cycle, Savoie notes that the median return for the S&P 500 over that stretch was 16.8%. Switching to look at what the market does after the first rate hike reveals the median return to be an above-average 9%.

So, the year before the first rate hike and the year after are both generally pretty good for the stock market. If the Fed tightening cycle is going to cause trouble for the stock market, then that trouble usually arrives a fair ways down the road from the first rate hike, if it arrives at all, keeping in mind that nine Fed tightening cycles produced no recession or bear market.

The Fed, while always reserving the right to change its mind, has told us there will be no rate hike before early 2023. Counting backward one year, the historical probabilities would suggest the stock market will deliver

positive, probably above-average returns for two consecutive years starting early in 2022.

Correction always possible, but not a given

Of course, even years that feature above-average stock market returns can contain within them rocky periods of correction and consolidation. It's always possible that one lies just around the corner. As usual, there is a long list of things that investors are worried about – inflation, the pandemic, geopolitics, severe weather. In one sense investors are right to expect a correction – they are not uncommon. But they rarely announce their arrival (or conclusion) in a timely enough fashion to allow even a nimble investor to wring much advantage out of that knowledge.

There are also plenty of factors that would argue against a correction occurring:

- Most economies are reopening as the vaccine rollout diminishes the impact of the pandemic;
- Earnings are very strong (GDP-based U.S. corporate profits are already above their pre-pandemic peak) and earnings estimates have been revised sharply higher over the past six months (S&P 500 by 15% and TSX by 13%;

- CEO confidence as measured by The Conference Board is near 18-year highs;
- Corporate bond yields remain very low and access to credit plentiful;
- Capital spending is booming, which is good news for productivity and inflation.

It's worth remembering that should a market correction occur without an accompanying downturn in economic activity and corporate profits, then even though share prices are falling for a few months, the intrinsic, underlying value of most businesses goes on compounding at a rate driven by earnings growth.

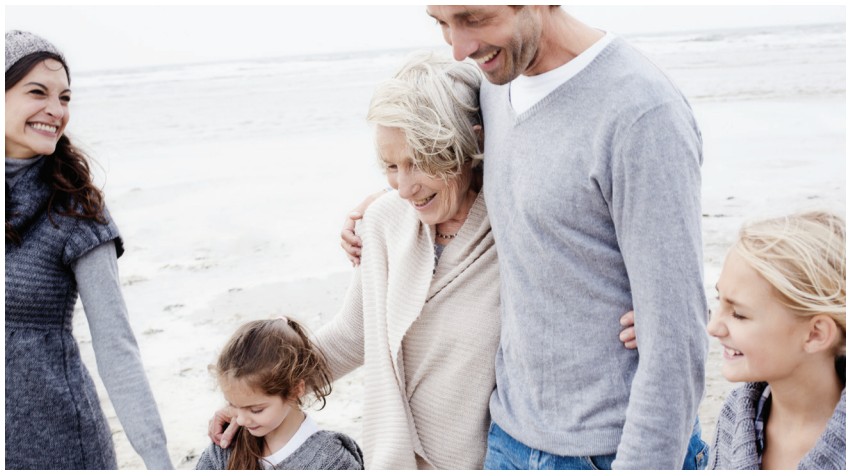
Global equities likely to advance

We are left with a constructive outlook for global equities for the coming 12 months. We expect the impact of the pandemic will continue to subside over the remainder of this year and through 2022. The forecast rising tide of GDP and earnings should permit broad market indexes to advance further from today's levels.

For a more detailed discussion of our outlook for financial markets ask for a copy of our current issue of *Global Insight*.

Jim Allworth is co-chair of the RBC Global Portfolio Advisory Committee.

Top five things to consider before naming your executor – or agreeing to be one



While often seen as an honour, executorship comes with significant responsibility, emotional strain, and sometimes even legal exposure. An executor (or liquidator in Quebec) is the person who administers an estate based on the directions contained in a Will. Unfortunately, executors are often unable to manage the burden of executorship.

Here are five things to consider – whether you’ve been named as an executor, or you’re naming one for your estate.

1. Objectivity

The loss of a loved one can be a very emotional time, and family members can sometimes argue over the estate. Choosing an executor who can remain objective and focused on the task at hand is important. Is your potential executor considered a neutral party in the eyes of beneficiaries? Are they emotionally stable and supportive? Are they able to navigate complex family dynamics? And, are they able

to understand and communicate your wishes effectively?

Executor’s view: Ask yourself if you want to be put in the center of a family’s dynamics, and can you remain neutral and fair? Are you able to properly convey the deceased’s desired legacy effectively? Can you carry the burden of executorship and remain level-headed, even when you are in mourning?

2. Capability

Your executor will need to undertake various tasks, including but not limited to: assessing the value of assets; filing tax returns; establishing trusts; managing investments; and dispersing the estate’s assets. It’s important to assess your potential executor’s level of knowledge and comfort in these areas.

Executor’s view: Consider whether you have the skills to properly manage an estate, and whether you understand the extent of the

requestor’s estate. Do they have a business that needs to be sold, or complex assets that are difficult to manage?

3. Jurisdiction

If your potential executor lives in a different jurisdiction, it may be more difficult for them to understand and navigate the estate settlement process and the laws and regulations of your province, state or country. Consider their network of expertise (e.g., real estate agents, bankers, wealth advisors, etc.), which may be excellent in Vancouver where they live, but non-existent in Toronto where you live. This can be an even more acute challenge if they live outside Canada.

Executor’s view: Are you familiar with the estate settlement process, and the laws and rules, even the culture, in the jurisdiction of the requestor? Who do you know there that can help you through the estate settlement process? Do you speak the local language?

4. Time

Does your executor have the time to carry out their duties? Is it realistic for them to travel from their home to wherever they need to be, and to remain there for an extended period of time or return often? Are their own circumstances, such as work or family, likely to prevent them from being able to reasonably execute their duties?

Executor’s view: Ask yourself if you have the time, energy, flexibility and even the inclination to undertake the task of being an executor. If you fail



in certain duties you can be legally liable – is that something you are prepared for?

5. Age and health

It's natural to want to appoint someone you know and trust as your executor. But also consider that if you pick a good friend or family member close in age to you, are they likely to outlive you? What's their health like? If they are older or in failing health, they may not be the right choice.

Executor's view: It's important to consider your own health and longevity. As much as you may want to help, are you likely to be in your later years yourself by the time you are needed? What toll will being an executor take on you, and will you be able to meet the challenge?

Given the complexities of the executor role, you may opt to appoint a corporate executor as sole executor, or as co-executor along with an appropriate family member or friend. This can provide the peace of mind that your estate will be properly managed and your legacy protected after you are gone.

For executors who need expertise and guidance, a corporate agent can allow you the flexibility to focus on the more emotionally sensitive aspects of the estate's settlement, while delegating the more complex financial aspects to those that have the expertise to successfully protect the estate, the beneficiaries, and you.

To learn more, please contact us.

Executorship – forewarned is forearmed

Did you know that there can be over 70 individual tasks involved in settling an estate, and that they can take years to settle, depending on the complexity? Here are just a few of the key *preliminary* tasks you might need to manage:

1. Locate the Will and review it for specific instructions concerning the funeral.
2. Assist with funeral arrangements.
3. Obtain multiple original copies of the proof-of-death certificate, as most organizations that you will deal with as executor require original documentation.
4. Probate the Will.
5. Review any marriage or civil union contracts, family law issues or dependant relief issues.
6. Pay probate taxes to the provincial government.
7. Maintain estate property until distribution from the estate, including paying utility bills, property taxes and insurance premiums.

Again, that's just the *preliminary* phase – you might still face as many as 60 or more (complex) tasks in the areas of dealing with beneficiaries, safeguarding the estate's assets, administering the estate, dealing with taxes, and finally distribution. It's an honour, yes, but also a very serious responsibility.



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