Sandra Sparanese Financial Focus

Wealth Management Dominion Securities

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RBC Dominion Securities Inc.

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Dear Clients and Friends,

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 Bank of Canada has raised interest rates twice so far in 2017 with a 0.25% increase in both July and September, something we have not seen since September, 2010. The justification was that past rate cuts, that were put into place to support the economy against falling oil prices, had done their job. It was time to move off these emergency low rates and get back to a normalized rate environment. We are not expecting the Bank of Canada to do anything drastic with rates, but we can expect a slow and gradual increase in rates over the next two years while the economy appears to be improving. Because of higher rates, our Canadian dollar also advanced to beyond the $0.82 U.S. level recently.

The Canadian market (TSX Index) has drifted lower over the past few months and the U.S. market has also given up some of its gains over the summer as well, but nothing dramatic has occurred in the markets over the summer period. It would appear that resilient markets have seemingly become the new norm as bad news (such as the situation in North Korea) does not seem to trigger a significant sell-off. Ultimately, the strength of the economy and its influence on earnings is what really matters for the long-term direction of the market.

Looking forward, there are a number of risks that may rear their head in the future, and we cannot predict how the market may react. The fear surrounding geopolitical events is often much more dramatic than the actual consequences of these events. While today's calm may not persist if these geopolitical risks heat up, we can be assured that there are a number of positive forces at work in the economy, and that ultimately – despite potential interim volatility – these forces tend to prevail.

As always, I will continue to check in with clients to determine their own personal risk tolerance level, also known as the "sleep at night factor". The bucketing approach to investing continues to protect funds that are needed as income in short-term while allowing the long-term funds to achieve a higher rate of return. Please continue to remember that a good investment strategy should feel mostly comfortable, mostly boring and always understandable.

Sandra

I would like to thank clients who have introduced me to their friends and family in this past quarter.
I sincerely appreciate the trust and confidence that you have in my abilities as your
Financial Planner and Investment Advisor.

Why you need more than just a Will to achieve a lasting legacy

Passing on wealth to loved ones is an important goal for many people. While your Will defines who will inherit what, it's just a start. A comprehensive wealth transfer plan can help ensure that your assets are distributed as intended, pass quickly to your loved ones, and retain more of their value by minimizing taxes and costs.

Distribute your estate as you intend

Distributing wealth can be more complex than simply allocating the right percentage of assets to each beneficiary. For example, one child may wish to own the family home, so it may seem straightforward to pass other assets of equal value to your other child. However, the tax treatment or disposition costs of different assets can vary greatly and result in unequal distribution and potential family conflict. Understanding your beneficiaries' plans for their inheritance and proper tax planning can be very important, especially if your entire estate isn't liquidated.

Minimize taxes and delays

A plan to minimize taxes and avoid delays on the transfer of assets, investments or insurance policies should be set in motion during your lifetime to help protect the legacy you've built. Tax planning, insurance solutions and gifting assets can all help with wealth transfer efficiency.

Address complex family structures

The challenges for diverse family structures, such as couples with children from previous relationships, can be even greater when it comes to distributing assets. Making specific provisions for children who might otherwise be left without the inheritance you intended to give them can help avoid future family conflict and legal battles.

Pass on assets discretely

Many people prefer to keep their wealth a family matter. A comprehensive transfer plan can help ensure certain assets bypass the public reading of your Will and probate process (which can also help reduce costs).

Prepare your beneficiaries

The greatest risk to your legacy may be failing to prepare your beneficiaries for their inheritances. "Shirtsleeves to shirtsleeves in three generations" is a proverb that essentially means it takes three generations for wealth to be gained and lost.

As a benefactor, you have an important role in preparing your beneficiaries to receive their inheritances. Consider talking to them about the challenges you overcame to build wealth, or even how you would like them to manage their inheritance. You might consider passing on assets while you are alive to allow your heirs to benefit from hands-on guidance.

Your trusted financial, tax and legal advisors may also be able to provide guidance that might be difficult for you to convey (possibly because your younger family members don't always listen to or heed the advice of their family elders). What's more, introducing your heirs to your advisors in advance can help when they receive their inheritances – they won't have to scramble to find their own advisors during a difficult, emotional time.

To learn more about protecting your legacy for the next generation, please contact us.

History lessons

What investors can learn from Canada's 150th birthday

True, 150 years may be a little longer than any individual investor's timeline. But the long-term trends our country has seen since Confederation in 1867 provide almost endless lessons for investors today.

Gross domestic product (GDP)

1867: $280 million

2017: $2.11 trillion

Inflation

1867: $1

2017: $23

The Canadian dollar

1867: 0.25 British pounds

2017: 0.59 British pounds

Take a long-term view

In 1867, our population was about 3.6 million and our annual GDP was about $280 million. One hundred and fifty years later, our population has grown at a steady rate of 1.5% to 36 million and annual economic growth has averaged just under 4%. While these may seem like modest growth numbers, the result is an economy with a GDP that is over 7,000 times the size it was in 1867.

While there were economic and market ups and downs over the last 150 years, and unfortunately you couldn't buy a share in "Canada" in 1867, the power of steady growth and a long-term view has served Canadian investors well.

Consider that the Canadian stock market, the S&P/TSX, reached 568 in 1956 (when they started keeping track). Sixty-one years later, it's over 15,000. The market capitalization was $2.5 billion in 1956 – and today it's over $2.8 trillion.

Protect against inflation

You might recall spending a quarter at the corner store, and your parents a nickel, but what about your great-great grandparents? One hundred and fifty years of inflation paints an interesting picture of Canada's economy.

From 1867-1887, deflation ruled and prices actually dropped by 20%. From 1910-1920, prices increased by an astounding 160%. By 1932, the midst of the Great Depression, deflation had struck again and prices sat a mere 8% higher than at Confederation, 65 years earlier.

Through 150 years, Canada's inflation has averaged a modest 2.1% – just above the Bank of Canada's current target of 2%. Prices have increased about 23-fold and $2.00 today is equivalent to about 8.5 cents in 1867, illustrating how even modest inflation can erode purchasing power and the need to protect your portfolio from its effects, especially considering today's ultra-low interest rates.

Manage currency risk

In 1867, the Canadian dollar was pegged at $4 per British pound-sterling, while the down-trodden, post-Civil War U.S. dollar floated at $6.75 per pound. A century and a half later, relative to the pound, the Canadian dollar has more or less doubled in value, while the U.S. dollar is worth almost five times more.

Over time, currencies often swing up and down through long-term cycles, and arrive back at long-term averages. But the long-term appreciation of the U.S. dollar illustrates that currency values can also trend in one direction, pointing to the need to manage the risks of foreign currency exposure in a portfolio.

Notes: Inflation data source: Statscan, Wholesaler General Price Index from 1867-1945, Consumer Price Index from 1945-2017. Currency data source: Statscan, U.K. Telegraph. Population, GDP, stock market data source: Statscan, Fraser Institute.

Five common signs of financial elder abuse

Financial abuse of seniors is one of the darker realities of aging. It's a crime that's often not seen by the victim, and sadly often perpetrated by family members, close acquaintances or other people in a position of trust.

It's important for seniors, as well as their close friends and family members, to be aware of the warning signs of abuse and what they can do to prevent it.

The following looks at five common signs of financial elder abuse:

1. Missing valuables

It may be easy to assume misplaced jewelry or cash is just the result of an aging mind, but experts say this is one of the most common signs of possible abuse. Often, seniors will notice this themselves, and may mention it to a family member or advisor.

2. Unusual banking activity

Banking activities tend to follow normal patterns, and so a sudden change can be a red flag. Unfamiliar bill payments through an account, requests to make payments on someone else's credit card, or even a sudden increase in withdrawals could all hint at something.

3. Unexplained property transfers

Transferring property or bank account ownership should be seen as a major red flag. An elderly person could be convinced to sign over the title to their house or perhaps to make it joint with someone, meaning that someone would assume full ownership on the person's death.

4. Unexplained changes to a Will or power of attorney

Financial power of attorney allows a designated person to act on behalf of the client in legal and financial affairs. It's a very significant designation and any changes to it, particularly when the transfer is not to a family member or a long-standing friend, could be a red flag.

5. Sudden new companion

A challenge in spotting abuse is that it often occurs in a grey area – such as the appearance of a new friend or romantic interest and whether the relationship is legitimate. In cases such as these, it can be helpful to watch closely for the other red flags discussed and whether they appeared along with the new relationship.

For more information about financial elder abuse, please visit www.canada.ca/en/employment-social-development/corporate/seniors/forum/financial-abuse.html

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