

Sandra Sparanese's FINANCIAL FOCUS

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Views and opinions for the
clients and friends of

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WHAT A FABULOUS SUMMER WE HAVE HAD HERE IN VICTORIA!

The weather has been incredible and we've had many local events and festivals to take part in over the last 3 months. I have enjoyed hosting many clients at my ladies' golf nights at Highland Pacific as well – plenty of fun and laughs as we enjoyed an evening of golf.



On the financial scene, the past few months have been challenging for investors. Domestic equity markets experienced roller-coaster like changes in the last month with significant swings in both directions. We have seen significant spikes in volatility in the last quarter from the decline in the price of oil, the stumbling Greek debt negotiations and the challenges with the Chinese economy which weigh on our resource-heavy Canadian market.

There will always be headline risk. Reacting emotionally to short-term market events by making dramatic portfolio changes is generally not recommended as it becomes difficult to stay on course to achieve your investment goals. While many investors feel they have to do something during a market downturn, history shows that the disciplined, patient investor will often be the one rewarded when markets return to their upward path. I continue to remind clients that reacting to a market decline by selling an investment guarantees a loss that otherwise only existed on paper and prevents you from participating in any gains when the market bounces back.

This fall will bring change for sure. In Canada, a federal election is presenting a certain level of uncertainty in our already-challenged economy. The volatility in the price of oil continues to be a significant factor in our domestic economy. The U.S. Federal Reserve is set to start raising interest rates and that could have some short term effects on the value of both stocks and bonds. The Chinese economy may continue to have challenges with continued growth. We cannot control any of these events, so the best course of action is to continue to diversify investments to lower risk and stay with your longer term plan.

Thank you once again to existing clients who have referred their friends and family to me in this last quarter. I certainly appreciate the confidence you have in my abilities and will continue to work hard to create successful financial plans and investment strategies for all clients. I am always happy to speak with a friend or family member that has a financial question or concern, without any cost or obligation to do business with me. I will provide some information, guidance, next steps, or possibly an introduction to a colleague within RBC who can help.

Kind regards,

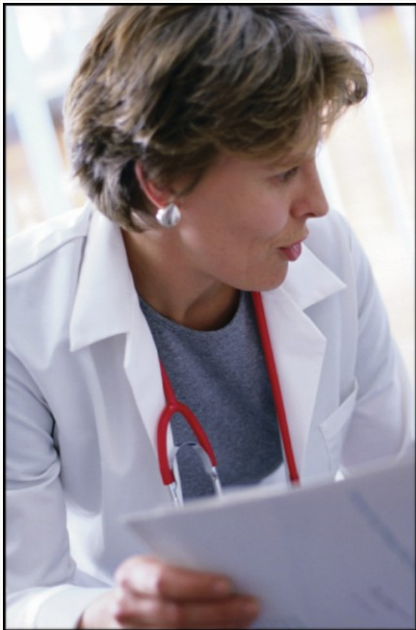
Sandra



RBC Wealth Management
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HEALTH CARE:

A Dynamic Prescription for Portfolios



One of the most important reasons for diversifying your investments outside of our Canadian economy is the ability to participate in sectors that are not well represented here in our domestic market. Health care is one of those sectors as it makes up 16% of the overall U.S. market (represented by the largest 500 U.S. stocks in the S&P 500) compared to only 3% in the Canadian market.

Why do we like the health care sector? Total global spending on health care as a share of gross domestic product (GDP) should continue to grind higher as the sector gains ground in relative economic importance. Rapid technological progress, a burgeoning appetite for mergers and acquisitions, and the sector's defensive attributes round out the main ingredients that should propel the future performance of the sector. Given its scope and diversity, we believe health care offers a rich set of compelling opportunities for longer term investors.

Few industries can escape the ups and downs of business cycles. However, it is tough to cut back on spending on the likes of prescription drugs and life-saving medical procedures. As a result, the earnings of health care companies tend to hold up better during recessions. While patients can choose to postpone treatments in economic downturns, such decisions can lead to worsening medical conditions, which in turn can lead to higher future health care spending. Stable pricing power of health care products and services is another reason for the consistent cash flow and earnings of health care companies.

Population growth makes it likely that global health care spending will increase steadily over time as well. Greying demographics and longer life expectancies are likely to reinforce robust demand for drugs and treatments over the next few decades. Although consumption tends to decline in the decades after a person retires, a much greater portion of one's budget is spent on necessities such as health care, at the expense of other non-essentials, such as autos, furniture and appliances.

The health care sector has delivered impressive returns for investors in the last few years. RBC analysts believe this positive momentum can be sustained on the back of the various compelling trends which should support and propel global health care spending over the long term. The sector is also diverse, offering investors a wide range of investment opportunities from pharmaceuticals and medical devices to biotech and health care insurance.

Long term investors should have exposure outside of the Canadian market which would include a position in U.S. health care either held directly as a U.S. stock position or more conservatively as a percentage weighting included in a U.S. mutual fund or ETF.

UNDERSTANDING CURRENCY HEDGING

with Mutual Funds and ETFs

Currency or exchange-rate risk is a factor when you invest in foreign securities. Although you purchased a mutual fund or exchange traded fund in Canadian dollars, it may invest in securities outside of Canada using a different currency. As a result, changes in the value of the Canadian dollar relative to the foreign currency affect your investment value either positively or negatively.

Currency hedging seeks to smooth the ups and downs generated by exchange-rate movements on the value of a Fund or ETF and provides investors with more certainty as to the level of foreign exchange exposure in their investment. Currency hedging is the act of using forward foreign currency contracts to lock-in future exchange rates; think of it as an insurance policy that aims to remove the uncertainty in exchange rates. Portfolio managers can choose to hedge foreign currencies to reduce volatility from currency fluctuations in their fund.

The objective of currency hedging is to reduce or eliminate the effects of foreign exchange movements over the life of the investment, such that a Canadian investor receives a return solely based on the change in value of the underlying assets, without the effect of changes in currency values.

WEALTH MANAGEMENT PROCESS

Wealth management is a comprehensive approach to helping you achieve your goals in life. It gives you the confidence you need to make sound financial decisions, plus the freedom to live life the way you want. It also provides a clear roadmap for your future by addressing all aspects of your financial situation at each stage of your life. Every step of the way, you are guided by a professional wealth manager who will help you realize your personal aspirations.

With the wealth management approach, your Investment Advisor helps you:

- Clarify your individual needs
- Establish specific goals
- Bring together all the solutions you need to effectively manage your wealth

Wealth management extends beyond investment advice and money management, helping you protect your lifestyle, manage your nest egg, plan your retirement and create your legacy.



TESTAMENTARY TRUSTS

A testamentary trust is a trust set out in a Will which takes effect upon the Will-maker's death. Testamentary trusts can be used for a wide variety of purposes and can range from being very general, giving the Trustee a great deal of discretion in the investment and distribution of the trust funds, or very specific with the Will dictating exactly how and when the Trustee is to distribute the trust funds.

The most common testamentary trust is established in a Will for the benefit of a minor beneficiary. The Will would provide that a certain sum of money, or a certain percentage of an estate, is to be set aside for the benefit of the minor beneficiary, but it is to be held in trust by the Trustee until the minor reaches a specified age. In most cases, the Will-maker will give the Trustee guidelines on how the funds should be used, but will also give the Trustee full discretion in making those decisions. The guidelines usually include a non-exhaustive list of approved areas of expenditure such as post-secondary education (including university or other higher education), establishing the minor in a business or profession, for the general care and well-being of the minor or in the event of accident, sickness or emergency of the minor. During the duration of the trust, the Trustee is the only person who has control of the trust funds. The balance of the trust funds are then turned over to the minor beneficiary when he or she reaches the age specified by the Will-maker.

Another common use for a testamentary trust is the creation of a life interest in a home. This trust can be useful in a second marriage situation, when one spouse owns the matrimonial home in his or her own name, and wants to be able to gift the proceeds from the sale of the home to his or her own children or family. At the same time though, the Will-maker wants to provide for the current spouse, and does not want him or her to be forced out of the home immediately upon the Will-maker's death. A testamentary trust would allow the spouse to continue to reside in the home until his or her death, for a specified number of years, or until he or she no longer wishes to reside in the home, and then at that point, the home would be sold and the proceeds would be divided among the Will-maker's children. The home would remain in the name of the Trustee during this period, and the Will would set out the parameters of the trust including whether the estate or the surviving spouse is to pay the house expenses during this period.

The testamentary trust is an extremely useful tool in many situations. However, there are costs involved in administering a testamentary trust including trustee fees and accounting expenses, so it is important to weigh the advantages and disadvantages of setting up testamentary trusts with your legal advisor at the time you are preparing your Will.

Information provided by

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