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Sandra Sparanese's Financial Focus

Views and opinions for the clients and friends of

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Welcome to my newsletter!

Education and information are powerful. My quarterly newsletters will provide you with current information that my clients and readers are asking for - information that you can use to make informed decisions with regards to your own financial planning and investment strategies. I encourage your feedback – let me know if you like something, or let me know if you would like to see something else in a future newsletter. I am happy to include any of your friends or family members on my newsletter mailing list as well.

I've also just launched my website www.sandrasparanese.com. It will contain current information, upcoming seminars, and general financial planning and investment information for your reading pleasure. It's a "work-in-progress", so again, I appreciate all comments and suggestions!

A huge "Thank you" to all of my existing financial planning and investment clients who are now under the RBC Dominion Securities banner. I am happy to be part of a fantastic team of professionals with the ability to offer a full range of investment solutions at RBC DS. I am also happy to still be working closely with my fabulous RBC banking partners to assist my clients with bank accounts, VISA cards and lending needs.

RBC Key Facts

- Canada's largest bank by assets and market capitalization, with broad leadership in financial services
- ~80,000 full- and part-time employees
- 15 million clients worldwide
- 11th largest bank globally based on market capitalization, with operations in 51 countries

My Personal Mission Statement

"I provide my clients with exceptional financial advice and customer service. By doing so, my clients achieve their financial goals and I excel in my role as their primary resource for financial information, guidance and advice."

Sandra

Turn your Tax Free "SAVINGS" Account into a Tax Free "INVESTMENT" Account

The Federal Government has given us a gift. Each year we can put money into an account and not pay any tax on the interest or gains that we make. They decided to call it the Tax Free Savings Account (TFSA). Thank you to our federal politicians for this gift! Not to look a gift horse in the mouth, but your choice of the name for the account has confused many Canadians. The inclusion of the word "savings" appears to have led many people to believe the accounts could only be used for traditional savings accounts or guaranteed investment certificates (GICs). If the government had simply called them Tax Free Accounts, the impression that they were limited in scope might have been avoided.

Financial institutions may have also played a role in creating the impression the plans could only be used for a few types of investments. The banks heavily promoted TFSAs when they were launched at the beginning of 2009 but their focus tended to be on savings plans and GICs. People walking into a local branch may not have been told they could use a TFSA to invest in mutual funds. Self-directed plans that enable the account holder to buy almost any type of security were probably not mentioned at all since they are only available through brokers.

As a result, some people ended up with the wrong kind of plan for their needs. Fortunately, there is no limit on the number of TFSAs you can open, although you are still limited to a maximum annual contribution now of $5,500. So if you don't like the plan you have now, start a new one with your next new contribution. You can also transfer assets from one plan to another but find out whether there are fees involved before you take action.

There are five basic types of TFSAs: savings accounts, GIC plans, mutual fund plans, multiple option plans, and self-directed plans. There is no "right" plan for everyone. It depends on how you want to use the account. Here are the main two options:

1. **As an emergency fund or short term savings vehicle**

   All families should have some cash in reserve in case of a crisis such as a serious illness or the loss of a job. Some individuals need a monthly savings plan to accumulate funds for annual expenses like property tax or travel costs. If a TFSA is to be used for these short term needs, a savings account plan is the best choice. The return will be minimal because rates are very low. The advantage is flexibility – you can get at the money quickly any time without any market fluctuation.

2. **To maximize tax-free returns for long term growth**

   In this case, you will want to "invest" in to the account, rather than just "save". Those investment options can include stocks, bonds, exchange-traded funds (ETFs), mutual funds, etc. Any type of investment that is eligible for an RRSP can be included.

   If the TFSA savings rate is 1.15% and you currently have the maximum of $25,500 contributed up to 2013, you would only shelter $293.25 from the tax department. Compare that with a longer term growth investment (like an ETF that tracks a certain stock index) that may earn an average of 6% per year. In this second scenario, you would shelter a much higher amount of $1,530 from taxes.

The key is to decide how you want to use your TFSA. If you see yourself using the funds for spending in the next 2 years, then stick with the “savings” account option. But if you have a longer term time horizon, or you don’t have any plans for the TFSA funds, then you should consider this tax-free “gift” from the government and how best to maximize it.

UNDERSTANDING…….
Mutual Fund Management Fees

A mutual fund allows investors (even smaller ones) to participate in a wide variety of investment opportunities under one umbrella. A portfolio of $100,000 invested in mutual funds can offer the investor a diversified portfolio of hundreds of individual holdings including term deposits, bonds, mortgages, real estate, and stocks from Canada and around the world. If you tried to invest that $100,000 amount in those same individual securities, it would result in very small amounts in each security, and very high fees for the cost to buy and sell those investments within your account.

All mutual funds have management fees. This is the fee that the professional manager earns for making the investment decisions and changes within the fund. These professional managers spend every day researching companies, sectors and economic trends to determine what investment changes should be made. They even have the ability to talk to high levels executives (even the CEO sometimes) at large, publicly traded companies to ask specific questions about their company and get detailed information – something that you or I do not have the ability to do! You pay for this expertise and the management fee can range any where from 1.50 – 2.50% per year, depending on the specific mandate of the fund. It is built into the price of the fund, therefore it is really a hidden fee and clients will not see this fee coming off on their statements. All prices and returns quoted for mutual funds are quoted after management fees have been deducted.

Part of my responsibility as an Investment Advisor is to research these management fees on your individual fund holdings to determine if we can find a better option – a lower fee in the same category of mutual fund with above average long term rates of return.

What is Quantitative Easing? (QE)

I’ve been asked this question quite a bit over the last few months, so I thought I would provide some easy to understand information.

Quantitative Easing is defined as the introduction of new money into the money supply by a central bank. It’s a government monetary policy (such as the US has been implementing over the last year) to increase the money supply by buying government securities (bonds) from the market. QE increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity. Central banks use this strategy when interest rates have already been lowered to near 0% levels and have failed to produce the desired effect, which is to stimulate the economy.

RBC Partner Profile

JENN BYATT, RBC MORTGAGE SPECIALIST

As my RBC Mortgage Specialist partner, Jenn can help you with strategies and solutions around how to finance the purchase of a new property or even re-finance your existing property. I have introduced many people to Jenn to either talk about how to get pre-approved for a mortgage or how to hold a rate while they are shopping for a new home. Clients have been impressed with Jenn's level of customer service, her ability to meet any time (even on the weekends) and very competitive mortgage rate offers.

Jenn can be reached at 778-433-9910 or email her at jenn.byatt@rbc.com to arrange a meeting.

GIC RATES

Did you know… every morning we survey 30 different banks, trust companies and credit unions across Canada to find the best GIC rates for you? It's our complimentary "rate shopping service" so you don't have to spend your time in search of the best offer.

GIC Rates as of August 15, 2013

1 Year	1.85%
2 Year	2.10%
3 Year	2.25%
4 Year	2.40%
5 Year	2.70%

Rates are subject to change daily

Save the Trees and switch to e-Statements

You have the option to either receive your RBC Dominion Securities statements by either paper statements mailed to you, or e-Statements that you can access with your own computer.

Benefits of e-Statements:

- Less paper going out in the mail to you – environmentally friendly
- Identical to the paper statements – same information
- View, print or save your statements as you choose
- No cost to you for e-Statements

If you are interested in receiving your statements electronically, just send me an email sandra.sparanese@rbc.com