

The Financial Corner with Joanne Vesprini



A quarterly newsletter filled with practical wealth management advice to help understand several aspects of financial well-being.

Fall 2016

- Market Update
- CRM2 – What is it?
- What Good is Wealth Without Your Health – Managing Stress
- RRSP Withdrawal Pre Age 71

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Louvre, Paris

My thoughts,

A lot has happened since the last newsletter – the Olympics, UK's decision to exit the European Union, terrorist attacks in Nice & Brussels, world markets dropping significantly after the UK vote, US stock markets hitting record highs in August and of course the endless media attention on the US presidential candidates for the November election.

This is a lot to observe, absorb and try to understand or make sense of in a very short period of time. For some investors this causes intermittent bouts of anxiety and questioning whether to react and make changes to their portfolio.

There are two ways to avoid these bouts of doubt; firstly have a well-diversified portfolio that has downside protection. This will handle the short-term changes and keep you either on plan for a comfortable retirement lifestyle or allow you to continue the one you currently have. Secondly, find ways to effectively manage your stress. Stress is something we all feel at one time or another throughout our lives. Inside you will find a wonderful article on how to help manage stress and its effects.

Hope you have a wonderful Thanksgiving,

Joanne Vesprini

What the Client Relationship Model II (CRM2) means to you

You may have heard about it in the news – the Client Relationship Model II, or simply “CRM2.” CRM2 is a new set of industry regulations meant to provide investors with more details on their investment costs and performance. It was developed by the Canadian Securities Administrators, an organization representing Canada’s investment industry regulators. All investment firms, including RBC Dominion Securities, will be providing these additional details on your existing statements and in two new reports that will be delivered to you.

For our clients, the additional details required on existing statements should be business as usual as RBC Dominion Securities has already been delivering most of this information on our statements. But for some investors in Canada, the new details on statements will provide more information than they are used to receiving.

The more significant changes will occur in early 2017, when two new reports will be delivered to clients:

1. One report will disclose the costs paid by the client to the firm and other compensation received by the firm in relation to services provided to the client from each account annually.
2. A second report – an annual performance report – will show an account’s returns over certain time periods. Notably, this report will show “money-weighted” rates of return. This is a different way of calculating investment performance than the “time-weighted” method that is currently used by RBC Dominion Securities and across the industry. Some think of money-weighted as a “personal” rate of return because it factors in the impact of the amount and timing of money you deposit into or take out of your account, whereas time-weighted does not.

This is GOOD NEWS for investors. All investors will clearly see what they are paying their advisor’s firm for the products and services they receive. If you have questions about the new reports or CRM2 in general, please do not hesitate to call us.

RRSP Withdrawal Pre Age 71

Contributed by Jane Burns CPA, CGA www.burnsandco.ca

Burns & Co.

Chartered Professional Accountant

Required minimum withdrawals from a Registered Retirement Income Fund (RRIF) can greatly impact your tax situation in retirement. If you hold an RRSP and are starting to plan for retirement, it is important to know the tax consequences of future withdrawals.

By the end of the year in which you turn 71, you must wind up your Registered Retirement Savings Plan (RRSP) account, usually into a Registered Retirement Income Fund (RRIF). In the following year withdrawals from the RRIF must start. The minimum amount that must be withdrawn is based on a prescribed percentage for each year from age 65 onwards. The rates start at 4% at age 65 and gradually increase to 20% at age 95 and older. As an example, the rate at age 72 is 5.4%, which means if you have a RRIF worth \$500,000 a withdrawal of \$27,000 is required.

The required minimum withdrawal can greatly increase total taxable income in the year of withdrawal, and it may be taxed at a higher tax bracket, decreasing the age credit or causing a claw back of Old Age Security (OAS) benefits, depending on the amount of income you have from other sources. In some cases, withdrawal from the RRSP before it is required can save thousands of dollars in tax.

OAS claw back starts at (for 2016) \$73,756. Any income over this amount is subject to a 15% repayment, up to the amount of OAS received. If you were expecting income of \$48,000, from pension, CPP, OAS and investment income, and have a RRIF with a value of \$500,000, your minimum withdrawal at age 72 would be \$27,000. This scenario would result in taxable income of \$75,000, which would expose you to claw back of OAS. In this example, your OAS would be reduced by about \$186 per annum. The federal age credit is also subject to claw back. This starts on any income over, for 2016 \$35,927. The credit is reduced to nil once income is over \$83,450.

Drawing on an RRSP a few years to a decade before it must be converted into a RRIF can help smooth taxable income throughout retirement. If the additional funds are not required, they can be invested into non-registered funds. This strategy can also be used to plan for taxable income in the desired tax bracket.

There are multiple advantages to withdrawing from your RRSP before it is required. This is especially true if you are expecting income from other sources to make up the majority of your retirement income, while holding a sizable RRSP. It is important to review your individual financial position prior to retirement, in order to best plan for tax consequences that arise from mandatory RRIF withdrawals.

Don't simply retire from something, have something to retire to.
Harry Emerson



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Stress is a word we have all heard and used many times in our lives. For many of us we have the experience of stress on a daily basis. We all know what stress is either first hand, or by listening to colleagues, friends, and family describe their day or their lives.

Occasional stress is normal and even healthy if we are running from a predator or getting ready for a meeting or a presentation. Where stress becomes a problem is when it becomes chronic and a usual part of life.

Usually stress starts in our minds as a thought, a worry, a fear, or a combination of all three. As we all know there is a strong relationship between the mind and the body. Anything that affects the mind has an impact on the body and anything that affects the body can have an effect on the mind. This is why when we have these chronic thoughts or worries in our mind we can feel it in our body, from our stomachs to our lower backs.

Stress is often the culprit in systemic low grade inflammation, inability to concentrate, memory loss, anxiety and loose stool. The list is extensive and some symptoms on the list you may not even normally associate with stress, like erectile dysfunction, acute infections and even the common cold.

Because it is impossible to control everything in our lives that cause or contribute to stress, such as board meetings, daily schedules and the demands of family, we must do what we can to help ourselves manage the stress in our lives.

In Traditional Chinese Medicine there is an 8 step approach to Well Being that I find helpful in clinical practice and in day to day living.

1. Meditation 2. Qi Gong / Tai Chi and exercise in general; anything that develops Qi and assists in the circulation of Qi which is an essential key to life 3. Nutrition 4. Feng Shui 5. I Ching / Attention to our Psychological and Emotional Selves 6. Massage 7. Herbology 8. Acupuncture

The idea is that if we pay close attention to the first 5 we will only need the last 3 during extraordinary times.

MEDITATION. I love the quote by K.R. S. Edstrom "*MEDITATION BRINGS STRESS TO ITS KNEES*", this really says it all. A very easy and profound way to meditate is to follow your breath. There is a common way to do this called *Relaxing Breathing*. Dr. Andrew Weil describes it as one of the best tools. It is easy to incorporate, and can be done anywhere and anytime. The count is 4/7/8. Close your mouth and inhale through your nose for a count of 4, hold your breath for a count of 7, and breathe out of your mouth for a count of 8, exhaling completely. Do this cycle four times throughout your day, every day, and voila you've reduced stress in your body and your mind.

If you like Apps and need more assistance try www.bellybio.com to make things a little more supportive. It is a biofeedback tool that helps you follow your breath with beautiful sounds and also shows how you can develop your Qi by slowing down your breath. I encourage you to take a look and load it onto your phone. You will be so happy you did :-)

EXERCISE. Walking is one of the easiest forms of exercise and reputed to be one of the best. Grab a step counter, it is great biofeedback and can help you stay on track. The magic number as we know is 10,000 steps. Otherwise do your best to walk between a half hour to an hour per day, your body and your mind will thank you for the effort.

NUTRITION. There is so much information on nutrition that it can be confusing even for practitioners. Again let's keep it simple, after all this is a short article about stress :-). Drink clean water; shoot for 1/2 your body weight in ounces in water per day. If you weigh 140 pounds work your way up to 70 ounces per day (www.medindia.net/patients/calculators/daily-water-requirement.asp). It sounds difficult but if you start by drinking a big glass in the morning before your coffee or tea and this will be a good start.

Eat whole foods and do your best to eat as organically as often as possible. Avoid any foods in packages and stick to the outside perimeter of the grocery store. Stay away from SUGAR!!!! Enough said :-)

Eat when you are hungry and if you follow the first three points you will be more easily able to stop eating when you are full. Sit down to eat and chew your food. You would be surprised how many people don't do either.

FENG SHUI. Almost everyone has heard of Feng Shui as it has become quite mainstream. It is the art of creating a beautiful and supportive environment where you live and work. This is an entire field on its own and a good way to start is decluttering. A clutter free environment calms the mind and as a result reduces stress. There are so many books and sites with wonderful information and if you want to keep it simple try www.theflylady.com. An easy step by step way to clean and clear any environment.

I CHING. Or as I call it, “pay attention to how you feel and what you are thinking”. Sometimes if you aren’t paying attention you can start to believe everything you think, most of which isn’t supportive or true and can be negative. But paying attention through journaling, talking with a friend or seeing a counsellor allows you to get in touch with your positive reality.

If we keep it simple, watch our breath, drink water, eat good food, walk around the block, stop and visit with a neighbor, make our beds in the morning and do our dishes after dinner we will feel better. If we do our best with these simple steps we might not need to visit the last three steps, 6, 7 or 8 unless you want to increase better feelings in the body, more energy or simply to relax. After all doesn’t everyone love a good massage?

Stress is something we all have felt and witnessed our loved ones struggle with. It is real and with a few simple steps we can learn to manage it and its effects in our lives.

Ready, Set, Retire

Get ready for a comfortable retirement, whether you’re getting close to the finish line or you’ve crossed it already.

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Stage 1: You’re 10-15 Years Away from Retirement

With retirement at least 10 years away, you might be thinking about your plans for life after work – or you might just be busy with your career and other obligations. For most people, this is the time to build the income you’ll need to draw on during your retirement. That means looking at different savings plans and investment options while you still have time to build your wealth.

Start with a financial plan. If you have an existing financial plan that’s due for an update, or if you’ve never had one created, this is the time. With a comprehensive financial plan, you’ll have a better sense of the income you’ll need in retirement and actionable strategies that can help bridge any gaps in your income.

Ride the RRSP bandwagon. Canadians contributed over \$37 billion to their Registered Retirement Savings Plans (RRSPs) in 2013, according to Statistics Canada – and it isn’t hard to see why: investment income in your RRSP is earned on a tax-deferred basis, so you don’t pay any tax on it until you withdraw it. By that time, you’ll be retired and likely in a lower tax bracket due to earning less income. The result? Greater potential investment growth compared to a regular taxable account.

Maximize your Tax-Free Savings Account (TFSA). With a TFSA, you can make contributions that grow tax-free, and you can make withdrawals any time, for any reason, also tax-free. What’s more, any amounts you withdraw are added back to your available contribution room the next year. In addition, TFSA income and withdrawals will not impact any federal income-tested benefits you may be entitled to, once retired, such as the Guaranteed Income Supplement (GIS) or Old Age Security (OAS). If you haven’t yet opened up a TFSA, you can “catch up” on previous years’ contribution room – a total of \$46,500 for the years 2009-2016 – or gift funds to a lower-income spouse so they can maximize their own TFSA.

Stay tuned “**Stage 2: You’re About to Retire**” in the next edition of The Financial Corner with Joanne Vesprini.

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What you do makes a difference, and you have to decide what kind of difference you want to make. *Jane Goodall*



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