

Portfolio Advisor



Wealth Management
Dominion Securities

October 2018

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.



Overall, we would expect modest gains from equities over the next 12 months.

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.

RBC Wealth Management
Global Portfolio Advisory Group

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 poll¹. Health problems are another: out-of-pocket medical costs after age 65 are estimated at \$5,400 annually² – 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 63³ 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:

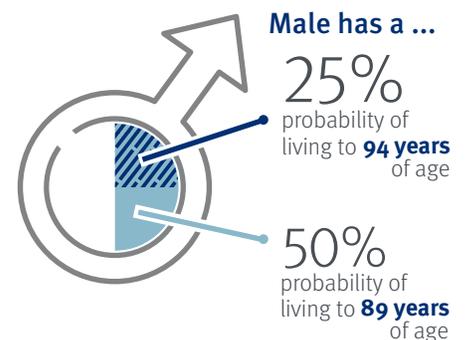
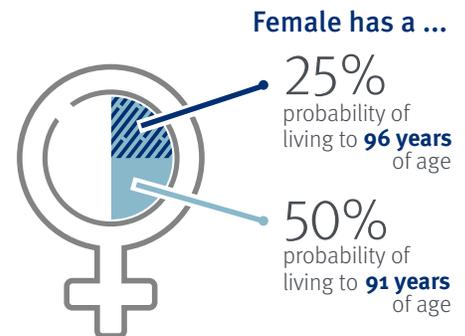
1. tax-efficient cash flow for a well-funded retirement lifestyle
2. a prudent combination of capital preservation and growth to maintain the long-term value of your portfolio through your golden years, while also offsetting the ravages of inflation.

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 ...

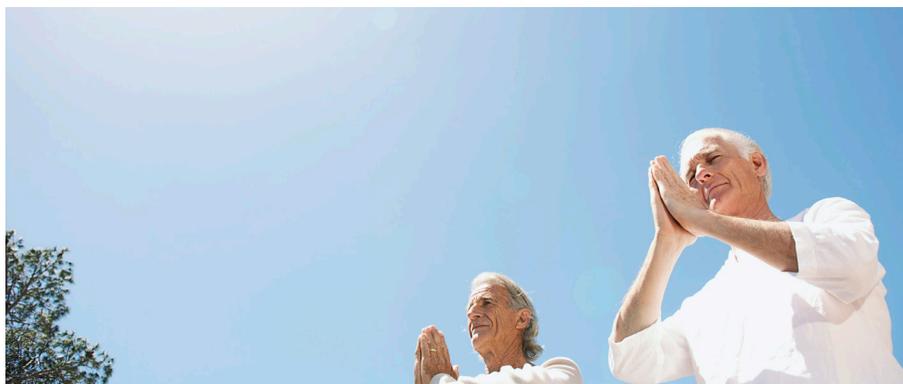


Source: Financial Planning Standards Council (FPSC), Projection Assumption Guidelines (2018).

¹RBC 2017 Financial Independence in Retirement poll.

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

³Statistics 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.

'Til death do us part ...

then one of us manages the finances until age 100

You've probably heard the story: a couple, happily married for decades, slip away just hours or days apart. But, in truth, it rarely works out that way. One spouse usually outlives the other, and usually it's the female spouse: as of mid-2017, there were well over 1.5 million widows compared to 425,000 widowers in Canada.¹



It goes without saying that it can be an extremely difficult time for the survivor. Having the right support in place is very important, and that includes support with financial matters. Because one spouse may be solely responsible for managing the household finances for a long time – given the growing number of centenarians in Canada – it makes sense to plan ahead.

Closing the knowledge gap

In a recent Leger poll of 1,000 Canadian women, the majority of whom were married, 38% felt they knew very little about issues related to finance and investment.² Traditionally, husbands have made the financial and, especially, investment decisions.³ Yet women tend to live longer and are likely to one day inherit the financial responsibilities of the household.

Fortunately, preparing for this can be as easy as regularly involving both spouses in the family's financial decisions. And, building the know-how and confidence to invest, budget and plan is something best experienced hands-on. Besides, there are several advantages to building your wealth, just like you did your family, together.

Investing with balance

“Meet in the middle” isn't just great marriage advice, but something to consider when investing. While men can be more growth-oriented, women are often more conservative and inclined to take a long-term approach.⁴ By meeting in the middle, you can invest with a balance of growth and lower risk.

Setting clearer goals

Wealth is a tool to achieve your goals, not a goal in and of itself. So, what are your goals as a couple? It's a question best considered as a pair. Begin the discussion by each proposing a few short-term goals (e.g., Suzie needs braces) and a few long-term objectives (e.g., buying a cottage). It could be that your goals are aligned. If so, that was easy. If not, it's time to discuss and prioritize. Having well-thought-out ambitions to work towards as a couple make them that much more achievable as you begin to make the small and large decisions towards your collective goals.

Sharing responsibility

Managing money can be stressful and time consuming, lending itself well to splitting tasks based on interest and strengths – or working together to tackle problems. Not only that, there's a certain accountability. You and your partner can hold one another to your joint high standards, and ask yourselves, “Are we on track?” The best part about working as a team? Reveling in the communal victory, be that on a beach in Nice or on a Monday morning at the cottage.

To learn more about building wealth with your partner, please contact us today.

¹ Statistics Canada, 2017.

² Financial Planning Standards Council (FPSC), Omni Report: Financial Independence, 2018.

³ UBS, Own your worth - How women can break the cycle of abdication and take control of their wealth, 2018.

⁴ Brad M. Barber and Terrance Odean, Boys will be boys: Gender, overconfidence, and common stock investment, The Quarterly Journal of Economics, 2001.

Living – and giving – to 100

A new era of hands-on philanthropy for Canadian retirees



As it turns out, you don't have to drink from a magic fountain to live to 100. Lifespans are growing, and Canadians are creating a whole new meaning for the quiet 15 years of non-work that previous generations called "retirement." Now with several decades to look forward to, retirees are finding excitement, challenge and meaning in their lives by sharing time and work with their favourite charitable causes.

Canadians are beginning to think differently about the legacy they build in retirement. In The Economist Intelligence Unit's (EIU's) recent survey of high-net-worth individuals, commissioned by RBC Wealth Management, 68% of respondents say the legacy they want to leave differs from their parents'.¹ Where their parents might have aspired towards a hospital wing as a post-mortem namesake, respondents were more interested in taking a hands-on role in creating positive change. Instead of simply writing a charity into the Will, this often means donating money and time throughout retirement, forming relationships with charities and having a seat at the table when important decisions are made.

"Previous generations were motivated by duty, guilt and *noblesse oblige*," says Michael Adams, president of Environics Research and an expert on wealth in Canada. "Religious and patriarchal values were their values when it came to legacy." Now, the growing trend seems to be supporting causes that address social, health or environmental problems – and having an active role in putting your money to work. Volunteer Canada has noticed the same, reporting that baby boomers tend to seek meaningful volunteer activities and have consistently high rates of volunteering when compared with previous generations.²

This shift may not be surprising when you consider what makes a baby boomer a baby boomer. Living their formative years during the civil rights and activist movements of the 1960s and 70s, it fits that baby boomers are seizing longer retirements as an opportunity to find purpose and happiness by advancing social causes.

So, if you think volunteering is for you, you're not alone. The following tips can help you overcome what is often the greatest barrier: knowing where to start.

Plan early: Even before retirement, start making connections at the charities you're interested in to grow your network and learn more about the opportunities that exist.

Take your time: Review the volunteer opportunities that fit your values, lifestyle, health and schedule. Even if it takes a few years to make a long-term commitment, being confident in your decision will help you build a rewarding relationship with the organization.

Know the work you like, and the work you don't: For example, if you spent your working years stressed or exhausted by a "never-ending" task list, you may find short projects with clear beginnings and ends more rewarding in retirement.

Consider part-time volunteer work: For many retirees, working part-time can create social interaction and a sense of purpose.

¹A report on The Economist Intelligence Unit's survey findings can be found at: www.rbcwealthmanagement.com/ca/en/research-insights/the-new-canadian-legacy/detail/. High-net-worth individuals surveyed held at least US\$1 million (C\$1.29 million) in investable assets.

²Suzanne L. Cook, PhD and Paula Speevak Sladowski, *Volunteering and Older Adults*, Volunteer Canada, 2013.



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Boomer-ang effect

Boomers entering retirement need to make arrangements for a longer life

Life is a little like a boomerang throw. In the beginning, we're dependent on family. Later, we swoop out into the world, go to school, build careers, start families and maybe even take trips to Australia. Then, as we age, we often find ourselves boomeranging back to where we began, and once again, needing help from our family.

This is especially true because of our increasing life spans: 83 years and growing in Canada. However, on average, only 72.6 years of that is spent in "full health." We are increasingly facing challenging health situations that may require us to ask for a little help managing our own affairs. What's more, because of advances in health care, we're living for much longer periods of time with these health situations.

For all of us, there may come a point when we may need help managing investments, paying bills or assessing medical care options. But that doesn't mean we have to lose our autonomy. Arrangements can be made ahead of time, and powers can be delegated to people who will respect and carry out our wishes.

You've got the power

An essential part of these arrangements is your power of attorney, or POA, which legally entitles people you choose to conduct your affairs on your behalf if you are incapable or unavailable. There are two basic types of POA (called a mandatary in Quebec): for property and personal care.

Property: Day-to-day banking, managing investments and real estate decisions require attention if we become physically or mentally unable to handle such matters ourselves. If this happens, it's important to have an enduring or continuing POA come into effect.

Personal care: This type of POA appoints who will make personal and health-related decisions on your behalf regarding healthcare, medical treatment, housing, hygiene and more. In some provinces and territories, you can also write down health directives that dictate what course of action to take if you can no longer communicate your wishes. This can reduce the burden on your loved ones, who might otherwise have to make those decisions on their own.

What happens without a valid POA?

Many of us assume our spouse or next of kin will automatically be appointed as our POA if we become incapacitated. However, each province and territory has specific rules for guardianship and decision-making. Determining POA responsibilities through the courts can be lengthy and expensive, and a burden on your family.

Selecting your POA

Consider whether your potential POA is able to manage family conflict, and has the time and financial savvy to carry out your wishes. To be named a POA is often considered an honour, but family dynamics, lack of expertise, time constraints and personal liability can be concerns. If this is the case, you may wish to consider working with estate and trust professionals, who can support your chosen POA(s) and/or carry out directives objectively, professionally and compassionately on your behalf.

To learn more, please contact us today.

* Public Health Agency of Canada, How healthy are Canadians? A trend analysis of the health of Canadians from a healthy living and chronic disease perspective, 2016.



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