Portfolio Advisor

Wealth Management
Dominion Securities

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Market commentary

Equity markets are weighing whether a recession is coming or whether the current weakening in certain economic indicators is nothing more than a "soft patch.".

Leading indicators suggest the economic expansion is in its later stages.

While the business cycle is decidedly advanced, the U.S. economic growth rate is likely to settle closer to its five-year average after a stellar 2018. Leading indicators suggest the economic expansion is in its later stages. The risk, in our view, is market turmoil and policy risks on both sides of the Atlantic cause confidence to falter and consumers and businesses to rein in spending, but that is not our base case.

For now, with equities having had their worst December since 1931, we believe the recent correction may be overdone. We maintain our Market Weight positions in equities.

Fixed income

The interest rate environment has changed dramatically in recent weeks as uncertainty/confusion on a number of fronts—trade, central bank policy, economic growth, and politics—has led to increased volatility in financial markets. And with these issues likely to remain in play for the foreseeable future, continued volatility could be the "new normal." Sovereign yields should see diminished upward pressure and yield curves could experience continued flattening. As recession indicators, yield curves are nearing "cautionary" levels, in our view.

Selling pressure and the attendant spread widening in the credit space hasn't deterred us from viewing this as our favorite sector, but it has hardened our recommended focus on quality. Our current fixed income Underweight suggests that remaining selective and shortening portfolio duration are prudent strategies.

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

RBC Wealth Management
Global Portfolio Advisory Group

10 years after

Lessons learned from the financial crisis

This March is the 10th anniversary of the stock market's lowpoint during the 2008-2009 financial crisis. This earth-shaking event provides important lessons for investors looking to make the right choices in the face of today's volatile markets.

It's darkest before the dawn

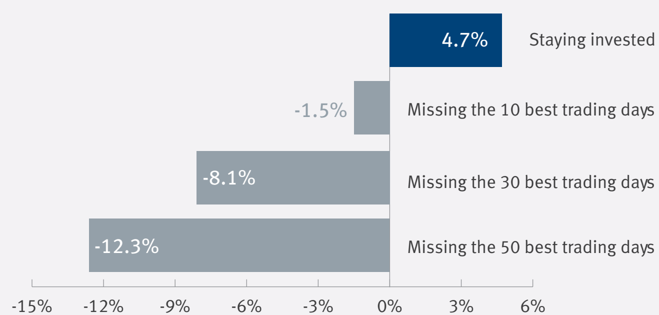
If we cast our minds back to March 2009, the financial markets were in a state of chaos. Of course, no one could have known then that, amidst the panic, the market recovery had already begun.

On March 9, 2009, the benchmark U.S. stock index, the S&P 500, hit its bottom. Since then, investors have been rewarded with one of the most stunning bull markets in history: the S&P 500 Index has advanced over 330% to the end of November 2018 – and delivered a 16%+ annual return.*

While financial crises like the one that occurred over 2008-2009 are extremely rare, there is no avoiding the fact that periodically, markets will experience short-term volatility, which can cause investors to question their investments and investment plans.

Why it's best to stay invested

Missing just the 10 best days in the market over the past 10 years would have reduced returns significantly.



Based on the annualized returns of the S&P/TSX Composite Index for 10 years, ending December 31, 2017. Source: Bloomberg, RBC Global Asset Management.

Basic lessons vs. base instincts

2018 has been a year of ups and downs, with equity markets starting and ending the year with some of the sharpest volatility we have seen since the financial crisis.

How do you manage through this turbulence? How can we control our base instinct to panic and, instead, stay on course to our goals?

- **Don't invest in something you don't understand**
  In the lead-up to the financial crisis, many investors deviated from their investment plans, chasing returns in risky assets they often did not even understand. That especially hurt them when markets sank.
- **Make a plan – and stick to it**
  A properly built investment plan – one that aligns your investment portfolio with your unique goals – will help you maintain perspective and avoid emotional decisions when volatility hits. And it will also help ensure your portfolio remains diversified, which helps manage risk and enhance return potential through the use of different asset classes, geographical markets and industries.
- **Don't try to "time" the markets**
  As the chart above shows, missing out on just some of the best days in the markets dramatically affects your returns. And even professionals can't reliably predict exactly which days will be the best. In the short term, markets are mercurial. However, over the long term, they tend to steadily climb.
- **Invest regularly**
  One way to take advantage of the long-term up-trend is by investing regularly, which allows you to ease into any type of market (rising, falling, flat) and reduces long-term portfolio volatility. Why? Investing a fixed dollar amount on a regular basis gives you a chance to buy more investment units when prices are low and fewer units when prices are high, thereby potentially reducing the average cost of your investment. Equally important is that it provides a built-in discipline, helping you avoid trying to time the market.

To learn more, please contact us today.

* The return of the S&P 500 Index from March 2009 to November 2018. All returns in local currency, annualized and include reinvestment of all dividends.

Tax-ic waste

Three commonly wasted tax-saving opportunities

There are laws to better protect Canadians from the very serious problem of toxic waste. No such laws exist to protect us from “tax-ic waste”– missed tax deductions, tax credits and tax savings strategies. However, while “tax-ic waste” may not harm our physical health, it can harm our financial health. The following are some tax savings opportunities you definitely don’t want to waste:

Harvesting tax losses

If you’re holding investments that no longer meet your investment strategy and are in a loss position, consider selling (i.e., tax-loss harvesting) before year-end, and applying the capital loss against realized capital gains to reduce taxes. If you have excess capital losses for the year, you can apply those losses against taxable capital gains taxes from the previous three tax years and, if there’s still an excess, carry them forward to apply to future capital gains.

Maximizing tax-advantaged plans

- *Maximize registered plan contributions to benefit from tax-deferred growth.* You may already be maxing out your Registered Retirement Savings Plan (RRSP), but if you’ve fallen behind try to catch up as soon as possible. And don’t forget about the Tax-Free Savings Account (TFSA) – while your contributions aren’t tax-deductible as with an RRSP, they still grow on a tax-free basis. Plus, unlike an RRSP, TFSA withdrawals are also tax-free.
- *Hold the right assets in the right accounts.* For instance, the income from interest-bearing securities – bonds, GICs, T-bills, etc. – are fully taxable in the year received when held in non-registered accounts. So, consider holding fixed income in your tax-sheltered registered accounts (e.g., RRSP, TFSA, etc.) and investments with built-in tax efficiency, such as Canadian dividend-paying stocks, in your non-registered accounts.
- *Withdraw the right amounts from the right accounts.* For example, withdrawing lower amounts from your registered accounts in retirement can help reduce taxes and clawbacks on government benefits.

Claiming tax credits

- **Student tuition**

  If you’re paying for a child or grandchild to attend a qualifying post-secondary institution, the student can transfer up to $5,000 of tax credits towards your tax owing in the year the expenses incur. If the amounts are not transferred, your child or grandchild can carry forward unused credits to future years in which they have taxes payable.
- **Canada Caregiver Credit**

  If your spouse or an aging relative is dependent on you for the basic necessities because of physical or mental circumstance, you might be eligible for the caregiver tax credit that generally ranges from $2,150 to $6,883 depending on the relation and the relative’s net income.
- **Home Accessibility Tax Credit**

  This non-refundable tax credit for accessible renovations is designed to help qualifying Canadians (e.g., individuals 65 years or older) stay longer in their homes. Up to $10,000 in eligible expenses can be claimed for permanent alterations that make a home safer or easier to access for the claiming individual (e.g., grab bars, walk-in tubs, accessible showers, stair lifts, etc.).

To learn more, please contact us today.

Connected and protected

Retiring in the digital age

With the help of technology, Canadians are continually redefining the meaning of "retirement lifestyle." Not only does it enable longer and longer lifespans – and retirements – it's creating easier ways to connect with each another, entertain ourselves and even look after our health.

Conveniences like video calling your family from another city or monitoring your heart rate with a wristwatch are now commonplace. You can also expect to experience miraculous new things in the future, like wearable devices that measure blood glucose levels without piercing the skin, or smart earbuds that enable seamless, real-time conversation with someone who speaks a different language. One commonality between these technologies is another technology we routinely take for granted – the internet.

But these technologies come with a degree of risk, especially for the typical retiree. Seniors are not only the fastest-growing group of internet users in Canada, they're also the most vulnerable – and targeted – when it comes to cyber fraud. From January 2014 to December 2016 alone, Canadians age 60 to 79 lost an estimated $28 million to various scams.

Thankfully, the best ways to protect yourself and your devices have remained unchanged and simple:

When it comes to emails, err on the side of deletion

"Is this really my granddaughter Heather? Reaching out to me as her last hope for bail-out money?"

Chance are slim, but even if the email's request is not that suspicious, delete it unless you recognize the sender and the content from real life. The friend or family member you think it might be can always find another way to get in touch with you.

Choose a strong password

Old habits die hard. The worst passwords of 2017 (as reported by SplashData, the makers of SplashID password manager) were unsurprising culprits: 123456, password, 12345678, qwerty and 12345.

The best way to secure your password is to ensure it:

- is at least eight characters in length,
- uses a combination of upper and lower case letters,
- uses one number, one special character and is creative

Yes, creative! Try a phrase that's memorable to you specifically, and adjust from there (e.g., change a to @).

Secure site – or flight

Know how to recognize a truly secure site. Secure websites encrypt information before sending it between computers (e.g., from you to the company you're purchasing from). This makes the information completely unreadable for criminals, because only the computer on the other end can read it. To know the site you're using is secure, look for a padlock symbol and "https" (not simply "http") at the start of the address bar.

Install anti-virus software

A virus can do more than breach your privacy, it can cause your computer to run slowly, have trouble booting up or even face permanent damage. Worst of all, once contracted, it can spread to other machines on your network. Antivirus software is an important basic defense against threatening computer viruses.

These basic practices can help you protect your information, but they're not an exhaustive list. Learn other tips and tricks at the pages below:

Government of Canada Cyber Security

https://www.canada.ca/en/services/defence/cybersecurity.html

RBC Cyber Aware Page

https://www.rbc.com/cyber/

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