RBC Dominion Securities Inc.

# Sandra Sparanese
# Financial Focus

Wealth Management
Dominion Securities

Fall 2016

RBC Dominion Securities Inc.

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## Welcome to Fall 2016

### As the summer draws to a close, it is a good time to reflect on the events that shaped market results over the last quarter.

The people of the United Kingdom surprised the world on June 23rd by voting to exit the European Union. The decision to “Brexit” spooked investors, sending global markets lower by up to 10% in the two trading sessions following the vote. The largest declines struck the United Kingdom and Europe. Investors regained some of their composure and short term losses were quickly recovered. The event was a two-day “flash in the pan” where stocks briefly went on sale for long term investors. Patience was rewarded with gains in the market during July and August.

The price of crude oil continued to have significant fluctuations with the price moving from $40 per barrel, up to $50 and then back down to $40. RBC analysts continue to like the energy sector for long term investors and feel that the price of oil will move higher later in 2016 and continue into 2017. The Canadian dollar also saw fluctuations over the quarter, moving lower as the U.S. dollar strengthened and then recovered when crude oil gains occurred.

As we draw closer to the November U.S. election, we may see increased market volatility. Markets do not like uncertainty and at this time, there is no clear winner. However, the message from our RBC Portfolio Advisory Group is to not adjust your long-term investment strategy based on short-term election hype.

A significant number of my clients are considering retirement in the next 1-2 years. Planning ahead and knowing what your retirement income will be is an important part of the retirement strategy. My role is to ensure that clients fully understand all of their sources of retirement income and what that will mean to their net monthly income going forward. These retirement income projections are part of our financial planning discussions that will allow my clients to make informed decisions about their retirement options.

I have had many conversations with clients this last quarter about investment management fees, so I thought it would be timely to include more information in this newsletter. As always, I encourage financial literacy and welcome any questions.

Sandra

# Understanding Fees and Commissions at RBC Dominion Securities

## It is important that every investor fully understands how fees are charged within their investment portfolio.

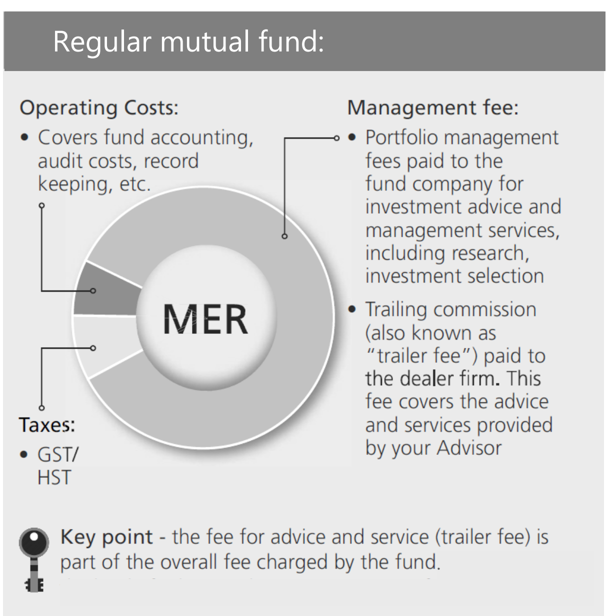
The investment industry is attempting to do a better job of keeping investors informed by changing the information that is sent out to clients for their review. Starting in January, 2017, investors will receive an annual statement disclosing all fees and charges in each of their accounts for the past calendar year.

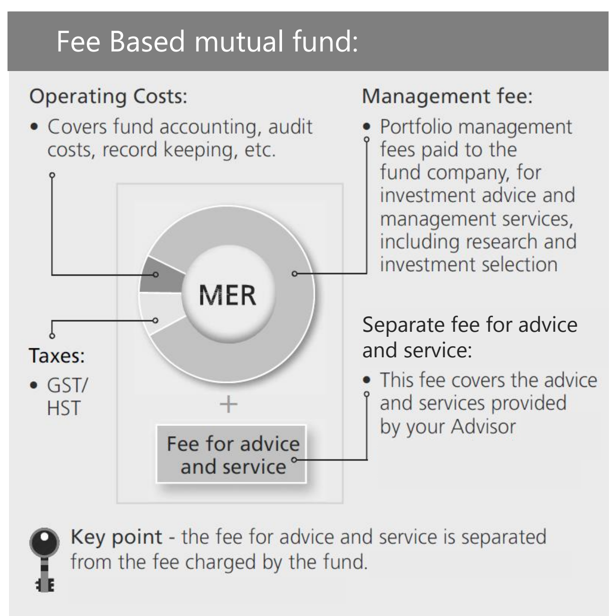
For clients that hold mutual funds in their investment account, it is important to understand that you can hold the same mutual fund with a different way of paying fees. Every mutual fund has a "management expense ratio" (MER) which is the fee paid to the mutual fund company (the people who create and manage the fund). It includes the cost of portfolio management (daily investment and trading costs) and operating expenses (such as tax reporting, statements, etc.).

## There are two ways that you can invest in a mutual fund:

1. A **regular mutual fund** where you don't see a specific charge on your statement as the fees are imbedded within each fund. The MER fee consists of both a fee for the fund management company, and a fee for the firm that your advisor works for. This is known as a Series "A" or "B" fund and is considered an "all-in MER" because the MER includes both the cost of professional money management and the cost of personal advice and service. The fund company pays RBC Dominion Securities part of the MER for providing advice and service to each individual client.

2. A **fee-based mutual fund** where the MER is 100% retained by the mutual fund management company and there is no trailer/service fee sent to your advisory company (RBC). This is known as an "F" Series Fund. The fee for advice and service you receive from RBC is charged to you as a separate fee and this is shown directly on your statement. It is sometimes more cost effective for clients to pay this fee directly, as the total cost may be less than the "all-in MER" of a regular mutual fund. Also, some of the fees may be tax-deductible in this type of fee-based account.



# Understanding Other Fees and Charges

## Guaranteed Investment Certificates (GICs)

RBC Dominion Securities searches the market each day for the highest GIC rates with the 30+ different financial institutions that we represent. When we invest your funds in a GIC with one of these companies, they will pay RBC a commission (like a finder's fee) for placing your deposit with them. Your rate is not affected by this fee and you will not see it charged to you on your statement, but it is important to know that RBC Dominion Securities receives a commission from the company with the highest rate that we placed your funds with.

## Stocks and Exchange Traded Funds (ETFs)

With individual stocks and ETFs, there is a commission charge to BUY and a commission charge to SELL. The commission is based on the size of the trade. For example, single transactions less than $10,000 may cost up to 2.50% with a minimum trade size of $125. Those transactions greater than $25,000 are reduced to 1.90% and those north of $50,000 further to 1.55%. These are the charges in a "commission-based" account. If you have a "fee-based" account, it means that you pay an annual fee for all expenses in your account which would include all trading costs. There are no transactional commission charges when you opt for a fee-based account.

## Can my fees be tax deducted?

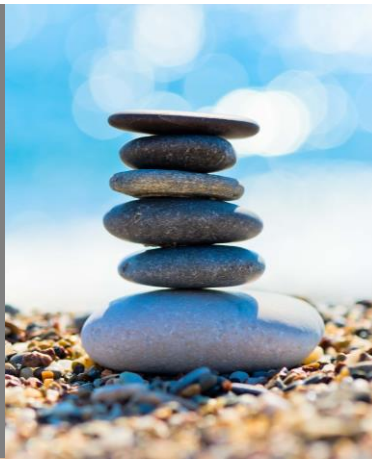
CRA (Canada Revenue Agency) does not allow you to deduct fees associated with a tax shelter (i.e. RRSP/RRIFs and TFSAs are tax shelters). If the fee is charged for a non-registered account, it is normally tax-deductible. Only investment management fees charged to you directly in a non-registered account are considered tax-deductible.

## The Goal of Your Investment Advisor:

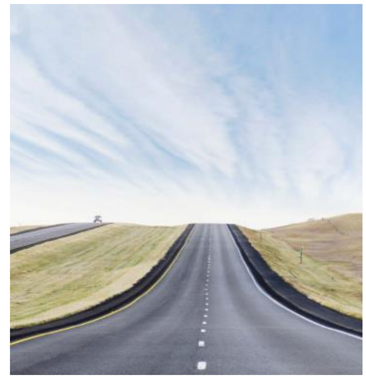
- Keeping costs as low as possible without compromising the level of advice and service
- Researching and presenting lower cost options where they make sense with the specific investment strategy
- Being the "manager of the managers" with regards to mutual funds and providing advice and guidance to replace a fund manager where it makes sense to do so

## CRM2

You may not have heard of it or perhaps you may have read about it in the Globe and Mail. It sounds like our Investment Industry is talking in code. But what is it? CRM2 actually stands for "Client Relationship Model 2". Regulators around the world are making massive adjustments to the transparency of fees and commissions charged to investors. Starting in January, 2017, you will start to see specifics on your investment statement showing your actual rate of return and any fees or commissions you were charged.



# “The Facts and Myths of Pre-planning Your Funeral”



## The biggest Myth of all…Why Should I Plan Ahead?

If I do….something will happen! In a world where death is a 100% certainty, talking about it will not make the event suddenly happen nor will it make you live longer by avoiding to plan. In fact, by planning ahead it will be the final gift you can leave your family and can guard against emotional overspending.

### The Fact is… It lets you decide how you’d like to be remembered

Creating your own unique life celebration allows you to make sure that your wishes and desires are respected upon your passing. However you decide to be memorialized, pre-planning and preparation gives you control over the personal decisions that must be made when a person moves on from this life. Planning can be meaningful for your family, as well, if you choose to include them in the process. It can help them to feel connected to you both in life and in death, knowing that your arrangements reflect exactly what you envisioned them to be.

### The Fact is… It takes the burden off of your family and friends

When a loved one passes, the family faces an overwhelming number of tasks and decisions, all while struggling through grief and a range of difficult emotions. By taking care of your arrangements before the time of need, you’re relieving them of that burden and giving them more time and energy to focus on healing and remembrance. They won’t have to ask themselves, “Am I making the right choices?” and can instead focus on what matters: saying goodbye and celebrating your life journey with those who cared about you most. By creating a road map, it can alleviate family disputes at an emotional time.

### The Fact is… It gives you the ability to pre-pay, if you wish

While pre-funding your funeral is certainly not required in order to pre-plan, pre-payment means that your funds will be set aside and protected against inflation and unforeseen increases in cost. Your family won’t have to worry about payment, and can enjoy peace of mind knowing that everything has been taken care of.

Information provided by:

Earth’s Option

Earth’s Option Cremation and Burial Services
Phone: 778-440-8500
www.earthsoption.com

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