

Westside Viewpoints

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Wealth Management
Dominion Securities

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Services we provide:

- Fee-based portfolio management
- Estate planning, financial planning
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Vive l'EU

European equities are looking more attractive from an investment point of view. Political risk has receded with the recent election of a centrist president in France – but there is more to the story. The region's economic revival is yielding better corporate earnings while valuations remain attractively lower than elsewhere.

The recent economic recovery in Europe has been surprising, not only by its strength, with many leading indicators reaching a six-year high, but also by its breadth, with all major countries, except Greece, expanding at a healthy clip.

Loose monetary policy, fewer fiscal headwinds, and a credit mechanism which is now working have all helped. The region has also benefited by a weak euro and the recovery in emerging market economies, to which it is highly exposed.

We are mindful that potential upsets from Europe's heavy political cycle are still possible. Italian elections, penciled in for the first quarter of 2018, could have wide-ranging consequences. The confluence of Italy's importance

as Europe's third-largest economy, its heavy indebtedness, the precarious state of its banking system, and anti-EU sentiment which the 5 Star Movement is trying to harvest all conspire to make this a preoccupying event. Somewhat reassuringly, the 5 Star Movement's lead over the ruling party has eroded recently.

Strong earnings

The current earnings season has been the strongest we have seen in seven years. With almost all results out, earnings have grown some 20% year over year, with revenues up approximately 9%. All sectors, with the exception of Utilities, are enjoying earnings growth, mostly in the double digits. As a result, earnings may grow in the mid-teens for the full year.

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Valuations still attractive

Despite European equities' 10% rally year to date, with earnings overshooting consensus expectations, valuations continue to trade at an unduly steep discount to those in the U.S. and Canada. Europe is trading at a price-to-earnings ratio of 14.8 times 2018 estimated earnings and 1.8 times price-to-book value. This compares to 16.7 times and 2.9 times in the U.S. respectively.

Vote of confidence?

Even if well anticipated by the polls, Macron's landslide victory, with over 60% of the vote, was more decisive than expected. With this outcome, the probability of a France-induced EU breakup recedes considerably. We still have to get through the German elections this Fall, but they will likely provide the opportunity to strengthen the EU integration project even further.

We have been well served in the past by focusing on resilient companies with strong business models and a robust record of dividend growth. The RBC Quant European Dividend Leaders ETF provides well-balanced exposure to the European market and pays a 2.55% monthly dividend yield.

Old Age Security – What you need to know



As you approach 65 years of age, you may have some questions regarding the Old Age Security Program. This article discusses the Old Age Security pension and related benefits you may be entitled to receive, when you may be subject to clawback of these benefits and strategies for how you can minimize any clawback.

What is Old Age Security (OAS)?

OAS is a monthly federal retirement benefit payable for life to individuals age 65 and

older. This program is funded through general tax revenues, so you do not have to make OAS contributions in order to receive benefits.

How do I receive OAS?

You must apply in writing to Service Canada in order to receive OAS, 11 months before your 65th birthday at the earliest. If you have already reached 65 you should apply as soon as possible because retroactive payments are paid up to a maximum of 11 months.

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Prior to implementing any strategy, you should obtain professional advice from a qualified tax and/or legal advisor to ensure your own circumstances have been considered.

How much OAS can I expect to receive?

It depends how long you have lived in Canada after age 18. If you have lived in Canada for at least 40 years since turning 18, you are eligible for the full benefit. In addition, you must have lived in Canada for the 10 years immediately before the approval of your OAS application.

If you do not qualify for the full pension, you may still qualify for a partial OAS pension. In this case, you must have lived in Canada for at least 10 years since your 18th birthday and must be living in Canada when you receive your OAS pension.

What is the OAS clawback and how does it work?

Generally if your net income before adjustments exceeds a certain minimum threshold amount, you may have to repay all or part of your OAS pension on your tax return for that year. For example, the current maximum monthly amount is \$578.53 per individual, regardless of marital status. The OAS starts to be clawed back at a net income level of approximately \$75,000 and is fully clawed back at \$120,000.

Strategies to minimize the OAS clawback

- Consider earning capital gains instead of dividends or interest, since only 50% of capital gains are included in your taxable income.
- Consider mutual funds that have Return of Capital (ROC) distributions. ROC distributions are not considered taxable income therefore will not trigger OAS clawback.
- Make RRSP contributions. If you are 71 or younger and have RRSP room, contributions will provide you with a deduction against your income, effectively reducing your OAS clawback
- Consider pension income splitting with your spouse. Pension income splitting rules provide an opportunity to reallocate eligible pension income from one spouse to another, potentially reducing or eliminating the impact of the OAS clawback for the higher income spouse.
- Maximize Tax-Free Savings Account (TFSA) contributions. Income earned inside a TFSA is sheltered from tax.
- Consider withdrawing from your RRSP before age 65. If you are retiring early or have low income in the year before you turn 65, consider withdrawing from your RRSP before age 65 in order to minimize your OAS clawback in future years when you are required to convert your RRSP to a RRIF and begin withdrawing from your RRIF.

What's new at the Westside Wealth Management Group of RBC Dominion Securities



Mike and Charlotte are very proud of their daughter, Amy, who recently graduated from high school and has been accepted to both the UBC School of Kinesiology and the Sauder School of Business. She has decided to pursue a dual degree in both disciplines.

Congratulations to Amy and her proud parents.



Kate and Paul at Gaudi's Casa Batllo in Barcelona

Paul and Kate spent some time in Spain and Portugal this Spring, revisiting some of the places Kate travelled to back in the early '80s with a backpack on her back: Barcelona, Girona, San Sebastian, Madrid and Seville in Spain, and Quarteira and Lisbon in Portugal. While many things remain the same, some notable things had changed. Instead of standing and waiting in long queues to see the major sites, you can now pre-book a specific timed entry online, thereby avoiding big lineups. Bike sharing operations are available and ubiquitous in most major cities, with dedicated bike lanes making cycling a convenient way to discover new territory. Uber is very popular in Portugal, offering cheap and efficient transportation as long as you have access to wifi on your phone.



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