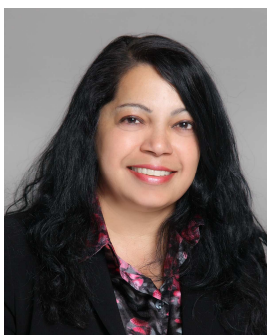


# Patricia's Wealth Quarterly



Wealth Management  
Dominion Securities

Second Quarter - 2017



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## The Impact of Technology

How customers and businesses are changing the way we do things

*We will soon be at the half-year mark for 2017. Time's rush is only outpaced by the speed of technological change. The business news these days seems to be dominated by the rapidly-changing landscape brought about by companies new and old adapting to their clients' changing preferences most often driven by new and better technologies becoming available.*

*In recent weeks we saw Amazon buying Whole Foods with a view to extending its extensive online presence to grocery purchases, and its launch of Amazon Wardrobe to provide no-hassle online purchase (and return) of clothing; Sears Canada, an old-style department store, seeking protection from creditors; the rise of Uber and Airbnb, and cities attempting to regulate these businesses, essentially going into uncharted waters. Emerging technologies include artificial intelligence (AI), virtual reality, and blockchain. The financial services industry has seen the emergence of fintech – financial tech companies seeking to change financial services, including mobile payments, money transfers, loans, fundraising, and asset management.*

*Businesses must have the vision and resources to invest in innovative technology to ensure that they constantly adapt to, remain relevant, and thrive in, this new technological world. I am fortunate to work at RBC where I see this innovation and investment*

*happening every day.*

*In May I attended our regional investment advisor conference and one of the speakers, Vivek Wadha (author of The Driver in the Driverless Car) presented an exciting glimpse into the future of artificial intelligence and other emerging technologies. The caveat, in his words: 'we can solve old challenges but create new nightmares'. He posed some deep questions:  
Will technology benefit everyone equally?  
Do the benefits outweigh the risks?  
Does technology promote autonomy or dependence?*

*If you are a client or prospective client and wish to consider some suitable investment options to take advantage of these trends, or to discuss your portfolio, please contact me. I look forward to hearing from you.*

*The members of my household are at different areas on the technology continuum. This summer, on the one hand, I will be attempting (at times, unsuccessfully, I'm sure) to limit the amount of time my tween and teenage daughters use electronics and social media, and, on the other hand, helping my mother use her smart-phone and sign-up for email.*

*Have a safe and enjoyable summer.*

*Patricia*

# Naming your executor – seven common pitfalls and how to avoid them



If asked by a family member or friend to serve as their executor, most of us would consider it an honour. However, it can be a complicated, sometimes overwhelming undertaking.

An executor is often responsible for a long and detailed task list to ensure your last wishes are carried out. To settle even a simple estate, it can take about 18 months. Your executor must complete numerous tasks and duties, including:

- Finding and, if necessary, probating the Will
- Protecting, selling or distributing assets
- Reviewing insurance and pension benefits
- Paying outstanding debts and taxes
- Preparing a final accounting for the beneficiaries of the estate

That's why it's important to carefully consider your choice as executor. Following are seven issues you should be aware of when naming your executor:

## 1. Not considering your executor's age and health

Many people choose someone close to their own age to act as their executor, such as their spouse, a sibling or a close friend. That may be fine when everyone is younger and in good health. However, when the time comes to act, the person you have named may no longer be up to the task due to their age or health. It's also possible that they will predecease you. Make sure you review your choice of executor as time goes on, and consider naming someone from the next generation.

## 2. Overlooking family conflict

Let's face it, family can be complicated. That's why it's important to select an executor who is able to manage potential family discord and balance conflicting interests. To help your executor, consider talking with your beneficiaries in advance, so they clearly understand your final wishes and the reasons for your decisions.

## 3. Selecting someone too busy

It can take 1-2 years to settle a basic estate, and longer if you have a more complex estate. If you are establishing trusts in your Will, your executor's responsibilities could stretch into many years or even decades. This can be challenging for your executor if they have a busy life, so think about naming someone who will likely have the time to carry out their duties, or arranging professional assistance to help them.

## 4. Choosing someone too far away

Your executor will be responsible for many tasks that are much easier to do if they are closer to where you live.

## 5. Naming an expat executor

When a non-resident of Canada acts as the sole executor of a Canadian estate, the estate may be considered a non-resident of Canada. This could result in the loss of tax advantages enjoyed by Canadian-resident estates.

## 6. Putting honour before duty

You may feel like you have to name someone in particular as your executor – someone who may “expect” the honour. However, your executor will have duties that require a certain level of technical expertise, such as filing tax returns. What's more, your executor could potentially face personal legal liability if they don't properly carry out their duties. As a result, you should carefully consider your executor's level of expertise.

## 7. Not getting professional assistance when you need it

Ultimately, you may find it difficult to find someone ideally qualified to act as your executor. Avoid naming someone just because you have to name someone. Give some thought to either hiring a professional to act as your executor, or to support your executor in carrying out their duties.

**For information about choosing an executor, please contact us.**

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# Five tips to become a more tax-efficient investor

As the old saying goes: “It’s not what you earn, it’s what you keep.” If you want to keep more of what you earn as an investor, after tax, consider the following tips.

## 1. Maximize the benefits of your tax-advantaged accounts

Despite the potential benefits, most Canadians leaving countless dollars on the table by failing to maximize their Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs).

Your RRSP offers two well-known tax advantages: tax-deductible contributions to reduce your taxes and tax-deferred growth to potentially grow your investments faster than they would outside your RRSP. If you haven’t maximized your RRSPs, consider catching up on unused contribution room as soon as possible, as the compounding effect of tax-deferred growth is greater over time.

Your TFSA offers two key tax advantages: tax-free growth and tax-free withdrawals. Starting in 2009, any Canadian resident aged 18+ began automatically accumulating TFSA contribution room. If you haven’t contributed to your TFSA yet, you could contribute up to \$52,000 to grow tax-free.

## 2. Pay attention to how investment income is taxed

The type of investment income you generate – interest, dividends or capital gains – matters a lot when it comes to taxes. Interest income is generally taxed at the same rate as employment income – at your marginal (or highest) rate.

Canadian dividend income is generally very tax-efficient in the lower tax brackets – and virtually always more tax-efficient than interest. Capital gains are taxed higher than dividends in the lower brackets, but as your income rises,



each province has a different income threshold where capital gains become more tax-efficient than dividends.

## 3. Hold your investments in the right accounts

The type of investment, the type of income it generates, and the type of account in which it’s held can all have a significant effect on your after-tax return. Consider holding more of your interest-bearing investments, such as bonds, in your registered accounts. That’s because interest income, when earned outside of your registered accounts, is fully taxable. Then, consider holding more tax-efficient investments, such as Canadian dividend-paying stocks, in your regular, taxable accounts.

## 4. Offset taxes on capital gains

Tax-loss harvesting – selling investments at a loss to generate capital losses, which can offset taxes on capital gains – can be an effective tool to bring your tax rate down. After selling an investment at a loss, you’ll

need to wait 30 days before buying it back or the capital loss cannot be claimed. While selling at a loss may seem counter-intuitive, the tax benefits can be significant if you have realized capital gains on other investments. And, ideally, the investments you sell at a loss for tax purposes are replaced by investments that have stronger long-term growth potential.

## 5. Look beyond your holdings – planning strategies

Spousal RRSPs, spousal loans, pension splitting or having your business pay a reasonable salary to your spouse or children can all effectively redistribute income from higher to lower taxed family members to help save on tax. Additionally, tax-deferred solutions, insurance strategies and other estate planning opportunities can all play a role in managing your portfolio tax-efficiently.

**While everyone’s tax situation is different, everyone can benefit from tax-efficiency. Contact us today for more information.**

# Why women have unique financial challenges – and what they can do about them

In many ways, how you manage your finances has little to do with your gender – the markets, interest rates and the economy generally function without considering whether you're a man or a woman. However, women can face unique financial considerations and challenges at all stages of their lives – whether they have children or they don't, and whether they are married, single or divorced.



## Just the facts

- Today, the average Canadian woman is expected to live until age 83, while for men it's 79.
- Women comprise 60% of Canada's population over 75, and 73% of those living in senior's residences. Further, 89% of women living in senior's residences live alone.<sup>1</sup>
- Women tend to leave the work force for periods of time more frequently, earn less and have lower pensions than men.
- Whether due to single parenthood, or caring for children after divorce or for aging parents, the role of primary or sole caregiver still falls with women more frequently than men.

## Unique challenges

Longer lifespans mean many women will need to fund longer retirements, manage all household finances and family wealth independently, and potentially pay for more ongoing healthcare.

To maintain a comfortable and worry-free retirement, many women will need to save a higher percentage of their earnings, fund more of their retirement income with their savings and possibly work later in life.

Women should also look closely at their financial and personal needs and goals in light of the many paths their lives may take, with or without a spouse, caring for children or parents, or living alone.

It's critical that women are engaged in their or their family's finances and prepared to make both expected and unexpected financial decisions – long before, as well as into retirement.

## The solution – get involved, know your finances and have a plan

Whether out of necessity or desire, many women have long ago taken their finances into their own hands,

or are equally involved with their partner, but many women have not. Additionally, there remain many couples without a plan to address the numerous paths their lives may take, or the unique challenges that one of them may face.

If you're single, and without a financial plan, it's time to look at both your financial and personal goals, needs and risks, and put one together. If you're part of a couple, and you're leaving the finances up to your partner, it's time to take an interest, meet your partner's advisors, get educated and ensure that you're aware of all aspects of your plan, and that your unique risks, needs and goals have been considered.

**If you, or someone you know could benefit from professional financial advice or education, or need help in getting a financial plan started, please contact us today.**

1. Statscan 2011.



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