Wealth Management
Dominion Securities

Portfolio Advisor

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Tobin Wealth Management Group
of RBC Dominion Securities
1922 Wyandotte St. East
Windsor, ON N8Y 1E4
Tel: 519-252-3078 | Fax: 519-252-3672
Toll free: 1 800-265-0890

Market commentary

Economy

Global economies were severely impacted by lockdowns imposed in response to the COVID-19 pandemic, shuttering many businesses and curtailing consumer activity. As countries ease lockdown measures, the most prominent risk now is that the virus regains traction and forces economies into a second closure, as evidenced by the recent resurgence in the U.S.

In response to the crisis, massive global fiscal and monetary stimulus programs were announced to provide relief to households and businesses, and to ensure the proper functioning of financial markets. The U.S. looks set for a 7% decline in 2020 GDP, with Canada slightly worse off at an 8% decline due to the severe damage done by the collapse in oil prices.

Equities

Major market indexes fell more than 35% in a matter of weeks in February and March as volatility surged, but the S&P 500 Index, S&P/TSX Composite Index and other indexes have already recovered much of their losses based on the improving economic outlook as lockdowns ease. Outlooks suggest further modest upside for stocks as long as investor confidence stays elevated, inflation and interest rates remain low, and earnings ultimately rebound to their long-term trend.

Bonds

Global central banks have supplied substantial monetary support to the market, economy and consumers by slashing short-term interest rates and expanding their balance sheets by trillions of dollars. The U.S. 10-year Treasury yield fell to an all-time low of 0.31% as investors sought safe havens and central banks ramped up bond buying. The current low level of sovereign-bond yields is likely to deliver unimpressive returns over the next year and possibly beyond, while the corporate bond market could, selectively, offer more upside as the market recovers.

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

RBC Wealth Management
Global Portfolio Advisory Group

Weathering "Typhoon COVID"

Like a ferocious storm, the COVID-19 pandemic swamped global economies and markets – and shook investors' portfolios. With uncertainty still swirling, it's a wise time to reaffirm, reassess and review.

A mighty storm makes landfall

The pandemic hit stock markets hard as it touched down on North American soil, bringing in its wake fears of devastating health and economic consequences. Europe was already beginning to demonstrate the awful impact of the virus. Some countries were devastated, others apparently less so. This dichotomy of experiences led to questions over how much impact the pandemic would have globally.

So as the coronavirus began to take hold in North America, investors assumed the worst, leading markets to plummet over 35% between their all-time high reached on February 19 and their nadir on March 23.[1]

The storm abates

Since March 23, however, global equity markets have soared, with the S&P 500 Index gaining approximately 38%.[2] What turned the tide? Governments and central banks realized that their response to the health crisis – and the lockdowns imposed to deal with it – would need to be massive and unprecedented to prevent an economic depression. To help businesses and individuals weather the storm, they took several measures. They implemented fiscal and monetary policies that slashed borrowing rates. They flooded markets with cheap money. And they also provided massive income support, along with loan, tax and rent relief programs. Combined with a gradually more reasoned analysis of the likely economic impact of the pandemic, markets breathed a sigh of relief, deciding that the future, while still uncertain, was nowhere near as bad as originally feared.

With uncertain weather on the horizon, be prepared for any conditions

With infection rates still increasing in many areas, including the U.S., we are far from in the clear. While the sharp market rebound proved once again that keeping on course to your plan is the right course of action, today's calmer conditions provide an opportunity to:

1) **Reaffirm your goals** – Have your goals changed in the last few months? Many investors have reassessed what matters to them in light of the pandemic and its impact, and this should be reflected in their investment plans.
2) **Reassess your investment plan** – If your goals have changed (see #1), then you need to reassess your investment plan. Also, if the pandemic has had a negative financial impact on you, you may need to reassess your timelines to achieving your goals, and/or recalibrate what you have to save to achieve them.
3) **Review your portfolio** – Are the assets in your portfolio performing as expected? Are they still the right choices for the market environment and the likely long economic recovery ahead?

While the markets may have weathered COVID-19 for now, there's still great uncertainty and another storm could be on the horizon. To make sure your portfolio is ready, talk to us today.

Notes:

[1] Return of the S&P 500 Index from February 20 to March 23, inclusive. Return in local currency. Source: RBC Global Asset Management.

[2] Return of the S&P 500 Index from March 24 to June 25, inclusive. Return in local currency. Source: RBC Global Asset Management.

Caring for the caregiver

These days, providing care to others has never been more dangerous, stressful – or needed. Being so focused on the needs of those they care for and love, caregivers often overlook their own well-being, and can suffer substantial emotional, physical and financial costs.

Even before COVID-19, nearly one-third of Canadians provided unpaid care to a family member or friend with a long-term health condition or disability, spending almost 20 hours per week on caregiving responsibilities. And, these caregivers provide up to 75% of all direct home and community care services in Canada.[1] With an aging population, and the terrible impact of COVID-19, the need for caregiving is only growing greater.

Have the conversation about care

It can be a difficult conversation, but it's important to discuss your loved one's wishes in the event that they need care, and ideally before they actually need it, including:

- Would they prefer assistance from family members, a live-in or drop-in nurse, or a private facility?
- How can they receive the care they need safely, especially considering the health risk posed by COVID-19?
- Do they want to stay in their current home, move to a more convenient location, or stay with a family member?
- Who will make decisions for them about their finances and health care, should they become unable to make these decisions themselves?

On the last point, make sure the person you are (or may be) taking care of has an up-to-date Power of Attorney (or Mandate in Anticipation of Incapacity in Quebec). This will help ensure that your loved one's plans regarding their finances and personal care are fulfilled as they intended.

There is financial relief available

Providing care does not just take a physical and emotional toll – it takes a financial one, too. You may need to take some time off work or draw on your savings, which could affect your own goals. In fact, 14% of Canadians expect they will postpone their retirement to financially support their parents – and 5% already have.[2] But there may be relief available to you.

Employment Insurance caregiving benefits

- Family caregiver benefit for children
- Family caregiver benefit for adults
- Compassionate care benefits

Caregiver-focused tax credits and deductions

- Child Disability Benefit (CDB)
- Family Caregiver Amount Tax Credit
- Medical Expenses Tax Credit
- A dependent relative's Disability Tax Credit

In addition, the Canada Emergency Response Benefit covers workers taking care of someone who is ill (not specifically with COVID-19) or cannot receive their regular care due to the pandemic. Also, the Emergency Care Benefit is available for workers who are taking care of a family member who is sick with COVID-19. Most provinces also have matching or standalone tax deductions and credits of their own. To learn more, visit: canada.ca/en/financial-consumer-agency/services/caring-someone-ill/tax-credit-caregiver.html

Caring for yourself

Caregivers can often suffer a great deal of mental and physical stress, and may end up needing some care themselves. The Canadian Mental Health Association provides a number of support resources at cmha.ca.

Notes:

[1] *"Portrait of Caregivers"*, Statistics Canada (2012).

[2] *"Aging Parents & Financial Support"*, Leger survey (2019).

(Re) Gaining confidence

Three ways to get back on track after COVID-19

Beyond its horrible physical toll, the pandemic has brought financial loss and uncertainty. Despite massive government stimulus and historically low borrowing rates, the Canadian economy is in a deep recession, and is likely to contract by more than 8% this year.[1] On the investment front, stock markets plummeted over 35% between their February all-time highs, and their bottom on March 23.[2] This double whammy left few Canadians untouched by the financial ravages of the coronavirus.

Green shoots

With so many investors thrown off course by the unprecedented downturn, the stock market's turnaround since March 23, and the increasing signs of an economic rebound underway, has led to a cautious optimism. Over just the last quarter (April through to June), the U.S. stock market has soared over 20%, while the Canadian market has gained almost 17%.[3] While both markets remain below their values at the beginning of the year, both have regained nearly all of the losses they incurred in March.

What are the impacts of financial stress?

Health Issues	Relationship problems	Reduced productivity	Family disputes	Substance abuse/mental health
18%	15%	14%	13%	10%

Source: "The Financial Stress Index". FP Canada (May 2020).

Still, the last several months have left many investors feeling uncertain about their financial situation. You may be wondering if you will achieve the goals that matter to you – like your retirement, or a child's education. Here are a few ways you can (re) gain some confidence:

1) **(Re) Assess finances:** Review assets and liabilities to build a net worth statement. Combine that with an income statement – what's coming in and what's going out. This can help you gain a deeper understanding of actual versus perceived financial circumstances, while determining where you can save and what you can afford. In turn, this can assist you in making decisions that can help you achieve your goals faster and/or easier.

2) **(Re) Assess goals:** Establishing goals is critical to boosting confidence, as it ensures that you are building wealth towards something that matters. It can also help build resiliency when times get tough – like when the market falls 35% – and it may be tempting to veer off course. And, if you are committed to your goals, you are more likely to stay true to the plans you've set out to achieve them.

3) **(Re) Assess plans:** Whatever plans you have in place – financial, investment, retirement – ensuring that they align with your goals and reflect your present and expected financial situation is critical. The difference between a dream and a goal is a plan, and having one helps boost confidence that you will achieve what matters.

Boost your confidence today by contacting us to discuss your finances, goals and plans – because if you know where you are, where you want to go, and where you want to end up, you're less likely to get lost along the way.

Notes:

[1] *Quarterly Report* – Q2. Bank of Canada (2020).

[2] Performance of the S&P 500 Index from February 20, 2020, to March 23, 2020, inclusive. Returns are in local currency. Source: RBC Global Asset Management.

[3] Performance of the S&P 500 Index and the S&P/TSX Composite Index from April 1 to June 30, 2020. Returns are total and in local currency. Source: RBC Global Asset Management.

Who will speak for you when you can't?

To help older Canadians make sound decisions about their personal finances, investments and health-care planning, *RBC Wealth Management* and the *National Institute on Ageing* at *Ryerson University* (NIA) recently formed a strategic partnership. This alliance is especially timely considering the COVID-19 pandemic, which has led many Canadians to think about their own health and well-being, and what might happen if they became incapacitated.

It's important to care about your care

The NIA reports that over 80% of Canadians have no form of written plan regarding their financial matters in the event of incapacitation. What's more, less than 50% have had a conversation with a trusted family member or friend about their preferred health-care treatments should they unexpectedly become incapacitated.[1]

This is particularly concerning given the likelihood of incapacitation as we age. The average timespan between when we are living a healthy life and the time we die is nine to 11 years.[2] During this span there is an ever-increasing risk that we will become incapacitated and unable to communicate or make decisions about our financial affairs or health care. Despite this, over 70% of Canadians do not have a Power of Attorney covering financial and health care-related matters.[3]

Their voice, your words

In the event you become incapacitated, you are likely to want to ensure that your financial interests and health-care choices are dealt with as you would wish, and by whom you wish. For that, you require a Power of Attorney (POA). There are generally two types:

- **Standard Power of Attorney for property:** empowers your attorney to legally make decisions about your finances and property on your behalf.
- **Standard Power of Attorney for personal care:** empowers your attorney to legally make decisions about your health care on your behalf.

Advancing the conversation on care

The conversation around ageing and health care needs is evolving and deepening – and that's one of the many reasons we are excited about our partnership with the NIA.

According to the NIA, Canadians should consider Advance Care Planning (ACP) in addition to POAs. This is the process by which a person expresses what they wish to take place should they become incapable of consenting to, or refusing, treatment or personal care. This includes deciding who will make decisions on the person's behalf if this happens, and involves discussions with family members, friends and loved ones. It covers a wide range of scenarios and treatments, including end-of-life care, chronic conditions, and long-term care needs. It may also involve health-care providers, and lawyers who can help to document the decisions with an advance directive.

Engaging and empowering those you trust can help ensure your most difficult moments are spent in the manner you would hope for – and with the dignity and care you deserve.

Notes:

[1] *National Seniors Strategy Evidence Informed Policy Brief*: Ensuring Older Canadians and their Caregivers are Enabled to Participate in Informed Health Decision-Making & Advance Care Planning. National Institute on Ageing, Ryerson University (2018).

[2, 3] *Mind the Gap* - Canada's baby boomers need Power of Attorney planning to protect themselves. RBC Wealth Management (2013).

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The future of online is now

The COVID-19 pandemic forced sweeping social and business lockdowns to prevent its spread, severely limiting in-person commerce and interactions – and driving many to rapidly adapt to the online world.

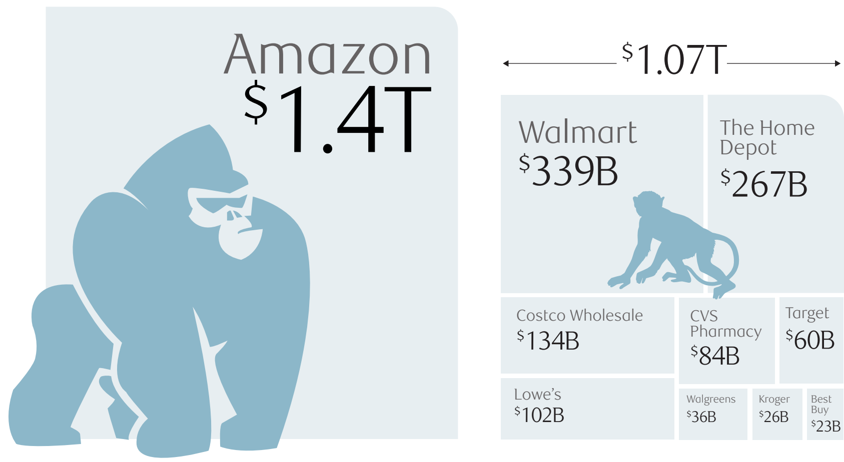
"Zoom"-ing to a new cyber normal

While delivering and receiving goods and services has long been touted as the future for most businesses and consumers, the arrival of the pandemic has accelerated this trend. It's forced us to change many of our long-established routines and social patterns, whether that's going to work, exercising at the gym, shopping, dining out, or depositing a cheque at the bank.

As lockdowns begin to ease, some of these activities will gradually return, even if the "new normal" is likely to require changes to how they are done. We are, after all, social creatures, and part of the enjoyment in activities like shopping, working and hitting the gym is being with other human beings. However, many activities may not return, or return to the same extent, replaced permanently by online experiences.

The online juggernaut

The biggest, and getting bigger by the day, Amazon is now **worth more than its next nine largest competitors.***



Source: Deloitte, YCharts
*Largest public U.S. retailers based on market value as July 1, 2020 (all figures in U.S. dollars).

The virtues of virtual

And there are good reasons for this. The advantages offered by the virtual world have become more apparent:

- **Convenience** – Missing the Saturday line-up at the grocery store? Likely not. Consumers are discovering how quick and easy it is to click-and-order, especially for items such as groceries, clothing and housewares. What would have taken a few hours each week to go to their grocery or hardware store to get is now a few clicks away and delivered to your front door – and all from the comfort of your home or office. Online banking allows you to securely pay bills, apply for a mortgage, invest, and even send money to anyone around the world.
- **Choice** – Where once we had just our local store or even a mall with dozens of stores to shop in, we now have literally hundreds or even thousands of products and services to choose from online, and from a huge variety of providers.
- **Savings** – Online can save money, time and travel. Price comparisons are easy when using the internet, and global competition helps drive down costs and improve quality. Less travel means fewer cars on the road, a boon for the environment. But the greatest savings is preserving the one commodity we can never make more of: time.

New age, new challenges

It's important to remember that, while the online world has its advantages, we need to take proper precautions to remain safe from scammers. To learn more, visit our cyber security website at www.rbc.com/cybersecurity.

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