RBC Dominion Securities Inc.

The Stanton Report

Summer 2023

Views and opinions for the friends and clients of Investment Advisor Richard Stanton

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If you know anyone who would like to receive a copy of this newsletter or be added to our mailing list, please contact Tracy Dykens at (250) 847-6680. Please contact Tracy if you would like secure internet access to your accounts. Use our toll-free number from anywhere in North America.

A Word from Richard

It's hard to believe, but the first half of the year has come to a close. While it's been eventful, one could argue it's been relatively dull compared to the year ago period. Interest rates are still rising, but less aggressively than last year. The rate of inflation is decelerating, rather than accelerating. And, economies have proved resilient, still largely growing despite what many had predicted at this time last year.

Moving right along to news about the girls: Olivia graduated from UBC this June with a BSc Chemistry. She has been working part time at an optometrist office in Vernon for the last year and has also been volunteering with the BC Ambulance on the weekends. She will be writing her entry exam for optometry next month and if she is successful will begin the program at The University of Waterloo. Jenelle has been having fun exploring the Okanagan and is currently working at King Taps in Kelowna over the summer before returning to university this Fall.

If you are in Smithers area this summer, make sure you check out the Fall Fair, August 25-28 this year. My family and I are always down at the Rotary Booth, cooking corn or helping out in the kitchen. Despite the busy weekend we really enjoy people-watching and talking to everyone that comes by to chat. It's a great community event and there is something for everyone down at the Fair!

Thank you for reading and if you have any questions regarding your portfolio or if you simply want to discuss your investment goals and objectives for the coming year give Tracy a call or send her an email if you want to setup an appointment.

Thanks for reading,
Richard

Here is what happened the first half of 2023;

- **S&P/TSX Composite Index 4.4%**
- **Dow Jones Industrial Average 2.9%**
- **MSCI World Index 14.2%**
- **Crude Oil -11.1%**
- **Gold 4.5%**
- **Silver -6.3%**
- **Copper -2.2%**

RBC Wealth Management
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Playing "D" with dividends

Investing in dividend-paying securities is a great way to shore up your portfolio's defences during bumpy markets. They can provide consistent income, potentially enhancing portfolio protection and growth over time.

The last year has been a challenging one for investors. Both equity and fixed-income markets have experienced significant volatility driven by a rapid rise in interest rates to combat soaring and persistent inflation and an over-heating economy. More recently, markets having been wrestling with concerns that rising rates may cause an economic slowdown.

Playing D: Defence and experience win championships

No matter what market conditions you may face in the short term, dividend paying stocks have been a mainstay for investors because they have historically demonstrated their ability to generate long term positive and reliable returns. Especially in the Canadian equity market, dividend payers are often well-established, soundly managed companies with stable businesses.

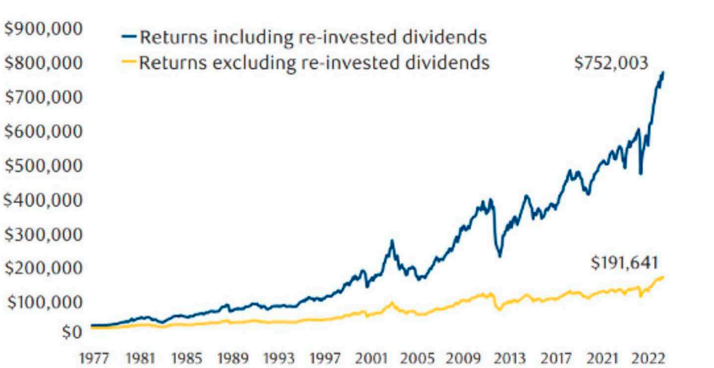
Whether you are seeking income to support your cash-flow needs in retirement, or you want to take advantage of growth through compounding the payments these stocks provide over time, or both, history has shown that dividend paying stocks can help smooth returns and provide market-leading returns.

The dividend "defence": The smart choice for patient investors

As we have seen more recently, dividend paying stocks can wilt in the face of increasingly higher interest rates and bond yields. That's because comparatively fixed-income investments such as bonds provide attractive relative returns with less risk. But as the conditions

Dividends have consistently and significantly contributed to toto I returns, year after year

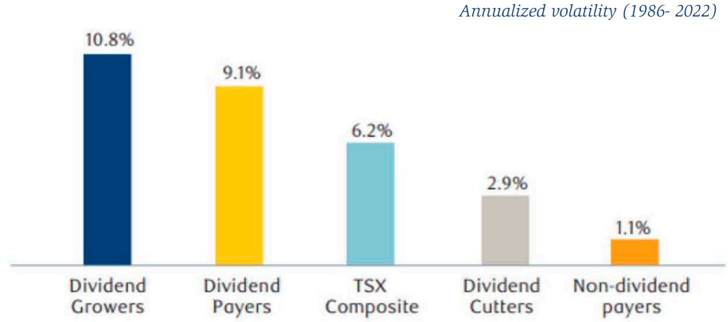
Growth of $10,000 invested in S&P/TSX Composite Index



for higher interest rates- usually rising inflation fade, dividend-paying stocks historically regain their shine. Unlike fixed-income investments, dividend-paying stocks partake in the growth of a company's business over time, highlighting the double benefit of income and potential growth these stocks can provide. Importantly, dividend-growing stocks - those stocks that see their dividends grow annually or at least regularly- are often able to offset, fully or partially, the corrosive effects of inflation, in turn helping investors to maintain the purchasing power of their dividend income, either to reinvest those dividends, or to use them for their specific cash-flow needs.

Dividend-paying stocks have displayed lower volatility*

Annualized volatility (1986- 2022)



The ultimate team player: Dividend-paying stocks can smooth portfolio performance

Dividend-paying stocks can also help to reduce the volatility of a portfolio, while at the same time provide downside protection.

Again, it is often the case that dividend payers- and especially those that consistently grow their dividends over time -are "blue chip" companies that are well managed, have strong fundamentals, and can afford to pay out a significant amount of their income due to their stability and financial strength.

ln summary, dividends offer three key benefits: First, they can generate income from your portfolio to support your cash-flow needs. Second, they offer historically solid performance to help grow your portfolio. And, third, they can help reduce the volatility of your overall portfolio.

The well-known truism in sports is that defence and experience wins championships -talk to us about how we can bolster your portfolio defences, while helping to add to your investment "Win" column.

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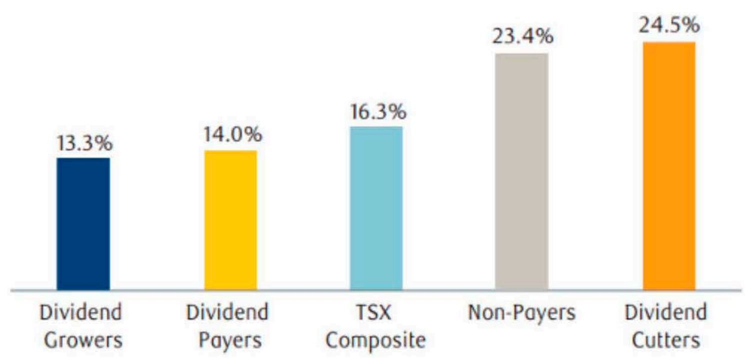


Getting your investment groove back

Getting back into the market during a period of uncertainty can be tough. Leveraging the power of regular investing and dollar-cost averaging (DCA) can help ease the process.

Going through a difficult and volatile period for markets where both equity and bond values have declined can be psychologically difficult as an investor. And, it is natural to find a sense of security by moving to the sidelines and into cash or short-term investments, such as GICs or money market funds. And, if that is appropriate given your investor profile and investment plan, that can make sense, especially as interest rates and bond yields have begun to offer a meaningful return for the first time in years.

However, if your goal is long-term growth in order to achieve a specific goal such as retirement, deviating from your investment plan simply to avoid short-term volatility can have a meaningfully negative impact on your ability to achieve your goals.

Find your groove- one step at a time

Most investors understand the historically predicated investment principle that it is not timing the market but time IN the market - that allows one to benefit from the long-term growth that a properly balanced portfolio can potentially achieve. But the actual process of getting back into the market can be difficult and seem overwhelming to an investor. One of the simplest yet most effective ways of easing back into the market is to establish or reinstitute a regular investment plan. That way, you have a disciplined and consistent plan to regularly purchase smaller and manageable amounts, gradually rebuilding your portfolio over time.

Two groovy benefits:

1. Less freaking out

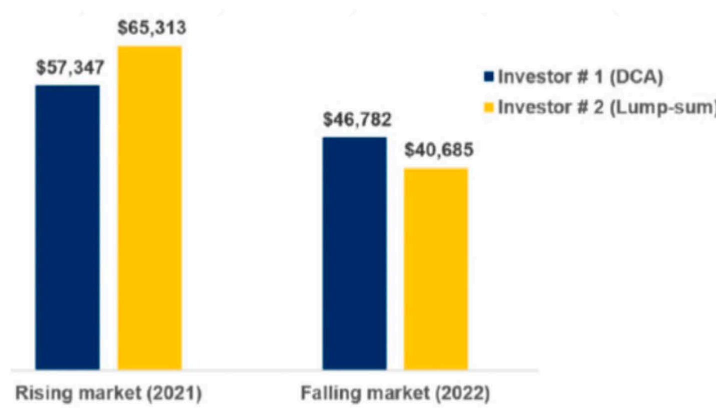
Regular investing works well because you can set up the plan and the funds are regularly withdrawn and invested into your portfolio. Investors tend to "set it and forget it", which can allow them to benefit From nullifying or reducing their emotional responses to short-term market gyrations by removing the choice of whether to invest or not (although there is no lock-in period, and an investor can stop their regular investment plan at any time).

1. More growing your investments

This approach also benefits from the fact that, rather than trying to time one's investment purchases, investors can engage in dollar-cost averaging, or DCA, allowing them to buy more units or shares of an investment when the price is lower, and fewer when it is higher. This takes market timing out of the equation, and especially in falling or flat markets, it can work better than "going all in" with a lump sum.

To illustrate, in the following scenario two investors are considering how to invest at the start of the last two years:

- Each investor has $50,000 in cash to invest.
- Investor# 1 prefers a DCA strategy and decides to deploy the cash across 12 equal monthly installments.
- Investor# 2 prefers to deploy the entire sum of cash on the first day of the year.



While a lump sum approach works better in a rising market, it can also be overwhelming and emotionally difficult for an investor to re-enter uncertain markets in this way- especially if they are worried about asset prices falling substantially. Regular investing and benefiting From DCA can ease this concern, allowing for a gradual and measured re-en try into the market.

We can help you set up the right "re-entry" plan- talk to us today about getting your investment groove back.

Report Card

Positive Developments

- Economy still hanging on, for now
- Inflation can fall further despite recent stutter
- Canadian macro story looks a bit better
- Can generative AI be new driver of productivity? To spur additional business investment
- Debt ceiling set to be resolved

Negative Developments

- Chinese recovery underwhelming
- Banking headwinds persist
- Some economic cracks forming
- Further progress needed on inflation before victory declared
- Recession still likely this year

Interesting !

- Housing rebound? May not last
- U.S. infrastructure expectations - up to $126B per year of new spending from the Inflation Reduction Act

Building on strong foundations

The newly launched tax-free First Home Savings Account (FHSA) is a great way to build up savings towards the cost of purchasing a first home. Whether for you, or to assist an adult child or grandchild on their journey to realizing on the dream of home ownership, the FHSA combines unique benefits with the some of the best advantages offered by RRSPs and TFSAs.

Who is eligible:

- Must be at least 18 years old (age of majority in province/territory of residence)
- Must be a resident of Canada with a Social Insurance Number
- Must be a first -time home buyer - neither they nor their spouse/common-law partner have owned a home in which they lived in the year the account is opened or in the 4 previous calendar years
- Note: Contribution room only starts to accumulate once an account is opened (unlike RRSP or TFSA)

Money in:

- Contribution limit of $8,000 per year
  - Unused room can be carried forward and used in future years, up to an annual maximum contribution of $16,000
- Lifetime Maximum of $40,000
- Unlike RRSP, limits are not based on earned income
- Contributions are tax deductible like an RRSP, and deductions can be carried forward indefinitely
- Can hold more than one FHSA, but combined contributions to all accounts cannot exceed limits
- Individual accounts only – no joint
- Parents cannot open and 'own' an account for a child
- Can transfer tax-free from a RRSP to FHSA, but transfer is not tax-deductible and uses FHSA room

Investment Grows Tax-Free (like RRSP or TFSA)

Money Out:

- Funds can be withdrawn tax-free like a TFSA, if proceeds are used for a qualifying home purchase and owner is a first-time home buyer at the time of withdrawal
- Must have an agreement to buy or build a home by Oct. 1 of the year following the withdrawal
- If funds are not used for a home purchase, they can:
  - Transfer all or part of the balance to RRSP/RRIF at any time without impacting RRSP contribution room
  - Withdraw all or part for any other purpose and be subject to tax as income
- No minimum holding period – could contribute one day and withdraw the following and still deduct contribution
- Plan must be closed by Dec 31 of the year following the withdrawal

- FHSA must be used to buy a home by Dec. 31st of the 15th anniversary of the account opening, or by Dec. 31 of the year the owner turns 71
- Beneficiary or successor annuitant can be appointed (outside of QC). Recipient receives funds tax-free with no impact on their FHSA contribution room if they are eligible for FHSA, or they can transfer to their RRSP/RRIF or withdraw and pay tax
- Can be combined with RRSP Home Buyer's Plan, but unlike HBP, FHSA withdrawals do not have to be repaid
- Spouses/common-law partners can combine HBP and FHSA withdrawals to maximize down-payment (i.e. $35,000 per individual from HBP + total balance of each individual's FHSA)

What's the difference between the new FHSA and existing TFSA and RRSP?

If you want to know how the new FHSA compares to the new(ish) Tax-free Savings Account (TFSA) and/or the well established first-time Home Buyers' Plan within a Registered Retirement Savings Account (RRSP), check out our easy-to-follow breakdown at https://www. rbcroyalbank.com/ investments/tfso-vsrrsp- fhso.html.

Quick tip: Carry forward contribution room only starts accumulating after you open a FHSA - so consider opening one this year, even if you don't make a contribution right away.

Whether you're saving for your first home - or helping your family members save for their first home - we can help. Talk to us today about opening your FHSA.

Quick tip: Have family members who don't have a first home yet? You can give funds to your family members, like your children and grandchildren, to open their own FHSAs.