

# Sandra Sparanese

## Financial Focus



Wealth Management  
Dominion Securities

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RBC Dominion Securities Inc.

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## Dear Clients and Friends,

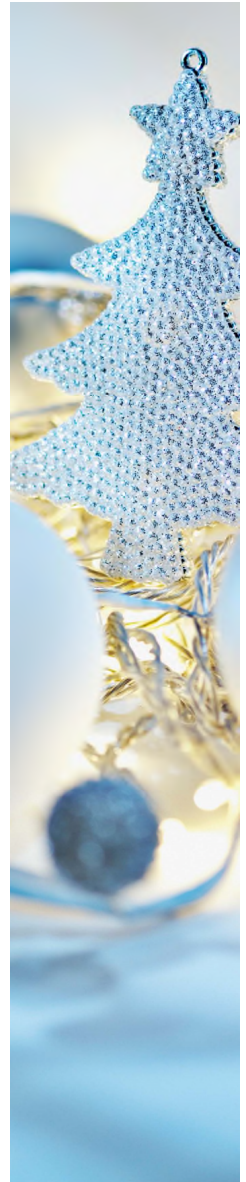
I would like to extend my warmest greetings and best wishes for a happy holiday season this year. I hope you have the opportunity to gather with friends and family to celebrate.

The end of a year is always a great time to reflect on the prior year and plan for the next year both personally and financially. The first step to planning out a successful year is to write down what you plan to achieve. Personally, that could be learning a new hobby, sport or skill, or perhaps exploring a new part of the world. Financially, it is knowing what your plans are that have a price tag attached to them. Travel? Renovations? Vehicle? Charity? What is on your bucket list? What do you want to do when you have time, money and your health all at the same point in your life? A very important part of my role as Investment Advisor and Financial Planner is to encourage clients to enjoy the wealth they have accumulated and I will continue to do that each and every year.

I would like to thank my very loyal clients for their continued support, in addition to the many families that I have welcomed this year as new clients. Many of these new introductions have come as referrals from existing clients and I sincerely appreciate the confidence that clients have in my abilities as Investment Advisor and Financial Planner.

I also am very grateful to have two wonderful support staff, Mary Howley and Heather Murdock, who are both very important in providing exceptional service to my clients.

Best wishes for a safe and happy holiday season,

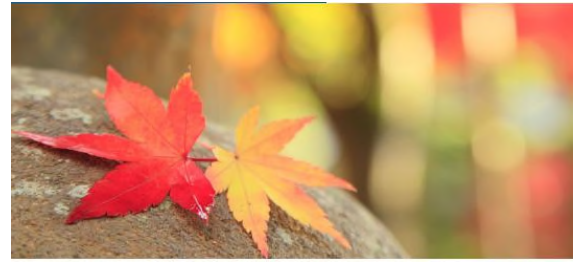


### **What is your New Years Resolution?**

*Not everyone spends January 1st of each year writing down their resolutions for the next 365 days. You can change the word "resolution" to "goals" and look at the exercise from a different point of view. What do you want to accomplish in 2018 personally, professionally and financially? My suggestion for a 2018 financial goal is to ensure that every client has their estate planning documents in place. Don't let "financial procrastination" be your worst enemy!*

# Rising Rates

The Bank of Canada has increased interest rates this year, and you may be wondering what this means for your personal finances. Here's a look at how rising rates may impact your investments.



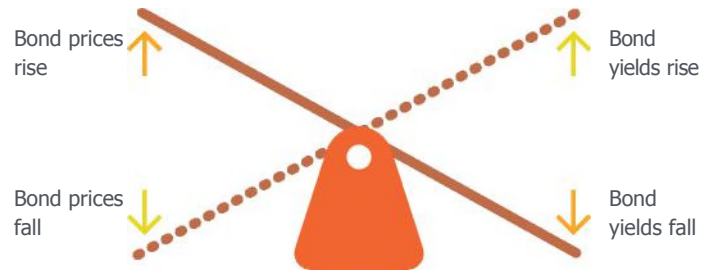
## Central banks signal interest-rate policy change

Multiple signals over the last year indicate the global economy has turned a corner and is gradually improving. Thanks to this sustained economic growth, many central banks around the world have begun to raise interest rates from record lows. For the first time in seven years, the Bank of Canada raised interest rates by 0.25% in July, and then did so again by another 0.25% in September. The U.S. Federal Reserve has already raised rates three times in the last 12 months and is signaling more increases are likely on the way.

## The ups and downs of the bond yield see-saw

Rising interest rates can have an impact on the price of your fixed-income holdings. When interest rates rise, bond yields normally do the same. A bond's yield and its price have an inverse relationship, meaning when bond yields rise, bond prices fall, and vice versa.

## Bond prices and yields generally move in opposite directions



During periods when bond yields go up, the market value of bonds, and mutual funds that invest in them, can decline, which can be concerning for fixed-income investors. However, the positive side of rising yields is that investors can reinvest their principal, interest or coupon payments into new bonds at higher yields.

## The benefits of bonds

It's important to remember that despite the potential for higher rates, bonds play an important role for investors now and over the long term. These benefits include:



**A predictable source of income**



**Capital preservation**



**Diversification**

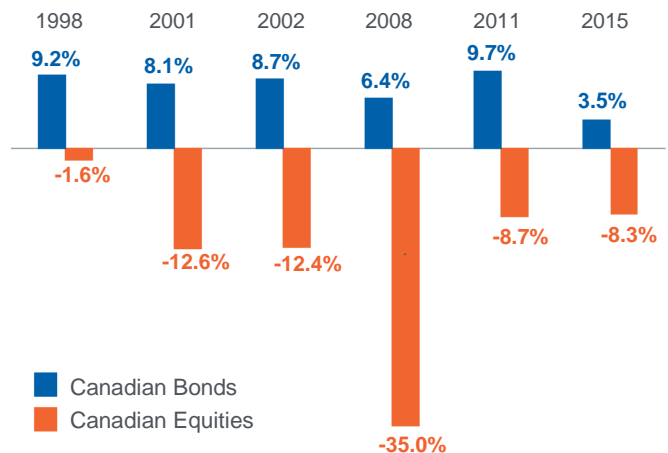


**Can cushion against volatility**

## The bedrock of an investment portfolio: How owning bonds helps manage through market volatility

The chart below compares the performance of the Canadian bond market during years when equity markets were negative. You can see that since 1998, each year that equity market performance was negative, the bond market delivered positive returns, helping to offset this decline. With an actively managed portfolio that provides diversified exposure to all asset classes, including fixed income, investors can better weather periods of market stress.

### Bond markets performed well during years when stocks were down\*



\*An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Source: RBC GAM. Canadian bonds = FTSE TMX Canada Universe Bond Index; Canadian equities = S&P/TSX Composite Index.

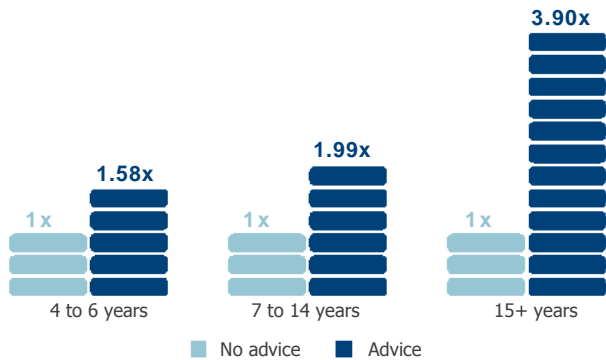
# The value of working with a financial advisor

Canadians who work with an advisor have been more successful at building wealth and achieving their goals. Advisors have made a very tangible difference in the lives of Canadian investors.

## Building your wealth

Investors who work with an advisor have been shown to have almost 4 times the assets of investors who don't work with an advisor over a 15-year period. And, despite the prevailing opinion that advisors only work with the wealthy, the majority of Canadian investors had investable assets of under \$25,000 at the beginning of the advisory relationship.

Advised clients have greater net worth over time



Source: The Gamma Factor and the value of Financial Advice, Claude Montmarquette, Natalie Viennot-Briot, 2016

## Keeping your goals on track

Investment returns are important, but saving on a regular basis is equally important when it comes to reaching your financial goals. Many investors credit their advisor with helping them achieve better savings and investment habits.

Advised clients are more successful at saving

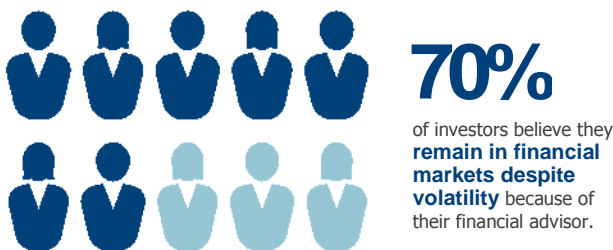


Source: Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry, Pollara 2016.

## Having confidence in your plan

Sticking to a financial plan can be a challenge, especially through volatile markets. Having professional advice to guide you through difficult markets can play a vital role in helping you stay focused on your long-term goals.

Advised clients have greater discipline through volatile markets

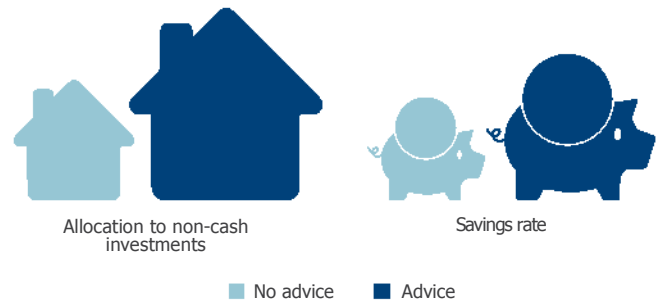


Source: The Gamma Factor and the value of Financial Advice, Claude Montmarquette, Natalie Viennot-Briot, 2016

## Putting more of your money to work

Canadians working with an advisor invested more of their assets in non-cash investments, meaning more of their assets are working for them. They also saved more for their future and benefitted from the growth potential of their higher allocation to non-cash investments.

Working with an advisor encourages savings and investing



Source: Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry, Pollara 2016.

# 2017 Year End Tax Tips

As year-end approaches, it is wise to take some time to review your financial affairs for any tax savings strategies. Here are a few strategies for your consideration, all of which should be reviewed with your qualified tax advisor to ensure they make sense for you.



## Tax Loss Selling Opportunities

Year end is a great time to look for opportunities to make changes to your non-registered investment portfolio. It may be the time to move away from an investment that has not been performing well and potentially triggering a capital loss, which can be used to offset capital gains on other assets that you may have sold earlier this year, or may sell in future years. The capital loss that you realize on the sale of an investment (outside of RRSP, RRIF or TFSA) can be carried forward to offset capital gains in future years as well. The deadline to trigger a capital loss (or gain) for 2017 is December 27th to make sure the trade settles by December 30th. Capital losses can also be carried back 3 years to offset capital gains you have realized and already paid tax on (potentially resulting in a tax refund for you).

## Defer Realizing Capital Gains

Deferring a capital gain to next year is also a common tax planning strategy. As we approach the end of 2017, if you currently have unrealized capital gains you may want to consider deferring the realization of capital gains until 2018 for the following reasons: your marginal tax rate may be lower in 2018 compared to 2017, and if you wait until 2018 to sell a security with a capital gain, it defers the tax payable until April of the following year, 2019 (unless you are required to make tax installments).

## Superficial Loss

If you did sell a security to trigger a capital loss and are planning to repurchase that same security, beware of the “superficial loss” rules that apply when you sell property for a loss and buy it back within 30 days before or after the sale date. Under the rules, your capital loss would be denied.

## TFSA Accounts

The Tax Free Savings Account allows you to earn tax-free investment income including interest, capital gains and dividends. You can make tax-free withdrawals any time, for any reason, and any amount you withdraw is added back to your available contribution room on January 1st of the following year. If you are thinking of making a withdrawal from your TFSA in the near-term, consider doing so before December 31st. This will allow you to recontribute the amount withdrawn as early as January 1st of 2018, rather than having to wait until 2019. New TFSA contributions for 2018 can be made on the first business day in January. The maximum TFSA contribution for 2018 remains unchanged at \$5,500.



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