Wealth Management
Dominion Securities

Portfolio Advisor

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Around the world

Global markets

Equity markets continue to reach new highs. "Goldilocks" conditions of highly stimulative central bank policy and strong economic growth – driven by pent-up demand and gradually rising corporate profits – give markets little reason to be troubled over the spike in inflation. Strong economic growth should translate to strong revenue gains and significant corporate profit growth as long as profit margins can be sustained.

Canada

A successful vaccination program is making a positive impact on forward-looking economic data. Underpinned by ample government fiscal and monetary stimulus, employment is rising as reopenings gather steam and growth is picking up sharply as Canadians release pent-up demand and savings. While inflation remains a concern, with supply bottlenecks and renewed demand pushing up prices, the effects are expected to be transitory.

United States

Now largely free of pandemic restrictions, the U.S. continues to post strong economic results. Employment is picking up sharply, but millions still remain unemployed as government support winds down. While inflation is rising, the outlook suggests that the effects will be temporary. Federal infrastructure spending should boost the economy over the coming months, while monetary policy should help to keep interest rates low and encourage borrowing.

Europe

Economic indicators have begun to strengthen, and with travel restrictions gradually lifting, and many countries' vaccination programs meeting with success, the outlook has brightened considerably. While 2021 growth is likely to lag that of North America, projections show a relatively higher growth outlook for the region into 2022, as it benefits from a sustained pick-up in tourism and exports.

Emerging markets

The economic growth trajectory for EMs is similar to that of developed nations, with a year of rapid growth, followed by some deceleration in 2022. Despite recent pandemic challenges, India is poised for structurally strong growth over the coming decades. China continues to benefit from being the first large global economy out of lockdown, with GDP up 18.3% in April from a year earlier, and full-year GDP growth forecast at 8.8%.

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

Onwards and upwards: Why equity markets reaching all-time highs is no reason to change course

New all-time highs in the markets can often tempt investors to "take the money and run." After all, with prices so high, it must mean that the party will end soon enough. Right? Well, actually, wrong. History shows that selling at the market's all-time high doesn't work out over the long term. On the contrary, maintaining a disciplined approach to investing has proven over time to be the smart – and winning – strategy for long-term investors.

"Doom scrolling" – old instincts, new media

Stock markets are forward-looking entities. A rising stock is actually a reflection of a growing economy and increasing profits, and indicates a generally a positive outlook for both. The post-"COVID Crash" bull market that began at the end of March 2020 has shown us once again how equity markets are forward looking: They anticipated the economic bounce back from the government-imposed pandemic restrictions that has materialized over the last year, and is now accelerating.

On the flip side, news headlines are often structured to create fear in readers, drawing on our natural fear instinct, which has been ingrained in the human mind over tens of thousands of years. A recent term for it is "doom scrolling" – or spending an inordinate amount of time scrolling through one's social media feed and clicking on increasingly dystopian and dark new items and stories.

Don't believe every headline you read

Unfortunately, the combination of our ingrained protective instincts and sensational news media doesn't help us be good investors. As we can see in the chart, there are always "good" reasons not to invest at any given time. Yet, time and time again, equity markets have continued to move higher over time.

Breaking new ground

With markets hitting all-time highs, it's easy to imagine that they are expensive and about to topple. But looking at the chart, note how in 1983, 1986, 1995 and 1996, the "reason" for not investing was markets hitting all-time highs. So, if it was a good idea to sell when markets hit all-time highs and move to cash, clearly history would show that markets have fallen since and not continued to rise over time. However, note that since January 1, 1996, to the end of 2020, the S&P 500 Index has generated a return of approximately 880% including reinvested dividends, or 9.5% per year*. Apparently, hitting all-time highs proved to not be such a good reason to sell equities after all.

There are always reasons to talk ourselves out of investing. Instead, talk to us about how we can help you build a well-constructed and risk-appropriate investment portfolio that can help ensure you stay on track to your long-term goals – and focused on moving onwards and upwards to your goals.

All-time highs a reason to sell? Between 1996 and 2020 (25 years), the equity market rose 880%, and delivered an almost 10% annual compound rate of return (including reinvested dividends) for investors who ignored the headlines and stayed invested.*

1971 Wage price freeze	1988 Election year	2005 London terror attacks
1972 Largest U.S. trade deficit ever	1989 October "mini-crash"	2006 Russia-Ukraine tensions
1973 Energy crisis	1990 Persian Gulf crisis	2007 Housing crisis
1974 Steepest market drop in 4 decades	1991 Communism tumbles with Berlin Wall	2008 Financial crisis
1975 24% inflation in the U.K.	1992 Global recession	2009 Global recession
1976 Economic recovery slows	1993 Health care reform	2010 European sovereign debt crisis
1977 Market slumps	1994 Fed raises interest rates 6 times	2011 U.S. credit downgrade
1978 Interest rates rise	1995 Dow tops 5000	2012 Global tensions with Iran
1979 Oil prices skyrocket	1996 Dow tops 6000	2013 The "Taper tantrum"
1980 All-time high interest rates	1997 Asian financial crisis	2014 Oil prices fall 50%
1981 Steep recession begins	1998 World market correction	2015 First U.S. rate hike in 10 years
1982 Worst recession in 40 years	1999 Fear of Y2K	2016 U.K. votes for Brexit
1983 Market hits new high	2000 Dotcom bubble bursts	2017 Rising interest rates
1984 Record-setting market decline	2001 September 11th terror attack	2018 Slowing global growth
1985 Economic growth slows	2002 Markets drop to 1997 levels	2019 U.S.-China trade war
1986 Dow nears 2000	2003 Iraq war	2020 COVID-19
1987 Black Monday	2004 Indian Ocean tsunami	2021 ???

Source: RBC Global Asset Management (2021).

*Bloomberg LLC. Return shown is the total return – including reinvested dividends – of the S&P 500 Index from January 1, 1996, to December 31, 2020. Note that you cannot invest directly in an index.

Three questions to ask about your retirement as we look beyond the COVID-19 pandemic

Life is starting to return to normal 16 months after COVID-19 turned our world upside-down. As we move towards a new normal, here are three key questions to consider about your retirement, whether you're approaching retirement or you're already retired.

1. When will I retire?

In the past, the easy answer was "When I turn 65." But as a result of the pandemic, many people are reassessing their priorities in life, and thinking about moving forward their retirement dates. As you do, consider family and emotional factors. If you have a spouse, how will your retirement affect them? How will you replace the sense of purpose that your work may have provided? And, of course, how will you fund your retirement lifestyle for an extended period of time?

On the other hand, you may be considering a later retirement date. The pandemic has caused economic hardship for many people and, if you're one of them, you may be thinking about working longer, or keeping your business going longer. Consider updating your financial plan to determine whether you need to adjust your target retirement date, and what financial strategies can help you get back on track.

2. How much is enough to avoid outliving my retirement savings?

The longer-term trend is that people are living longer, meaning retirements are lasting longer. With continued improvements in health care and medical breakthroughs, it's reasonable to expect this long-term trend to continue or to even improve.

The key question is how much is enough to avoid outliving your retirement savings? Some of us tend to set nice, round targets, like $1 million or $5 million. The truth is, there is no easy answer. Most Canadians get by on less than $1 million, relying on government benefits to augment their savings.

Another consideration is where you might choose to live during your retirement – this can play a major part in determining how much you might need to live, as health care costs continue to rise.

3. How can I make the most of my retirement savings?

Your retirement savings may need to last longer, and work harder too. In previous generations, many retirees could put their savings into low-risk, interest-bearing investments like GICs and government bonds. However, interest rates continue to be very low. To help ensure your savings last 30-40 years after retirement, and it's appropriate for your risk tolerance and capacity, you may need to consider other investment options offering long-term growth potential.

It's also important to be tax-smart by developing appropriate strategies around and leveraging the benefits of tax-sheltering offered through Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs); and, the unique and growing advantages of Tax-Free Savings Accounts (TFSAs).

Talk to us to learn about how we can help you build a plan to achieve the retirement lifestyle you are seeking.

Five reasons why an up-to-date Will is a crucial part of your estate plan

It's important to establish a Will, and keep it up to date. Your Will documents the manner in which you want your estate to be managed when you die, and who you wish to benefit from it.

Unfortunately, over half of Canadians have no valid Will*. Dying without a Will – or "intestate" – means that under the succession laws of your specific province, the government becomes the controller and executor of your estate. The government decides how your estate is settled, and when and to whom any assets or residual value goes to. This can often mean higher fees, lost earnings and opportunities regarding your assets, and unnecessary if not devastating hardship for those you would likely wish to benefit from your estate.

Where there's a Will, there is a way

Here are five reasons to establish or update your Will:

1. **Creating your legacy:** A Will tells the government, the courts, your executor and your beneficiaries what your wishes are, as well as when, how and to whom you wish your estate to be dispersed – including any charitable legacy.

2. **Protecting your partner:** While a surviving spouse will usually inherit some or all of a deceased's estate even if they die intestate (depending on the relevant provincial law), that is NOT assured if the partner is common-law or unmarried.

3. **Providing for your children:** Especially if you have minor children, your Will can stipulate whom you establish as their guardian(s), as well as how, how much and when they receive an inheritance.

4. **Maximizing the value of your legacy:** Having a well-considered and established estate plan and Will can help ensure that the assets that make up your estate are properly and timely managed, (e.g., your investment accounts, vacation and/or rental properties, your business) to maximize their value for your beneficiaries, while also properly managing the estate's taxes and fees.

5. **Appointing a trusted executor:** Whether it appoints a corporate executor and/or an individual, your Will can ensure that you have a trusted and competent executor. This can help ensure your estate is settled the way you wish, alleviate the burden on your loved ones and reduce friction amongst beneficiaries.

"Wilted" Will

Wills can go stale, so it is important to review your Will every three to five years to ensure it still reflects your wishes. As well, life events such as divorce, a death of a spouse or a meaningful change in financial circumstances can have a profound impact on your estate, and can even invalidate a previously valid Will. Reviewing and updating your Will is also an opportunity to reassess your executor's suitability, which may have changed over time.

Talk to us to find out how we can help.

*2019 Canadian Financial Capability Survey (CFCS), Financial Consumer Agency of Canada (2019).

Safe travels: Three tips to help stay secure from cybercrime while traveling

As COVID-19 vaccination levels rise and pandemic restrictions ease, many Canadians are heading off for their summer getaways to enjoy new adventures and spend time with family and friends. Unfortunately, cybercriminals never take a vacation, so it's important to take a few simple precautions to avoid becoming a cybercrime victim. According to RBC's Cyber Security experts, here are three tips to help ensure you enjoy safe travels ahead:

1. Keep your travel plans to yourself

"Have a great trip … so when are you leaving again?" As exciting as it may be to plan and enjoy a holiday away, sharing your travel plans and timelines on social media platforms is generally not advisable. Posting about your upcoming two-week trip to the cottage might sound like a nice "share" with your friends, but cybercriminals regularly monitor users' posts to find opportunities to move from the virtual world to the real – and burgle unsuspecting victims. When it comes to social media, consider saving the "Wish you were here!" for the "Wish you had been there!"

2. Beware of fraudulent booking sites

In all the excitement of planning a trip, it's easy to miss the signs and to become a victim of a fraudulent booking site. Cybercriminals are increasingly targeting travel-related sites to defraud unwary users. Consider the sites you are using: are they well-established and easy to identify and verify as legitimate? If not, take a few minutes to research them by searching for a website review. Most importantly, when it comes to payment, avoid providing your credit card details and consider using third-party payment providers that mask your details.

3. Secure your devices

On vacation or not, one of the easiest ways for criminals to scam us is to target our personal electronic devices. These devices often contain invaluable information such as passwords and banking information, as well as personal and contact information, which can help cyberscammers penetrate our security or steal our identity. Cybercriminals don't need your physical device – just the data on your device. To defend against malware and hacks, make sure you have your operating software up to date. And, to avoid the loss of key data and valuable digital items such as photos or videos, back up your information before you go, and again periodically during your time away, for instance through a secure cloud-based storage service.

No matter where you go, or for how long, you deserve to enjoy your holidays. A few key steps can help you secure a great vacation, while keeping cybercriminals at bay.

For more information on how to stay cyber safe, visit the RBC Cyber Security Centre @ www.rbc.com/cyber-security.

**Pandemic Perspectives on Ageing in Canada in Light of COVID-19: Findings from a National Institute on Ageing/TELUS Health National Survey*, National Institute on Ageing (July 2020).

***Life expectancy tables*, Statistics Canada (2019).

The 411 on SPACs

What is a Special Purpose Acquisition Company (SPAC)?

A SPAC is an investment structure more commonly known as a shell company. They've been around for decades, and have been in the news headlines recently as they have surged in popularity. Their unique structure enables certain investors to participate in non-public company acquisitions and subsequent Initial Public Offerings (IPOs). They also offer a more streamlined and efficient way for private companies to go public.

Since the start of the pandemic, SPACs have become a popular way for private corporations to become public through an IPO that is faster, cheaper and more efficient versus the sale of shares by underwriters and the accompanying regulatory processes. According to SPAC Insider, 2020 saw 247 SPACs raise US$83 billion in capital through IPOs in the U.S. More SPACs were established in 2019-2020 than in the previous 18 years combined.

SPAC specs

In its initial form, a SPAC is a "shell" or non-operating public company – meaning it has no actual operations. It is set up solely to raise money from investors in order to acquire an actual operational company, typically a private, non-publicly listed one. The SPAC is usually run or directed by a managing investor (or sponsor) who sets up the SPAC.

A SPAC's two main functions are as an:

1. **IPO alternative:** Provide a company that wishes to go public with an alternative to launching an IPO directly into the equity market.

2. **"Blank cheque"** investment company: Investors essentially give SPAC sponsors a "blank cheque" in the expectation that they will eventually choose the most appropriate acquisition targets; then, when the sponsor goes public, provide a return to the initial investors.

Importantly, when the sponsor finds an appropriate company to purchase, investors can either remain invested in the SPAC, or they can cash out their original investment plus interest and walk away.

Think before you SPAC

While there is a lot of chatter these days about SPACs, they remain riskier than the standard IPO, as they are subject to far fewer regulatory rules and reviews. Also, the general lack of transparency around SPACs can make it difficult to establish the risks involved with the eventual acquisition, and whether they would be appropriate for your portfolio. Speak to us before considering an investment in a SPAC.

How they work

SPAC sponsor launches ABC Corp., files to go public and begins to raise money from investors.

Investors buy units in ABC Corp. at $10 each.

ABC Corp. goes public on the relevant stock exchange (the sponsor usually retains a sizable percentage of the shares), for example, the TSX or NYSE.

The sponsor searches for, targets and then negotiates the acquisition of a specific company (XYZ Corp.)

Investors vote on whether to support the acquisition of XYZ, and, if approved, the sponsor then uses the investors' funds in the now-publicly listed SPAC (ABC Corp.) to purchase the target company, XYZ Corp.

ABC and XYZ merge and become one-publicly listed company on the relevant stock exchange. Investors in ABC Corp. now become proportional owners of the combined entity.