



Wealth Management
Dominion Securities

Portfolio Advisor

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Around the world in 80 seconds



Canada

The economy continues to show clear signs of weakening. Negative per capita GDP growth for the last six quarters suggests the country is straining under the weight of significantly higher immigration-driven population growth and a sluggish global economy. Sharply higher interest rates and funding costs have had their desired effect, bringing down the raging inflation of 2022 and the first part of 2023 closer to the Bank of Canada's (BoC) target rate of 2%, but also working to cool the economy. While we anticipate a decreasing chance of a recession in the U.S. in 2024, demand from Canada's major trading partner is likely to keep the economy above water for the rest of the year. Plus, BoC rate cuts should help boost economic growth and Canadian investment assets in the months ahead.



United States

Growth in the world's largest economy continues to defy expectations, although it has recently begun to show signs of fatigue, as job growth slows, and interest rates continue to take a bite out of companies' profitability and hurt business investment. The U.S. Federal Reserve has indicated an increasing willingness to cut rates in light of falling if still "sticky" inflation, and that three cuts are likely during the latter half of the year. With a presidential election looming, market volatility is expected to rise over the coming months, but to-date investment markets have soared in 2024, driven by optimism over the impact to companies' bottom lines from AI-driven efficiencies, and especially boosting technology shares.



Europe

Europe continues to struggle with sluggish growth, despite the ongoing post-pandemic travel boon to the region. Germany, France and Italy are all mired in recessions (or close). While the European Central Bank is expected to cut interest rates in the months ahead (and Switzerland's central bank surprised markets with a cut to its rates in March), in the meantime, high interest rates remain in place to be sure that inflation is truly quelled. This further hurts spending and business investment. Despite the negatives, Europe's macroeconomic signals appear to have stabilized, setting the stage for an upswing in the economy in the second half of the year. The region's stocks are relatively attractive based on valuations and earnings expectations are reasonable.

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



Emerging markets

While growth in India, Latin America and several smaller Asian nations has dampened the fall, aggregate emerging markets (EM) economic growth has been dragged lower by China's sluggish economy. India is poised to become the world's third-largest economy by 2026 and is seeing a strong rise in affluence as the country's economic benefits spread to more and more of the country's massive population. Asian equities rose in the latest quarter given a solid global economic backdrop and as inflation continued to decline from uncomfortably high levels. Last year was a historic period for emerging-market fixed income: interest rates set by central banks were for the first time on a par with those in developed markets.

RBC Dominion Securities Inc.

Spring cleaning – Time to review goals, check in on your investment plan and ensure your financial “house” is in order.



Spring is a time of renewal with green shoots, rising temperatures, and longer days bringing more light into our lives. This sense of renewal often leads us to clean our homes, and get rid of the old to make way for the new.

But spring is also a great time to engage in a financial “spring cleaning”, taking the time to review your plans and how you are progressing towards them. As part of that process, it’s also an ideal time to review your readiness to meet future challenges and unforeseen events, to help ensure your financial affairs are tidied up and ready for any eventuality.

Here are five things to consider when engaging in a financial spring cleaning this season:

1. Consider your goals: Changing circumstances – from work, to income, to family, to health – can change your priorities and therefore your goals. Your goals underpin your financial and investment plans, and that can affect your savings levels, investment portfolios and even key milestones, such as major purchases or your retirement date.

2. Calculate your net worth: Subtracting what you owe from what you own allows you to benchmark where you are as you

build your wealth over time. Rising income may make you feel richer, but if you aren’t growing your net worth over time, you might have an issue with spending or debt servicing.

3. Make or update your budget: Over time, new costs (e.g., subscriptions, memberships, service fees) can sap your cashflow, while longer-term commitments (e.g., charitable giving, savings and investments) may need a review around their relevance and size, either higher or lower. A review of where your money’s being spent may help you better allocate your dollars towards what really matters to you.

4. Review your investment portfolios: It’s important to review your portfolio at least once a year. If your goals have changed, that may impact how your portfolio is structured (e.g., growth vs. balanced), or whether you need income from your investments to support your lifestyle, for instance if you are about to realize on the goal of retirement. A change in your net worth may help you understand better how your wealth is building and in what way, while reviewing your budget and determining your cashflow may allow you to increase or decrease how much you are investing to better achieve your goals.

5. Review your key financial documents: Reviewing your key financial documents annually is important, to ensure they continue to reflect your priorities, goals, lifestyle, or financial circumstances. You should also review them when there’s a major life event (e.g., marriage, divorce, birth of a child, loss of a parent or spouse). These key documents include:

i. Your Will: Changes in your life may change how you wish your estate to be settled, who your executor is, who your beneficiaries are, how you wish your legacy to be managed, and what it is to be focused on.

ii. Power of Attorney (PoA): A PoA document bestows enormous power on someone, who will have sway over your financial affairs in the event of your absence or incapacitation. Consider carefully who that will be, and be specific with them about how you would want things managed if anything occurs that required your PoA’s activation.

iii. Healthcare directive: In addition to a PoA, a healthcare directive helps ensure that if you become incapacitated your wishes as to your health are articulated and known so they can be acted upon. This may include termination of life under certain circumstances, and where and how you would want to be cared for if you cannot care for yourself.

iv. Digital assets: While your PoA and your Will will cover more traditional assets and bequests, making sure you list your online and social media IDs and passwords for your PoA and executor is important in this day and age. Without those, they may not be able to manage or terminate your online presence and assets (e.g., rewards programs, photos, etc.) if you become incapacitated or you have passed.

Now’s the time to “spruce up” your financial affairs, which can help you build your wealth and reach your goals. Talk to us today about helping you complete your financial “spring cleaning”.

Penny wise, loonie rich: Strategies to help you pay less tax and keep more in retirement



Over the last few years, Canadians have been feeling the pinch on their cashflow brought on by higher inflation and borrowing costs. In the spring of 2022, inflation surged to a four-decade high (eventually peaking at 8.1% in June of 2022). To help tame inflation, the Bank of Canada (BoC) implemented one of the most restrictive monetary policies of the last 40 years to dampen spending. Its primary tool to do so has been interest rates, which it has raised to 5% from their all-time low of 0.25%. The kicker for consumers and businesses has been the long lag effect between the peak of interest rates and when inflation cools enough that the BoC can start cutting interest rates.

As well, rising interest rates are generally negative for bonds and stocks, and particularly dividend- and distribution-paying stocks. That has had a further adverse impact on those who rely on the income generated from their portfolios, such as retirees. And while higher interest rates and bond and dividend yields can be helpful over the longer term, they don't do much for those who need the cashflow generated by their portfolios to live on today.

Hole in your pocket

Older Canadians, especially retirees, are particularly sensitive to the increase in the cost of living. With many Canadians 65 years of age and older living on fixed incomes, rising costs for essentials such as rent, food and utilities are particularly hard on their cashflow. So, anything they can do to reduce costs is particularly welcome, especially as interest rates and inflation are things that none of us can control.

Fortunately, it appears that the BoC is nearing the point where it will be comfortable in lowering interest rates in light of the inflation rate finally beginning to stabilize within its target range of 1% to 3% (it was 2.8% in February 2024). While speculation as to when those cuts will begin has been hotly debated, the good news is that we are headed in the right direction with a more normal pace of pricing increases returning.

Easing the burden – five tax-smart strategies for retirees

One thing we can do to reduce the pinch of rising costs is to take advantage of ways to plan around and save on taxes. Here are five strategies worth considering:

- 1. Spousal RRSPs:** If you have a spouse and you anticipate that your income (and thus tax rate) will be higher than theirs, consider establishing and contributing to a spousal RRSP to help equalize your taxable income. While you are still using your RRSP contribution room when you contribute to a Spousal RRSP, the funds will be held in your spouse's name. This will help build up your spouse's registered savings, and when it comes time to withdraw the funds to support your retirement cashflow needs, it will be taxed at their lower tax rate.

2. Order of asset withdrawal: The sequence in which you receive funds from your various savings and income sources can have a meaningful impact not only on your after-tax cashflow but also your income flexibility. Private pension income, government pension programs, locked-in registered plans and Registered Retirement Income Funds (RRIFs) are generally the least flexible sources of income, as they are “turn on and can’t turn off” sources with defined and often fixed amounts. In the case of accounts like RRIFs, a minimum amount must be withdrawn after age 71. Depending on your situation, they are often your best sources of income to work down first, followed by the increasingly more flexible sources such as your Tax-Free Savings Account (TFSA) and non-registered investments and the income they create, such as dividends and capital gains.

3. Pension income splitting: Another way you can work towards equalizing your higher income with that of your spouse – and in so doing reduce your tax bill – is by splitting your pension income. If the income is eligible, such as that from a private pension plan, you can allot up to 50% of your pension income to a lower-income spouse. This can also have the added benefit of reducing your income and thereby avoiding claw backs on income-tested programs such as Old Age Security (OAS).

4. CPP/QPP sharing: If you have a spouse who is at least 60 years of age and who has limited work history/minimal contributions to CPP/QPP, you may be able to benefit by sharing your CPP/QPP payments. The process involves combining the CPP/QPP entitlement you and your spouse earned during the time

you lived together, and then allocating 50% to each of that combined amount.

5. Tax-Free Savings Accounts (TFSAs): Regardless of income, every Canadian who has attained the age of majority earns TFSA contribution room each new year (the 2024 contribution limit is \$7,000), and can benefit from the accumulated amount from 2009 onwards (the lifetime contribution limit is \$95,000 as of 2024). While you don’t receive an income tax deduction for contributions the way you do for RRSPs, TFSAs are a great way to shelter investment growth and income from taxes, and you pay no tax on withdrawals. As well, withdrawals do not count as “income” when it comes to income-tested benefits such as OAS, nor do they limit entitlement to plans such as the Guaranteed Income Supplement (GIS) and Age Credit.

These are just some of the more common strategies you can use to reduce taxes and enhance your income. As always, it is important to discuss the above and any other tax-saving strategies with your tax and investment advisors. But taking the time to consider ways that you can save on taxes can go a long way to helping you be penny wise and even enhance your income in retirement – and keep your loonies in your pocket where they belong.

Political interference: The 2024 U.S. presidential election and investors

Do U.S. presidential elections “interfere” with market returns, and therefore with investors’ portfolios? What is the likely impact of a win by a Democrat versus a Republican? Historically, presidential election outcomes have delivered surprising results when it comes to equity market performance, defying the “common wisdom” that they perform better under Republicans due to policies such as lower corporate taxes and less regulation.



With the 2024 U.S. presidential election looming, it is understandable that investors may be wondering what impact, if any, the election of one party and/or presidential candidate might have on investment markets and their portfolios.

The 2024 candidates have positions on key policies that investors do, on the whole, care about, including taxes, jobs, trade and immigration.

But beyond this, and recognizing that a president can’t really do much without control over or the support of Congress to pass legislation, the more important factor over the longer term is who controls the House and Senate.

2024 U.S. election	Biden	Trump
Domestic economy	<ul style="list-style-type: none"> •Hike corp. tax rate from 21% to 28% •Raise top individual tax rate •Enforce tougher antitrust laws •Increase regulation 	<ul style="list-style-type: none"> •Cut corp. tax rate from 21% to 15% •Loosen bank regulation? •Wants lower interest rates? •Reduce government spending, disrupt establishment
Trade	<ul style="list-style-type: none"> •Maintain anti-China status quo 	<ul style="list-style-type: none"> •Add more anti-China measures •Increase tariffs
Foreign affairs	<ul style="list-style-type: none"> •Support Ukraine, Israel, Taiwan 	<ul style="list-style-type: none"> •Increase military spending •Support Israel •Reduce support for Ukraine and Taiwan
Immigration	<ul style="list-style-type: none"> •Less illegal immigration •More legal immigration 	<ul style="list-style-type: none"> •Anti-immigration •Create merit-based system
Environment	<ul style="list-style-type: none"> •Possible carbon border adjustment 	<ul style="list-style-type: none"> •Repeal Inflation Reduction Act
OVERALL	<ul style="list-style-type: none"> •Mostly status quo •Less business friendly •Fiscally expansive? 	<ul style="list-style-type: none"> •Short-term positives for investors •Isolationist; Environmental cuts •Fiscally expansive? •Less predictable •Some negatives for rest of world

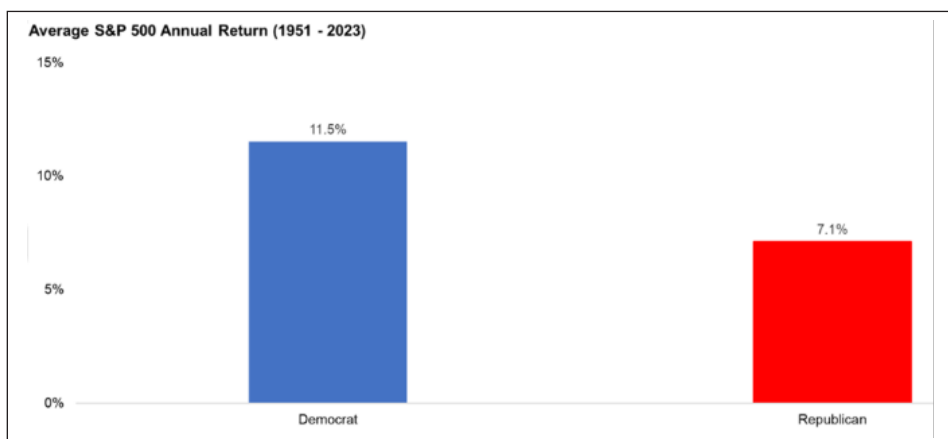
Source: RBC Global Asset Management

Playing in the Congressional sandbox

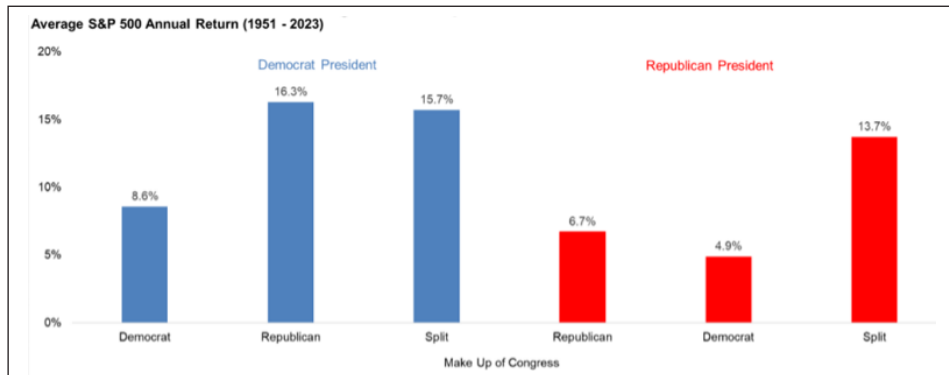
There is a famous final scene in the 1972 Academy Award-winning film *The Candidate*, starring Robert Redford. After pulling off an upset against his incumbent and well-entrenched senatorial opponent, Redford’s character, stunned by the turn of events, turns to his campaign manager and says, “What do we do now?” While the

question is left unanswered, it is the crux of the outcome of a presidential election and its impact on markets: what happens next.

Indeed, for markets and investors, the answer is often determined by the policy positions of the new president and the composition of the Congress they must work with. Importantly, does the president’s party hold power across Congress (a sweep), the House or Senate only (a split), or neither (opposing)? Looking at the following chart, it appears that, historically, a Democratic president who can “play well” with their political opponents in Congress has historically provided the best returns for investors.



Source: Carson Investment Research, FactSet. S&P 500 Index (USD) from 1951 to 2023, inclusive. Returns of president term based on election dates.



Source: Carson Investment Research, FactSet. S&P 500 Index return (USD) 1951 to 2023. Returns attributed to governments immediately after election and accounts for changes in government control following mid-term elections. Sweep accounts for period where president's party controls congress. Opposing Congress accounts for period where the opposing party of the president controls congress. Split congress accounts for periods where Democrats and Republicans each have control of one of the House of Representatives or the Senate.

A ballot for balance

Regardless of the outcome of this election, trying to anticipate how it will affect markets and your portfolio is next to impossible. Consequently, tuning out the

election noise and “casting your vote” for a properly balanced portfolio designed to achieve your long-term goals remains the best strategy.

The glitter of gold

Long seen as the ultimate store of value, gold is a valued commodity with unique characteristics that make one of the most coveted assets the world over. The commodity's sharp rise in 2024 (it recently hit an all-time high of over US\$2,400 an ounce) has refocused attention upon it, prompting many investors to wonder whether it has a place in their portfolio.



Golden ages

Gold has been around for ages: pieces have been discovered in Spanish caves that date as far back as 40,000 B.C. Ancient Egyptians smelted it as far back as 3,600 B.C. Today, gold is prevalent around the world as a precious metal, rare enough to command real dollars to own, but ubiquitous enough to be enjoyed and valued by millions of people. It has at various times been used as a currency, for example, by the Roman Empire. Currencies like the U.S. dollar and the British pound were once linked to the value of gold, underpinning their value.*

“Gold is money – everything else is credit.” ~ J.P. Morgan

About half of the world's annual gold production (3,644 tons in 2023) is used for jewelry, while the rest is divided up for use in technology, investment, and as reserves by central banks.*

Gold as a tradable commodity can be purchased or sold through futures contracts or Exchange Traded Funds (ETFs) that trade on standard investment markets. Alternatively, investors can purchase the stocks of a variety of gold companies, each of which has its own unique financial and investment characteristics.

Gold standard

From an investment standpoint, gold can be a suitable investment in a properly diversified portfolio, whether as a straight commodity (gold bars) or through the ownership of gold-producing company shares directly or indirectly (e.g., ETFs or mutual funds). Gold producers fall under the Materials sector of the S&P/TSX Composite Index, which is the fourth largest sector at 11% of the total index. Gold-producers represent a significant portion of the sector, and includes Barrick Gold, the world's second largest gold producer behind global leader and U.S.-based Newmont Corporation.**

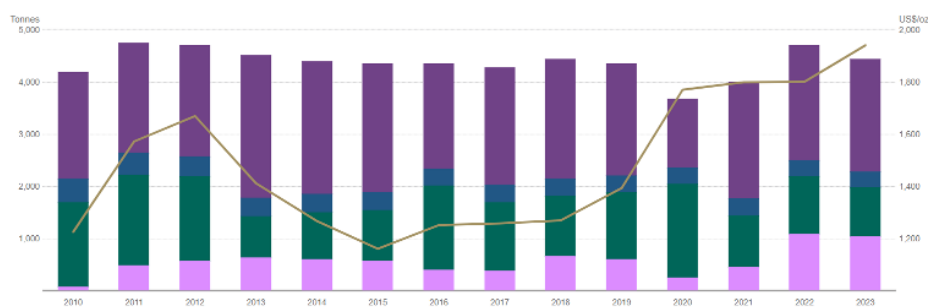
Gold can also serve investors in specific ways, including as a:

- **Portfolio diversifier:** Gold has a low correlation to other commodities, and is negatively correlated to the U.S. dollar, adding diversification benefits to a portfolio.
- **Inflation hedge:** Gold's scarcity and perception as a “store of value” has long made it a hedge against inflation, maintaining its value while rising prices devalue the purchasing value of money and other assets.
- **Safe haven:** In times of uncertainty, upheaval and volatility, gold is seen as a safe place to wait out trouble given its low volatility and perception as a store of value. Historically, gold doesn't often decrease or increase with the same momentum as the market as a whole – but when volatility hits, this makes the shiny metal especially attractive, providing a “buffer” against falling asset values.

Wondering if gold is right for your portfolio? Please contact us to learn more.

*World Gold Council.

**S&P Dow Jones Indices LLC. All figures as of March 28, 2024.



Jewellery fabrication Technology Investment Central banks LBMA Gold Price (US\$/oz)

Source: World Gold Council. December 31, 2023. Spot gold price as of December 31, 2023, was \$1940.50 (US\$/Oz). LBMA: London Bullion Market Association.

Senior sentinels – protecting our vulnerable loved ones from cyber scams



June 15 is World Elder Abuse Awareness Day. This annual occurrence provides an important opportunity to consider the people in our lives who may be vulnerable to abuse like cyber scams, and what we can do to assist them.

Cybercrimes against older Canadians have been steadily rising over the last decade, as cybercriminals have used ever-increasingly sophisticated methods to track down, target and then victimize vulnerable members of our society. And the numbers aren't small: according to the U.S.'s Internet Crime Complaint Centre (IC3), 88,000 people age 60 or older collectively lost US\$3.1B to fraudsters in 2022—an 84% increase over the previous year.

RBC cybersecurity experts provide some of the key reasons why older Canadians are targets of cybercriminals:

- **Availability:** Older seniors may be less mobile, less socially active, and therefore more available to read all their emails, answer the phone and respond to texts from strangers. This makes it easier for scammers to establish contact.

- **Loneliness:** Older seniors who live alone are especially vulnerable to scammers who prey on their isolation. A friendly email or voice on the phone can gain their trust.
- **Wealth:** Retired seniors are more likely than younger Canadians to have a nest egg of savings that's relatively easy to access and steal.
- **Online presence with limited confidence:** More and more seniors have a smartphone and browse the Internet. According to Pew Research Center, 61% of seniors own a smartphone and 75% surf the Internet.¹ But, most aren't tech-savvy — only 26 per cent of senior Internet users feel “very confident” when using computers and smartphones.²

The Fake Four – four scams to watch out for

One of the most important ways to successfully combat cybercrime, whether for seniors or anyone else, is to be aware of how cybercriminals ply their nefarious trade. Awareness is key. So, if you or someone you love is vulnerable and needs help to avoid becoming a victim of cybercrime, here are four key scams to be on the watch for according to RBC cybersecurity experts:

1. Phishing: This is the most common online scam and is designed to trick the cybercriminals' targets into sharing personal and/or financial information for the purpose of financial fraud or identity theft.

The scam: The cybercriminals send an email that appears to be from a legitimate source—the government, a bank, a major corporation—and provide a link that will bring you to a fake website. There they will direct you to sign into an account using your user ID and password (this is a popular one when they are pretending to be your bank), or to divulge key information, such as credit card numbers, account numbers, passwords, date of birth, driver's license number, and social insurance numbers.

How to protect yourself:

- Never click on a link in an unsolicited email.
- If an email appears to be from someone you know but seems unusual in any way, try to reach the sender another way—such as by phone—to verify the email is legitimate.
- Before you enter confidential or financial information online, check for the lock icon on your browser. Ensure the URL in the browser address bar starts with “https”.

2. Smishing: Smishing is very similar to phishing but uses SMS messaging (or text messages) to reach their victims—the term is actually a blend of “phishing” and “SMS”. Attacks via smishing have become more common given the open and response rates to text messages. While only 20 per cent of emails are opened, and six per cent are replied to, those numbers rise to 90 per cent and 45 per cent for text/ SMS messages.³ Research suggests people are more likely to trust a message that comes in through text versus email and are largely unaware of smishing attacks.

How to protect yourself:

- Never click on a link in an unsolicited email.
- Call the (apparent) sender directly. Legitimate companies and financial institutions don't request account updates or login information via text. It's always a good idea to confirm any requests received by text by calling the organization's official number (i.e., the one on their official website, not the number contained in the message).
- Check the phone number. Odd-looking phone numbers, such as 4-digit ones, can be evidence of email-to-text services. This is one of many tactics a scammer can use to mask their true phone number.

3. Romance scams: As an increasing number of seniors use online apps to meet new people, they are running into romance scams. And these scams are on the rise. According to the Canadian Anti-Fraud Centre, in 2022 the romance scam was the number two most reported scam in Canada.

The scam: The cyber scammers target seniors, especially those recently divorced or widowed, due to their vulnerabilities and access to cash. Using dating, gaming, and social media websites, they pose as real people looking to connect. After striking up a relationship and establishing trust—and often after months of texting, emailing, or talking—scammers will request money.

For more on how to avoid a romance scam, check out the following article (<https://www.rbcroyalbank.com/en-ca/my-money-matters/money-academy/cyber-security/understanding-cyber-security/5-ways-to-spot-a-romance-scam/>).

4. Fake computer warnings:

Cybercriminals take advantage of what they figure we don't know about our computers. So, if a warning message about a virus pops up on the screen, they rely on the fact that most people will want to take action to fix it. However, these warnings are fake, and for seniors with limited computer literacy, it can be especially easy to get tricked.

The scam: Fake virus warnings may appear on your screen as pop-ups (or even worse, voices or alarms), alerting you to a fake threat and encouraging you to act immediately — either by downloading a product or calling a tech support number to fix it.

If you call the number, you'll reach a scammer who intends to collect your credit card information so they can remove the virus. They may even pressure you into sharing your screen so they can access all the data on your computer.

How to protect yourself:

- Do not call a number or click a link that appears on your screen in an alert window.
- Close the browser, regardless of any warnings not to.

- Call someone — either a trusted friend or family member or the store where you bought your computer — for peace of mind that your device is OK.

Protecting the ones we love

Cyber scams are getting increasingly more sophisticated, and given their success with seniors, are likely to continue to target them. Educating yourself and those that you love and care for is the best way to avoid either you or them becoming a victim of cybercrime.

To learn more, check out the RBC cybersecurity site (<https://www.rbc.com/cyber-security/index.html>), and sign up to hear and learn about the latest scams with Scam Alerts (<https://www.rbc.com/cyber-security/alerts/index.html>).

Sources

- ¹ Social Media Use in 2021. Brooke Auxier and Monica Anderson, 2021, Pew Research Center.
- ² Technology use among seniors. Monica Anderson and Andrew Perrin, 2017, Pew Research Center.
- ³ The Future of Sales Follow-Ups: Text Messages. Stanzie Cote, 2019, Gartner, Inc