

# Michie Wealth Management's Quarterly Investment Update



Wealth Management  
Dominion Securities

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The Michie Wealth Management Group of RBC Dominion Securities Inc.

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“We build our business on integrity and service. The highest compliment we can receive is the referral of friends, family and business associates. Thank you for your Trust.”

## Retirement Planning... “The Survey Says”

Daylight hours are getting longer, temperatures are getting warmer, income tax documents have been delivered to your accountant... life is good, and the focus of this quarterly newsletter is to help you to keep it that way!

Many of you have already retired; or plan to retire in the near future. Financial studies continue to show that you, your family, or your friends could use some extra assistance. The results of these surveys are not surprising; many individuals nearing retirement are simply not prepared. What we do find surprising is that despite the record number of Canadians heading for retirement, survey results do not seem to be improving. We would like to share a few excerpts from a recent study to highlight some shortfalls in being retirement ready.

From the McKinsey & Company report *Cracking the Consumer Retirement Code* (a US survey – but still very pertinent).

“While consumers’ anxiety levels around the financial risks in retirement are rising rapidly, the majority hold some serious misconceptions that are jeopardizing their future living standards in retirement. In particular, pre-retirees are vastly overestimating the likelihood of working longer to make up savings shortfalls and significantly underestimate their probable retirement expenses.” The study further elaborates with, “Our research reveals that while almost half of all baby boomers expect to work past age 65, only 13% of retirees have actually done so. While pre-retirees expect, on average, to work until age 67, the average age of retirees is only 59. The result is a perilous double-whammy – eight fewer years of earning

power, combined with 8 additional years over which to stretch existing retirement savings – that stands to put a serious dent in the retirement lifestyles of millions. Further exacerbating the situation is that people are living much longer: A 65 year-old couple today has a greater than 50% chance that one partner will live into their 90’s – a reality that even in the best of circumstances, greatly increases the risk that people will outlive their savings.”

### What are 3 ways that we can help you with retirement planning?

1. If you have not worked with us to create a financial plan, or if there have been material changes from your previous plan, **contact us** – let’s get this critical document done. A financial plan offers answers to the important questions, and provides a road map of your finances in retirement. If you have a friend or family member that could also benefit, preparation of a financial plan is a key component of our intake process.
2. Attend one of our upcoming seminars (details are on our website). These are designed to help you plan for a successful and happy retirement.
3. Ask us to send a copy of the RBC Wealth Management Guide “Retiring in Canada – Strategies and solutions for those already in or approaching retirement”. Feel free to ask for a second copy for a friend or family member.

**Retirement should be great years – let us help you plan for them, and assist you through the years to come.**

# Wealth Transfer Considerations

It is estimated that within a generation US\$4 trillion will be passed down to inheritors in Canada, the United Kingdom and the United States. With that in mind, RBC Wealth Management surveyed 3,105 individuals worth over US\$4.5 million on average – including wealthy professionals and entrepreneurs, business owners and retirees, givers and inheritors of wealth. Here were the top findings from the study:

**People are generally unprepared to inherit wealth.** Only 26% of respondents have a full strategy in place to transfer their wealth to the next generation, and only 35% of inheritors report they were prepared by their benefactors before receiving wealth.

**Many benefactors have taken only initial steps to prepare for wealth transfer.** 54% of respondents have a will in place, but 1 in 3 indicate they have done nothing to prepare for passing wealth to the next generation

**People are more likely to have a wealth transfer strategy if they have received an inheritance.** 32% of previous inheritors have a full wealth transfer strategy, compared to only 15% of those who have yet to inherit.

**There is a direct correlation between preparedness and confidence in wealth preservation.** For those with a full wealth transfer plan, 58% are confident the next generation will sustain their wealth, compared to 33% of those who have done no preparation.

**The Key to raising financial literacy and building confidence is to start early.** On average, structured financial education begins at age 27. Yet starting earlier leads to higher confidence, with 66% of those who began before 18 rating themselves as confident.

**Financial education is largely informal and guided by family.** Informal family knowledge is foundational, yet fewer respondents consider it effective, 3 out of 5 believe family conversations are effective whereas 4 out of 5 say that structured financial literacy programs are effective.

**The intention to educate children on financial matters does not necessarily translate in to action.** 35% have yet to begin educating their children about wealth and money topics, but are planning to in the future.

**Many plan to pass on their wealth through their estate.** 57% of respondents intend to pass on all of their wealth upon death or illness, compared to 29% who plan to gift it gradually during their lifetime

How can families today better prepare themselves to preserve their legacies for generations to come? For starters, they should avoid the pitfalls identified in the above research. There is no better time for individuals and families to tackle the challenge of wealth preservation. They have greater access to resources, guidance and support than ever before. By improving their financial knowledge, planning the inheritance process, promoting frank discussion, and providing more structured learning at an earlier age, parents can better prepare their heirs to effectively manage family wealth.

**If you would like a full copy of the *Wealth Transfer Report*, please let us know – we would be happy to provide you a copy.**

## UPCOMING EVENTS

### Victory Lap Retirement

April 25<sup>th</sup>  
7:00PM – 9:00PM  
Oshawa Golf & Curling Club  
160 Alexandra Street  
Oshawa, Ontario

### Understanding Your Pension Options

May 9<sup>th</sup>  
7:00PM – 9:00PM  
RBC Dominion Securities  
17 King Street West, 2<sup>nd</sup> Floor  
Oshawa, Ontario

### Retirement Planning: Tax Efficiency & Portfolio Construction

April 25<sup>th</sup>  
7:00PM – 9:00PM  
Oshawa Golf & Curling Club  
160 Alexandra Street  
Oshawa, Ontario

Please RSVP to Lynsey Rivest at [lysney.rivest@rbc.com](mailto:lysney.rivest@rbc.com) or 905-434-6230.

Seating is limited and we encourage you to respond early.

## 2017 Federal budget released

The Liberal government's Federal Minister of Finance, Bill Morneau, delivered the 2017 federal budget on March 22<sup>nd</sup>. The budget contained numerous tax measures, but many of which were not very significant in nature. For most clients, the most important aspect of this year's budget was what was not included – **the budget did not propose a change to the current capital gains inclusion rate of 50%.**

Here is a highlight on some of the proposed changes that may have an impact on you:

**Public transit credit** – The budget proposes to eliminate the credit effective July 1, 2017. The cost of public transit passes for use after June 30<sup>th</sup> will no longer be eligible for the credit.

**Disability tax credit** – The budget proposes to add nurse practitioners to the list of medical practitioners that could certify eligibility for the credit

**Tuition credit** – The budget proposes to make the tuition tax credit available for fees paid to a university, college, or other post-secondary institution in Canada for occupational skills courses that are not at the post-secondary level. For example, this may include training in a second language.

**Canada Caregiver credit** – The budget proposes to replace the infirm dependant credit, the caregiver credit, and the family caregiver tax credit, with a new Canada Caregiver credit.

**Caregiver EI Benefits** – EI benefits are currently available to eligible caregivers in cases where a loved one is gravely ill and at significant risk of death, or where a child is critically ill or injured. The budget proposes to create a new EI caregiving benefit available for up to 15 weeks, covering

a broader range of situations that would apply

**Parental benefits** – Proposed changes will allow parents to choose to receive EI parental benefits over an extended period of up to 18 months at a lower benefit rate of 33% of average weekly earnings. EI parental benefits will continue to be available at the existing benefit rate of 55% over a period of 12 months. The budget also proposes to allow women to claim EI maternity benefits up to 12 weeks before their due date, extended from the current 8 weeks.

**Anti-avoidance rules for registered plans** – There are a number of anti-avoidance rules that currently exist for Tax Free Savings Accounts, Registered Retirement Savings Plans, and Registered Retirement Income Funds. These rules are in place to ensure that the plans do not provide “excessive” tax advantages. The budget proposes to extend the anti-avoidance rules to Registered Education Savings Plans and Registered Disability Savings Plans to improve consistency of the tax rules across all registered plans.

**Electronic distribution of T4 slips** – The budget proposes to allow employers to distribute T4's electronically to current employees without having to obtain express consent from these employees in advance. An employer will be required to have sufficient privacy safeguards in place to ensure the information remains confidential. Employers will still be required to issue paper copies to employees who request them.

**Previously announced tax measures** – The budget confirms the government's intention to proceed with the following previously announced tax and related measures, as modified to take into account consultations and deliberations since their release:

- Measures announced on October 3, 2016 to improve fairness in relation to the principal residence exemption
- The measure announced in the 2016 federal budget on information-reporting requirements for certain dispositions of an interest in a life insurance policy
- Legislative proposals released on September 16, 2016 relating to income tax technical amendments.

**Please let us know if you would like a more detailed summary of the budget – we would be happy to send a full breakdown to you.**

### MARKET WATCH

Equity Indices	YTD (%)	52 Week (%)
S&P/TSX	1.4%	15.8%
S&P 500	4.6%	15.0%
Dow Jones	4.0%	17.2%
Euro Stoxx 50	3.6%	12.1%
FTSE 100	2.1%	19.4%
DAX	4.5%	21.8%
NASDAQ	8.5%	22.5%
Nikkei 225	-0.7%	10.8%
Shanghai Stock Exchange	5.3%	10.5%
Hang Seng	10%	18.9%
MCSI World	5.4%	13.7%

*\*Performance as of March 27, 2017*

## Introducing RBC Future Launch: For your children, grandchildren, or family friends

The status quo no longer exists. In this rapidly changing world, there's a new way of living and a new world of work. What does this mean for a young person in Canada? A degree or diploma no longer guarantees a job and some of the jobs today won't be the jobs of the future. 83% of educators believe youth are prepared for the workforce, while only 34% of employers and 44% of young people agree.

*RBC Future Launch* is about bringing our collective resources, capabilities and experience as a leading employer to drive real change. More than that, this effort will be driven by young Canadians. It's not just talk, RBC is prepared to spend the next ten years and \$500 million to help. We'll bring likely and unlikely partners together to co-create solutions, partner with public and private sectors, engage educational providers and the social sector to develop programs with young Canadians that are unique and innovative. We'll test, learn and scale these solutions to adapt more quickly to the way our workforce is changing.

If you have a young family member that might benefit from this program, please direct them to the program website, [www.rbc.com/futurelaunch](http://www.rbc.com/futurelaunch) for additional details.

## Check out our website!

We recently finished our revamp of the [www.michiewealth.com](http://www.michiewealth.com) website in order to serve you better.

We know that many of you have utilized our website previously to access RBC Dominion Securities daily, weekly, and monthly commentaries to understand what is happening with the markets. You can continue to access this information under the new "Client Resources" section of our site. In addition to market commentaries; the Client Resources section can provide you with useful information through financial planning guides, tools and calculators, GIC rates, and access to our previous issued newsletters.

We have also created an "Upcoming Events" section that will let you know about our upcoming complimentary seminars. You now have the ability to RSVP for the event right from our website. We hope that that you will find our upcoming seminars of interest to you - please let us know if there are any future topics you would like us to discuss as we are always open to new ideas.

## Team Announcements

We are pleased to announce that Paula Austin, Associate, and Cassandra Gillen, Assistant, have joined our team at The Michie Wealth Management Group. Paula is a veteran of the industry, bringing over 27 years of experience to our team. Cassandra will be graduating from Durham College this April, joining our team on a full time basis beginning in May.

We would also like to congratulate Lynsey, who will be expecting her first child in August!



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