

Portfolio Advisor



Wealth Management
Dominion Securities



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Market commentary

We think the global equity market's steep decline in October is part of a temporary correction phase that should recede once it becomes clear that U.S. earnings growth is merely set to slow, not fully retreat, and that the global economy has the ability to work through its modest loss in momentum.



Trade and tariff uncertainties should linger, but markets have already begun to account for these risks.

The correction is not heralding some imminent economic downturn or U.S. recession, in our view, because reliable leading indicators are signaling growth in the next year, at least, and low recession risks. These factors should support corporate earnings growth, though at a slower pace. We continue to recommend that a global portfolio be moderately Overweight equities.

Fixed income

With year-end approaching, the Federal Reserve is poised for one more rate hike while other major central banks will likely remain on the sidelines. Plans vary for 2019, with central banks in North America signaling further rate increases albeit at a gradual pace, while banks in the U.K./Europe likely

will be more patient. Concerns over trade, domestic economic data, and uncertainty with Brexit and Italy could continue to weigh on market sentiment which in turn could potentially affect future central bank policy decisions.

Credit continues to be our favorite sector within fixed income, and we maintain our selective focus on quality. Our Underweight to fixed income overall reflects the view that tight credit spreads amidst heightened volatility and higher rates limits opportunities, and we suggest shortening portfolio duration to be prudent.

**To learn more, please ask us
for the latest issue of Global Insight.**

RBC Wealth Management
Global Portfolio Advisory Group

A new horizon: planning for 100

Longer lives leading Canadians to rethink their investment plans

Have you ever asked yourself how long you will live? Call it superstition or just plain fear of death, many of us avoid the topic like the plague. When we are young, we imagine we'll live forever; as we age, the end seems all too possible.

Interestingly, more than 50% of Canadian adults don't have a Will, with one of the most pervasive reasons being that they don't like thinking about death. But to consider the question rationally – with all its implications – is more important than ever. That's because Canadians are living longer lives, driven by scientific, environmental, medical and lifestyle improvements.

A mixed blessing

While it's a blessing for most of us, a longer life also presents challenges. Outliving retirement savings is one – and it's the greatest fear of pre-retirees, according to a recent RBC poll¹. Health problems are another: out-of-pocket medical costs after age 65 are estimated at \$5,400 annually² – and are likely to keep rising. This means that aging Canadians require their investment portfolios to support longer lifespans while generating cash-flow to cover potentially increasingly higher living costs.

Rethinking investment time horizons

For many years, a key investment planning question was “When do you plan on retiring?” That timeframe – from today to the assumed year of retirement – became the standard investment time horizon for an investment portfolio. It largely determined the degree of risk you could prudently take: the longer your time horizon, the more risk you could take to ride out the ups and down of the markets and realize potentially higher growth over time.

Towards the end of your time horizon, you would gradually ratchet down risk, eventually transferring to assets with little to no risk, such as GICs and bonds. The presumption being, once you hit retirement, you couldn't afford to take any risk, as you would need your savings to fund your retirement.

This strategy made more sense when the average Canadian retired at 65 and was only likely to live for another 5-8 years. But a new approach is required with Canadians today retiring on average at 63³ and living into their 80s and 90s (and an increasing number to 100 and beyond).

Planning to – and through – retirement

Today, your retirement portfolio should ideally focus on two things:

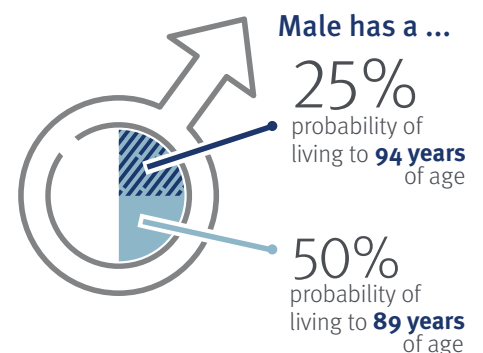
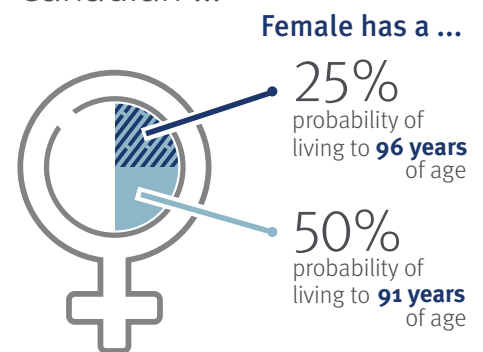
1. tax-efficient cash flow for a well-funded retirement lifestyle
2. a prudent combination of capital preservation and growth to maintain the long-term value of your portfolio through your golden years, while also offsetting the ravages of inflation.

Time is on your side

Fortunately, longer life spans mean longer investment time horizons, allowing today's retirees to take advantage of the long-term growth of equities to meet their preservation and income needs. Whether or not you live to 100, considering the odds and planning ahead can help ensure that your golden years are just that.

To learn more, please contact us today.

Today, a 60-year-old Canadian ...



Source: Financial Planning Standards Council (FPSC), Projection Assumption Guidelines (2018).

¹RBC 2017 Financial Independence in Retirement poll.

²Anna Sharratt, Hidden health care costs can be a shock for retirees, The Globe and Mail, Nov. 18, 2015.

³Statistics Canada. 2015.

House rich, retirement poor

Why your family home is not a retirement plan

Thanks to a long-term uptrend in several of Canada's real estate markets, a number of Canadians now find themselves with a very favourable balance sheet – a relatively large asset on one side, and modest debt on the other.

As a result, a growing number of homeowners feel that their home might eventually be enough of an asset to fund a comfortable retirement. With this in mind, many are foregoing other types of savings in favour of a plan to one day use their home equity to generate retirement income.

Using home equity in retirement: Caution is warranted

There's no reason a family home can't play a role in a retirement plan, such as through a well-thought-out plan to downsize. However, counting on it to provide regular income through the use of home equity debt does come with potential risks.

Is there a plan to pay it back?

In retirement, limited income could make it difficult to pay back income borrowed from your home equity, unless it can come from elsewhere in your estate. However, without diversifying your assets, the only option might be to accumulate debt.

Longevity risk

It may seem reasonable to borrow income against a million-dollar, mortgage-free home at age 65. However, retirement can easily last more than 25 years, and as shown in the chart, debt can accumulate quickly.

Real estate markets can be volatile

Canadian real estate has been through a number of downturns and periods of rising rates. Homeowners should

Borrowing \$20,000 per year with no payback

2% income inflation, 3% interest costs



Source: RBC Dominion Securities. Income was adjusted monthly to reflect annual inflation of 2%. Income was withdrawn at month beginning, interest was paid at month-end based on 3% rate divided by 12. All income withdrawals and interest charges were accumulated as debt.

consider the effects on available equity in a declining real estate market. Further, with today's low rates, even a modest rate increase could increase carrying costs significantly.

How can you diversify your retirement plan?

While building home equity is a great start, Canadians can choose from a number of savings and investment vehicles that can offer significant tax benefits today, and help diversify

their asset base and income sources come retirement.

Over the long term, Canadians have also been fortunate to have had a relatively stable economy that, in addition to real estate, has provided multiple opportunities to diversify and build wealth.

Contact us today to discuss how to benefit from diversifying your retirement plan.

Strong long-term returns across multiple Canadian asset classes				
	Real estate	Cash	Bonds	Stocks
20-year rate of return	5.8%	2.7%	6.3%	7.6%
Key diversification benefits	<ul style="list-style-type: none"> • Price stability • A tangible asset 	<ul style="list-style-type: none"> • Liquidity 	<ul style="list-style-type: none"> • Stable income • Capital preservation 	<ul style="list-style-type: none"> • Inflation protection • Income growth potential

Source: Housing data, Canadian national average, compiled by RBC Global Asset Management Inc. from Canadian Real Estate Association (CREA). RBC Capital Markets, cash represented by Canada 91-Day T-Bill Return, bonds represented by FTSE/TMX Canadian Universe Bond Index, stocks represented by S&P/TSX Composite Index Total Return. 20-year annualized returns as of December 31, 2015.

Living – and giving – to 100

A new era of hands-on philanthropy for Canadian retirees



As it turns out, you don't have to drink from a magic fountain to live to 100. Lifespans are growing, and Canadians are creating a whole new meaning for the quiet 15 years of non-work that previous generations called "retirement." Now with several decades to look forward to, retirees are finding excitement, challenge and meaning in their lives by sharing time and work with their favourite charitable causes.

Canadians are beginning to think differently about the legacy they build in retirement. In The Economist Intelligence Unit's (EIU's) recent survey of high-net-worth individuals, commissioned by RBC Wealth Management, 68% of respondents say the legacy they want to leave differs from their parents'.¹ Where their parents might have aspired towards a hospital wing as a post-mortem namesake, respondents were more interested in taking a hands-on role in creating positive change. Instead of simply writing a charity into the Will, this often means donating money and time throughout retirement, forming relationships with charities and having a seat at the table when important decisions are made.

"Previous generations were motivated by duty, guilt and *noblesse oblige*," says Michael Adams, president of Environics Research and an expert on wealth in Canada. "Religious and patriarchal values were their values when it came to legacy." Now, the growing trend seems to be supporting causes that address social, health or environmental problems – and having an active role in putting your money to work. Volunteer Canada has noticed the same, reporting that baby boomers tend to seek meaningful volunteer activities and have consistently high rates of volunteering when compared with previous generations.²

This shift may not be surprising when you consider what makes a baby boomer a baby boomer. Living their formative years during the civil rights and activist movements of the 1960s and 70s, it fits that baby boomers are seizing longer retirements as an opportunity to find purpose and happiness by advancing social causes.

So, if you think volunteering is for you, you're not alone. The following tips can help you overcome what is often the greatest barrier: knowing where to start.

Plan early: Even before retirement, start making connections at the charities you're interested in to grow your network and learn more about the opportunities that exist.

Take your time: Review the volunteer opportunities that fit your values, lifestyle, health and schedule. Even if it takes a few years to make a long-term commitment, being confident in your decision will help you build a rewarding relationship with the organization.

Know the work you like, and the work you don't: For example, if you spent your working years stressed or exhausted by a "never-ending" task list, you may find short projects with clear beginnings and ends more rewarding in retirement.

Consider part-time volunteer work: For many retirees, working part-time can create social interaction and a sense of purpose.

¹ A report on The Economist Intelligence Unit's survey findings can be found at: www.rbcwealthmanagement.com/ca/en/research-insights/the-new-canadian-legacy/detail/. High-net-worth individuals surveyed held at least US\$1 million (C\$1.29 million) in investable assets.

² Suzanne L. Cook, PhD and Paula Speevak Sladowski, *Volunteering and Older Adults*, Volunteer Canada, 2013.



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