RBC Dominion Securities Inc.

Sandra Sparanese Financial Focus

Wealth Management
Dominion Securities

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RBC Dominion Securities Inc.

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Dear Clients and Friends,

Well, I must say that the months of January and February have gone by in record time. It is always a busy time of the year with TFSA contributions in January, and RRSP contributions up to the start of March.

Volatility returned at the end of January and early February when global equity markets began a downward move that was triggered by U.S. employment data that showed wages grew more than anticipated. Investors were worried that signs of higher inflation might push the U.S. Federal Reserve to increase interest rates more quickly. We saw a nice recovery from that point, only to have U.S. President Trump announce tariffs on steel and aluminum imports which drove markets down again. To say that investors have had a lot of information to digest in the last two months is an understatement. RBC analysts continue to believe that the economy is strong and although we may see equity markets wobble back and forth in the short term, we still feel that the equity bull market will remain intact.

The recent swings in the market are a good reminder to investors that volatility is a normal part of investing and is, in fact, always present to some degree. Long considered the "golden rule" of investing, diversification remains the best way you can reduce investment risk. Diversification in simple terms involves investing in a number of different investments – across different asset classes, industry sectors, geographic regions, investment styles, etc. This way, you can minimize the impact of poor performance, both from a single investment and groups of investments with similar characteristics. I always like to check in with clients on their "sleep at night factor" which is generally speaking a good measure of risk tolerance during periods of market volatility.

We can't control the daily movements of markets, the direction of interest rates or currencies, or political events around the world. What we can control is having a plan to achieve our goals.

"If you don't know where you're going, you'll probably wind up somewhere else."

Financial planning is the ongoing process that takes into account the "whole you". Your financial life – your income, assets, liabilities, etc. – and your personal life – your values, dreams, wants, needs, and time horizons. As a Financial Planner and Investment Advisor, it is my job to make sure your investment strategy is the right one for your financial plan – which continues to change and evolve as you reach different stages in your life.

I am looking forward to a fantastic 2018 working with great clients and RBC colleagues.

Sandra

My Personal Mission Statement

"I provide my clients with exceptional financial advice and 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."

Keys to Prevailing Through Stock Market Declines

During periods of volatility in the stock market, you may have doubts about your long-term investment strategy. Here are four tips to help you avoid common pitfalls and stay on track toward achieving your financial goals.

1. Declines Have Been Common and Temporary Occurrences

Problem: *Declines can cause imprudent behaviour by filling investors with dread and panic.*

Solution: *Realize that declines are inevitable and have not lasted forever.*

History has shown that stock market declines are a natural part of investing. While declines have varied in intensity and frequency, they have been somewhat regular events. It may also reassure you to know that the market has always recovered from declines. Although past results don't guarantee future results, remembering that downturns have been temporary may help reduce your fears.

2. Proper Perspective Can Help You Remain Calm

Problem: *Studies show that people place too much emphasis on recent events and disregard long-term realities.*

Solution: *Even amid a market downturn, remember that stocks have rewarded investors over time.*

The stock market has a reassuring history of recoveries. After hitting lows in August 1939 and September 1974, the Standard & Poor's 500 Composite Index bounced back strong, averaging annual total returns (in U.S. dollars) of more than 15% over the next 10 rolling 10-year periods in both cases. Long-term investors have been rewarded. Even including downturns, the S&P 500's mean return over all rolling 10-year periods from 1937 to 2017 was 10.43%.

3. Don't Try to Time the Market

Problem: *Research has shown that losses feel twice as bad as gains feel good.*

Solution: *Keep in mind that fleeing the market to reduce losses could mean losing out on gains when stocks recover.*

The market has shown resilience. Every S&P 500 downturn of about 15% or more since the 1930s has been followed by a recovery. Recoveries have been strong. Returns (in U.S. dollars) in the first year after the five biggest market declines since 1929 ranged from 36.16% to 137.60%, and averaged 70.95%. Over a longer term, the average value of an investment more than doubled over the five years after each market low. Don't miss out on potential market rebounds. Although recoveries aren't guaranteed, taking your money out of the market during declines means that if you don't get back in at the right time, you'll miss the full benefit of market recoveries.

4. Emotions Can Cloud Your Judgment

Problem: *Investors often make poor decisions when they let their emotions take over.*

Solution: *Stay focused on your long-term goals and carefully consider your options.*

Have you heard the investment adage, "buy low, sell high"? Strong emotions during market swings can tempt you to do the opposite — buy high and sell low. You may also feel that doing something — anything — during a downturn is better than doing nothing. Although inaction might seem counterintuitive, staying invested in the market could be the better choice. The bottom line? Avoid making rash decisions based on emotions.

Understanding…..

Old Age Security

What is Old Age Security?

Old Age Security (OAS) is a monthly federal retirement benefit payable for life for individuals age 65 and older. You do not have to make OAS contributions in order to receive OAS as the program is funded through general tax revenues.

How do I receive OAS?

You must apply in writing to receive OAS unless you receive a letter from Service Canada informing you that you are automatically enrolled in the program. If you have been automatically enrolled, you will receive a notification letter from Service Canada in the month after you turn 64.

How much can I expect to receive from OAS?

The amount of your OAS pension is determined by how long you have lived in Canada after age 18. You are eligible to receive a full OAS pension (currently $586.66) if you are age 65 or older and have lived in Canada for at least 40 years after turning 18. In addition, you must have lived in Canada for the 10 years immediately before the approval of your OAS application. If you do not qualify for the full OAS, you may still qualify for a partial OAS pension if you lived in Canada for at least 10 years after you turned 18. Service Canada can assist with providing information on how a partial OAS pension is calculated.

What is the OAS clawback and how does it work?

Generally, if your net income before adjustments (on line 234 of your personal income tax return) exceeds a certain minimum threshold amount (currently $75,910), you may have to repay all or part of your OAS pension on your tax return for that year. This is also known as the OAS clawback. The repayment amount is equal to 15% of your income that exceeds the minimum threshold amount for the year. Once your income reaches a maximum threshold (currently $122,843), your OAS will be fully clawed back.

Can OAS be deferred?

You can postpone receiving your OAS pension for a higher OAS monthly benefit for up to five years after the date you become eligible for OAS. Your monthly OAS pension payment will be increased by 0.6% for every month you delay receiving it, up to a maximum of 36% at age 70. Individuals that choose to continue to work after age 65 may benefit from deferring their OAS.

Are OAS payments taxable?

Yes, your pension OAS pension is taxable. Other OAS benefits for low-income seniors (Guaranteed Income Supplement and Allowance for Survivor) are not taxable.

What happens to my OAS pension if I leave Canada?

If you have been approved for an OAS pension, you can still receive it if you leave Canada provided you lived in Canada for at least 20 years after turning age 18 or you lived and worked in a country that has a social security agreement with Canada (and you meet the 20 year residence requirement under the provisions of that social security agreement).

For more information on Old Age Security, please refer to the Service Canada website.
www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security

Powers of Attorney & Representation Agreements

There appears to be much confusion around the difference between Powers of Attorney and Representation Agreements. The following is a very brief summary of each type of document with its uses:

General Power of Attorney:

This is a document that can be used to appoint an attorney for general purposes or for one specific purpose, such as purchasing or selling land or dealing with one specific investment. It allows the appointed attorney to make legal and financial decisions only and cannot be used to make medical decisions. It may be granted to a single attorney, multiple attorneys (to act separately or unanimously) or a single attorney with alternates. A General Power of Attorney is only valid while you have mental capacity, and it ends upon you becoming mentally incapable.

Enduring Power of Attorney:

An Enduring Power of Attorney can also be general or specific (but is usually general), and may also be granted to a single attorney, multiple attorneys or provide for alternates. The benefit of an Enduring Power of Attorney is that it continues to be valid should you subsequently lose your mental capacity. It is a useful estate planning tool as it allows you to choose a trusted person to assist you with paying your bills and making other legal and financial decisions on your behalf, should you become incapable of doing so in the future.

Representation Agreement:

This is a document that appoints another person to make medical decisions on your behalf, if you are unable to make them yourself, but does not allow the Representative to make legal or financial decisions. A Representation Agreement can include specific medical directives, if desired, and also generally includes directions around "end of life decisions", which are commonly known as Living Will provisions.

Living Will:

This is generally a simple, one page document that does not appoint anyone to do anything, but states that you would not wish extraordinary or heroic measures to be taken on your behalf in certain situations. It has limited effect in British Columbia, but is generally used to assist your family members or loved ones to make "end of life decisions", by making your wishes known to them.

Information provided by:

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