RBC Dominion Securities Inc.

Wealth Management REVIEW

Wealth Management
Dominion Securities

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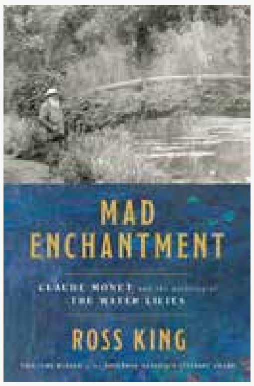

In brief

RBC Taylor Prize winner

Ross King was named the winner of the 2017 RBC Taylor Prize for his book *Mad Enchantment: Claude Monet and the Painting of the Water Lilies*. This is the 16th awarding of the $25,000 prize, which recognizes excellence in Canadian literary non-fiction. To learn more, please visit www.thecharlestaylorprize.ca.

Focusing on clients has many rewards

At RBC Wealth Management, we're honoured to be recognized in the *Euromoney Private Banking and Wealth Management Survey 2017*. In addition to winning "Best Private Banking Services Overall in Canada" for the 10th consecutive year, we earned another 14 first-place awards for excellence in areas such as "Research and Asset Allocation Advice" and "Innovative Technology."

Wait and see

By Jim Allworth

"Uncertainty" has taken on a new meaning over the past year. The surprising Brexit referendum result apparently kicked off a new interlude (or perhaps "era") in which the shifting priorities of voters disrupt traditional party allegiances and the electoral equilibrium.

It was the Trump upset that convinced many that Brexit was not a one-off. Observers are now looking ahead to French and German elections later this year with some trepidation. And meanwhile the emerging policy ramifications of both Brexit and the new administration in Washington remain murky and highly fluid.

It has taken Britain nine months just to get to formally asking for a "divorce" from the EU. That has triggered the start of a two-year negotiating period at the end of which the U.K. will be out of the EU regardless of whether any agreement on continuing a relationship has been reached; many believe the actual negotiating period will drag on for much longer.

Meanwhile, uncertainty takes a toll. The pound is down 16% since the vote and has been down as much as 20%. As a result, U.K. inflation is now rising briskly and expected to move above 3% later this year, squeezing household purchasing power and possibly triggering an unwelcome interest rate hike from the Bank of England.

Up to now, the economic fallout has been less pronounced than initially feared. While the big drop in the pound had been expected to boost exports, so far that has not happened. Rather, any strength has emanated from consumer spending fueled by a drawdown of savings and run-up in consumer debt. However, recently, consumers have backed off, as inflation pinches real incomes. Retail markdowns are unusually high, while retailers' profit margins and confidence are falling.

House prices have plateaued in much of the country and have been falling in greater London for more than a year. That trend may continue now that a few international banks have begun implementing preliminary contingency plans for moving some operations and personnel to the Continent, while some manufacturers have stated they are drawing up such plans in case they are needed.

It's fair to say that the policy outlook is not a great deal clearer than nine

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Wait and see ...
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months ago and on some fronts less so. Nor is there any prospect for clarity to arrive any time soon – either from the U.K. or the EU.

Muddling through

In the U.S. it's still comparatively early days for the new administration. Its policy preferences for fiscal stimulus, tax cuts and deregulation remain in the formative stage. Once formally proposed, they are unlikely to sail through Congress quickly or unaltered.

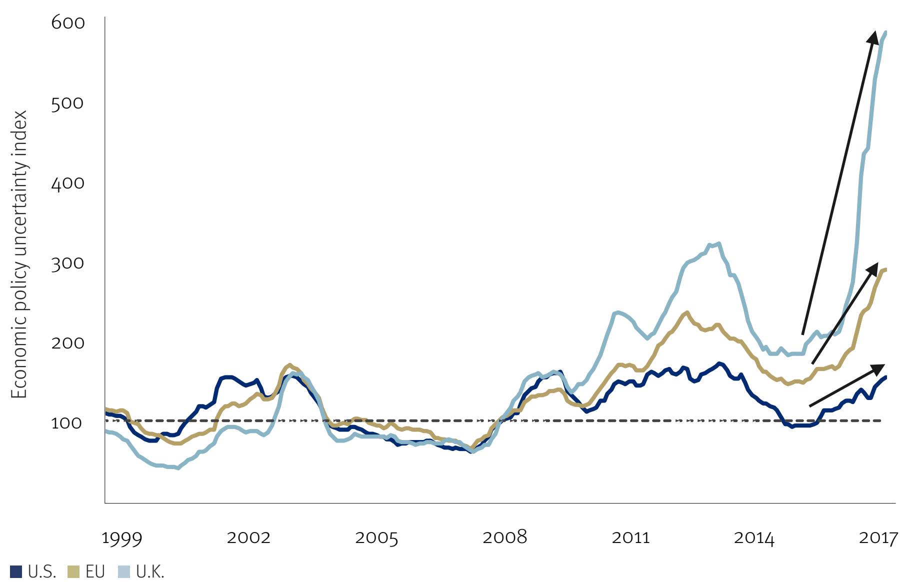
President Trump's own party tends to be reluctant on infrastructure spending, especially if it is not accompanied by offsetting cuts elsewhere in the budget. Some deep spending cuts have been proposed but are getting pushback from legislators in both parties. And tax cuts, unless they are "revenue neutral" (i.e., largely offset by spending reductions or other revenue increases) will need some significant Democratic support.

Our view continues to be that any stimulative benefits to the economy from lower taxes and/or infrastructure spending are unlikely to arrive before late 2017 or more fully in 2018. So too for harder-to-handicap policies to do with immigration, protectionism or foreign profit repatriation. And it's far from clear the latter group will add anything to economic prospects and could detract from them.

In the meantime, there are costs being borne by the U.S. economy without any offsetting benefits. Higher bond yields are hurting housing affordability. A stronger dollar is a headwind for U.S. exports. And tax uncertainty is making it difficult for businesses to plan or commit to new capital investment with confidence.

On balance, and despite the elevated levels of business and consumer confidence, the lack of policy clarity may dampen U.S. GDP growth in the first half; the first quarter already looks a little soggy. However, looking further ahead, some degree of fiscal stimulus and tax relief seems bound to arrive by 2018, which should provide a bump for GDP growth next year and a somewhat bigger lift for U.S. corporate profits.

Global policy uncertainty high on rise of populism



Note: 12-month moving average shown in chart. Mean = 100 for U.K. and EU; 1985–2009 mean = 100 for U.S.
Source: PolicyUncertainty.com, Haver Analytics, RBC GAM

But the new administration's infrastructure spending initiatives, whatever their eventual scale, will be layered onto an economy where labour conditions are already very tight – the unemployment rate is approaching a multi-decade low, unemployment insurance claims are at all-time lows, while small- and medium-sized businesses (55% of total U.S. employment) overwhelmingly report their biggest problem by far is an inability to find candidates to fill available job openings.

Recession risks

Rising wage inflation (already here) together with any higher import prices that result from border taxes or tariffs could force the Fed off its patient, wait-and-see approach to raising rates that it has mapped out for this year, into a brisker, more pre-emptive mode in 2018. If things play out that way, then the odds of a U.S. recession arriving in 2019 will have gone up considerably from where they are today.

In our view, it is highly likely the next U.S. recession will be triggered, as recessions nearly always have been, by the arrival of restrictive monetary conditions – i.e., the combination of prohibitively high interest rates and an unwillingness by banks to extend credit. We don't think those conditions are likely to arrive before 2019. Until they do, we expect to remain committed to equities in both Canadian and U.S. portfolios.

For further thoughts on how we would structure investment portfolios, and a discussion of what is facing Brexit negotiators in the coming two years, please ask for the April edition of *Global Insight.*

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

What to expect when you're named as an executor

Being named as an executor can be a great honour, but it also comes with great responsibilities.

By Joyce Walsh

So you've been named as an executor, and maybe you're wondering what that means. At first, it may not mean much. Your name appears in someone's Will, perhaps your spouse's or a parent's Will. One day, you will have to do something, but hopefully that day is in the distant future.

However, that "one day" will probably come, and you may find yourself responsible for settling someone's estate. So it makes sense to give it some thought before you're called into action.

First, consider whether the role is right for you

Most people don't question it when they're named executor. They may feel honoured, and they may feel like it's simply their duty. But it's worth asking yourself, "Am I the right choice for this?" For one reason or another, you may not be the best choice. Or perhaps you were once, but no longer. For example, perhaps your health or personal situation has changed, or you no longer live close to the person who named you executor.

Maybe you've even moved out of the country, and are no longer a Canadian resident, which can complicate matters even further, with potentially negative tax consequences for the estate. Under Canadian tax law, an estate may be considered non-resident if the executor is non-resident and, among other things, this may result in the loss of preferred tax treatment for capital gains and Canadian-source dividends that flow through to Canadian resident beneficiaries from the estate.

Other reasons why you might think twice about being an executor include:

- ***Time*** – you may be too busy to give the estate the attention it requires.
- ***Expertise*** – you may feel you lack the expertise, especially if it's a particularly complex estate.
- ***Family dynamics*** – settling an estate can create, renew or exacerbate family discord.
- ***Liability*** – as executor, you have legal responsibilities that may subject you to personal liability.

Understand your duties

Ultimately, you may decide that you can do this. It is, after all, regarded as an honour and important duty by most people to carry out a loved one's last wishes. But it's a good idea to be aware of what's expected of you when the time comes to act.

Bear in mind that it can take about 18 months to settle even a simple estate, and as executor, you must complete as many as 70 different tasks and duties. These include finding and, if necessary, probating the Will, protecting and distributing assets, and paying outstanding debts and taxes. You will also have to prepare a final accounting for the beneficiaries of the estate.

Following are just some of the duties you may be required to carry out:

- Meet beneficiaries to set expectations and provide an overview of the process, from the funeral to the distribution of assets
- Arrange the funeral, memorial, cremation or burial as required
- Obtain multiple original copies of the proof-of-death certificate, as most organizations that you will deal with as executor require original documentation
- Locate and prepare a detailed inventory of assets

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What to expect ...
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- Review insurance coverage for the assets
- Notify banks and institutions where the deceased held accounts or had other dealings
- Review the suitability of investments held in the estate and recommend which assets are to be sold to meet cash requirements
- Arrange for the residence to be emptied and cleaned, locks to be changed and, if required, the property to be sold
- Find, review and file claims for life insurance and pension benefits
- Prepare and file up to five separate income tax returns
- Locate missing beneficiaries, if any
- Pay legacies and other bequests, and distribute the residue of the estate

Where the Will establishes one or more trusts, additional trustee duties and responsibilities will apply and the time commitment may extend to several years or decades.

Consider your options

When the time comes to carry out your duties as executor, you don't have to do it alone, and may wish to retain a professional to assist you in fulfilling these important duties. The experts at RBC Estate & Trust Services can help.

Our estate and trust professionals are skilled in the intricacies of estate administration from both an emotional and technical knowledge perspective. We are sensitive to the complexities of your unique family dynamics and approach each situation with compassion and professionalism to make the estate settlement process as easy on you as possible. This service can be invaluable to executors who face time constraints, lack the necessary expertise, or are concerned about the potential for family conflict and/or personal liability.

For more information, please contact your RBC Dominion Securities advisor.

Joyce Walsh is Vice-President, RBC Estate & Trust Services.

Interest rates applied to account balances as of March 22, 2017*

	Canadian dollar accounts	U.S. dollar accounts
All credit balances	0.05%	0.05%
Debit balances under $10,000	4.70%	6.25%
Debit balances $10,000 – $24,999	4.45%	6.00%
Debit balances $25,000 – $49,999	4.20%	5.75%
Debit balances $50,000 – $99,999	3.95%	5.50%
Debit balances $100,000 and over	3.70%	5.25%
All debit balances for registered accounts	4.70%	6.25%
All credit balances for registered accounts	0.05%	0.05%

The interest rates that will be in effect for debit balances in cash and margin accounts fluctuate with the Royal Bank prime rate as follows:

Debit balances	Canadian dollar rates†	U.S. dollar rates†
Under $10,000	CAD Prime + 2.00%	USD Prime + 2.25%
$10,000 – $24,999	CAD Prime + 1.75%	USD Prime + 2.00%
$25,000 – $49,999	CAD Prime + 1.50%	USD Prime + 1.75%
$50,000 – $99,999	CAD Prime + 1.25%	USD Prime + 1.50%
$100,000 and over	CAD Prime + 1.00%	USD Prime + 1.25%

† Based on Royal Bank prime rates as of March 22, 2017. CAD Prime = 2.70% and USD Prime = 4.00%. Rates are subject to change.

* RBC retains the right to change interest rates on a discretionary basis. A committee comprised of individuals representing various authorities within RBC Dominion Securities administers these interest rates. These rates are adjusted from time to time based on various factors, including, but not limited to, competitive analysis, Bank of Canada and other bellwether rates and/or cash rates. Interest amounts less than $5 are neither charged nor paid on regular accounts, and interest amounts less than $1 are neither charged nor paid on special product accounts. Rate changes of less than 1% will be processed on the 22nd of the month. The average daily cash balance for the month determines the tier that will be used to establish the rate. For interest rates on balances other than CAD or USD, speak to your advisor, or go to www.rbcds.com/cash-margin-rates.html.

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