RBC Dominion Securities Inc.

Cooper Wealth Management

Wealth Management
Dominion Securities

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"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die of euphoria." – Sir John Templeton

A New Year and a New Optimism

Since the surprise election of Donald Trump on November 9, the U.S. markets have surged on the optimism of a strong, pro-business agenda. Corporate and personal tax cuts, deregulation, infrastructure and defense spending, and repealing of Obamacare are all under discussion. Bond yields have jumped higher and even the U.S. Federal Reserve is talking about rising interest rates. The political backdrop and discussion is certainly encouraging. Welcome to the New Optimism.

Pre-election, the markets were certainly pessimistic about any positive election outcome. Afterwards, the market immediately became optimistic and stock prices shot higher. Now, the entire world is in wait-and-see mode until Mr. Trump takes office on January 20.

The first 100 days of a new presidency are the most closely watched and this one is sure to be the most talked about and scrutinized in history. We believe a healthy dose of skepticism will creep back into the markets at some point in the next 100 days, as sweeping changes always take longer than expected and the market is notoriously impatient.

However, we believe that the core strength of the U.S. economy is sound and as legislation passes, the U.S. market will become even stronger. As such, we will be keeping our 35%-40% weighting in U.S. equities, to also look to benefit from the currency appreciation.

The outlook for Canadian stocks is also improving. With OPEC production cuts in place, oil should continue to recover to the $55-$60 range, barring any surprise production increases out of the U.S. As time goes on and surpluses drop, the price of oil should remain firmer. If the U.S. economy does expand, as hoped, then the demand for other commodities and materials should also rise. These increases should also reduce bad bank loans to these sectors, setting up another good year for the banks.

The Eurozone should also benefit from increased global activity, but there are still too many problems. Pending elections in Holland, France and Germany could all undermine the Euro, as well as the ongoing Brexit negotiations. Two of the biggest ongoing concerns are the state of many of the Eurozone banks, particularly in Italy, as well as their negative interest rate policy which has done little to stimulate growth and has virtually eliminated the ability of Eurozone banks to make a profit.

On the interest rate front, we do not expect any increases from the Bank of Canada in the coming year and even then we expect rates to remain historically low. Improving oil revenues will help but not enough to deal with the excess liquidity in the Canadian system. For fixed income clients, we will continue to maintain our higher yielding preferred share positions.

For the Eurozone, rates will largely stay negative until the Eurozone Central Bank stops its Quantitative Easing program, flooding the market with excess liquidity. The interesting battle over interest rates will be fought in the U.S. this year.

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Policy makers are of the belief that U.S. rates will move higher on the strength of increased U.S. economic activity and inflation pressure from wages with the economy approaching full employment. However, we believe that a strong U.S. dollar will continue to attract foreign buyers and keep a lid on interest rates, similar to what happened for most of this year. This could slow down the U.S. plan for higher U.S. rates but may not slow down overall U.S. economic growth.

For the next 100 days, we plan for optimism, with a healthy dose of skepticism for balance. We see strong potential for the North American equity markets this year but, as always, will be holding strong companies that can weather short-term downturns, while continuing to focus on generating cash flow through our covered call program.

As always, if you would like to discuss the markets, your portfolio or review/create your financial plan, please call us.

Walter Harmidarow and the Cooper Wealth Management Team of RBC Dominion Securities

What's included in your relationship with us?

Discovery

- Explore your current financial situation, portfolio and investment objectives
- Establish your investment and wealth management goals
- Determine your tolerance for risk and market fluctuation

Strategy

- Develop your individual Investment Policy Statement
- Build customized portfolios designed to meet your investment goals
- Establish your needs for tax, estate, insurance and charitable gift planning
- Provide research, commentary and information on specific holdings, markets or economies
- Collaborate with your existing professional advisors, such as lawyers and accountants, to integrate your investment plans
- Introduce, as appropriate, a full suite of services from our RBC partners

Enhanced wealth management services

- Benefit from the expertise of our RBC Wealth Management Services team, which includes specialists in financial planning, estate law and taxation
- Comprehensive financial planning
- Family Snapshot™ report
- Will and estate consulting
- Insurance-based wealth enhancement assessment
- Business succession planning
- Corporate re-organization advice
- Family wealth management

Investment solutions

- Proprietary and third-party investment products, including mutual funds and portfolio services
- Global and North American equities, including stocks, preferred shares, income trusts and more
- Canada's largest inventory of fixed-income and money market instruments

Investment portfolio services

- Ongoing personal advice
- Buy/sell recommendations
- Scheduled portfolio reviews
- Portfolio monitoring and rebalancing
- Safekeeping
- Multi-currency, non-registered account functionality
- Automatic contributions and withdrawals, if needed
- Automatic mutual fund purchase or redemption plans
- Electronic funds transfers
- Registered estate processing, tax reporting and T3 returns
- Old certificate current status and value research
- Interest on cash balances

Reporting

- DS Online private client website, providing secure 24/7 account access, exclusive investment research, quarterly market outlook, RBC Economics publications, Reuters market news, real-time quotes, customized Watchlists and more
- Consolidated view of all your RBC accounts and ability to transfer funds between accounts
- Quarterly account statements (or monthly when there is trading activity in an account)
- Paperless eDocuments through DS Online to reduce your paperwork and help us help the environment, including a seven-year archive
- Annual consolidated tax reporting, including dispositions with book costs
- Quarterly performance reporting

Research and information services

- RBC Wealth Management Services' library of publications and articles on a wide range of tax, retirement and estate planning topics
- Access to the broadest research in Canada for domestic and global markets

RRSP quick tips

Quick tip #1 – Contribute early to maximize your RRSP

You have until March 1, 2017, to make your 2016 Registered Retirement Savings Plan (RRSP) contribution. But remember to contribute early to avoid the last-minute rush. Contributing early can also boost your RRSP's growth over time, as your RRSP assets will have more time to benefit from tax-deferred compound growth.

Determining your available contribution room for 2016

1. Start with 18% of your 2015 earned income, or $25,370 (whichever is less).
2. Subtract any Pension Adjustment appearing on your 2015 T4 tax slip.
3. Add any unused RRSP contribution room carried forward from previous years.

You can also check your latest Notice of Assessment, Notice of Reassessment or RRSP Deduction Limit Statement (Form T1028), or log on to your Canada Revenue Agency account at www.cra-arc.gc.ca/myaccount.

Making your 2017 tax year contribution

You can start making RRSP contributions for the 2017 tax year as early as January 1, 2017 (March 1, 2018 is the deadline). The contribution limit is rising to $26,010 for 2017.

Quick tip #2 – Maximize the tax advantages

Tax-deductible contributions

You can claim your 2016 RRSP contribution as a deduction on your 2016 Income Tax Return to reduce your taxable income and potentially receive a tax refund. It may make sense to wait to claim the deduction if you expect your taxable income to be higher in a future year, as you may receive greater tax savings. You can also claim deductions for contributions made in any previous year since 1991 if you have not claimed them previously.

Tax-deferred growth

You can earn investment income within your RRSP on a tax-deferred basis, meaning you don't pay any tax on the income until it is eventually withdrawn – for example, when you convert your RRSP into a Registered Retirement Income Fund (RRIF) and start to withdraw income. This results in greater growth compared to earning investment income in a regular taxable account.

Income-splitting with a spousal RRSP

If you expect your spouse to have a significantly lower retirement income than you, consider directing some or all of your allowable RRSP contribution to a spousal RRSP. You can still claim the tax deduction yourself, reducing your taxes now. Your spouse will receive income from the spousal RRSP when it is withdrawn, which will help even out your retirement incomes and put you both in a similar tax bracket, potentially reducing your taxes during retirement.

You can allocate a maximum of 50% of your qualifying pension income to your spouse, so it may still make sense to contribute to a spousal RRSP if:

- You are not able to achieve optimum results from income splitting; and
- You and your spouse retire prior to age 65 and require income above and beyond available fixed sources.

Avoid making withdrawals

Unless absolutely necessary, avoid making withdrawals from your RRSP as the entire amount you withdraw will be added to your taxable income. Two exceptions – the Home Buyers' Plan and Lifelong Learning Plan – enable you to withdraw certain amounts tax-free, provided the amounts withdrawn are repaid to your RRSP within a prescribed time frame.

Name a beneficiary

If you have named your spouse or a financially dependent child or grandchild as the beneficiary of your RRSP on your plan documentation or in your Will, your RRSP assets can be transferred to them on a tax-deferred basis. Note that a beneficiary cannot be named on the plan documentation if you are a resident of Quebec.

If you designate anyone other than your spouse or financially dependent child or grandchild as the beneficiary of your RRSP, your RRSP will be deregistered on your death and the value of your RRSP at death may be included in your terminal tax return.

Quick tip #3 – Remember the final contributions

Your final contributions

You can contribute to your own RRSP until December 31 of the year you turn 71, at which time your RRSP must be converted into a retirement income source such as a RRIF. If you have a younger spouse and are still earning income, you can continue contributing to their spousal RRSP until they turn 71.

The "bonus" contribution

You can make a cumulative lifetime excess contribution of $2,000 without penalty over the life of your RRSP. After that, there is a 1% per month penalty on any amount you over-contribute.

TFSA 2017

2017 TFSA contributions

Starting on January 1, 2017, you can contribute an additional $5,500 to your Tax-Free Savings Account (TFSA) to benefit from tax-free growth. With the contribution room from 2009 through 2015, you will be able to contribute up to $52,000 to grow tax-free.

Tax-free benefits

With a TFSA, you can contribute up to your contribution limit each year ($5,000 for years 2009-2012, $5,500 for 2013-2014, $10,000 for 2015 and $5,500 for 2016 - 2017), earn tax-free investment income including interest, dividends and capital gains, and even make withdrawals – at any time, for any reason – without paying tax. Although this may not sound like much at first, with tax-free compound growth, it can add up over time.

Making withdrawals

You can make tax-free withdrawals for any reason, unlike an RRSP. Plus, the amount you withdraw is added back to your available contribution room the following year. Remember that you have to wait to re-contribute any amounts you have withdrawn in any given year until January 1 of the following year. Otherwise, the Canada Revenue Agency may assess excess contribution penalties. In addition, any income or capital gains earned on overcontributions could be subject to 100% tax. There is no requirement to make withdrawals at a certain age. As a result, you can let your investment earnings continue growing tax-free.

Flexibility

You can use your TFSA to meet a wide range of savings goals – for a major purchase, as an emergency fund or as a complement to your RRSP or Registered Retirement Income Fund (RRIF) for an additional tax-wise savings strategy.

Team news

Bozana Babic has been with RBC Dominion Securities since 2011 and joined our team after transferring over from Calgary, Alberta. Along with having a Bachelor's degree in Business Administration (concentration in finance), she obtained her options license in 2013. Her role as an associate on our team will be dynamic, helping with special projects and administrative duties.

Chris Halliday joined us this past October as our documentation specialist. A seasoned associate with extensive industry knowledge, she is a great addition to the team. Chris lives in the Brantford area on a farm with her husband and enjoys spending time with family, especially her granddaughter. Chris also makes time for cottage life, kayaking and riding motorcycles.

Mitch Plata returns to our office with a Bachelor's degree in Business Administration (concentration in finance) from Laurier University. Mitch's current focus will be on the administration of portfolio management and he will be working with the portfolio team. In his spare time, Mitch loves adventure and enjoys travel, skydiving and a great game of pond hockey.

Thank you

It has been our pleasure to help you with your investment needs over the years, and we'd like to take this opportunity to personally thank you for your support.

We especially want to thank those of you who have been kind enough to refer your friends and family to us. Our business is still growing and we continue to welcome the opportunity to meet new people.

Once again, thank you for your support and we look forward to serving your future investment needs.

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