



Principles of Successful Investing

Investors today are faced with ever-changing market conditions, an often overwhelming amount of information from the media and an increasing number of investment choices. It's not surprising that the world of investing can seem complex.

This complexity can lead to investing pitfalls that may result in lost investment gains over the long term. In fact, over the past 20 years the average equity mutual fund investor has underperformed the market by 2.9% – mainly due to investor behaviour.*

But the principles of successful investing are quite simple. The five tried and true investment principles outlined in this guide can collectively serve as a blueprint for building an effective long-term portfolio designed to achieve your financial goals.

1 Invest
early

2 Invest
regularly

3 Invest
enough

4 Diversify
your portfolio

5 Have
a plan

1 Invest early

Getting an early start on investing is one of the best ways to build wealth.

Investing for a longer period of time is largely recognized as a more effective strategy than waiting until you have a large amount of savings or cash flow to invest. This is due to the power of compounding.

Compounding investment returns is the snowball effect that occurs when your earnings generate even more earnings. Essentially, your investments grow not only on the original amount invested, but also on any accumulated interest, dividends and capital gains.

The longer you are invested, the more time there is for your investment returns to compound. Time has historically enabled investors to take advantage of long-term market returns to effectively grow portfolios over the long run.

With investment minimums starting at \$500, it is easy to get started today.

2 Invest regularly

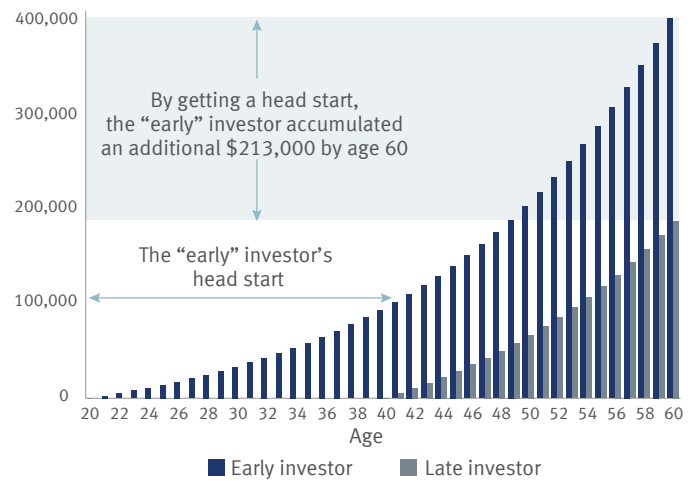
Investing often is just as important as investing early.

A regular investment plan allows you to choose when and how often you make contributions to ensure that investing remains a priority throughout the year, not just during certain periods – like the yearly RRSP contribution deadline. This enables you to apply a disciplined savings approach to help successfully build wealth over time.

Investing regularly also allows you the opportunity to ease into any type of market (rising, falling, flat) and reduce long-term portfolio volatility. This is the case because 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 over the long term.

Investing small amounts of money on an ongoing basis can help smooth out returns over time and reduce overall portfolio volatility.

Investing early can pay off over the long term



The chart represents an "early" investor who invests \$200 per month for 40 years and a "late" investor who invests \$400 per month for 20 years. Both investors have invested a total of \$96,000 by age 60.[†]

Assumes a 6% annualized rate of return.

Source: RBC Global Asset Management Inc.

Your monthly savings can really add up

Number of years invested	Monthly contribution amount			
	\$50	\$100	\$250	\$500
5	\$3,489	\$6,977	\$17,443	\$34,885
10	\$8,194	\$16,388	\$40,967	\$81,940
15	\$14,541	\$29,082	\$72,705	\$145,409
20	\$23,102	\$46,204	\$115,510	\$231,020
25	\$34,650	\$69,299	\$173,249	\$346,497

Assumes a 6% annualized rate of return.[†]

Source: RBC Global Asset Management Inc.

3 Invest enough

Achieving your long-term financial goals begins with saving enough today.

Saving for a major goal like a house, post-secondary education or retirement requires significant thought and decision making – but that is only half the battle. It is vital to know how much you need to begin saving today in order to have a large enough investment portfolio to support your future goal.

Generally, the more you save today, the less you will need to save in the future to achieve the same goal as someone who invested more over a shorter period of time. Your current income is a useful starting point for calculating certain long-term goals – like your retirement savings needs – since the more you make today, the more savings you will likely need to fund your lifestyle in retirement.

4 Diversify your portfolio

It's important to spread your investments across different asset classes.

When it comes to investing, one of the easiest ways that you can manage risk and improve your probability of success is to take advantage of diversification opportunities through different asset classes, geographical markets and industries.

Financial markets do not move in concert with one another. And at various points in the market cycle, different types of investments or asset classes – such as cash, fixed income and equities – will have varying performance. This performance varies because asset classes can respond differently to changes in environmental factors, including inflation, the outlook for corporate earnings and changes in interest rates.

By holding a combination of different asset classes in your portfolio, you can take the guesswork out of predicting winning and losing investments in any given year.

Investment options like RBC Portfolio Solutions provide access to a well-diversified portfolio in one easy solution.

HOW MUCH IS ENOUGH?

Going through various questions with your advisor, such as the ones listed below, will help you determine how much savings you will need to fund your goal.

- What is your goal (e.g. retirement lifestyle, cottage)?
- How much will you need to attain your goal?
- What savings do you currently have in place to meet your goal?
- What is the time horizon required to reach your goal?

Your advisor can help you create an investment plan that helps ensure you are saving enough today to reach your future goals.

A strong case for diversifying your investment portfolio

	2012	2013	2014	2015	2016
Emerging Market Equities	16.0%	U.S. Equities 41.6%	U.S. Equities 24.4%	U.S. Equities 20.8%	Canadian Equities 21.1%
International Equities	15.3%	International Equities 31.6%	Canadian Equities 10.6%	International Equities 19.0%	U.S. Equities 8.6%
U.S. Equities	13.1%	Canadian Equities 13.0%	Canadian Fixed Income 8.8%	Canadian Fixed Income 3.5%	Emerging Market Equities 7.3%
Canadian Equities	7.2%	Emerging Market Equities 4.3%	Emerging Market Equities 7.0%	Emerging Market Equities 2.0%	Canadian Fixed Income 1.7%
Canadian Fixed Income	3.6%	Cash 1.0%	International Equities 4.1%	Cash 0.6%	Cash 0.5%
Cash	0.9%	Canadian Fixed Income -1.2%	Cash 0.9%	Canadian Equities -8.3%	International Equities -2.5%
Cash		FTSE TMX Canada 30 Day T-Bill Index	International Equities		MSCI EAFE Total Return Index
U.S. Equities		S&P 500 Total Return Index	Canadian Equities		S&P/TSX Composite Total Return Index
Fixed Income		FTSE TMX Canada Universe Bond Index	Emerging Market Equities		MSCI Emerging Markets Total Return Index

All performance is in C\$.

Source: RBC Global Asset Management Inc. as of December 31, 2016.

5 Have a plan

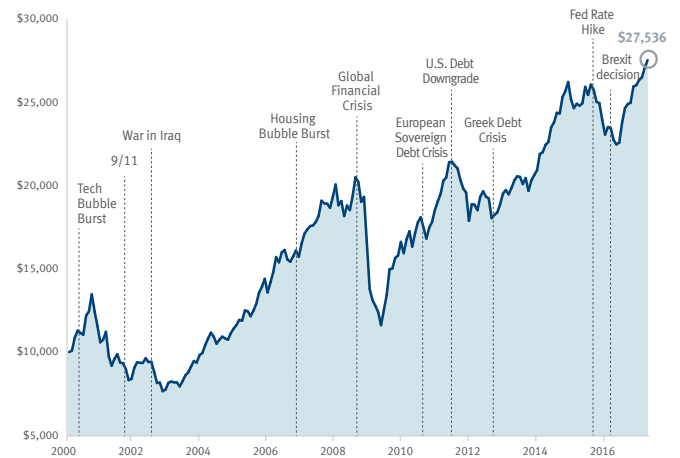
Don't let your emotions influence your investment decisions.

When market volatility increases, even experienced investors can become overly focused on short-term movements. This can lead to hasty decisions, chief among them timing the markets – investing after markets have already risen and/or redeeming existing investments after markets have already fallen.

The key to avoid making rushed investment decisions is to maintain perspective and focus on the long term. With a well-structured plan in place, you can confidently remain committed to it, knowing that day-to-day market fluctuations are likely to have little impact on your longer-term objectives or on the investment strategy designed to get you there.

There will always be events that affect equity markets in the short term. But over the long term, markets have always moved ahead.

There will always be reasons not to invest



The growth of \$10,000 since January 2000. An investment cannot be made directly in an index. Graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Performance data as of December 31, 2016.

Source: RBC Global Asset Management Inc.

TURNING THE PRINCIPLES INTO ACTION

Applying the five principles of successful investing can help ensure your portfolio:

Is well positioned for the long term.

Successfully navigates temporary periods of market volatility.

Takes advantage of opportunities as market conditions evolve.

Your advisor can help you put these investment principles into practice and keep you focused on your long-term plan.

[†]The rate of return or mathematical table shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund.

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