

The Financial Corner with Joanne Vesprini



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

Summer 2019

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My thoughts

In this quarter the US stock markets recovered from the declines of 2018 and hit record highs. Part of the reason that stock markets have recovered so strongly, and so quickly, is the Fed's pivot to forecasting no further interest rate hikes this year, from previously predicting two increases.

It seems every quarter has its issues to keep the markets shaky, which is not surprising this late in the economic cycle and here are just a few: unsettled trade and tariff issues, USMCA ratification, UK party leader election, a Brexit deal or no-deal and other geopolitical concerns. On the good side the Trump administration delayed any levies on auto imports from Europe and Japan for six months while trade talks continue. As well the US says it is closer to a trade agreement with China and is looking to reach an agreement at the G20 summit.

As well, although the USMCA was signed by the leaders of the three countries in November 2018, it must now be ratified by the legislative branches of each country before it can govern North American trade.

On June 7, Theresa May resigned as the Conservative Leader and will stay on as Prime Minister until her successor is chosen. The conservatives hope to install a new leader before September, who will inherit the role of prime minister. Polls favour Boris Johnson, followed by Dominic Raab as the new leader, it too is not without some controversy.

All of these issues and more make markets volatile and yet the global economy marks a decade of growth this past quarter. The US economic cycle is on track to become the longest on record, spanning ten years with central banks taking extraordinary policy measures to stimulate growth in the aftermath of the global financial crisis. Policy interest rates remain near historically low levels.

So as much as things have changed, a lot has remained the same ... lots of issues that are cause for shaky markets.

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 Spurling
Associate
250-356-4733
chelsea.spurling@rbc.com



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Equity market obstacle course

Kelly Bogdanova – San Francisco - *Excerpt*

While the U.S. stock market remains in the vicinity of its all-time high, several lurking uncertainties beg the question: Is the rally for real? We shed light on these issues and look at why we continue to believe the U.S. equity market deserves the benefit of the doubt.

The U.S. equity market is lingering near its recent all-time high following signals from the Federal Reserve that it could soon cut interest rates and after the U.S. and China stepped back from some of their adversarial trade rhetoric. As long as the domestic economy avoids slipping into recession, we think the bull market can persist. The health of the economy is a key uncertainty facing the market, and we provide some clarity on this and other questions that investors should consider.

Is the economy skating on thin ice?

There's little doubt momentum in key trade-oriented sectors, such as manufacturing, has weakened. Business confidence has pulled back for the same reason. And recently consumer confidence began to retreat. There is a wide gap between how consumers feel about their "current" situation compared to what they "expect" in the future. We think the economy is vulnerable to further slowing in the months ahead, but only one of our six key recession indicators is signaling caution at this stage.

Are interest rate cuts always in stocks' best interest?

Stocks tend to respond positively to Fed rate cuts when they are used as "insurance" to keep the expansion going rather than as an attempt to put out a fire from a looming recession. For example, in the mid-to-late 1990s when growth was at risk, the Fed's "insurance" rate cuts helped prolong the recovery and the market rallied.

However, when the Fed overstepped by raising rates too much during two periods from 1999 to 2006, and then subsequently shifted into rate cutting cycles in an attempt to undo the damage, it was too late. The economy contracted and bear markets materialized on both occasions.

Trade dispute whack-a-mole?

Trade disputes and sanctions are about more than the U.S. trade deficit and manufacturing jobs. The Trump administration is also attempting to hold back geopolitical rivals, address domestic challenges, and contain or suppress foreign corporate competition, in our view. In addition to the high-profile dispute with China, U.S. tariff and sanctions threats are hanging over the European and Japanese auto industries, a consortium of leading European natural gas infrastructure companies, and allies Turkey and India for purchasing missile defense technology from a U.S. rival. To us, this means once a trade or sanctions dispute is "resolved" another one may pop up somewhere else. This is a headwind for global growth.

What if simmering Iran tensions boil over?

The difficulty of budgeting for geopolitical risks is that they are often unquantifiable and include multiple, complex scenarios that can be outside of the market's ability to recognize or grasp. While we think the market would view any serious conflict between the U.S. and Iran as quite problematic, perhaps it has refrained from reacting so far because it is in both countries' interests to avoid this scenario. What about the 2020 election?

Even though political headlines abound, we think it's too early to start factoring the presidential race into equity portfolio positioning. In our view, economic momentum—specifically, whether the economy is expanding or contracting—is the main driver of corporate earnings and stock prices.

Stay invested

While we think it's too soon to become overtly defensive by cutting exposure below that level, we would upgrade the quality of holdings.

For the full article please visit my website at www.joannevesprini.com

Estates and Trusts

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

**By David Chilton, author of *The Wealthy Barber*
Special to RBC Estate & Trust Services**

*This article is part of a series created in collaboration between RBC Wealth Management Estate & Trust Services and David Chilton, author of best-selling personal finance guides *The Wealthy Barber* and *The Wealthy Barber Returns*, and former dragon on CBC's *Dragons' Den*. #TrustRoyalTrust*



I'm 57 years old (though, I would argue I look only 56). At this age, my generation's parents are passing away with saddening regularity. My mother (and hero) died two summers ago and I seem to attend at least one funeral a month of a friend's mom or dad. It's never easy on family. Ever. Even when the parent has been battling a major health issue and, thus, enduring a low quality of life. Even when the parent has been blessed to live into his or her late 80s or 90s.

It's still the loss of a mom. Or a dad. A grandparent. An inspiration. A huge influence. A big part of who we are. The grief and its associated stress are difficult to cope with for all of us. Compounding the challenge is the fact that we're often also doing our best to help others (for example, our children, the deceased's grandchildren) to deal with this extremely emotional experience.

It's incredibly draining. Many describe it, and I would agree, as trying to function while in a mental fog. Interestingly, I found when my mom passed the person I most often wanted, even sometimes started, to call to help me work through the pain was, of course, my mom. As I said, it's never easy on family. Ever.

Yet, precisely at this most difficult of times, often a particular family member is asked to take on a significant task—to act as the will's executor. I would argue, and many, many of my friends would aggressively second, that “burden” is a more appropriate word than “task.”

Being an executor is always a huge responsibility. And frequently it involves a tremendous amount of time and a tremendous amount of stress. A tremendous amount. And, again, all of this is shouldered as the executor deals with his or her own grief and that of family members. Why not get help? Why not turn to the professionals?

It seems odd to me that many executors, even when feeling overwhelmed, insist on being a DIYer. Does that seem wise with all the aforementioned stress? With the potential for personal liability? With the chance (perhaps good chance) that there will be at least some family conflict? To repeat, why not get help?

Help from experienced professionals. Help from people who have seen it all before. Help from people who know the subtleties of the legal- and tax-filing requirements. Help from people who offer a detached perspective. Help from people who work in this field all day, every day.

Help from the experts. It just makes good sense to have a seasoned professional working with you on certain facets of the estate-settlement process. There to handle as many of the details on your behalf as your specific case requires. All the while with you retaining the authority to make final decisions.

This isn't just about executing the will's instructions as well as is possible. Though, that's ultra-important—remember, being an executor is all about carrying out the deceased's last wishes, and, of course, you owe it to him/her to do that exceptionally well. But getting professional help is also about peace of mind and family harmony. That's the part that's way too frequently forgotten or underestimated.

Professional help seems a wise investment, indeed.

On June 6, 1944, 7,000 ships and landing craft crossed the English Channel in the dark of the night to ferry 156,000 troops & 10,000 vehicles to the beaches of Normandy



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Charitable Giving

(excerpts from “The picture of giving in Canada” There are approximately 86,000 charities registered in Canada.

One public opinion poll notes that 82% of Canadians believe charities are important.

Canadians have noted that their main motivation for giving include a compassion towards those in need, a personal belief in the cause, wanting to make a contribution to the community or being personally affected by a cause. In general most Canadians feel it helps them and their families make a difference by contributing to causes they care about.

Studies have shown that there is a sharp increase in donations around the holiday season, which is a very spontaneous way to give and is generally in response to a request at a time when people are feeling generous.

Many Canadians have incorporated philanthropy into their personalized financial planning. Philanthropy on the other hand, is a structured and targeted approach with a long-term vision and is proactive. Building in the structure, allows you to organize and map out how and when you will give and ensures you are able to leave a lasting legacy.

If you're someone who has philanthropic intentions, or if you're interested in finding ways to pursue philanthropy or to create a lasting impact, there may be a number of benefits that a more structured approach offers, depending on your goals and objectives.

There are a wide range of approaches to take if considering a philanthropic strategy, including giving directly to a charity, or indirectly through a private or public foundation. As well giving can be incorporated into your estate plans through charitable bequests in your Will.

Depending on your personal situation and family dynamics you may also want to start having conversations with family members to establish goals and parameters. It's also crucial to consult with your tax and legal advisors to ensure all aspects are addressed prior to implementing your philanthropic strategy.

For further information on this subject please see my website for this complete article, one on the RBC Charitable Gift Program and other pertinent articles. The following is a good reference for charities in Canada:

- Government of Canada – Charities and giving – provides a list of charities and organizations that issue donation receipts and an index sorted by topics.
- <https://www.canada.ca/en/services/taxes/charities.html>

For the full article please visit my website at www.joannevesprini.com

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