

# The Financial Corner with Joanne Vesprini

Salkantay Trail, Peru



A quarterly newsletter filled with practical wealth management advice that covers various aspects of financial well-being

## Fall 2019

- Key to Avoiding a Recession
- Estate Planning
- Financial To-Do List

*My thoughts,*

*Not a week has gone by in the past quarter that there wasn't some news pertaining to stock markets, bonds, interest rates or economies. Most of this news focused on many of the same factors; geopolitical issues, US vs China trade tensions, manufacturing numbers, lowering interest rates, unemployment numbers, consumer spending and yield curves. All pointing to the fact that the US economy is losing momentum, which truly is not a surprise as our analysts have been indicating the economy is in the latter part of the cycle for several quarters now. The US is lowering interest rates to help prolong this economic cycle.*

*This has led to a lot of hypothesizing; for example, with the US lowering interest rates will the momentum of this cycle be maintained? Will the cycle continue and will the US avoid a recession? If a recession is avoided this go round will the next be even greater? Or will a recession happen and if so when?*

*For those that know me if I'm ever in a casino I take out a \$20 bill and when it's gone that's the end for me so I am not a betting person. I will not try to predict or bet on an outcome of a recession. Will it be next week or next month? Not likely. Will it be in early 2020? Possibly. Will it be next year or after the US election? Given current data and indicators there is the possibility it could happen next year. My point is, it will happen and unfortunately it's hard to predict. My philosophy is to plan rather than predict.*

*Try to step away from the noise of the day-to-day markets and focus more on your plans. Your investments provide the means to do what matters in your life and for those that matter in your life. You will find articles in this quarter's newsletter that address 'Estate Planning' and a 'Financial To-Do List' to help with your plans.*

*Happy Thanksgiving!*

*Joanne*

**Joanne Vesprini, BA Econ.**  
Investment Advisor  
250-356-4679  
joanne.vesprini@rbc.com

**Shelly Tall**  
Associate Advisor  
250-356-3953  
shelly.tall@rbc.com

**Chelsea Despins**  
Associate  
250-356-3953  
chelsea.despins@rbc.com

**Kellie Smith**  
Administrative Assistant  
250-356-4847  
kellie.smith@rbc.com



**RBC Wealth Management**  
Dominion Securities

## Is the key to avoiding a recession not reading this?

Thomas Garretson, CFA – Minneapolis

Recent yield curve inversions have sparked recession fears. Recession fears have sparked a flurry of headlines. A flurry of headlines has sparked consumers' fears of a recession. Now the fear is that fear itself will spark a recession.

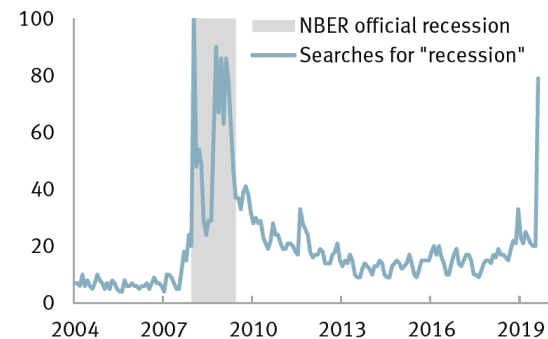
Attempting to predict or forecast the exact timing of recessions is a largely pointless exercise. The simple fact is that the U.S. economy has only been in recession about 15% of the time in the post-war era, and as the old saying goes: economists have successfully predicted nine of the last five recessions. So while our goal is not to attempt such a feat, it is fair to say that recession risks have risen materially in recent months, and therefore it's only prudent to remain vigilant and to begin establishing a framework for thinking about portfolio positioning and asset allocation decisions.

While various economic and market data points have raised concerns in recent weeks, the latest fear is that fear itself may cause a recession. With all of the headlines and media coverage centered on recession fears, there's the risk that it could become a self-fulfilling prophecy—particularly as it relates to consumer sentiment—as consumers may be inclined to rein in spending, further perpetuating any economic weakness.

So are there signs that recession fears are beginning to creep into the consumer psyche? The chart at right depicts Google Trends data that suggests the recent yield curve inversion has captured the imagination of the U.S. public as the search frequency for “recession” has jumped near the peak levels seen just prior to the beginning of the 2007 recession, while the preliminary estimate of consumer confidence in the University of Michigan survey for August showed the lowest level since January. Of course, it is not lost on us that by writing about potential recession risks, we may only be contributing to the problem, but consumer sentiment is not at the top of our list of concerns, as the incoming data and the ongoing trade war may be enough alone to tip the growth scales.

### Warning signs

Google searches show rising public concern about recession risks



Trend line shows relative frequency of searches for “recession” by month compared to the highest frequency (January 2008 = 100).

Source - RBC Wealth Management, Google Trends, National Bureau of Economic Research (NBER)

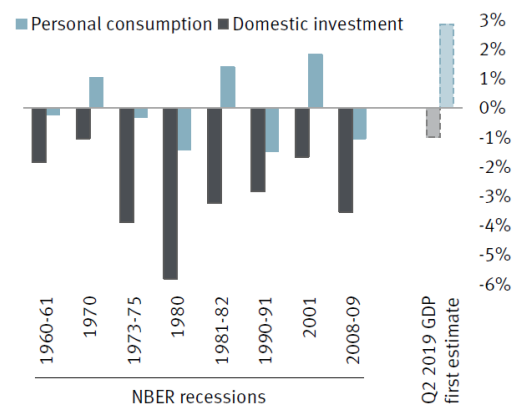
### An economy is only as strong as its weakest link

Those who see little risk of a recession on the horizon—which we concede remains the base case—often cite robust personal consumption and still-strong labor markets as reasons to believe that the U.S. consumer remains well positioned to carry the economic load amid weakness elsewhere.

But as the chart at right shows, that may not be enough, and may even be irrelevant. The data has been mixed during recessions dating back to 1960 as the contribution from consumer spending has actually been positive during nearly half of those recessions. The one thing they all have in common is a sharp contraction in private domestic investment, and the data for the first estimate of Q2 GDP showed that despite strong consumer spending, investment is declining amid the ongoing global trade war and the subsequent uncertainty. Data released during the week showed that the clouds over manufacturing and business investment may only be darkening.

### Recessions have occurred even with positive contributions from consumers

Average of quarterly contributions to GDP during official NBER recessions



Source - RBC Wealth Management, Bloomberg, National Bureau of Economic Research (NBER); government consumption and net exports not shown

*“Be fearful when others are greedy. Be greedy when others are fearful.” Warren Buffett*



**RBC Wealth Management**  
Dominion Securities

## Estate Planning

The Wealthy Barber on why a DIY approach for executors\* is often unwise



By David Chilton, The Wealthy Barber

---

It's ridiculous.

It's lazy.

It's selfish.

It's irresponsible.

It's unfair.

It's not having an up-to-date will.

It's crazy.

Heck, even my own father is guilty of it. "Dad, remember I don't want to be your executor. Hate doing that. I believe in using a corporate executor," I reminded him.

"No worries," he assured me, "Tommy is my executor."

"Tommy has been dead for a year! What are you thinking? You're the Wealthy Barber's dad—sharpen up!"

"Yes, fair point. I need to get on that. But I feel like I may live forever! And, by the way, technically I'm not the Wealthy Barber's dad, I'm the father of the author of *The Wealthy Barber*."

"You're nearer to death right now than you realize," I cautioned him.

One of the people I'm closest to, an ultra-successful woman, recently admitted that she didn't have a will. I pointed out that if she dies intestate all of her assets would go to her 88-year-old mom—her 88-year-old mom who battles dementia.

"Yes, that's not ideal," she conceded.

"Not ideal?" What the heck is wrong with her?

I'm begging you: get an up-to-date will! Dying without one will leave your heirs with major stresses precisely when that's the last thing they need as they grieve. The odds of your province's intestacy laws perfectly matching your wishes for the distribution of your estate's assets are very low. Very, very low.

Get an up-to-date will now! And keep a copy of an up-to-date net-worth statement with it; one that not only lists your assets, but also clearly tells where to find them and provides pertinent details.

This is way too important a responsibility to push off until next month. Note the word *responsibility*.

---

Did you know that a large majority of Canadians do not have a Will and that in some provinces marriage voids your will? For those of you with a Will, is it up to date? Does it reflect your wishes given your current family situation? If you do have a Will, does it not only follow your wishes but also include estate and tax planning strategies which may help to minimize taxes and disharmony among family members upon death? Give your family and yourself peace of mind by booking an appointment with a legal advisor who specializes in Will and estate planning to get a thorough and up-to-date Will. Prior to setting up this appointment it may be helpful to pull together a list of your assets including any current beneficiary designations on registered assets. For clients with more complex estates, we offer complimentary consultations with our own Will and Estate Consultants, who can draft an action plan that you can take to your legal advisor to implement. Please ask us if this service is appropriate for you. Also, don't underestimate the importance of having a Power of Attorney (POA), for both medical and financial affairs. These documents are crucial in the event you become incapacitated and require the help of another to manage your affairs. Consider storing a copy of your Will and POA in a fireproof safe (where your executor and attorney knows the combination number) or with your legal advisor. Don't forget, whenever you have a change in circumstances or wishes it's always a good idea to revisit your both your Will and POA.



## Your Financial To-Do list

The following is a list of 10 financial to-do's (in no particular order) that can help keep your mind and finances in check while facing current downturns. We will only touch base on a few and you can find the full article on Joanne's website: [www.joannevesprini.com](http://www.joannevesprini.com)

---

### 1. Make sure your Will and Power of Attorney are up-to-date. (As stressed by David Chilton)

2. Put family income-splitting structures in place to help minimize taxes.
3. Ensure you have adequate life and living benefits insurance coverage.
4. **Is your asset allocation is up-to-date and meeting your investment objectives and goals.**
5. Make sure your account structures and beneficiary designations are up-to-date and appropriate.
6. Use credit effectively.
7. Give back — donate your money and time.
8. **Prepare a personalized financial review for you.**
9. **Prepare a financial plan or retirement projection for you.**
10. **Simplify your financial life.**

### 4. Ensure your asset allocation is up-to-date and works to meet your investment objectives and goals

Now is a good time to review the asset allocation of your investments (cash, fixed income and equities) as well as their currency and geographic split (Canada, U.S., international). It is important to ensure that the asset allocation is appropriate based on your risk tolerance, and your financial and retirement goals. Studies have shown that asset allocation is a key factor in determining your investment performance and variability of returns.

### 8 & 9. Prepare a personalized financial review & plan

Still feeling uneasy about the market? In today's world of information overload, it's refreshing to get information in an easy-to-read format. A personalized financial review can help you to see the big picture and outline your family tree, financial goals, net worth, cash flow needs, estate, insurance, retirement and other pertinent information.

If your situation is relatively complicated or you are going to go through a major life event like leaving your employer or selling your business, then you may want to have a myGPS, Priorities and Solutions (myGPS) personalized financial plan prepared for you. A myGPS comprehensive financial plan addresses all aspects of your financial affairs, including cash and debt management, tax and investment planning, risk management, and retirement and estate planning.

Most importantly a plan can provide peace of mind regarding your retirement income.

### 10. Simplify your financial life

Consolidate your finances. Many people have, over time, opened several accounts at various financial institutions to chase the highest interest rates or to diversify. This has likely led to additional administration arising from multiple statements, meetings with different advisors, duplication of fees, and possibly even of investments. Consider the benefits of consolidating your accounts with a trusted advisor who works for a reputable financial institution. Ensure this advisor can offer you a wide array of solutions at a competitive fee structure and who offers you personalized expert advice and planning to meet your financial and life goals.

*This article may contain several strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal or tax advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax and/or legal advisor before acting on any of the information in this article.*

---

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc.\*, RBC Phillips, Hager & North Investment Counsel Inc., Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and certain divisions of the Royal Bank of Canada. \*Member-Canadian Investor Protection Fund. Each of the Companies and the Royal Bank of Canada are separate corporate entities which are affiliated. The information provided in this document is not intended as, nor does it constitute, tax or legal advice. The information provided should only be used in conjunction with a discussion with a qualified legal, tax or other professional advisor when planning to implement a strategy. ® / ™ Trademark(s) of Royal Bank of Canada. Used under license. ©Royal Bank of Canada 2019. All rights reserved. 19\_90081\_802 (02/2019)

*"An investor without investment objectives is like a traveler without a destination" Anonymous*



**RBC Wealth Management**  
Dominion Securities