RBC Dominion Securities Inc.

Cooper Wealth Management

Wealth Management
Dominion Securities

Summer 2018

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"All in all, it's just another brick in the wall."
– Pink Floyd, "The Wall"

The great wall of America

The U.S. President has been very busy building a great wall around America, all without laying a single brick. It began with his campaign promise to build a wall at the Mexican border. However, instead of a physical wall, he is building a financial one on the cornerstones of tax policy, tariffs and trade. Under the tax legislation, he lowered the corporate tax rate and allowed international, U.S.-based companies to repatriate trillions of dollars, thereby giving U.S. companies incentive to expand domestically. The tariffs further isolate the U.S. by raising the cost of imported goods. On trade, the President is taking on long-term trade partners Canada, Mexico and China all at once, with the objective of getting a "better deal" for America.

While the tax cuts have benefited U.S. businesses, many view the tariffs and trade war talks as clear negatives. The President seems to be aggressively pursuing these latter two options with the hope of securing a political victory for the Republican campaign for the upcoming November mid-term elections for members of the House of Representatives and the Senate. If the Democrats can gain control of either the House or Senate, the U.S. would again be in political gridlock which might stall the President's agenda.

If the Republicans win, we can expect at least two more years of similar U.S. politics. The U.S. will likely turn up the political heat on trade over the summer, at which point there will likely be an increase in market volatility. However, we expect the strength of corporate earnings, as well as the overall improvement in the U.S. economy to allow the market to move higher.

Moving over to interest rates, the U.S. Federal Reserve (the Fed) has just completed its seventh interest rate hike, bringing a total short-term rate increase of 1.75%. During that time, the yield on the 10-year U.S. Treasury has only grown 0.50% to 2.93%. Simply put, the yield curve has flattened and without a corresponding rise in long-term bond yields, the growth in the U.S. economy could stall. The Fed has signaled it expects to raise rates twice more before year-end, but we believe that a political crisis such as a trade war with China will stall its efforts. Further, there are still trillions of dollars of global liquidity seeking longer-term investment, so until money demand outstrips supply, we see global interest rates being range-bound longer-term around current levels, with inflation remaining between 2% and 2.5%.

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The great wall of America ...
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We are balancing our equity portfolios between growth and value, looking for growth in areas such as U.S. technology and selectively writing calls for cash flow, while collecting dividends for consistency of return.

The oil market has become more robust now that the summer driving season is upon us. Global inventory levels have fallen as the combination of production cuts by OPEC and increased global demand have driven up prices. Future U.S. shale oil drilling will be limited to a large degree by fully utilized pipeline and refinery capacity, due to decades of under investment as the U.S. oil industry had previously been in a multi-year deadline. Russia and Saudi Arabia are now considering boosting production in order to slow the price increase, but both still need higher future prices to help fund budget deficits. Oil price increases may slow down over the summer but we expect prices to move into the USD $70-75 range as winter approaches.

Corporate earnings remain strong. Mergers and acquisitions are at record levels and corporate share buy-backs are at all-time highs. This activity provides a solid backdrop for long-term market results, but in the short term we expect trade worries and political uncertainty to add volatility to the markets. The other major trend in the market is the strong bias towards growth stocks over value-oriented, higher-dividend stocks. We believe this trend will remain in place until the Fed has finished its interest rate increases, or the yield curve flattens, whichever comes first.

We are balancing our equity portfolios between growth and value, looking for growth in areas such as U.S. technology and selectively writing calls for cash flow, while collecting dividends for consistency of return. Year-to-date, the TSX is up 0.8% and the Dow Jones is down 1%. However, both markets have improved through May and June and we believe they will rally into year-end, once the political distraction around trade settles down.

In conclusion, the old investment adage is that the market climbs a wall of worry in order to grow. Higher interest rates and tariff debates are just two bricks in that wall. While they are factors to be considered, they are not enough to stop the eventual rise in equity prices fueled by increased corporate earnings, mergers and acquisitions, and corporate share repurchases. The coming months will require patience and we will be sure to stay on top of developments as they occur.

As always, if you would like to review your investments or have a financial plan done, please give us a call.

Yours truly,

Walter Harmidarow
& the Cooper Wealth Management Team
at RBC Dominion Securities

How baby boomers have changed retirement

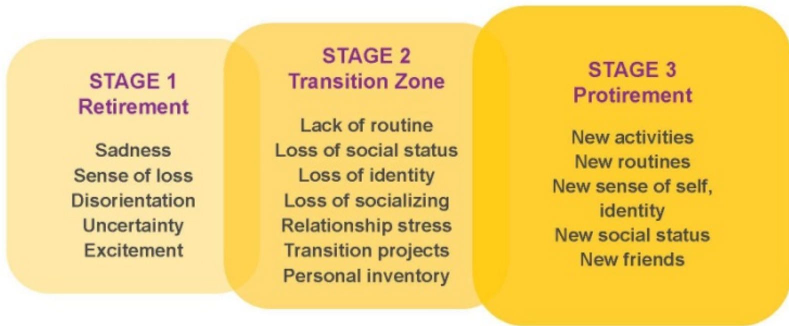
By Ellis Katsof

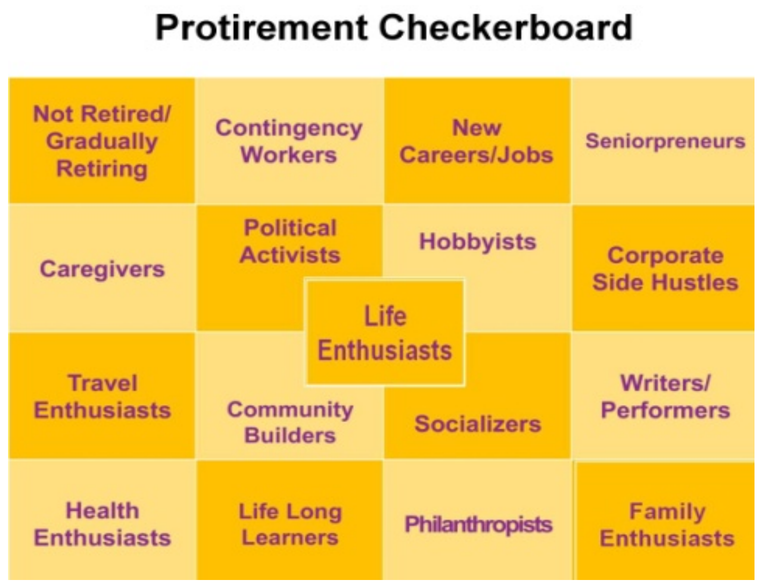
In 2001, the first wave of Baby Boomers turned 55 and began retiring. By 2011, as they turned 65, even more Boomers were retiring. Without realizing it, they were in the process of reinventing the concept of "retirement." In January 1961, Arthur Godfrey combined parts of two words, proactive and retirement, to create a new word: "protirement." He defined it as: "Early retirement from professional work with the positive idea of pursuing something more fulfilling." Today, this is exactly what Baby Boomers are doing, except 60% of Boomers also intend to work, in some manner, as well as pursue other activities, after they turn 65.

Our generation has benefited from increased health promotion and health care. With robust pension plans, we can also retire at a younger age than our grandparents. We will live much longer that they did, too. It is highly likely that Baby Boomers will live an additional 20 or 30 years beyond retirement. We could easily live a third of our lives in "retirement."

Baby Boomers are not ready to stop living. We have a strong desire to keep active, be productive and stay engaged in life. Some boomers also have a need to continue earning money because they do not have sufficient savings to lead the lives they would like to in retirement.

Boomers were known for their experimentation, individualism, tendency to challenge norms, social cause orientation and free spiritedness. They had such an impact on society that in 1966, Time Magazine named the Baby Boom generation as the "Man of the Year."





This article is largely an excerpt from my book, *Life 3.0: Protirement NOT Retirement*, about Baby Boomers redefining retirement. Let me give you some context.

After interviewing 100 retired people from all walks of life, I found that Boomers no longer see retirement as a destination. It has now become Step One in a journey. I found that Boomers are going through three stages of change. The first stage is "Retirement." The second stage is the "Transition Zone," and the third stage is "Protirement." The Protirement Stage is where Boomers are pursuing fulfilling activities.

I identified 17 different Protirement activities Baby Boomers are embracing. I was intrigued to find that 60% of Baby Boomers are working during their Protirement. Four of the 17 Protirement activities refer to different types of work. The remaining 13 Protirement activities are non-income generating activities. I highlight these activities in the "Protirement Checkerboard." above.

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Baby boomers ...
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It is no wonder that Baby Boomers have chosen not to sit back and just accept past retirement practices. In the interviews I conducted, I found Baby Boomers consistently challenging old retirement practices for many reasons.

First, life spans for Baby Boomers have grown, thanks to significantly improved medical practices, health promotion campaigns and healthy lifestyle choices. As a result, Baby Boomers can expect to live 20, 25, or 30 years beyond retirement. This is a long time to just sit around and "retire from life."

Second, Baby Boomers dislike the stigma related to being "retired." They find people treat them differently once they know they're retired. After they retire, the status and prestige related to their job quickly disappears. My interviews were filled with quotes about ageism and the stigma related to retirement.

Baby Boomers see themselves as energetic, young and engaged in life; just the opposite of what "retired" means. Numerous people have said, "75 is the new 65," and the concept of "retirement" is outdated.

Third, some Baby Boomers are concerned that their retirement savings will be insufficient. The economic crisis of 2008 had a significant negative impact on retirement savings for some Boomers. Also, few retirement savings plans accounted for the fact that people would depend on their retirement savings for 30 years or more, or the potentially expensive nursing home and/or long-term care arrangements in the later years of life.

Baby Boomers clearly want to spend their retirement years as active individuals, and want to be respected and appreciated as people who have something to offer to others, no matter what their age.

Yes, Baby Boomers have changed how they retire, what they are doing, and how they are perceived in their later lives. After retirement, Boomers want to live fulfilling, active, meaningful lives, in their Protirement.

Ellis Katsof

Ellis Katsof is author of Life 3.0, and founder/CEO of MyProtirement, a business focused on helping Baby Boomers adapt to the new retirement, "Protirement." Retirement is no longer a destination; it is the first step in a transition toward "Protirement," which is the pursuit of fulfilling activities in the third chapter of our lives.

Please contact us

For assistance in planning or acting on any of the ideas shared in this article, please reach out to us and we will have our team arrange a meeting to discuss how we can best serve your family's needs. Once again, thank you for your support and we look forward to serving your future investment needs at Cooper Wealth Management of RBC Dominion Securities.

Please join us...

On September 5, 2018 we will be hosting two sessions with Ellis for our clients and guests to learn more about how to maximize your retirement into a Protirement.

Please contact Christopher O'Connor at 905-988-5301 or christopher.oconnor@rbc.com for details.

Sessions will be held at the
The St. Catharines Club
77 Ontario St., St. Catharines, ON