RBC Dominion Securities Inc.

Portfolio Advisor

Wealth Management
Dominion Securities

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Market commentary

The MSCI World Index surged 5.9% in Q1 even though most markets came off the boil in March. It was the fourth straight quarter of gains and the strongest quarterly performance for developed markets in more than three years. Equities have been energized by improved earnings prospects worldwide and better economic data in the U.S., Europe, and China.

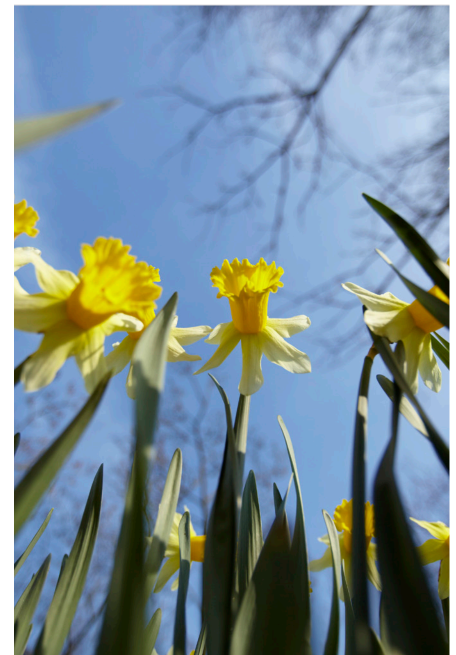
The upward pressure on yields brought about by higher inflation may have run its course for the time being.

Following such a strong run, periods of consolidation, or even a pullback, can't be ruled out. Nevertheless, we anticipate this bull market, which began in 2009, can persist so long as the U.S. and global economies avoid a recession. We recommend investors hold a moderate Overweight position in global equities. Among regions, we continue to favor the U.S. We have downgraded Canada to Market Weight from Overweight as the risk-reward balance has shifted.

Fixed income

Despite improved global economic trends and moderately higher Federal Reserve rate hike expectations, government bond yields in North America, the U.K., and Europe could be range-bound for the foreseeable future. Global GDP is unlikely to reach "breakout" speed in the near term, and we doubt U.S. fiscal policy, the French elections, and Brexit developments will jolt yields. Also, the upward pressure on yields brought about by higher inflation may have run its course for the time being.

Corporate credit continues to be our favorite segment of the fixed income market, but investors should be



patient regarding entry points as there are fewer opportunities currently. Yield spreads are very narrow, especially in North America. Investors would be best served by adhering to a "quality is king" strategy.

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

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Naming your executor – seven common pitfalls and how to avoid them

If asked by a family member or friend to serve as their executor, most of us would consider it an honour. However, it can be a complicated, sometimes overwhelming undertaking.

An executor is often responsible for a long and detailed task list to ensure your last wishes are carried out. To settle even a simple estate, it can take about 18 months. Your executor must complete numerous tasks and duties, including:

- Finding and, if necessary, probating the Will
- Protecting, selling or distributing assets
- Reviewing insurance and pension benefits
- Paying outstanding debts and taxes
- Preparing a final accounting for the beneficiaries of the estate

That's why it's important to carefully consider your choice as executor. Following are seven issues you should be aware of when naming your executor:

1. Not considering your executor's age and health

Many people choose someone close to their own age to act as their executor, such as their spouse, a sibling or a close friend. That may be fine when everyone is younger and in good health. However, when the time comes to act, the person you have named may no longer be up to the task due to their age or health. It's also possible that they will predecease you. Make sure you review your choice of executor as time goes on, and consider naming someone from the next generation.

2. Overlooking family conflict

Let's face it, family can be complicated. That's why it's important to select an executor who is able to manage potential family discord and balance conflicting interests. To help your executor, consider talking with your beneficiaries in advance, so they clearly understand your final wishes and the reasons for your decisions.

3. Selecting someone too busy

It can take 1-2 years to settle a basic estate, and longer if you have a more complex estate. If you are establishing trusts in your Will, your executor's responsibilities could stretch into many years or even decades. This can be challenging for your executor if they have a busy life, so think about naming someone who will likely have the time to carry out their duties, or arranging professional assistance to help them.

4. Choosing someone too far away

Your executor will be responsible for many tasks that are much easier to do if they are closer to where you live.

5. Naming an expat executor

When a non-resident of Canada acts as the sole executor of a Canadian estate, the estate may be considered a non-resident of Canada. This could result in the loss of tax advantages enjoyed by Canadian-resident estates.

6. Putting honour before duty

You may feel like you have to name someone in particular as your executor – someone who may "expect" the honour. However, your executor will have duties that require a certain level of technical expertise, such as filing tax returns. What's more, your executor could potentially face personal legal liability if they don't properly carry out their duties. As a result, you should carefully consider your executor's level of expertise.

7. Not getting professional assistance when you need it

Ultimately, you may find it difficult to find someone ideally qualified to act as your executor. Avoid naming someone just because you have to name someone. Give some thought to either hiring a professional to act as your executor, or to support your executor in carrying out their duties.

For information about choosing an executor, please contact us.

Five tips to become a more tax-efficient investor

As the old saying goes: "It's not what you earn, it's what you keep." If you want to keep more of what you earn as an investor, after tax, consider the following tips.

1. Maximize the benefits of your tax-advantaged accounts

Despite the potential benefits, most Canadians leaving countless dollars on the table by failing to maximize their Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs).

Your RRSP offers two well-known tax advantages: tax-deductible contributions to reduce your taxes and tax-deferred growth to potentially grow your investments faster than they would outside your RRSP. If you haven't maximized your RRSPs, consider catching up on unused contribution room as soon as possible, as the compounding effect of tax-deferred growth is greater over time.

Your TFSA offers two key tax advantages: tax-free growth and tax-free withdrawals. Starting in 2009, any Canadian resident aged 18+ began automatically accumulating TFSA contribution room. If you haven't contributed to your TFSA yet, you could contribute up to $52,000 to grow tax-free.

2. Pay attention to how investment income is taxed

The type of investment income you generate – interest, dividends or capital gains – matters a lot when it comes to taxes. Interest income is generally taxed at the same rate as employment income – at your marginal (or highest) rate.

Canadian dividend income is generally very tax-efficient in the lower tax brackets – and virtually always more tax-efficient than interest. Capital gains are taxed higher than dividends in the lower brackets, but as your income rises, each province has a different income threshold where capital gains become more tax-efficient than dividends.

3. Hold your investments in the right accounts

The type of investment, the type of income it generates, and the type of account in which it's held can all have a significant effect on your after-tax return. Consider holding more of your interest-bearing investments, such as bonds, in your registered accounts. That's because interest income, when earned outside of your registered accounts, is fully taxable. Then, consider holding more tax-efficient investments, such as Canadian dividend-paying stocks, in your regular, taxable accounts.

4. Offset taxes on capital gains

Tax-loss harvesting – selling investments at a loss to generate capital losses, which can offset taxes on capital gains – can be an effective tool to bring your tax rate down. After selling an investment at a loss, you'll need to wait 30 days before buying it back or the capital loss cannot be claimed. While selling at a loss may seem counter-intuitive, the tax benefits can be significant if you have realized capital gains on other investments. And, ideally, the investments you sell at a loss for tax purposes are replaced by investments that have stronger long-term growth potential.

5. Look beyond your holdings – planning strategies

Spousal RRSPs, spousal loans, pension splitting or having your business pay a reasonable salary to your spouse or children can all effectively redistribute income from higher to lower taxed family members to help save on tax. Additionally, tax-deferred solutions, insurance strategies and other estate planning opportunities can all play a role in managing your portfolio tax-efficiently.

While everyone's tax situation is different, everyone can benefit from tax-efficiency. Contact us today for more information.

Five ways to avoid a scam

There's nothing new about scams, fraud or stealing personal information, but it does seem that for every new convenience technology provides, a new scam appears. Protecting yourself might not always seem easy, but with a few helpful tips, and occasional reminders about the latest or most common scams, you can reduce the risk significantly.

1. Don't get caught by "phishers"

"Phishing" is a common online scam designed to trick you into providing personal information that can be used to rip you off or steal your identity. Scammers send you an unsolicited email that, at first glance, may appear to legitimate. Typically, the email will say there's some "problem" that requires your "urgent attention" and provides a link to a fake website, which requests your personal information. Remember, you should never provide personal information such as credit card numbers, passwords, date of birth or social insurance numbers, in response to an unsolicited email.

2. Practice safe surfing

Of course, not every email or website is a scam. For example, you may receive an email from a trusted service provider, reminding you to pay your bill online, and providing a link to their website.

If you're unsure whether the email or website is legitimate, reopen your browser and type in the company's website URL in the address bar yourself. Before entering any financial information, look for the lock icon on your browser and ensure the URL in the browser address starts with "https."

Avoid using public computers, keep your computer protection software up to date, choose effective security questions, and change passwords and PINs on a regular basis. Remember, if you're unsure about a website, you can always phone a company to verify using a phone number you know is legitimate.

3. Don't buy under pressure

Someone with a clipboard is knocking on your door. Your first instinct may be to pretend no one's home. But if you do open the door (or pick up the phone) and find yourself being asked to buy something or donate to charity, be careful. It could be a scam. If you are interested, don't commit on the spot, or provide any financial information such as your credit card number, especially if you're being pressured. You can always take the time to make your decision and research a company or charitable organization to ensure it's legitimate.

4. Invest with care

There are no guaranteed get-rich-quick schemes, and "secret" short-cuts to wealth or "hot tips" are also very likely scams. These scams are often about stealing money from you, or obtaining your personal information. Salespeople that pressure you to sign or invest immediately could be perpetrating a scam. When investing, it's best to work with someone you know who works for a reputable company.

5. Educate yourself

It seems like there's a new scam every day, whether it's an unusual request that seems "too good to be true" or someone using a hidden camera to steal your PIN. Learn about some of the most common scams by checking out The Little Black Book of Scams, published by The Competition Bureau of Canada, at www.competitionbureau.gc.ca.

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