Michie Wealth Management's Quarterly Investment Update

Wealth Management
Dominion Securities

Winter 2017

The Michie Wealth Management Group of RBC Dominion Securities Inc.

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Two Big Stories For 2017

The "Trump Effect"

Clearly the November 2016 U.S. election with Donald Trump assuming the reins in January 2107 has carried extensive media coverage, with much speculation on how the market will react. We recently published and forwarded a copy of the RBC Wealth Management "Global Insight- 2017 Outlook" to many of our clients via email. If you did not receive a copy or would like an additional copy to share with others, please do not hesitate to contact us.

As 2017 rolls out, we will continue to forward updated research to you. Additionally, we encourage you to check out our website where we publish daily, weekly and monthly updates of the global economic situation. Please feel free to share this information with others as we believe the research offerings of RBC Wealth Management are the most extensive in the Canadian wealth management industry.

CRM2

New industry- wide regulations that will impact all dealers and advisors in Canada, including IIROC firms, MFDA dealers and investment counselling firms have been put into place. Simply put, any bank, credit union, investment firm, discount brokerage or discretionary manager will fall under these regulations.

As a result of these changes you will be receiving two new reports, likely in the later part of January. The first report will address the Annual charges and Compensation received by the Advisory Firm for each of your accounts. The second report will provide the annual investment performance by account.

We would like to reiterate that RBC Dominion Securities fully supports this industry initiative. Our team believes this to be a major step forward to ensure that all our competitors are providing the suitable clarity to make fully informed decisions.

Should you have any questions, please do not hesitate to speak to us… we want to ensure that our clients (and any individuals that you may refer to us) have full clarity of the service, wealth management solutions and fees associated with these.

"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."

Happy 9th Birthday!

Tax Free Savings Accounts have turned 9 years old as of January 1st, 2017!

This offering was introduced by the late Jim Flaherty in the 2008 Federal Budget with an initial maximum deposit of $5,000 per year for any Canadian over the age of 18 at that time. With changes over the past years, the maximum lifetime contribution as of January 1st, 2017 for an individual has now reached $52,000 or $104,000 for a couple.

This solution has evolved into a cornerstone of wealth management planning over the past 9 years, due to it's extreme flexibility to address many different situations.

We encourage you to make your 2017 contribution (and any past missed contributions) as early as possible this year. During our review meetings with you, please do not hesitate to talk to us about your Tax Free Savings Account strategy.

Tax Reporting For 2016 & Planning For 2017

There are four items that we want to highlight to you:

- Did you sell "principal residence" real estate in 2016? Under new CRA disclosure rules, even though the sale of your home may be "tax-free" you are still going to be required to file a Schedule 3-Capital Gains on your T1 return. Going forward the principal residence exemption will only be allowed where it has been properly reported. Please do not miss reporting this information, and if you require additional guidance we would be happy to provide you articles.

- Would you like a duplicate copy of all tax reporting that we provide to you sent to your accountant? Candidly, this makes it simpler for all concerned, and if you have not already made arrangements for this, simply contact Lynsey of our office and she will have you forward the required letter of authorization.

- US Holdings reporting continues to be of concern. Please ensure that the T1135 Reporting is being accurately completed for all your holdings. We can certainly assist you with providing the required information on your accounts with us, but we do not know of any external holdings that may put you in excess of reporting limits.

- TFSA contributions - please make sure you are aware of your TFSA contribution room. If you have any questions regarding the amount you can invest in, please use the CRA phone number listed on your Notice of Assessment. Penalties for over contributions are certainly punitive and you want to avoid them.

UPCOMING EVENTS

We are currently working on the offering of a number of seminars in 2017 as a component of our advocacy of increasing financial literacy.

Announcements will be made through email, newsletters and through media advertising.

We encourage our clients to feel free to pass along invitations to friends and family that might find benefit in out seminar topics.

We welcome your ideas for additional seminar topics - please do not hesitate to let us know.

Six Principles of Tax-Smart Investing

Following are six principles to help you enhance your after-tax investment returns.

Principle #1 – Focusing on your after-tax returns can – literally – pay dividends

Interest income (e.g. from GICs or bonds) is fully taxable at your marginal tax rate. However, only one half of any capital gain (e.g. from selling a stock that has increased in value) is taxable at your marginal rate. And eligible Canadian-source dividends are generally taxed even less, depending on your province. In fact, you can earn between $30,000 – $40,000 in tax-free dividends if you have no other income (varies by province).

Principle #2 – Maximizing your RRSP means more than just maximizing your RRSP contributions

Your Registered Retirement Savings Plan (RRSP) offers two well-known tax advantages: RRSP contributions are tax-deductible and grow free of annual taxes. There are several ways to make the most of these advantages, beyond simply maximizing your contributions every year. For example, if your annual income fluctuates, consider making your RRSP contribution as usual in a lower-income year, but wait until a higher-income year to claim it for a potentially greater tax deduction. Another strategy is to shelter interest-bearing investments, such as GICs and bonds that would otherwise be fully taxable at your marginal rate, within your RRSP.

Principle #3 – Don't settle for just tax-deferred growth when you can get tax-free growth too

With an RRSP, your investment earnings grow on tax-deferred basis – meaning you don't pay tax until you actually start making withdrawals. With the Tax-Free Savings Account (TFSA), on the other hand, your investment earnings grow on a tax-free basis – meaning you never pay tax, even when you make withdrawals.
This has some people wondering whether they should still contribute to their RRSP – or just go with a TFSA. However, in most cases, it makes sense to contribute to both. Your RRSP is designed for a specific purpose – saving for your retirement. It also offers the ability to make much larger contributions – and they also are tax-deductible. Your TFSA, meanwhile, is more flexible, allowing tax-free withdrawals at any time for any reason – and the amount withdrawn is added back to your available contribution room the following year.

Principle #4 – Create a tax-efficient retirement income stream

There are several strategies to create a more tax-efficient income stream, without necessarily taking on more risk. One strategy is to draw on your various income sources in a certain order, starting with less tax-advantaged sources such as GIC income in a taxable account. This gives tax-advantaged sources such as your RRIF more time to grow on a tax-deferred basis. Another strategy is to split your income with your spouse so that you have similar incomes and thus similar tax rates. Because of Canada's marginal tax rates, a couple with two similar tax rates generally pays less combined tax than a couple with two different tax rates.

Principle #5 – Enhance retirement income with special tax-advantaged plans for business owners

An Individual Pension Plan (IPP) allows business owners and incorporated professionals like dentists and vets to make larger tax-deductible contributions compared to an RRSP. A Retirement Compensation Arrangement (RCA) – sometimes called a "super-sized pension plan" because there are no set limits on contributions or benefits – is designed for owner/managers or key employees seeking supplementary retirement benefits.

Principle #6 – Enhance your legacy the tax-smart way

Because of the potential for large taxes on your estate, the government could be your single largest beneficiary when your estate is settled. One way to deal with these potentially large taxes is through the use of insurance-based strategies, which cover the taxes, maximizing your legacy.

Please contact us for more information on tax-smart investing.

MARKET WATCH

Equity Indices	YTD (%)	52 Week (%)
S&P/TSX	18.6%	18.6%
S&P 500	9.8%	9.8%
Dow Jones	13.6%	13.6%
Euro Stoxx 50	-1.2%	-1.2%
FTSE 100	12.5%	12.5%
DAX	6.9%	6.9%
NASDAQ	7.9%	7.9%
Nikkei 225	-4.7%	-4.7%
Shanghai Stock Exchange	-12.3%	-12.3%
Hang Seng	0.4%	0.4%
MCSI World	5.32%	5.32%

**Performance as of December 30, 2016*

Exclusive mortgage advantages for RBC Wealth Management Clients

As a valued client, you have access to a wide range of products, services and advice from across RBC to help you with your financial needs beyond investment and wealth management. The Michie Wealth Management Group can introduce you to the experts to assist with financing your home, an investment property or a vacation home. You are eligible for preferred pricing on both your mortgage and home equity line of credit, as well as having some of your switch costs covered. These benefits are available to clients who are starting a new RBC mortgage or switching their mortgage to RBC from another financial institution. **Please ask us how it may be possible to extend these benefits to your family members as well!**

Did You Know?

Our team is proud to be employed through RBC Dominion Securities! In preparation for CRM2, we clearly looked at the value that our firm offers to clients, and we thought you would be interested to know:

- For the 10th consecutive year, Dominion Securities is ranked #1 among bank-owned brokerage firms in the Investment Executive Brokerage Report Card.
- Dominion Securities is the top rated firm in Boston Consulting Group's study of North American brokerage firms.
- With 16.1% of the Industry Investment Advisors (over 1650 advisors), Dominion Securities has 24.8% of the industry's Assets under Administration (AUA).
- Since 2001, Dominion Securities has grown almost 3x that of Wood Gundy and National Bank.
- As of 2016, Dominion Securities is almost twice the size of the nearest bank-owned brokerage firm's AUA.
- With over 200 professionals in our Wealth Management Support group, we clearly lead the industry.

And the best of luck to Candice!

Our newest assistant Candice, and her husband John are expecting the birth of their second child in mid February. We wish them well, and will miss Candice during her maternity leave.

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