RBC Dominion Securities Inc.

# Sandra Sparanese's
# FINANCIAL FOCUS

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Views and opinions for the clients and friends of

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## DEAR CLIENTS AND FRIENDS,

Information is a double-edged sword in the investment industry. Investors now have access to more opinions, analysis, real-time prices and research than ever before. It cannot be overstated how much this has changed the investment landscape when you compare it to how things once were in the Pre-Internet stone age of tips from your neighbour, expensive research subscriptions, and a lack of real-time market data.

One of the downsides to all of this information being available at our fingertips is that it has made investors much more short-sighted in their approach. Over the last three months, I have had many conversations with clients to acknowledge their short-term concerns while reminding them of their long-term income needs. I can appreciate that it's not much fun to see the value of your investment account lower today than it was last week or last month. The benefit of working with a professional is that I will discourage you from making poor decisions and encourage you to make good decisions. But at the end of the day, it is still always your money and your decision.

One of the most rewarding aspects in my role as Investment Advisor and Financial Planner is that of educator. I enjoy teaching people about the world of financial planning and investment management. My primary intention is to create an experience that educates and empowers my clients to make the best financial decisions possible. It is an incredible feeling when you have educated someone to the point where they are now fully engaged in the process of their financial future.

I am looking forward to spring which brings the best season of all – golf season! I am once again sponsoring the weekly ladies golf night at Highland Pacific which begins at the end of April. If you are interested in coming out for a fun night of golf, just let me know and I will put you on my guest list. (Sorry guys, it's just for gals)

Best regards,

Sandra

### *MY COMMITMENT TO YOU*

- Earning your trust by acting with honesty, integrity and in your best interest at all times
- Providing peace of mind by offering a consistently high level of ongoing professional money management guidance
- Balancing higher real rates of return and growth with an acceptable risk/reward ratio using a wide range of investment choices
- Working with you as your full time, personal financial partner

RBC Wealth Management
Dominion Securities

# Understanding the Tax Forms

You may be receiving some of these tax forms to be used with your 2015 tax return

| | |
|---|---|
| **T3** | Statement of Trust Income if you have investment income from mutual funds in non-registered accounts and from certain trusts. |
| **T5** | Investment income including interest, dividends and certain foreign income. |
| **Summary of Security Dispositions** | This form looks more like a letter than a tax slip so be sure that you do not overlook it. This is a summary of the proceeds of any sale of securities and your capital gain or loss information. |
| **RRSP Contribution Receipt** | Reports the value of contributions made to an RRSP plan during the year and up to 60 days in the next year. |
| **T4RSP / T4RIF** | All payments made from RRSP, RRIF or LIF accounts are taxable in the year they are received. If tax has been withheld and sent to CRA, it will be reported on the tax slip. |
| **T4A** | Education Assistance Payments from a Registered Education Savings Plan (RESP) are taxable in the hands of the child in the year it was withdrawn. This is only the grant portion of the plan which is taxable as income. |

# When is Interest Tax-Deductible?

If you use borrowed money to buy investments, the interest may be deductible. As long as your investments generate income such as dividends or interest, or if you have a reasonable expectation that they will generate income, you can deduct the interest on your loan from your total income. Capital gains are not income for the purposes of this deduction. If you borrow to invest in shares that do not pay dividends and rely on capital gains to make money, the interest is not deductible. Interest on a mortgage you use to buy a property is deductible if you generate rental income from the property. The most important part of deducting interest is keeping records to prove that you used the borrowed money to produce income.

# Market Volatility is Nothing New

## Recovery periods after market downturns

Through wars, assassinations and economic upheavals, there is a consistent pattern of strong recovery one to two years after a crisis low. In a crisis, investors think that the trigger is something entirely new. Nothing in their experience can help them deal with this, however there has historically been a consistent pattern of strong recovery. Below we are showing the change in the value of the U.S. market following the crisis (based on the Dow Jones Industrial Average).

| Year | Crisis Event | 1 Year Later | 2 Years Later |
|---|---|---|---|
| 1948-49 | Berlin blockade | -3.3% | 13.2% |
| 1950-53 | Korean war | 28.8% | 39.3% |
| 1963 | Kennedy assassination | 25.0% | 33.0% |
| 1979-80 | Oil crisis | 27.9% | 5.9% |
| 1987 | Stock market crash | 22.9% | 54.3% |
| 1990 | Persian Gulf war | 23.6% | 31.3% |
| 2001 | Sept $11^{th}$ terrorist attacks | -3.8% | 6.0% |
| 2003 | Invasion of Iraq | 29.6% | 31.4% |
| 2008 | U.S. financial market collapse | 25.1% | 23.1% |

# The Rule of 72

The Rule of 72 is a great mental math shortcut to estimate the effect of a growth rate.

Here's the formula:

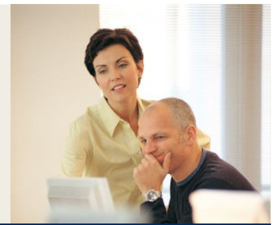
**Years to double = 72 / Interest Rate**

This formula is useful for **financial estimates** and understanding the nature of compound interest.

Examples:

- At 6% interest, your money takes 72/6 or 12 years to double
- To double your money in 10 years, you need to have a growth rate of 72/10 or 7.2%

# When Should You Review Your Will or Estate Plan?



We all know the importance of regular health check ups with our doctor or regular car maintenance check ups with our mechanic, but when's the last time you took a look at your Will or estate plan? Is it due for a check up? Have you experienced any life changes recently that require an update to your Will or estate plan? Most legal professionals recommend reviewing your estate plan every 3-5 years or any time you experience a major life event.

Here are some examples of "life events" that would be considered significant changes to consider a review of your estate plan:

## Marriage

Under our current B.C. Legislation, marriage no longer revokes a previous Will. A new marriage may mean that you want to change your executor and beneficiaries to include your new spouse.

## Birth of a Child

It should be a priority for every parent to appoint guardians in their Will for the care of their minor children, should both parents pass away.

## Divorce

Under our current B.C. Legislation, separation and divorce do not cancel an existing Will. A new Will should be prepared to reflect the change in your personal circumstances.

## Starting, Buying or Selling a Business

If you sell a business that you have included in your Will, it's time for an update. Similarly, if you are buying or starting a business, you should review your estate plan from both a personal and business perspective.

## Changes to Your Financial Position

If your net worth has increased significantly since you initially drafted your Will and estate plan, you may have new opportunities, such as additional tax planning strategies available to you that were not previously. Receiving an inheritance may be a good reason to review your Will.

## Death of a Life Partner

Usually the death of a spouse or life partner will also necessitate an update to your own Will. If your late spouse is named as the executor of your Will, beneficiary of your estate or any life insurance, retirement or pension plans, these documents will all need to be revised.

## Change in Province of Residence

Every jurisdiction has its own laws and requirements pertaining to Wills and estate planning. Make sure you consult with a lawyer to ensure both are still valid when you relocate. In addition to confirming that the provisions in your Will are still executable, you should confirm that your choice of executor and trustee, if applicable, are also valid in your new province.