

The Financial Corner with Joanne Vesprini



My thoughts,

Helena Lake, BC



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

Winter 2020

- Giving In-Kind: a Double Dose of Good
- How to Make an Impact with your Investments

As this year draws to a close and I look back on this year I am reminded of the uniqueness and yet the familiarity that will form the highlights of 2020. The familiarity is in how the markets have turned out as they always have, after a recession – they recover. As I have said so many times `the markets will decline and in time they will recover, we just never know how long they will take to recover`. Now the uniqueness came in a global pandemic that resulted in an induced coma on economies around the world followed by a dance to awaken from the coma and manage in a new awareness to the impact of the coronavirus and the lifestyle changes that may be permanent.

There are so many unanswered questions - How will we navigate in groups? Will long term care homes look different in the future? Will travel return to its previous form? Will sporting events host 80,000 fans? At some point will this all be a very distant memory?

What lies ahead in 2021 – well COVID-19 is most likely to remain the dominant theme. Hopefully it will be in the context of a further recovery and also the year of the vaccine. The year will also include the US political transition and inauguration of the new US President, the UK economy post-Brexit, the retirement of Angela Merkel as Chancellor of Germany, just to name a few.

The money, the markets, the economies matter to our lifestyles and our peace of mind, of course what truly matters the most is our health and the health of our family and friends.

Happy holidays and wishing you a healthy and prosperous 2021!

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

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



RBC Wealth Management
Dominion Securities

GIVING IN-KIND: a Double Dose of Good

As year-end approaches, consider the perfect trade: being kind with “in-kind” charitable donations.

The coronavirus pandemic has been an historic challenge for charities, as the number of those in need has skyrocketed. Conversely, the historic bull market run of the last 11 years has left many investors sitting on large capital gains in their stock portfolios. Combine the two, and, as we approach year-end, many investors have an ideal opportunity to be kind by giving securities (such as stocks) in-kind, providing to those in need while generating significant potential savings on their tax bills.

Donating cash vs. donating shares

	Sell shares and donate cash	Donate shares directly
FMV of donation (a)	\$2,000	\$2,000
Adjusted cost base	\$1,000	\$1,000
Capital gain	\$1,000	\$1,000
Taxable capital gain	\$500	\$0
Tax on capital gain (\$500 x 50%) (b)	\$250	\$0
Donation tax credit (\$2,000 x 46%) (c)	\$920	\$920
Total cost of donation = (a) + (b) - (c)	\$1,330	\$1,080

Assumptions: Net tax savings from donating shares: \$250 (\$1,330 - \$1,080), assuming that donations of \$200 have already been made. Marginal tax rate of 50%; donation tax credit of 46%. Also assumes the person has taxable income below the top bracket and donations in excess \$200.

COVID CRISIS: THE BURDEN HAS NOT FALLEN EQUALLY

The arrival of the coronavirus has been shocking, deeply unsettling, and for some even tragic. However, after a period of adjustment, most Canadians have found ways to successfully adapt to the “new normal” by finding ways to fill our personal time, adopting new technologies to continue to work and connect with friends and family, and even using the opportunity to better appreciate our lives and to spend quality time with our loved ones.

But for the many – too many – who were already marginalized, living with food and/or shelter insecurity, or just getting by paycheck to paycheck, the pandemic’s impact on the labour market and the economy has been devastating. According to the United Way of Canada, it’s been particularly hard on women and children. Low-income earners have often been the first to put their health – and the health of their families – on the line just to keep their jobs. Many of the pandemic period job losses have hit the working poor the hardest, and have been the slowest to come back. The Toronto Daily Bread Food Bank has reported an increase in demand of more than 300% since the pandemic hit.

A CAPITAL IDEA: MAKING THE MOST OF YOUR CHARITABLE GIVING

Giving securities in-kind to charities is a smart way to support the causes that matter to you, help those in need during these difficult times, and can help reduce your tax bill.

In general, under Income Tax rules, a Canadian taxpayer can claim a charitable donation of up to 75% of their net income (or 100% in the year of death and the year before). Any excess can be carried forward for up to five years. And the more you give, the greater the impact: donations of less than \$200 generally produce a tax credit of approximately 24%, while those above \$200 attract a tax credit of approximately 48% (note: tax credits vary depending on the donor’s province of residence, taxable income and the amount donated).

Here’s where in-kind donations come in: donating the full market value of securities instead of selling those securities first, incurring capital gains and then donating the net, after-tax cash amount, maximizes your donation to those in need, while helping to reduce your tax bill.

This information is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / TM Trademark(s) of Royal Bank of Canada. Used under licence. 20_90081_1110

“The most difficult thing is the decision to act, the rest is merely tenacity” Amelia Earhart



RBC Wealth Management
Dominion Securities

HOW TO MAKE AN IMPACT with your Investments

We all have goals we hope to achieve through our investment success. A new home, your child's education, a comfortable retirement. But what if you want to reach beyond your personal sphere, to help improve social and economic conditions for everyone's benefit? You can, through impact investing.

IMPACT INVESTING EXPLAINED

Impact Investing offers the opportunity to shape the world around you.

It can help reduce poverty, provide food security, build low-cost housing, mitigate the effects of climate change, improve access to education and healthcare, push for gender equality, and more. Impact investors are able to do all that through their personal portfolios – without limiting their progression toward their financial goals.

Impact investing is more than simply *intending* to make an impact and hoping for the best. According to the Global Impact Investing Network:

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return... A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of the underlying investments.

Just as you review your portfolio returns over time to determine how you are advancing toward your financial goals, impact investment reports measure and quantify your contribution to positive change.

IMPACT VS ESG

Impact investing falls under the umbrella term “responsible investing” (along with “thematic” and “ethical” investing, among other terms). While the evaluation of environmental, social and governance factors is at the root of responsible investing, ESG evaluation is not the same as impact investing. But there is a relationship.

The purpose of ESG evaluation is to reduce risk and uncover opportunities to improve investment outcomes by assessing a company's non-financial performance. Impact investing, according to the Principles for Responsible Investment, “focuses on business models and the products and services these companies produce. In this sense, impact investing aims to positively impact society *beyond* ESG-related compliance and investing.”

FOLLOW THE MONEY

The Responsible Investment Association says in its latest impact investing report that from 2014 to 2017, Canadian assets in impact investments nearly doubled, from just over \$8 billion to almost \$15 billion. The Association also says investors “overwhelmingly reported that performance has met or exceeded their expectations.” Finally, they note 89% of respondents expect “moderate to high levels of growth” in impact investing over the next two years.

Put simply, the demand for impact investments that can help Canadians achieve their financial goals is rising – *fast*.

Continued...

HOW TO MAKE AN IMPACT with your Investments – Continued...

CHOOSING THE RIGHT SOLUTION

Here are three questions to ask yourself as you get started with impact investing:

1. What are the main social and environmental problems I would like my investment to help solve?

Whether you'd like to see more companies run by women, less pollution, or better access to education, there is likely to be an impact solution driving change in that area.

2. What proof can I get that my money is making a difference?

The best impact solutions will measure and report on progress toward the stated objectives. As an investor, you should have access to that information.

3. How will this affect my portfolio?

Like all investment decisions, your choice of impact solution should be made in the context of your goals, time horizon, and tolerance for risk. You always want to be comfortable your portfolio is well suited to your financial circumstances. From a portfolio standpoint, impact investments have the potential to reduce risk and improve returns through diversification. Of course, that's in addition to the positive social and environmental impact they're intended to have.

THREE EXAMPLES OF IMPACT INVESTING IN ACTION

Gender Equality

The World Bank has issued a US\$4 million sustainable development bond to address the importance of investing in women. Proceeds from the sale of this "gender-linked" bond will help accelerate economic development, reduce poverty and build sustainable societies.

Source: Impax Asset Management.

Housing

French bank BNP Paribas is investing approximately \$1 million in Belgium's first social impact bond, "to house and provide workforce training to 133 young adults at risk of becoming homeless."

Source: Impact Alpha, March 9, 2020.

Environment

Some mutual funds invest in shares of companies at the forefront of "resource optimization," specifically in the areas of water, waste management, food, and energy. These companies are located all around the world and operate in many different industries.

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)

"Sometimes a year has been so disastrous and so terrible that entering a new year will automatically mean entering a wonderful year!" Mehmet Murat Ildan



RBC Wealth Management
Dominion Securities