RBC Dominion Securities Inc.

Wade Wealth Report

FOR THE CLIENTS AND FRIENDS OF PORTFOLIO MANAGER FRANK WADE | SUMMER 2015

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Harness the Power of Dividends

Dividends are income distributions from a company to its shareholders. And today's healthy dividend yields are eclipsing those of money market funds and the bond market. Their advantages are numerous and they carry great potential. But how powerful is the power of dividends?

Income-focused investors often look to dividend-paying stocks – typically large-cap companies that are less volatile – as a source of stability and income and as a way to diversify their portfolios. Although companies are not obligated to pay dividends to investors, most continue to do so. Some investors see dividend payments as a signal of the company's confidence in its future earning power, particularly in tenuous markets. They also help to mitigate stock market downturns, particularly in the wake of a financial crisis.

The Long-Term Advantages

Over the past 27 years, dividends have contributed an average of 2.7% per year to the S&P/TSX Composite Total Return Index, representing over 30% of the average annual total return (RBC Global Asset Management).

Many stocks make automatic Dividend Reinvestment Plans (DRIPs) available, through which investors can reinvest their dividends for future growth (and more dividends) instead of spending them. These reinvested dividends can compound into significant returns over the long term. In the United States, dividends have represented a significant portion of total returns for the S&P 500 over the past 70 years, with

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Is Your Family Covered While on Vacation?

Between deciding where to go, what to pack and how to keep the kids busy, Canadian families heading off for a much needed holiday escape can easily forget about travel insurance. In fact, a recent RBC Insurance survey found that among the 39 per cent of Canadians planning to travel outside of Canada within the next year, only 60 per cent are planning to purchase travel insurance for their upcoming trip.

"It's surprising that so many Canadians don't think about purchasing travel insurance before their vacation," says Isabelle Forget, Head of Travel for RBC Insurance. "The last thing travellers want to find out is that they either don't have travel insurance or they don't have the right coverage when something unexpected happens."

Forget stresses the importance of purchasing travel insurance if travellers do not already have coverage, but for those travellers who believe they already have existing travel coverage, here are a few questions they should ask themselves before leaving on their family vacation:

- Are there any gaps in your existing travel insurance coverage? Government health plans, employee plans and credit cards may only provide a limited amount of coverage.
- Does your travel insurance extend to your children? Many employer plans have an age limit for children covered under their parents' insurance.
- Who will care for your child if you are hospitalized during your trip? Travel insurance can help ensure that arrangements be made for the safe return of your child back home, with an escort if necessary, or cover the cost for someone to come to your bedside.
- Does your existing medical insurance arrange direct payment of medical bills? Many hospitals and treatment centres require up front payment for medical costs.
- Are you prepared to handle additional costs? If you or your children require hospitalization, you may incur unexpected expenses. In addition to hospital fees, you may need to make numerous international calls back home as well as pay for a hotel and meals beyond your original trip, which can quickly add up.
- What if you have to cancel your trip before you go for an unexpected medical emergency? Or miss your flight because of weather conditions? Travel insurance can provide coverage for trip cancellation or trip interruption.
- Are your family's baggage and personal belongings protected? It can be expensive to replace lost or stolen luggage. What if your baggage is delayed? Travel insurance can provide protection for lost or damaged baggage, or when your baggage is delayed.

Get coverage that's right for you in one of three easy ways:

- In person. Visit any RBC Royal Bank branch.
- By phone. Call 1-800-565-3129 any time from 6 a.m. to midnight ET, seven days a week
- Online. Visit www.rbcroyalbank.com/travelinsurance and click on Get a Quote or Buy Online. You can apply directly through the website or through RBC Online Banking. If you apply through Online Banking, simply sign in to your Online Banking account.

For more information, please contact us today.

Travel insurance is underwritten by RBC Insurance Company of Canada. In Quebec, certain coverages underwritten by RBC General Insurance Company.

Harness the Power of Dividends

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a long-term average contribution from reinvested dividends of over 40% of its total return (RBC Capital Markets Quantitative Research).

Suppose you invest $100 initially, and an additional $75 per quarter, at an anticipated stock price appreciation of 7% and an anticipated dividend yield of 2%. In 20 years, you would have invested a total of $6,025 and reinvested dividends of $2,324.88 for a total cost basis of $8,349.88. Your capital gain would be $8,166.42 – and your total value would be $16,516.29!

The Tax Advantages of Dividend Investing

Dividends received from Canadian corporations are effectively taxed at a lower rate than interest income, due to the dividend tax credit that is applied to the federal and provincial tax payable. This tax credit is meant to recognize that the Canadian corporation paying the dividends has already paid tax on its earnings, which are now being distributed to its investors. Dividends from foreign corporations do not receive the same dividend tax credit, and are taxed at a higher rate than those of Canadian corporations.

For example, if you earn more than $132,000 in annual taxable income, and receive $1,000 in dividend income from a Canadian company, you keep approximately $735 after federal and provincial taxes – less the dividend tax credit. By comparison, $1,000 in interest income will net about $555 after taxes – the same for $1,000 in foreign dividend income, because it is not subject to the tax credit for Canadian corporations, and is taxed at a higher rate.

When considered in light of total returns and tax advantages, dividend-paying stocks may be an attractive option. If you think it's time to talk about the power of dividends, please contact us today.

Making A Difference In Our Community

On June 22, 2015 we held our 2nd Annual Wade Wealth Charity Classic Golf Tournament. The event gives us a chance to thank our valued clients while raising money for Riverview Health Centre Foundation. Thanks to the generosity of golfers, clients and team members, this year's event raised over $35,000 in donations which will be used in the redevelopment of the Alzheimer's and Dementia Units at Riverview Health Centre.

Sheldon Mindell, Executive Director Riverview Health Centre Foundation, Derek Innis, Foundation Board Member, and Frank Wade.

Keeping You Informed

2015 Federal Budget's Tax Measures

The government's budget, delivered on April 21, 2015, announced a number of tax measures that may have a direct impact on you. Click here to read more about these tax measures including the proposed increase to the Tax Free Savings Account (TFSA) annual contribution limit from $5,500 to $10,000, effective January 1, 2015.

Please note that at time of writing, the budget has not yet passed through Parliament and received Royal Assent. CRA will allow financial institutions and individuals to act upon the new change effective immediately, however, you should still be aware that you may still be liable for taxes under current law in the event that the budget proposal is not ultimately passed.