Volume 4, Issue 2

PERSPECTIVES

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

Managing wealth and **change**

RBC Wealth Management

From the desk of David Agnew

David Agnew, CEO, RBC Wealth Management Canada

To view *Perspectives* online, visit www.rbcwealthmanagement.com/ca/en/perspectives. To subscribe for *Perspectives* online, email perspectives@rbc.com.

The holidays are a special time of year when many of us spend time with our families, sharing in the joy of the season. At RBC Wealth Management, we understand the importance of family when providing wealth advice.

In this issue, we discuss topics that are relevant to helping your family plan for the future. We look at the complexities of succession planning and wealth transfer among blended families and highlight smart financial management tips for young adults. Additionally, there is a feature article on philanthropy that examines the culture of charitable giving in Canada, and how to develop this value among the younger generations.

To address evolving expectations in this digital world, we are developing a variety of solutions to enhance and support your experience with RBC Wealth Management. In this issue, we introduce a new tool focused on identifying, planning and helping clients achieve their wealth management goals — myGPS™.

In preparation for end of the year, we include a selection of tax-planning articles providing considerations for individuals, trusts and small business owners. We also review how to prepare for the rising costs of healthcare and strategies to promote physical health, wellness and longevity.

This issue marks the fifth anniversary of *Perspectives*. Since 2011, we have provided information to help you and your family reach your wealth-planning objectives and we look forward to continuing to do so for many more years. For more information on any of these topics, please speak to your RBC advisor.

David Agnew, CEO
RBC Wealth Management Canada

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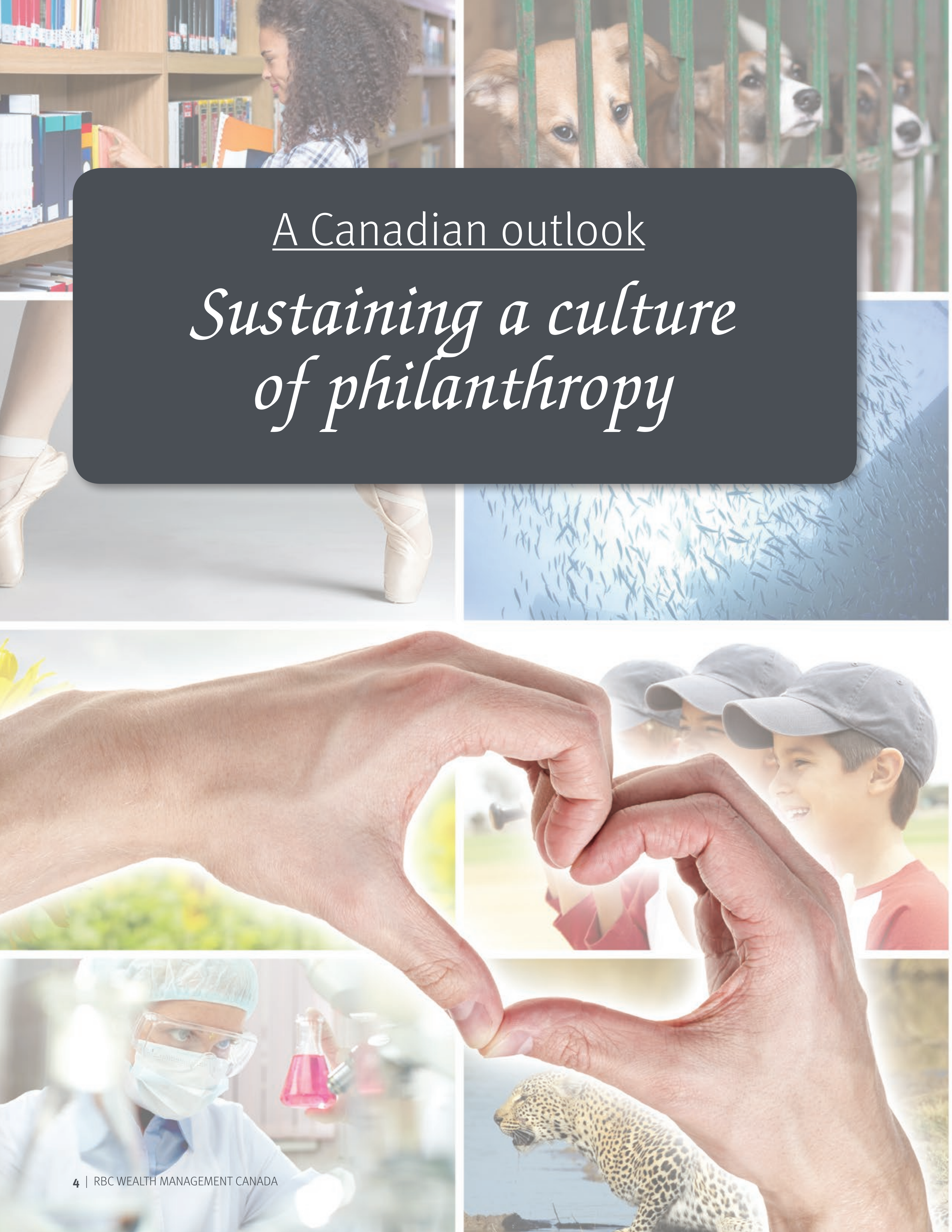

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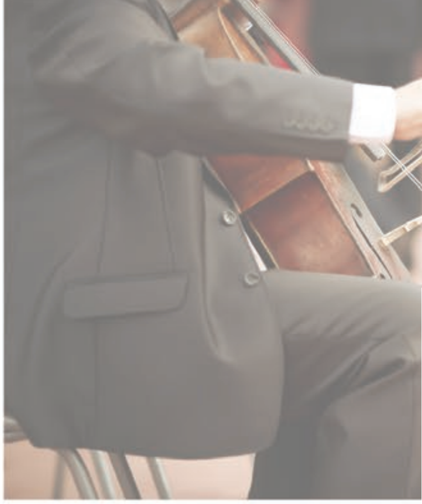

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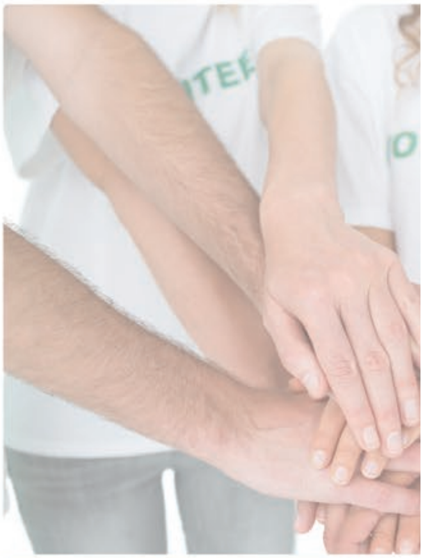

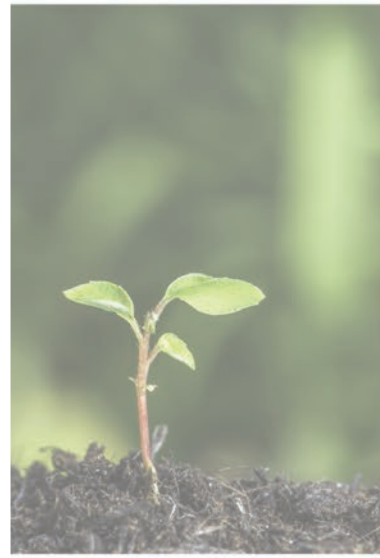

Across the globe, there is a vast array of recognized holidays and celebrations that take place over the course of late fall and early winter. While the meaning or purpose behind each specific holiday may vary, there are certain aspects of the season in general that transcend both cultural and regional differences. A central theme that unites many of us during this time of year is traditions of giving and the coming together of family and communities in the name of philanthropic goals. Whether through history, folklore, family traditions or otherwise, the holidays have a way of encouraging a greater sense of empathy and compassion, as well as heightening the focus on doing good for others. In fact, a 2014 survey examining holiday season charitable giving and attitudes about charitable donations found that 62 percent of Canadians intended to donate to charity over the holidays, and 81 percent of those individuals cited “helping the less fortunate” as their motivation to give.[1] And though the spirit of the holidays itself is a wonderful thing and many are content just to enjoy “feel good” aspects of the season, the true goal is carrying a philanthropic mindset throughout the entire year. Additionally, with shifting ideals among different generations, a priority is helping youth build an exposure to giving back and making positive change as part of their overall value system.

Canadian culture of philanthropy

As a nation, Canada is routinely viewed in a positive light for its acceptance and pay-it-forward attitude. The foreword of a report by Statistics Canada called *Caring Canadians, Involved Canadians* (which highlights the survey of giving, volunteering and participating) powerfully sums this up: “One of the remarkable features of Canadian life is the extent to which we reach beyond our families and friends to contribute to others and our communities through charitable giving, by volunteering time to charitable and nonprofit organizations, and by helping individual Canadians directly.”[2] And these sentiments exist not just on a national scale, but a global one as well. In fact, at the

For those interested in finding out more about giving to a charity, the United Way offers a useful *Guide to Charitable Giving* at https://www.unitedway.org/our-impact/work/giving/guide-to-charitable-giving.

United Way Centraide

recent Global Fund conference held in Montreal, it was U2 band leader and renowned activist Bono who praised our nation, strongly noting that "The world needs more Canada."[3] And while this comment was specifically in relation to Canada's support of global health issues, it paints a clear picture as to how our country is often viewed for its philanthropic and charitable endeavours the world over.

According to statistics from Imagine Canada, our country boasts an estimated 170,000 registered charities and nonprofit organizations, ranking second largest in the world within this sector.[4] That number speaks volumes about both the amount of support received by the general population and the amount of people who work directly on the ground and through administration to make these charities and their initiatives possible.

Philanthropy by the numbers

According to 2013 data from Statistics Canada, 82 percent of the population aged 15 and over made a financial donation to a charitable or other nonprofit organization.[5] This percentage is very similar to that of the 2007 and 2004 findings in the *Caring Canadians, Involved Canadians* report, which therefore suggests these trends towards giving are deeply embedded among Canadians. When it comes to volunteering, the same 2013 Statistics Canada findings show that 12.7 million, or 44 percent, over the age of 15 participated in some form of volunteer work.[6]

Defining individual and family charitable intent

For individuals and families interested in taking up a philanthropic cause, a sense of direction can often be gained by asking a few initial questions: What inspires you to give back to the community? Are there specific causes or organizations that have specific meaning to you? How much time and effort will you have to devote to philanthropy? Is giving back a value you are hoping to instill in your children? In addressing these questions, individuals may gain a better insight into their philanthropic goals, which then helps build the foundation for an action plan. Depending on circumstances, it's important to consider the most suitable structure for achieving charitable objectives or those of your family, whether that's through having a private charitable foundation or via a donor-advised fund. In general, it may be a good option to start small and work towards something more formal as your experience and philanthropic vision grows.

RBC's commitment to community and sustainability

Within RBC, "helping communities prosper" is a formal part of our company's purpose. We recognize the importance of healthy, sustainable communities and are committed to supporting a vast range of initiatives and programs that span social, environmental, artistic and educational realms. Our employees around the world also help their local communities prosper through volunteering, donating and fundraising. This spirit of giving back is exemplified through our annual "Employee Giving Campaign" in Canada, held each fall. In 2015, 23,000 RBC employees raised $17.3 million for charities across Canada, including the United Way. Each year, the spirit of dedication to the campaign grows, which is a true testament to the positive change that can happen when people join forces for a cause they believe in.

Developing philanthropy among children and youth

Social conscience and making a difference are two values largely embedded in Canadian society. The focus for some who have grown up with these values is now passing them on to children and grandchildren in an economically, technologically and socially changing world. Various studies and surveys indicate that today's youth and young adults may not be seeking out philanthropy in traditional and historically common ways, but they do still rank social responsibility, involvement and conscience as a high priority. The main difference in how some younger individuals view philanthropy is a stronger focus on the cause rather than the organization or charity. In recognizing that the younger generations seek out connections with causes, the focus then needs to be on helping youth first identify the causes they are passionate about and then matching appropriate charities or organizations that support those causes.[7]

Specifically among Millennials, almost 40 percent identify "making a difference in the world" as one of their top-three priorities — it's just that their idea as to how to accomplish this comes from conceptualizing giving in different ways. Rather than direct donations

Statistics indicate that giving back via time and effort is taking hold among younger people.

to charities, younger individuals are more apt to support social good through volunteering, fundraising events and promoting causes online and through social media.[8] From a nonprofit organization or charity standpoint, what this presents is an opportunity to connect with youth and young adults in new and different ways, pushing their causes to the forefront.

Giving back has also become a greater focus at the educational level, as a number of provinces and territories require high-school students to complete a certain amount of community service hours in order to graduate. Certain provinces such as Manitoba, Nova Scotia and PEI use an alternate approach, offering elective course credits or bursaries associated with community service.[9] Through these types of mandatory or incentive programs, students gain exposure to various outlets of giving back, which helps them develop a sense of what causes and initiatives are important to them. Whether from education or other community or family learning, statistics indicate that giving back via time and effort is taking hold among younger people. According to Statistics Canada, those aged 15 to 19 are the most likely to volunteer, with 66 percent partaking in some form of community service work. And while some may speculate that this number is a result of the mandatory volunteering in some schools, only 20 percent reported they were required to volunteer. So, the remaining 46 percent who did so by choice still represents the largest national percentage among all age groups.[10]

For younger children, some early successes in community involvement and giving can help build commitment for future projects. As such, it's important to help them choose goals that can be achieved with available resources. A good starting point may be to identify a need in the local area, such as food or clothing, for example, or gifts to an animal shelter if that's an area of interest to your child. From there, help them brainstorm creative and practical ways to achieve it, maybe involving friends and classmates.

Philanthropy can come in many forms

For some individuals, giving equates to monetary donations, but in reality that's only one aspect. True philanthropy encompasses everything from charitable donations and volunteering to raising funds for a specific cause and participating in a charitable event to performing a random act of kindness. And regardless of how

big or small the endeavour is, as a parent, guardian, grandparent or other family member, the valuable overarching lesson is building empathy and making a difference rather than emphasizing just the financial aspects of giving. In this way, younger family members learn about the entire scope of philanthropy and are likely to get much more out of the experience when they have an emotional stake in the outcome of a project.

Another key aspect in educating children and youth about giving back is opening their minds beyond their neighbourhood, school, family and friends. Helping them develop an interest in events in other parts of the country or the world will help shape their values and what they are passionate about. By expanding their horizons in this sense, they'll be better equipped and confident to choose what they'd like to do with their funds or how they'd like to contribute. Building awareness can bring about a more serious and focused involvement, which may then evolve into a structured series of gifts or pattern of providing service.

Building holiday traditions rooted in philanthropy

When you get right down to it, the holidays are about giving thanks, no matter what a family's or culture's traditions. And though many tend to get caught up in the consumerism associated with holidays, this time of year marks an ideal opportunity to shift the focus and draw your younger family members' attention to all the reasons they have to be thankful and what they can do to give back and focus on the generosity of giving. An option may be to start a new family tradition where you make a project out of the giving process, perhaps culminating in a gift or act of service that feels personal and satisfying to the giver. Depending on the age of the children, ideas to consider include handmade gifts or cards, donating funds that would otherwise be used on gifts to a specific cause or organization, volunteering time at a shelter, donating gifts or clothes to a charity or sponsoring a child abroad. No matter what philanthropic activities you choose, however, it's important to let younger family members be the architects of the experience as much as possible. This initial involvement may generate habits and preferences towards giving and build associations with doing so during the holiday season in years to come. As children get older, the experience may change, but the goal is that they will be imbued with a culture of giving that will seem second-nature to them.

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Charitable giving from financial and tax perspectives

Giving can help build financial literacy

Helping children and youth learn the value of giving back is a key component of overall smart financial management skills. Individual personality and learning tendencies need to be accounted for, so it's important that parents, guardians or other family members identify the method or combination of methods that work for their children. For younger children, the "Spend/Share/Save" strategy is one way to introduce the concept of giving. Whether you provide an allowance for your children or prefer them to earn the funds, which you may choose to supplement with a bonus, the idea is to designate a percentage of these funds that can be spent, another portion donated to charitable causes and the remaining portion saved or invested. The discipline inherent in this approach allows children to manage their expectations when making financial decisions and learn to appreciate the value of saving for future goals. For more details about financial literacy among late teens and twenty-somethings, please view "Financial management among young adults — realities and strategies" on page 38.

Let children participate in family discussions to develop an understanding of why you give, how to give and the spectrum of activities that fall under the umbrella of philanthropy. These may include monetary gifts or gifts of time and service. Determine what works for your family, your children and within your community and make it a regular part of life that children come to regard as routine.

Tax benefits of donating to charity

Your children may not be able to realize the tax benefits of making charitable donations, unless they have sufficient income to use the tax credits. You can make the donation in your name and claim the tax credit on your tax return. You could let your child choose the charity and involve them in the donation process. You may achieve significant tax savings when making charitable gifts, depending on the province or territory where you live. Each year, you can claim a credit for donations up to 75 percent of the net income reported on your federal tax return, or 100 percent in the year of death or the year prior to death. If your donation exceeds the 75 percent limit, you can carry the excess forward for up to five years. A comprehensive financial plan can help you design a model for donations to ensure that you fully utilize your tax credits in the future.

Another strategy is to donate publicly listed securities that have accrued capital gains. You'll benefit from the eliminated capital gain and the donation tax credit, resulting in greater tax benefits than would be realized from donating cash. Plus, to maintain your position in a particular security, consider donating in-kind and using your cash resources to replenish your position. You get the donation tax credit and increase your adjusted cost base without paying tax on the capital gain that was triggered when you made the donation. For more information on potential tax advantages of charitable giving, please view "A tax perspective on year-end" on page 22.

Change in action — RBC Race for the Kids

A driving force behind many of our initiatives is providing meaningful support to benefit younger generations. The RBC Race for the Kids, a global race series that raises funds for a variety of children's charities, is a true example of this support in action. Two of the 11 global races are Canadian-based, and this year's events in Vancouver and Toronto were incredibly successful. The Vancouver race, which took place on June 5, had a fantastic turnout of ~6,600 participants and raised an impressive $1,013,323 for pediatric oncology and mental health initiatives at BC's Children's Hospital. The event in Toronto on September 17 boasted ~8,500 participants and raised ~$2,200,000 towards the Family Navigation Project at Sunnybrook Hospital, which provides help to youth struggling with mental health and addiction issues. These two events, and the entire series of races, represent a prime example of the amazing achievements that can happen when families and communities come together for the future and well-being of our youth. For more information on this race series, please visit www.rbcraceforthekids.com.

Alexandra MacDonald with Artists of the Ballet in *The Sleeping Beauty*. Photo by Sian Richards.

Bringing positive change through the RBC Foundation

An inside look at the Apprentice Program with The National Ballet of Canada

Alexandra MacDonald with Artists of the Ballet in *Giselle*. Photo by Aleksandar Antonijevic.

Whether it's dance or theatre, film or music, visual arts or literature, the arts are a cornerstone in creating and maintaining vibrant communities, and this is something the RBC Foundation recognizes and strives to support through its *Emerging Artists Project*. This project supports a range of initiatives and organizations across Canada, one of which is the Apprentice Program at The National Ballet of Canada, RBC's featured dance partner.

When renowned Canadian former ballet dancer Karen Kain took over The National Ballet in 2007, part of her focus was on building a solid plan for how to train the next generation of dancers and audiences and investing in that succession. This is when the Apprentice Program underwent a significant redesign under the hands of Lindsay Fischer, Artistic Director of YOU Dance and Principal Ballet Master, who speaks very passionately about its purpose, impact and goals.

"Beyond the focus on developing technique and artistry is learning that a profession in the performing arts is all about enriching the lives of others. Dancers give physical shape to emotions, showing people how they feel and validating how they feel through the performance in a public way, in a way that defies language — we make that experience central to the apprentices," Fischer shares. "As part of reinventing the program, we decided it was vital for apprentices to perform in front of people who have no preconceptions about ballet and who will respond in a complete and honest way." And this is where YOU Dance, an outreach program providing performance opportunities for elementary school children, was born.

Meet Alexandra MacDonald

The story of Alexandra MacDonald's entry into ballet as a young girl is one of true mother-daughter connection. "My mom had always wanted to learn dance when she was growing up, but she came from a large family who couldn't afford to put her in dance. It became something she always held onto and wanted for her own children," Alexandra shares. Knowing how much her mom had dreamed about that path for herself fuelled Alexandra's passion to pursue dance. "I started dance when I was five and was blessed with an incredibly talented and artistic teacher who saw potential in me and nurtured me for over 10 years."

Through that time, Alexandra trained at the International School of Ballet in Calgary, Alberta, before going south of the border to Boston Ballet School's Trainee Program. The year the new Apprentice Program was unveiled at The National Ballet was also the same year Alexandra was selected as one of only eight apprentices from over 300 applications. "At the time, I had no idea I was one of only eight who were chosen," says Alexandra. "Since the program had just been restructured, I had no idea what to expect, but it took only a few weeks of the apprenticeship to realize how incredibly demanding and rewarding it was going to be."

Over the course of the year-long program, apprentices learn and perform a series of YOU Dance shows, become understudies for some of the large story ballets, participate in *The Nutcracker*, and then do a large show as part of the corps du ballet, an intense process that requires an incredible amount of time, learning, training and skill building at every level. In reflecting on the program's impact on her development at the time, Alexandra shares some key insights. "The apprentice year was very demanding. It stretched my limits and opened my eyes to different coaching styles and techniques. There was definitely an adjustment period, but it challenged me in all the right ways, making me stronger as a dancer and giving me confidence in my abilities."

Hired on after her apprenticeship, Alexandra was promoted to Second Soloist in 2012 and is now a First Soloist within the company. Looking back at her experience, Alexandra is hopeful she can be a positive role model for apprentices in the program now and in years to come — a sure sign of the learning and development on all levels coming full circle.

And what has she taken away overall from her apprenticeship? "It was an incredible learning experience that not only showed me how to push my technique and artistry, but that also taught me a lot about myself and what I could accomplish. The program presented learning I wouldn't have gotten otherwise and set me up for the rest of my career — I know that I likely wouldn't be where I am today without the Apprentice Program."

Alexandra's sentiments perfectly sum up the experience that the *Emerging Artists Project* aims to provide and encourage through its support. And as Fischer so powerfully shares, "RBC's support has been central to the strength and growth of this program. The way they have committed to this program year after year speaks volumes about the value they place on developing the next generation of artists. They support it because they truly believe in it, and that leap of faith is the linchpin of philanthropy."

The national average price range for assisted living in Canada is $1,500 to $5,000 per month, with Ontario being the most expensive and Quebec the least costly.[1]

Among Canadian seniors, 89 percent have at least one chronic condition.[2]

The number of Canadian seniors requiring continuing care will rise by 71 percent by 2026.[3]

The average cost of long-term care facilities ranges from $900 to over $5,000 per month.[4]

As the Baby Boom generation ages, the number of people needing support could grow to 2.4 million in 2026 and 3.3 million in 2046.[5]

The changing landscape of healthcare in Canada

A look at the rising costs of care and the importance of planning for it

The above statistics paint a clear picture about the current health and healthcare cost realities for Canadians and the challenges many will be facing in the coming years. But while these numbers are both eye-opening and staggering, it's an area the majority of individuals haven't financially prepared or planned for. With the life expectancy of Canadians increasing from an average of 75 in 1980 to 81.7 in 2014, and the Baby Boomer generation staged to represent one in four of the Canadian population by 2036,[6] the trends in rising costs of both private and public healthcare will only likely continue in that upward pattern. This makes having adequate plans in place more important now than ever before.

Looking back and looking ahead

From both a public and private standpoint, the Canadian healthcare system has experienced significant change in recent decades, and it's anticipated that even greater changes and pressures will surface as the Baby Boomer generation shifts into their senior years, along with other factors such as a rise in chronic conditions among all age groups, increasing physician fees and population growth as a whole. For some individuals, part of the conceptual challenge in recognizing the rising costs associated with healthcare stems from a misunderstanding about the healthcare system as a whole and the separation of public and private. Currently, approximately 70 percent of healthcare costs are funded by the government,[7] which for some may create a view that Canadian healthcare is "free" to a certain degree. The danger in this, however, is that while some services are publicly funded, individuals do pay for it via taxes, and what this currently breaks down to is approximately $4,222 each year for the average individual, according to 2015 data.[8]

Of even greater concern for adults and older adults, however, are the costs outside of that 70 percent, as the services typically required by the senior population, such as home care, prescriptions, medical equipment, assisted living and long-term care are often out-of-pocket costs. "Two of the main aspects

individuals will want to develop a better understanding and awareness of are the private costs of living longer, as well as how those costs may shift due to increased pressure on the system as a whole," notes Leanne Kaufman, Head of Estate & Trust Services at RBC Wealth Management Canada. "Canadians historically may have thought they understood what they'd need to live on for retirement, but the fact is that private care — even in our current public healthcare system — is extraordinarily expensive."

In a report from Statistics Canada, it was found that the out-of-pocket costs of prescription drugs, dental care, and insurance premiums rose 2.9 percent annually from 1998 to 2009 and have only continued to increase from there, and prescription drugs alone account for 27.3 percent of out-of-pocket healthcare spending in senior households.[9] When looking at the entire scope of senior care, however, these represent only a small portion of private costs when you factor in the vast range of senior services required by many Canadians, including home care, assisted living and long-term care.

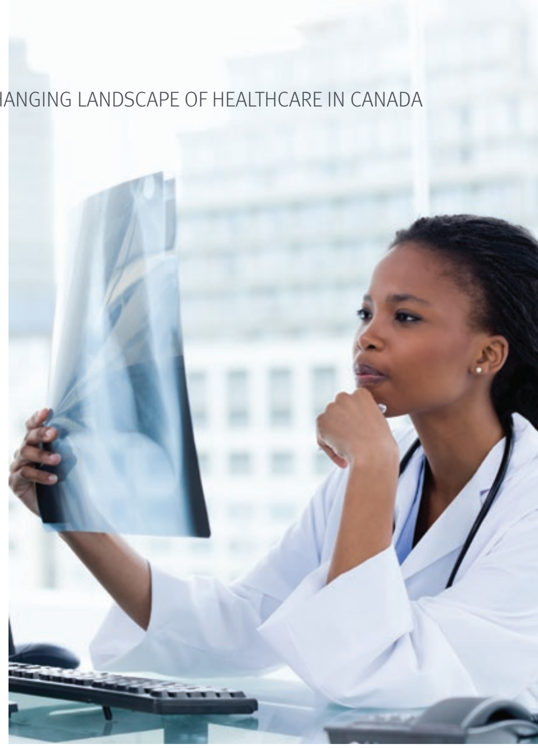
Retirement planning and potential healthcare needs

Among Canadians looking ahead and planning for retirement, two key areas that tend to matter most are having enough money to retire and having the resources to live in the manner they want to. At the highest level, these are very important considerations that help direct the planning process; more specifically, both should factor in the potential healthcare needs and the associated costs. "Key here is having an awareness as to the services the public system offers, and then from a private or personal perspective, identifying the types and levels of care you want, should the unexpected happen, and turning your mind to how much you're going to need on a very conservative basis," explains Kaufman.

While the thought of getting older and experiencing a decline in health is understandably not an easy one to face, the costs of avoiding the topic — both from a financial and emotional well-being standpoint — are far too great to overlook potential health needs in the overall plan. For the majority of Canadians over 55 (85 percent according to a report by the Canadian Housing and Mortgage Corporation), there's a strong feeling of wanting to stay in their homes for as long as possible into their senior years.[10] While this is an understandable choice from a comfort perspective, there are potentially significant costs there as well, such as mobility equipment, accessibility modifications or renovations, and in-home care. "Education is so important, from understanding what those costs are in today's world to what they may potentially be 10 or 20 years down the road when individuals need them," Kaufman emphasizes. And given that the likelihood of needing long-term care increases as individuals advance through their senior years, education around the specific costs and options becomes even more imperative. This currently doesn't seem to be the case, however, as three-quarters of Canadians admit they have no financial plan to pay for long-term care if they need it.[11]

Key planning considerations

Potential healthcare needs are something that should be looked at both from a retirement-planning and an estate-planning perspective. "The important conversations



need to happen at two levels: with professional wealth advisors to ensure there is enough income available in the future to fund those unexpected costs, and with professional estate planners for individuals who may be considering transferring or gifting some of their wealth to children or grandchildren during their lifetimes," notes Kaufman. Specifically in regards to estate planning, the rising costs of healthcare create a large reason to pause and consider whether passing down wealth during an individual's lifetime is the best decision, without knowing how much will ultimately be needed. "With potential health factors to consider and the associated costs, it's crucial for individuals to pay close attention to their estate planning, part of which may include considerations around retaining as much of their nest egg as possible, and not getting too proactive with giving away too much too soon," Kaufman stresses.

Another crucial aspect to consider is Power of Attorney (in Quebec, it is referred to as a "Protection Mandate"), of which there are two forms: property (which includes property, finances, assets and investments) and personal/health care. The decision process for selecting a Power of Attorney on both fronts is one that should be given very careful consideration. While a family member or close friend may seem like a logical decision, it's important to strongly consider family dynamics and the potential stresses and emotional burdens this may create. Depending on circumstances, a neutral third party may be an ideal option in regards to a Power of Attorney for property, and this is an area where RBC Estate & Trust Services provides expertise and guidance, with professionals who are well-versed and experienced from both a technical and an emotional perspective. "Our services come into play when individuals lose the capacity to manage their own finances. We step in as the fiduciary to oversee not only the portfolio of investments, but also to plan for future expenses. We work with professional wealth advisors, and it's part of our duty to understand what today's costs are and to anticipate future costs in determining how the funds are best utilized to meet the interests of the individual," explains Kaufman.

RBC Estate & Trust Services also offers Power of Attorney administration services to assist individuals who have been named Power of Attorney for property and provides expert support in navigating and handling the tremendous responsibilities that come with taking on the role. "When a family member is tasked with being a Power of Attorney from both a personal care and property standpoint, it's a complicated undertaking and one that can become overwhelming. We have the infrastructure in place to take the administrative burden of the property off anyone who is in that situation," Kaufman shares. For more information, please visit rbc.com/estateandtrustservices.

"The important conversations need to happen at two levels: with professional wealth advisors to ensure there is enough income available in the future to fund those unexpected costs, and with professional estate planners for individuals who may be considering transferring or gifting some of their wealth to children or grandchildren during their lifetimes."

Leanne Kaufman, Head of Estate & Trust Services, RBC Wealth Management Canada

Communication and the role of family members

When making decisions about future healthcare wishes and level of care preferences, and then putting the financial plans in place in order to fund those decisions, it's imperative that everyone surrounding the individual knows what those plans are and what the individual would want from a care perspective. Key conversations to be had include preferences in regards to home care versus a facility and the nature of a care facility. "If these conversations aren't had, or don't occur at the relevant time, that leaves the decision makers with a huge gap in understanding as to what the individual wants for themselves," says Kaufman. Unfortunately, what that may often lead to is a type and level of care that isn't aligned with personal wishes.

With a shifting population and growing healthcare needs as a whole, the Canadian healthcare system, both publicly and privately, will almost certainly experience significant change in the coming decades from both a cost and services standpoint. In preparation for both the current and anticipated costs, one of the most effective approaches individuals can take to generate peace of mind is thoroughly examining the costs and options in their province of residence and using that as a driving force to create appropriate plans. Doing so helps ensure a level of financial security no matter what unexpected health event or issue may happen down the road, which in turn allows the focus to remain on enjoying life to the fullest in the here and now.

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Planning for the potential of long-term care

Given the fact that approximately half of Canadians will ultimately need some form of long-term care as they progress through their senior years, a valuable option may be putting long-term care insurance in place as a way to pay for these services, should they be needed. What this form of insurance does is generate a monthly income to help with the cost of care, as well as allowing flexibility and choice around the kind of care an individual wants to receive. Long-term care insurance helps provide individuals with the assurance that their lifestyle will be maintained and their financial security protected if future medical problems necessitate the services of a long-term care facility or professional services at home.

Note: To ensure that your own circumstances have been properly evaluated, when considering individual life and health insurance solutions, it is important to consult with a licensed insurance advisor to determine the best options for your individual needs.

An integrated approach to wealth planning with myGPS™

Augmenting the client-advisor connection in making wealth planning work for you

Using technology as a complement to the value of professional advisors.

Year over year, and over the course of life, there's a significant range of changes that every individual experiences — personally, professionally and financially. Some have a very large impact on an individual's or a family's anticipated path, whereas others necessitate just a small shift in approach. In some regards, part of the beauty of life is sometimes not knowing what adventure or opportunity may be around the corner; however, when it comes to ensuring the unknowns are accounted for and that objectives are met no matter what the future may hold, appropriate wealth planning plays a lead role. RBC Wealth Management now offers a new, integrated approach for individuals to identify, plan, track and help realize their wealth goals — myGPS™.

Streamlining the process

Aptly named, the purpose of myGPS™ is to provide individuals with personalized direction in their wealth planning. The name stands for "Goals, Priorities, Solutions," which itself reinforces the focus behind its capabilities and the functionality it provides. With a back-to-basics approach, myGPS™ enables RBC advisors to identify an individual's goals and helps them manage the life-changing events and milestones via a detailed and customizable client projection. Specifically, it zeroes in on overall planning aspects that everyone typically faces at some point, such as home ownership, retirement and estate planning, and at the same time better connects individuals with their RBC advisors to plot

Connect with a skilled advisor

Don't have an RBC advisor and wish to find one? Please visit: https://www.rbcwealthmanagement.com/ca/en/find-a-wealth-advisor/get-matched-with-an-advisor

a customized course based on personal needs and circumstances.

The foundation of myGPS™ revolves around five relevant and common questions that Canadians typically have in regards to their long-term wealth planning. These questions span the areas of current financial situation, ensuring future lifestyle choices are adequately funded, providing for family should the unexpected happen, how change impacts future financial situations, and helping to ensure wealth goals become a reality. Information regarding these questions is input by the RBC advisor, and then customized client reports are created, providing an overview of the high-level financial picture, and how individuals are tracking towards their short- and long-term goals.

Building the client-advisor relationship

With growing trends in online services within the financial industry, myGPS™ provides a value-added option by offering a complementary channel for building the human relationships that are fundamental in successful wealth planning. myGPS™ simplifies the process of information collecting and storing, and then takes it one step further in using that information to generate potential opportunities and planning considerations that become important discussion points between the client and advisor. It's here where the integrated approach of myGPS™ truly shines through. The design of the tool gives the RBC advisor a very clear, accurate, up-to-date snapshot of the individual's situation, which in turn better enables them to bring expertise to the table with precise solutions and assistance in navigating the path towards achieving long-term goals.

Providing relevance for a wide user base

One of the key objectives of myGPS™ is to provide a simplified and effective wealth-planning projection for individuals across multiple stages of life. From young adults who are taking on more financial responsibility to those nearing or into their retirement years, the capabilities of myGPS™ have been built with everyone's goals and needs in mind. However, further to individual planning, an additional feature of myGPS™ is planning functionality and solutions for business owners. In fact, one of the key questions in generating a personalized report addresses business survival in a major change or crisis and overall business succession planning.

With the help of an RBC advisor, myGPS™ provides an additional way for individuals and families to gain a more holistic view of their current and future financial situation. In doing so, it supports an important aspect of wealth planning, which is developing valuable insights into how to reach short- and long-term goals.

Planning considerations as the New Year approaches

- Considering any changes to family situation or dynamics and how this impacts any current financial and estate plans.
- Reviewing overall investment portfolio with your professional advisor.
- Identifying any health considerations or potential upcoming needs for you or your family members.
- Forecasting any changes to professional status or timelines for retirement.
- Reviewing overall retirement goals and lifestyle choices.
- Identifying any large pending or expected expenditures, such as a vacation property, vehicle or family vacation, and budgeting accordingly.
- Factoring in educational considerations for young family members, including children and grandchildren.
- Identifying charitable and philanthropic goals.

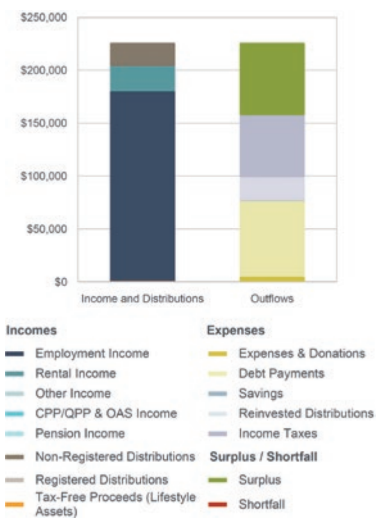
Have you ever wondered ...

What my financial future looks like?

myGPS™ provides consolidated summaries showing your incomes, savings, expenses, investments, real estate and debt – your critical financial information presented in one document.

Current Net Worth

Current Cash Flow

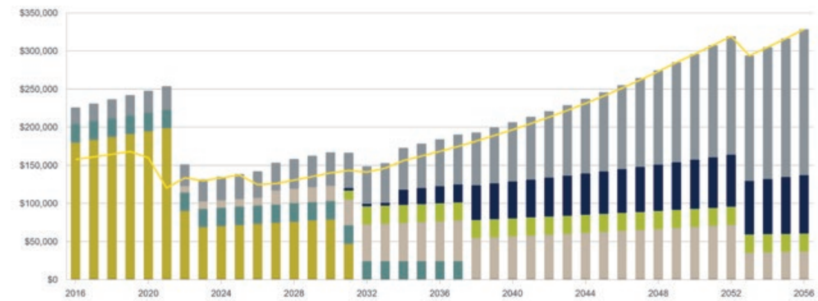


Currently, myGPS™ is offered to clients of RBC Dominion Securities.

If I live to be 90, will I have sufficient funds to maintain my current and/or desired lifestyle?

Based on the information provided, myGPS™ will project income, savings, taxes, expenses and the value of your assets into the future.

Projected Income and Distribution

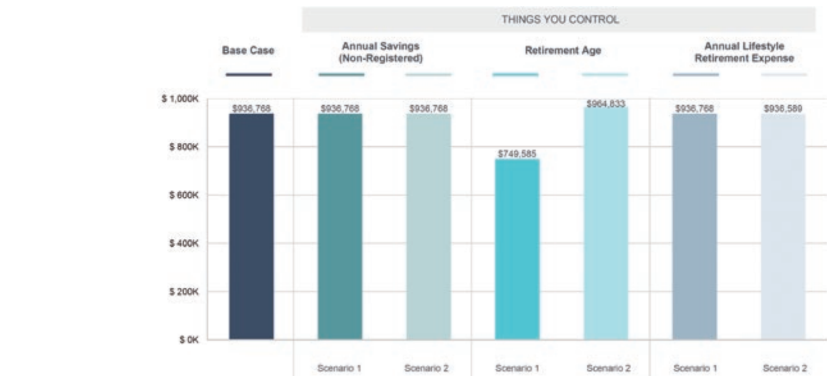


Based on the information provided, you may have sufficient investment capital to meet your anticipated future retirement income needs.

How does changing my financial assumptions impact my future financial situation?

It is impossible to know for certain what will happen tomorrow. To provide a financial projection, however, certain assumptions about what will happen in the economy have to be made. But what if some of those assumptions prove to be wrong? What if, for example, you were forced to retire early? Or perhaps you end up spending more in retirement. The myGPS™ Retirement Analysis allows you to independently change the assumptions you have made about the future to see how that change will affect your overall finances.

Retirement Analysis



	Base Case	Annual Savings (Non-Registered) Scenario 1	Annual Savings (Non-Registered) Scenario 2	Retirement Age Scenario 1	Retirement Age Scenario 2	Annual Lifestyle Retirement Expense Scenario 1	Annual Lifestyle Retirement Expense Scenario 2
Sensitivity		$0	$1	-2	2	-5.00 %	5.00 %
Annual Savings	$0	$0	$1				
Retirement Age - Jamie / Janice	60 / 65			58 / 63	62 / 67		
Annual Retirement Expenses	$50,000					$47,500	$52,500
Total Investable Assets at Death	**$936,768**	**$936,768**	**$936,768**	**$749,585**	**$964,833**	**$936,768**	**$936,589**
Present Value	$424,253	$424,253	$424,253	$339,480	$436,964	$424,253	$424,172
Age When First Deficit Occurs							

A tax perspective on year-end

An overview of considerations and strategies for tax planning at this time of year

Strategies and considerations as the end of 2016 approaches.

As 2016 winds down, many Canadians will start to look ahead to the new year, identifying goals, plans and hopes, financially speaking and beyond. But before switching out the calendar and starting fresh for 2017, an important year-end step for individuals is taking the time to review their financial affairs. And though some individuals have negative perceptions about tax season overall, this often arises from an unfamiliarity with the ins and outs of tax. In fact, it was shown in a study conducted by Leger Marketing that among survey respondents, less than 25 percent have a good understanding as to what can be claimed on their tax returns.[1] Combine that with the range of personal changes and life events people experience, and it becomes understandable why tax planning may seem complicated and confusing. Building some general knowledge, however, can go a long way in helping individuals successfully and accurately plan for year-end.

Tax-loss selling

If you sold assets and realized capital gains during the year and you're holding securities with unrealized losses, you may want to consider selling some of them. Tax-loss selling is a technique that involves selling securities at a loss to offset capital gains realized during the year. Before using this strategy, part of your portfolio review should also include determining if the securities no longer meet your objectives.

One key consideration to be aware of, however, to ensure a capital loss can be claimed, is the superficial loss rules. A superficial loss occurs when a security is sold at a loss and the individual, or someone "affiliated" with them (i.e. your spouse, a company controlled by you and/or your spouse, or a trust in which you and/or your spouse are a majority interest beneficiary), acquires the identical property that was sold within the period that begins 30 days before and ends 30 days after the settlement date of the disposition. If, on the 30th day after the settlement date, that same individual or a person "affiliated" with them owns or has a right to acquire the identical property, the superficial loss rules may apply, and the capital loss may therefore not be useable. Instead the capital loss that is considered a superficial loss is added to the adjusted cost base of the newly acquired security. Here, it's important to recognize that these are complex rules and it's crucial to consult a tax professional for advice before proceeding.

What if capital loss can't be used all in one year?

The rules behind this strategy dictate that those who realize a capital loss must apply it first against capital gains realized in the current tax year. Then, when the current year's capital gains have been offset, any balance of the loss can be carried back three years or forward indefinitely to offset capital gains in those years. Note that if you apply a net capital loss against a previous year's taxable capital gain, it reduces your taxable income for that previous year. Therefore your refund depends on your marginal tax rate for that previous year. However, this won't change your net income for that year, which is used to calculate certain credits and benefits to which you may be entitled.

A related consideration here is deferring the realization of capital gains until the next tax year. This approach may be prudent if you anticipate being in a lower marginal tax bracket next year. Also keep in mind that if you realize capital gains in the current tax year, you must

For more specific information on the concept of tax-loss selling, please view "Tax-loss selling — building a better understanding" on page 34.

remit any tax payable as a result of those gains to the Canada Revenue Agency ("CRA") by the tax due date in the next calendar year. With these details in mind, what it comes down to is always considering the investment merits of deferring the sale of a security before assessing the tax benefit.

Planning for a bonus

Informed tax planning for bonuses is another area that may prove advantageous for some. If an individual's maximum RRSP contribution limit hasn't been reached, a bonus creates additional RRSP deduction room for the following year. Additionally, a bonus may allow greater pension and/or employee profit-sharing plan contributions for the year. It's also important to consider your tax bracket, as it may prove worthwhile to consider deferring receipt of a bonus to early next year, if you expect to be in a lower tax bracket. Furthermore, some individuals may be able to avoid withholding taxes if their employer will transfer the bonus directly to their RRSP; the only caveat to this is having unused RRSP deduction room.

Low-income year

While people often associate year-end only to the current year, it's also valuable to think ahead to anticipated tax brackets in future years. If an individual expects to be in a higher marginal tax bracket when they retire, it's worthwhile to consider withdrawing funds from an RRSP before year-end. This also applies to growth investors who are nearing retirement, as withdrawing funds now may avoid higher taxation. Then, by reinvesting in a non-registered account, individuals can benefit from the preferred income tax treatment for capital gains, Canadian dividends and return of capital. One consideration to take into account is that this strategy involves paying tax earlier at a lower rate, but you may lose tax-deferred growth potential on the funds withdrawn.

Year-end considerations ...

- Planning for a bonus
- Low-income year
- Charitable donations
- RRSP and TFSA contributions
- Saving for a child's education
- Capital gains in a trust
- Timing mutual fund purchases

Charitable donations

For those who have charitable intent, donations must be made by December 31 in order to claim the donation tax credit for the current year. What some individuals may not be aware of is that you can also donate publicly listed securities in-kind to qualified charities without paying tax on any capital gain realized. The potential advantage here is that you'll receive a donation tax receipt equal to the fair market value of the security at the time of donation, which can then help reduce your tax bill because of the donation tax credit. If you're considering this type of approach, it's important to first talk to your qualified tax advisor about the merits of donating securities in-kind.

Making timely RRSP and TFSA contributions

The basic consideration to understand here is that timing may make a difference. While you can contribute to an RRSP for the first 60 days of the new year and deduct the amount on the previous year's tax return, if you instead contribute before December 31, you'll benefit from two extra months' tax-deferred growth, which can increase your retirement savings.

A Tax-Free Savings Account (TFSA) allows you to earn tax-free investment returns, resulting in potentially greater growth than a regular taxable account. If you need cash before the year-end, you may withdraw from your TFSA by December 31. The same amount can be re-contributed to your TFSA, plus the new annual contribution room starting on the next January 1. Keep in mind that recontributing in the same calendar year requires the necessary contribution room.

Saving for a child's education

Individuals with children or grandchildren who are keen on saving for that family member's future post-secondary education will want to consider an RESP. The lifetime contribution limit is $50,000 per beneficiary and beneficiaries may qualify for the Canada Education Savings Grant (CESG) to a lifetime maximum of $7,200. More specifically, if your beneficiary turned 15 this year and hasn't yet benefitted from an RESP, consider making a minimum contribution of $2,000 by December 31. Your beneficiary may qualify for CESG this year and the next two years. Otherwise, CESG may not be available for the years the child turns 16 and 17.

Capital gains in a trust

Individuals, including minor children, with no other taxable income, can realize approximately $22,000 of capital gains tax-free each year (the amount varies by province and territory) due to their basic personal exemption. Capital gains realized by a properly structured trust may be allocated to and taxed in the hands of a beneficiary with little or no taxes payable. Here again, it's valuable to speak with your tax professional about the benefits of this strategy and any additional tax return preparation fees that may result.

Timing mutual fund purchases

If an individual purchases mutual funds near year-end in a taxable account, and the mutual fund distributes taxable income and capital gains late in the calendar year, the distribution is paid to all unit holders — even if the individual only recently purchased units — and may create a tax liability. As such, it's necessary to check the fund's history of distributions and then consider delaying a mutual fund purchase until after a distribution. Funds that make regular monthly or quarterly distributions are less likely to have

For additional information relating to trusts, please view "Year-end planning checklist for trusts" on page 44.

large year-end distributions. If that's the case, a year-end purchase may not result in a big tax burden.

Considerations when moving within Canada

Provincial and territorial taxes differ across Canada, and residents therefore pay those taxes based on the province or territory where they live on December 31. Marginal tax rates vary by province and territory, so if an individual plans to move to a lower-taxed province or territory, it may prove advantageous to do so before year-end. Alternatively, if the new residence is in a higher-taxed province or territory, delaying the move until the New Year may be beneficial from a tax standpoint.

Make interest payments on time and check deductible expenses

Those with a spousal loan, or a family trust with a prescribed rate loan, should make the interest payment by January 30, annually. By doing so, they can prevent the attribution rules from applying. Those who don't make the interest payment by January 30, even on one occasion, put the entire strategy at risk. They can lose the benefit of the prescribed rate loan for the year in question and all subsequent years. If you miss the January 30 payment date, talk to your tax professional.

The borrower may be able to deduct the interest paid while the lender includes the interest received in their income. The timing of the income deduction and inclusion depends on the year to which the interest relates, when the interest is paid, and the accounting method used in computing income.

Strategies to consider when turning 71

Some tax-planning strategies apply specifically in the year individuals turn 71. These include choosing registered plan maturity options (i.e. a RRIF or annuity) or deregistering an RRSP by December 31. Any final RRSP contributions made by December 31 can be claimed on the current year's tax return.

If you have earned income in the year you're 71, consider making an RRSP contribution by December 31. You won't have new contribution room, generated by this year's earned income, until the next January 1. By then your RRSP will have been converted to a RRIF, so you will no longer have your RRSP to contribute to. This so-called "forgotten RRSP contribution" allows you to claim the deduction on your next year's tax return or thereafter. If you have no contribution room, you'll pay a 1 percent per month penalty, but on January 1 you'll have new contribution room and won't be over-contributed. This means that the penalty will only apply for one month. The tax savings from

Year-end considerations ...

Moving within Canada

Interest payments and deductible expenses

Turning 71 years

deducting your contribution may outweigh the 1 percent penalty.

If you're over 71 and can't contribute to your own RRSP, you can make a contribution to a spousal RRSP until your spouse turns 71, provided you have a younger spouse and you have unused contribution room or earned income from the year. The benefit here is receiving the contribution deduction on your tax return but withdrawals will, in most cases, be taxed at your spouse's marginal tax rate, which may achieve family income splitting for those with a lower-income spouse.

In the year an individual turns 71, final RRSP contributions must be made by December 31. However, some may wish to deduct this contribution in a future, higher-income year, to reduce their taxable income. If you over-contributed by $2,000 in the past, it may be worthwhile to reduce your final contribution by $2,000 and deduct this now to avoid potential double taxation.

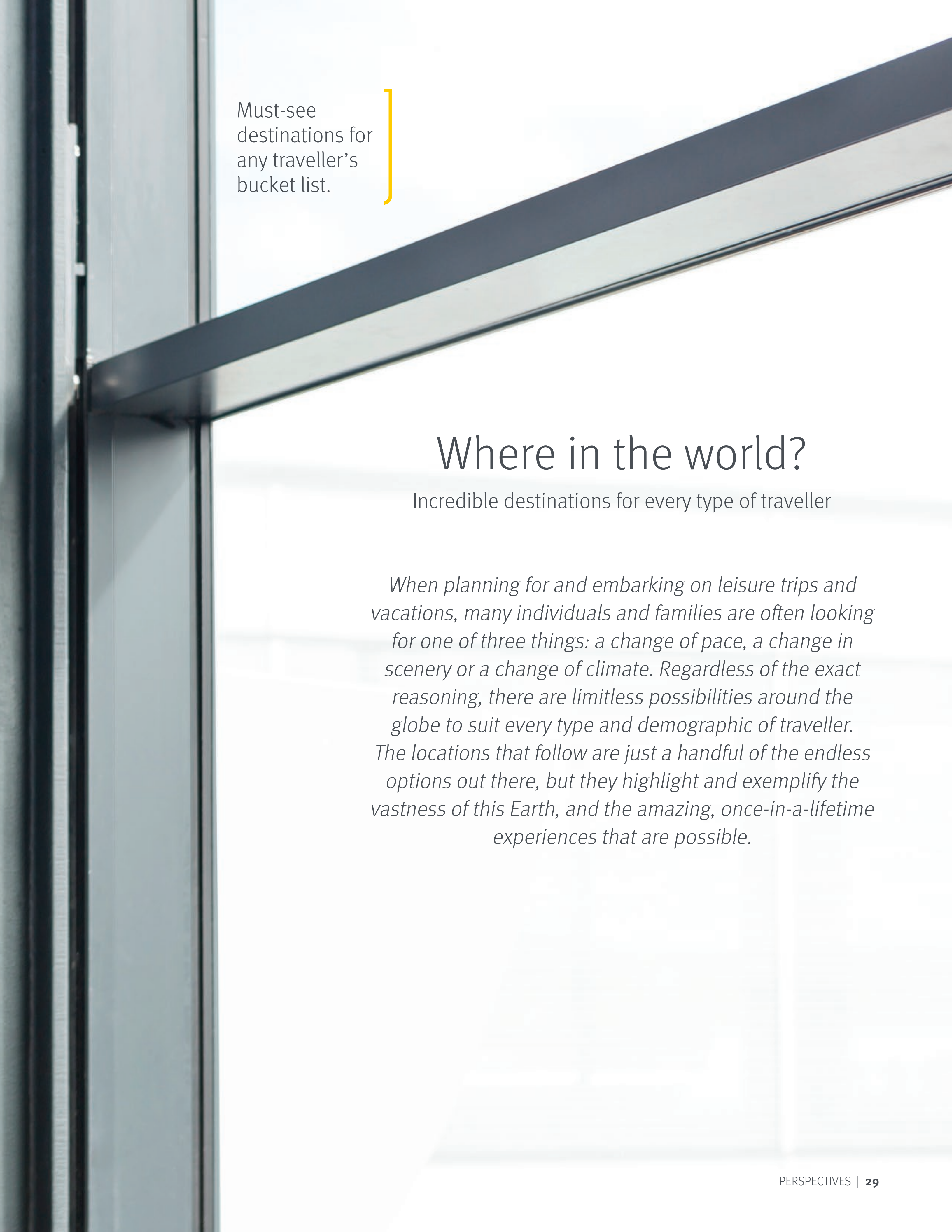
From non-registered and registered investments to bonuses and charitable donations, trusts and mutual funds to provincial and age considerations, there are a wide range of year-end planning techniques that may provide individuals with significant tax savings. And while the information presented offers an overview of the factors and options that exist in the Canadian tax system, the best course of action is always reviewing tax-planning strategies with your tax professional. Doing so will help ensure the decisions are appropriate for your circumstances and will help you meet your planning objectives for this year, next year and into the future.

Reference

1. http://retirehappy.ca/are-canadians-ignorant-about-taxes/

Proposed enhancements to the Canada Pension Plan (CPP)

Canada's Finance Ministers (excluding Quebec) have reached an agreement on proposed enhancements to the Canada Pension Plan (CPP). The proposed changes, intended to improve the retirement security of Canadians, will increase the income replacement provided by CPP from one-quarter to one-third of pensionable earnings. The changes, expected to include a 14-percent increase in the amount of income subject to CPP, will be gradually implemented over a seven-year period beginning January 2019.



Must-see destinations for any traveller's bucket list.

Where in the world?

Incredible destinations for every type of traveller

When planning for and embarking on leisure trips and vacations, many individuals and families are often looking for one of three things: a change of pace, a change in scenery or a change of climate. Regardless of the exact reasoning, there are limitless possibilities around the globe to suit every type and demographic of traveller. The locations that follow are just a handful of the endless options out there, but they highlight and exemplify the vastness of this Earth, and the amazing, once-in-a-lifetime experiences that are possible.

There are many different types of adventure travel, but for those who like to experience amazing sights — whether man-made or natural — or stretch their comfort zone, locations such as these are sure to leave lasting impressions.

Adventurers and Sightseers

Fairy-Tale Forest, Germany

Dreams of walking in forests like the ones in fairy-tale stories can come true in the Black Forest (Schwarzwald) region of Germany. This remote and vibrant destination is abundant with rolling hills, crystal clear lakes, traditional villages and nature preserves. It's a true outdoor paradise for families and individuals of all ages, with wildlife, museums, hot springs, spa retreats, walking trails and the Europa-Park theme park.

Yosemite National Park, California, USA

Arguably one of the most picturesque parks in North America, Yosemite is a World Heritage Site that boasts granite cliffs, giant sequoia groves, beautiful waterfalls and 1,300 kilometres of trails. Standout features include El Capitan, a granite cliff that is one of the most popular rock climbing destinations in the world; Half Dome, which rises 1,460 metres above the valley floor; and Yosemite Falls, the highest in North America at 739 metres.

Jukkasjärvi, Sweden

Home of the Icehotel, this Arctic world is just 120 kilometres from the North Pole. Each December, a new Icehotel is constructed with frozen water from northern Sweden's river Torne. The blue glow of the ice makes it seem as though visitors are living inside a glacier, where the rooms are designed by leading artists from around the globe. Highlights include the Ice Church, Absolut Ice Bar, and activities such as dog and reindeer sled rides, ice sculpture lessons, cliff rapelling and watching the Northern Lights from outdoor hot tubs.

Alaska Cruise, Alaska, USA

Though typically popular for those 50 and over, this cruise provides something for all ages, with port excursions including everything from bike rides and lake kayaking to crab boating to helicopter rides over the glaciers. A main highlight is Glacier Bay, stretching approximately 115 kilometres. Culminating at the Margerie Glacier, it's fairly common to witness massive ice blocks cracking and crashing into the waters. The dynamic ecosystems also present opportunities to see humpback whales, sea otters, bald eagles and brown bears.

When postcard-like beauty, pristine beaches and sparkling waters rank high on a traveller's destination requirement list, these types of island gems will surpass expectations.

Sun and Sand Enthusiasts

Margarita Island, Venezuela

Just 23 kilometres north of the Venezuelan coast, this island is known for its Caribbean-style beaches, vibrant turquoise waters and lush, green interiors. Two regions offer distinct experiences: the east is more developed for those who enjoy restaurants and nightlife, and the west is quiet with deserted, unspoiled beaches. Features of the island include Los Roques, a group of 42 coral reefs that are some of the best preserved in the world, and Restinga National Park where travellers can explore mangroves and see colourful sea and bird life.

Corsica, France

Often described as an island of mysterious beauty, Corsica offers vast landscapes and charming towns. The island is well-suited for eager families who want to experience a range of activities such as rafting, sea caves, diving, or windsurfing. Rich in history and culture, it also appeals to more low-key travellers with museums, the Genoese fortresses, and the medieval citadel in Calvi. True sun seekers will enjoy beautiful coves like Rondinara Bay, as well as the isolated Saleccia Beach, only accessible by boat.

Maldives

A tropical nation in the Indian Ocean, the Maldives is famous for exquisite waters and coral gardens. The islands are protected by a reef structure, with over 2,000 species of fish, making it a diving and snorkelling paradise. Its slow, relaxed pace is ideal for families with older children or those looking to take in some of the most beautiful natural scenery in the world. Those interested in a cultural experience will enjoy the National Museum, the Grand Mosque, and ruins that tell of the past Buddhist and Hindu influence.

Perhentian Islands

These two islands off the northeastern coast of Peninsular Malaysia offer a unique blend of rainforests and coral reefs. With beautiful underwater vistas, the hard and soft corals are home to thousands of reef fish. The Perhentians are also one of the few places where it's possible to find nesting sites of the giant leatherback turtle, which have existed for more than a million years.

Find true paradise

When an island's name contains the word "paradise," it almost goes without saying that travellers are assured almost a near-guarantee of beauty beyond imagination. Check out http://montecristomagazine.com/magazine/summer-2016/oneonly-ocean-club to find out more about Paradise Island, a gorgeous island in The Bahamas and, more specifically, the luxury One&Only Ocean Club.

Printed with permission from Montecristo magazine, August 2016. Story by Sara Harowitz.

These types of destinations will appeal to those looking for opportunities to experience some unique natural wonders or who want to connect with nature in a way that promotes sustainability or environmental consciousness.

Eco-Tourists

Costa Rica

Abundant with nature and cultural tours, there are numerous opportunities in Costa Rica to learn about its sustainable way of life and immerse in the country's "pura vida," or pure life. Families with older children may enjoy guided night hikes looking for amphibious reptiles or nesting sea turtles. For couples and individuals of any age, there are fascinating coffee plantation tours to learn how the social, economic and political development of Costa Rica is tied to the coffee bean.

Cave Exploration, Belize

Belize is one of the unique places on Earth where in addition to sandy beaches and rich rainforests above ground, there's a beautiful world beneath the surface. Created by a series of natural and geological events, there are a range of incredible limestone caves that date back to the ancient Maya. Families with children in the 7 to 12 range or teenagers will find a variety of options for guided cave tours that include tubing, hiking, rappelling, zip-lining, and more.

Iguazu Falls, Brazil

Iguazu Falls showcases the largest waterfall system in the world. With 275 individual drops, the falls span 2.7 kilometres, making them twice as wide as Niagara Falls. The falls straddle the border of Brazil and Argentina, and on both sides there are parks and trails where visitors can learn about the natural history, amazing bird species and subtropical rainforest.

The Sleeping Giant, Vanuatu

Espiritu Santo, known as "The Sleeping Giant," is renowned for diving, lush jungle and active volcanoes. Visitors can experience all of the Earth's natural elements on this island, features of which are the Nanda Blue Hole, a freshwater bubbling spring and Yasur, the world's most accessible volcano, where rumbles can be felt underfoot and bursts of embers often create an incredible light show at night.

References

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- http://ambergriscaye.com/caving/
- http://www.visitmaldives.com/en
- http://www.anywherecostarica.com/tours
- http://www.brazil.org.za/iguazu-falls.html

Endless adventures

A bucket list can always be added to, and these impressive destinations are worthy of honourable mention.

- The Loire Valley, France
- The Megalithic Temples, Malta
- Pompeii, Italy
- The Yukon, Canada
- The Twelve Apostles, Victoria, Australia
- Tofino, British Columbia, Canada
- Seychelles Islands

Experience the Canadian Rockies

What better way to get up close and personal with some of best landscapes and views in Western Canada than riding the rails on the acclaimed Rocky Mountaineer? Impressive and exciting for travellers of all ages, this train journey promises a very memorable experience. Visit http://montecristomagazine.com/travel/rocky-mountaineer-vancouver-to-banff to learn more about this unique tour.

Printed with permission from Montecristo magazine, July 2016. Story by Joshua McVeity.

How to determine when losses may be a good thing.

Tax-loss selling — building a better understanding

The potential advantages and considerations of this year-end technique

For a complete overview of year-end tax planning, as well as more key details about this particular technique, please view "A tax perspective on year-end" on pg. 22.

This time of year marks a shift into holiday mode for many individuals and families, often embracing the joys and spirit of the season, whether that means traditional celebrations, get-togethers, travel or otherwise. At the other end of the spectrum (and understandably not as joyous to think about as the holidays), year-end also represents a very important time for tax planning. Among many investors, two of the biggest challenges related to tax are minimizing taxable gains and finding ways to effectively manage losses. It's here where the technique of tax-loss selling may be advantageous on both accounts. At the highest level, tax-loss selling is a method of selling investment assets that have decreased in value to create a loss, which can then be used to offset capital gains in other areas. Despite its potential upsides, the overall concept of selling at a loss often generates feelings of uncertainty among many individuals because it demands a fundamental shift in mindset away from the age-old notion of "Buy low, sell high," and it introduces change to the process in a way the investor may not have anticipated. Before ruling it out as an option, however, it's worthwhile to understand if, when and how tax-loss selling may offer benefits as part of your overall tax-planning strategy.

How it works

When looking at the concept of investing, the basic process involves setting shorter- and longer-term goals, identifying risk tolerance and making decisions based on those factors to ultimately generate gains. Taking it one step further, a crucial part of the process also includes managing those gains and the related tax outcomes, because the reality is that taxes are a real consequence of investing. This in itself highlights the importance of integrating strategies to more effectively deal with the consequences, and that's where techniques like tax-loss selling come into play. While this article addresses some specific considerations and aspects of tax-loss selling, it is just one of many options and approaches to take into account.

In Canada, the income inclusion rate for capital gains is 50 percent, which then gets taxed at an individual's marginal tax rate. What that means is on a capital gain of $20,000, for example, $10,000 would become taxable income. If that investor was in a 35 percent tax bracket, the taxes owing on the gain would therefore be $3,500. With tax-loss selling, investors are able to sell non-registered assets and investments that have dropped in value (this strategy does not apply to assets

held within registered investments such as RRSPs or TFSAs), generating a loss that can then help decrease their tax bill.

Considerations and limitations

There are a range of factors that need to be addressed before deciding to employ this strategy. If a specific non-registered asset or investment has decreased in value, one of the first things individuals and their wealth and investment advisors need to discuss is whether it still fits with their overall investment objectives and if its risk attributes remain within their tolerance level. In other words, overall investment values and goals should always take priority over potential tax advantages. If the shares are not likely to rebound soon, the tax advantage may be a worthwhile strategy to consider. The next questions that need to be asked are as follows:

1) Do I have any crystallized (triggered or realized) gains that need to be offset this year? If so, these are the ones that the sale of a loss would offset first.

2) Have I realized any capital gains in the last three years? This technique allows current-year unused losses to be applied back three years.

3) Do I have unused losses from previous years? Since unused losses may be carried forward indefinitely, it may be more advantageous to use those before harvesting new losses.

Note: To ensure your specific circumstances have been properly evaluated in addressing these questions, it is important to consult with a professional tax advisor.

The main limitation from a tax-laws standpoint individuals need to be aware of with tax-loss selling is what's termed "superficial loss." These rules look at the period of 30 days before and after the sale date, and will deny an individual's ability to claim a loss if they sell at a loss and then they or an affiliated individual (which is defined as your spouse, a company controlled by you and/or your spouse, or a trust in which you and/or your spouse are a majority interest beneficiary) repurchases the same investment in that 61-day window (which includes the sale date) and continues to hold the repurchased investment on the 30th day following the sale. If this occurs, the loss then doesn't qualify to offset gains for the year and is instead added to the adjusted cost base of the repurchased asset.
It's also worthwhile to note that you can't get around this rule by repurchasing the same asset in a different account, like an RRSP or

Recognizing that a loss can sometimes be advantageous therefore requires a shift in the more traditional framework of thinking around investing.

TFSA, within the 30 days before or after the sale date or the loss is permanently denied. For those who still want to have some sort of exposure to that type of asset or are fearful about eliminating an investment they have a conviction with, purchasing a similar product is possible. In considering this option, however, it's important to speak to your advisor to ensure it still suits your investment objectives; keep in mind that investment rationale should always be assessed, and this strategy may not be appropriate for all investors.

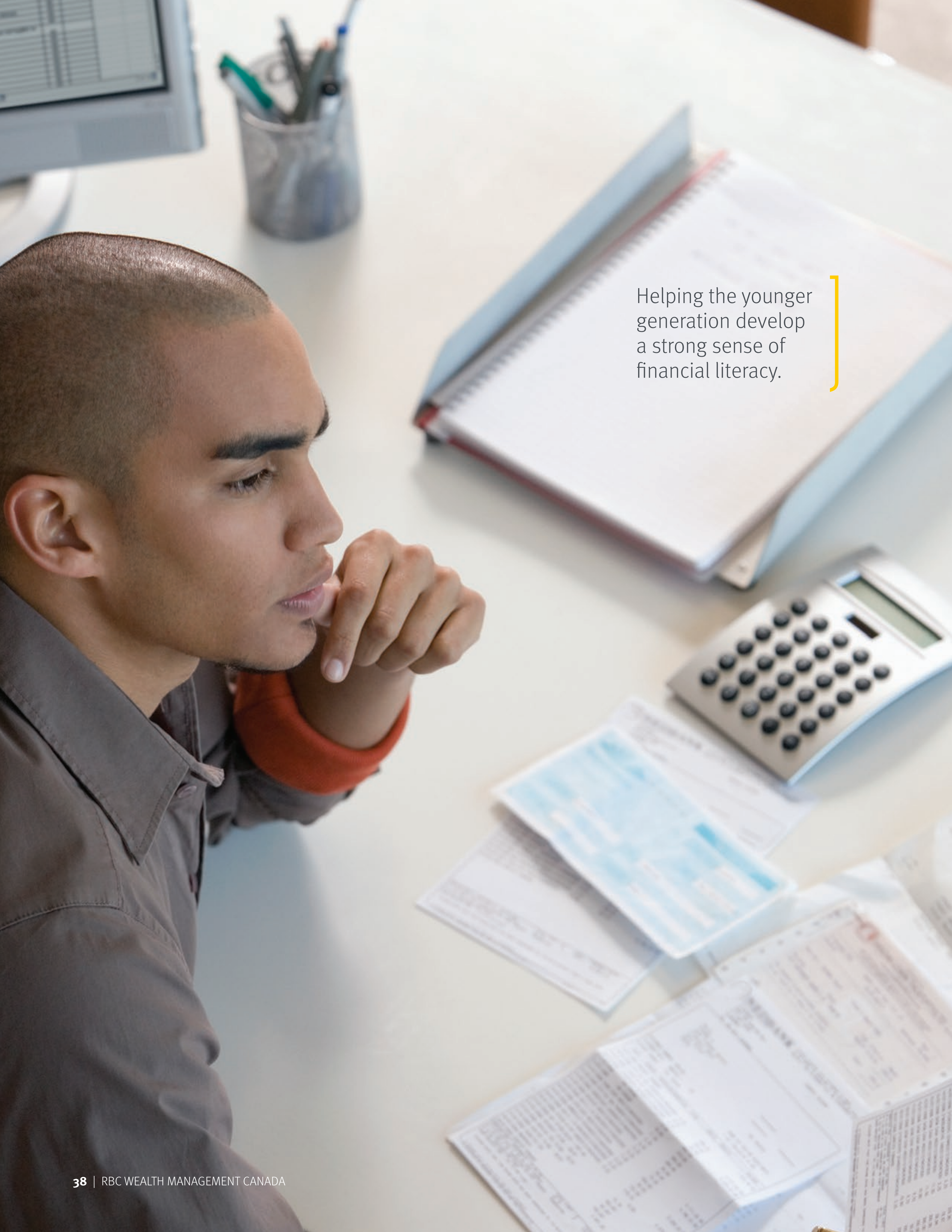
The 2016 official deadline for the sale of assets (trade date) in order to realize the losses is December 23, and while this calendar date naturally insinuates that it's a year-end strategy, that's not to say it's the only time. Opportunities for selling at a loss should be considered throughout the year. In general, many investors begin to look at this strategy in the fall, but while it can be done over a couple of months, the best opportunities may not always come at the end of the year, depending on individual circumstances. With that in mind, it's good practice to review your portfolio with your wealth and investment advisor on a quarterly basis over the course of the year.

Another key aspect to highlight is that this doesn't have to — and often shouldn't — be a one-time strategy to offset gains in a particular year. Some individuals may be more inclined to consider this technique in situations or years where gains may be higher than usual or when an event has occurred that triggers a large capital gain (such as the sale of a vacation property, for example). But in the big picture, tax-loss selling may play an important role year after year as part of the overall, long-term approach.

When emotions come into play

Without a doubt, there's an influential psychological and emotional element tied to investing, and it's something that is natural and expected when financial well-being and long-term goals rely on those investments. It's factors such as these that often make it difficult for many to accept a concept that requires taking a loss. Recognizing that a loss can sometimes be advantageous therefore requires a shift in the more traditional framework of thinking around investing. Oftentimes, human nature and fears of losing out tend to creep in and create a level of unwillingness among some individuals to sell — and this occurs both at a gain or at a loss. It's important to recognize, however, that selling — on both fronts — is an integral part of investing, because it generates a return while also protecting capital via a phased approach over time. Specifically in regards to losses, when strategized in the right way at the right time, they may also help to reduce the concentrated risk individuals are taking on.

When it comes to investing, there's an element of give and take that must be present in order to maintain balance over time as market conditions, personal situations or goals change. Part of what makes that give and take successful is an awareness of and an open mindset towards the full scope of options and strategies available. Depending on individual circumstances and time horizon, investments may sometimes require adjustments and rebalancing along the way. While it won't always be 100 percent, there are approaches available to help manage risk in the most tax-efficient ways possible, and this is a situation where it's imperative to consult with a qualified advisor to determine the best options for individual needs.



Helping the younger generation develop a strong sense of financial literacy.

Financial management among young adults — realities and strategies

Broadening awareness and skills to achieve successful financial independence

From an early age, learning the basics of money smarts can go a long way in positively setting the stage for informed and proactive financial decision-making. As individuals advance through their youth, these skills take on a heightened level of importance as responsibilities and exposure increase. This holds especially true for those who are currently attending or have recently graduated from post-secondary institutions, as this is a time when many individuals typically experience a major shift into greater financial independence. When you consider that over one million young adults are attending universities across Canada in the 2016–2017 academic year, and 300,000 will graduate and enter the workforce in 2017,[1] it's clear how crucial financial management skills are among this demographic and into early adulthood. Add to that the fact that today's young adults will be the main receivers of what's being labelled the largest wealth transfer in history over the coming decades, and financial literacy takes on an immense level of importance during this period of change.

Today's young adults — a financial snapshot

For individuals and families who have reached a life stage where they're beginning to think about and plan for transferring wealth to their children or grandchildren, there may be an element of concern among some in doing so. The source of these worries is generally rooted in two things: not knowing if their younger family members possess the financial responsibility needed to manage the funds in appropriate ways, and whether passing wealth down in this way will encourage a sense of entitlement among the younger generation and discourage their motivation to actively build their own financial resources.

While personal situation and an individual's habits and level of responsibility should always play a key role in determining readiness, some statistics indicate that many young adults these days are prioritizing financial planning and do share many of the same goals as their parents' generation. For example, according to a recent poll of young Canadians, 49 percent want to own a home and 48 percent want to make reducing or eliminating debt through regular payments a priority.[2] At the same time, however, the younger generation seems to be struggling to balance short-term and long-term saving.[3] Part of this challenge among today's youth arises from the fact that the economic and social landscape is different than it has been in generations past. The job market is tougher with more

part-time, temporary and contract employment; both tuition and housing costs have substantially increased and continue to rise; and divorce is more common, which has created more complicated family situations — it's factors such as these that make financial planning increasingly complex for youth. But while there are a number of competing priorities and aspects to consider, what it comes down to is helping young adults bridge the gap between identifying what their goals are and should be and putting appropriate plans in place to attain them in today's social and economic climate.

Financial literacy at community and institutional levels

In recent years, the promotion of financial literacy has come to the forefront across the country, focusing on Canadians of all ages, and specifically youth and younger generations. It was 2011 when the Financial Literacy Action Group (a coalition of non-profit organizations that raises awareness and highlights programs and services to help Canadians improve their financial knowledge and skills) organized the first Financial Literacy Month, which takes place every November.[4] In the first year, there were 200 events and that number expanded to 1,266 workshops, seminars and events in 2014, taking place in every province and territory in Canada.[5] And since that time, the number of initiatives has continued to grow.

Outside of the recognized month of November, there are a range of initiatives and organizations devoted to supporting financial literacy and the development of strong financial management skills. The Financial Consumer Agency of Canada has centralized much of this information through its Canadian Financial Literacy Database, which provides a comprehensive and expansive tool to help individuals search for resources, information and events on a wide range of financial topics from various Canadian organizations. The database also zeroes in on specific demographics, including students, youth and young adults and also provides links to over 125 different financial education providers that support the National Strategy for Financial Literacy, Count me in, Canada.[6]

Building financial skills during the post-secondary years

For Canadian youth, finances and work are often main stressors in thinking about the future. In a recent poll, it was found that among Canadians aged 18 to 24, 63 percent have been negatively impacted by the cost of post-secondary education, 59 percent are struggling with the cost of housing in their community, 50 percent feel negative about the availability of good-paying jobs in their field, and 53 percent are challenged by the amount of debt they have.[7] It's important to recognize, however, that for some, these concerns may stem from a lack of financial knowledge and understanding of how to strategize in order to offset or plan for these potential challenges. Some important areas of focus for this age group are outlined on page 41.

Addressing the full financial picture in early adulthood

Many in this demographic will agree that this stage typically brings with it a number of life and financial changes, often including marriage, home ownership, starting a career, and having kids.

6 key tips

for post-secondary students and recent grads

1 **BUILD AND USE MONTHLY BUDGETS.** Establishing your budget should involve tracking all of your day-to-day expenses, as well as your school costs from housing to groceries to transportation to textbooks. From there, it's important to be conservative with how expenses add up in relation to income, and then make adjustments as needed.

2 **UNDERSTAND CREDIT AND CREDIT SCORE.** A credit card can be a valuable tool, but it can also be a source of great financial stress if not used appropriately. Do research to find out about fees, limits and interest rates, and how spending and payment behaviour impacts your credit rating.

3 **RECOGNIZE SOME IMPORTANT THINGS TO LOOK FOR IN A FIRST-TIME JOB, BEYOND SALARY.** Many employers offer a range of programs and initiatives to help promote a positive work culture, employee engagement and retention, and to support their employees in saving for the future. When applying for or accepting a new position of employment, some key financial aspects to understand are the benefits package and terms, whether the company offers a pension plan and which type it is (a defined benefit plan or a defined contribution plan); if there's an employer-sponsored group RRSP plan, or if they reimburse professional development courses or association memberships that will help you advance in your role and career.

4 **FOCUS ON SAVING.** Incorporating it into your budget is an effective way to generate and grow your savings. A good starting point is to direct three to 10 percent of your paycheque to a savings program. Part and parcel of this should also be understanding the difference between an RRSP and a TFSA and the potential benefits of each.

5 **DEVELOP A PROCESS FOR MANAGING YOUR BILLS AND ACCOUNTS.** Even in a highly digital age when you can arrange for automatic payments and many accounts exist online, it's important to keep track and check these regularly.

6 **KNOW AND MAKE THE MOST OF AVAILABLE TAX-PLANNING STRATEGIES AND CREDITS FOR STUDENTS.** A useful checklist can be found in the Spring 2016 edition of *Perspectives* by visiting https://www.rbcwealthmanagement.com/ca/en/research-insights/tax-planning-checklist-for-students/detail/.

Understandably then, this can also mark a point in life where planning becomes more complex given these growing factors to account for. And while 2014 statistics indicated that 50 percent of young adults were contributing to an RRSP (which was the highest level in five years)[8] — a promising indication that there's heightened awareness as to the importance of long-term saving at this stage — that still means half of young Canadians may be uninformed about the benefits of RRSPs or are potentially prioritizing other more immediate goals. Within this demographic, the following outlines some key areas of focus to develop a balance between planning for the here and now versus the future.

5 main considerations for 20-somethings

1. Identifying goals
2. Emergency fund
3. Build basic registered and non-registered investment knowledge
4. Debt discipline
5. Rethink spending habits

For additional information on important aspects to consider at a variety of life stages, please view the RBC Wealth Management Canada Special Report, *"Five key questions to consider in wealth planning"* at https://www.rbcwealthmanagement.com/ca/en/research-insights/five-key-questions-to-consider-in-wealth-planning/detail/.

1. **Identifying short- and long-term goals.** A simple approach is to think about and itemize objectives at five-year, 10-year and 20-year intervals, for example. Noting them concretely can be a great starting point for conversations with a professional advisor to then put the right planning and investment strategies in place.

2. **Having a suitable emergency fund.** As a rule of thumb, for an individual this should be roughly three times your monthly expenses, and for a couple or those with kids, it should be six times your monthly expenses.

3. **Developing a basic knowledge of both registered and non-registered investment options and the purposes of each type.** Part of this should include an understanding of the tax-sheltering advantages associated with registered programs, and the potential benefits of non-registered accounts for shorter-term goals. Again here, the knowledge and assistance of a professional advisor can be very useful in this regard to cater solutions to your particular circumstances.

4. **Being disciplined in paying down any debt and eliminating debt with the highest interest rates first.** It's also important to understand the importance of making payments on time and paying more than the minimum amount, if possible, in relation to credit rating.

5. **Rethinking spending as part of your overall budget.** This may include items such as buying lunch every day, coffee and transportation choices. Even small adjustments in areas such as these can add up over the course of the year, and may equate to savings that could be directed to an RRSP or TFSA, for example.

Among the range of resources, news and articles that cover the topic of financial literacy among the younger generation, it's evident there are a variety of views and opinions as to how informed late teens and young adults are in regards to financial management and planning, as well as their readiness to effectively take on financial independence. But regardless of what school of thought you belong to, the key point to recognize is that developing these types of skills is becoming — and need to remain — a priority. It's about ensuring our youth have the access to appropriate and timely resources and that relevant learning opportunities and tools are embedded throughout various aspects of their lives, whether that's schooling, community programs, family mentoring or organizational initiatives.

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Year-end planning checklist for trusts

Six key considerations for trust settlors and trustees

Among a number of individuals, depending on situation and needs, trusts may present a very effective option as part of wealth transfer and estate planning. For those who either have a family trust or act in the capacity of trustee, effective planning before the end of the calendar year is particularly important and may yield significant benefits. Because trusts may sometimes involve potentially complex, long-term planning, often including significant expenditures related to legal and professional fees, an awareness of year-end responsibilities is valuable in ensuring the trust is properly administered and achieves the objectives for which it was established.

Depending on the circumstances, consider the following year-end responsibilities

1 Make interest payments on prescribed rate loans by January 30: If you made a prescribed rate loan to a family trust, ensure the trust makes the annual interest payment by that date, following the end of the calendar year, in order to avoid the attribution rules. (Note: If the trust does not make the interest payment by January 30, even on one occasion, the entire strategy can fail. You can lose the benefit of the prescribed rate loan for the year in question and all subsequent years. The attribution rules would then apply and the income earned by the trust would be taxed in the lender's hands. If you miss the January 30 payment date, talk to your tax professional.)

2 Strategize for attribution rules: You can avoid the attribution rules by loaning funds to a properly structured trust at the CRA's prescribed rate. If the investment income is paid or made payable to a Canadian resident beneficiary by the end of the calendar year, it can be reported in the beneficiary's tax return and subject to tax at the beneficiary's marginal tax rate. The lender reports the interest received as income on their tax return, and there is no attribution on any income or capital gains allocated by the trust to the beneficiaries.

3 Determine if the trust earned capital gains during the year: Individuals, including minor children, with no other taxable income can realize approximately $22,000 of capital gains tax-free each year (the amount varies by province) due to their basic personal exemption. If you have a properly structured trust that realizes capital gains during the year, you may be able to allocate these gains to individual beneficiaries to be taxed in their hands. This may mean little or no taxes will be payable. The trust must make this allocation by the end of the year, so talk to the trust's tax advisor and plan ahead to ensure you've maximized any potential opportunities.

4 Keep your records up to date: For those who act as trustees, there are a number of annual record-keeping duties. These responsibilities can be time-consuming and sometimes involve additional professional fees, but it's important to adhere to these rules to ensure the trust is properly administered and is achieving its tax-minimization and income-splitting objectives. These annual responsibilities may include the following:

Strategies to help ensure trust objectives are achieved.

- Keeping a copy of the original signed trust agreement and the property used to settle the trust (for example, a $20 bill is sometimes used).
- On or before December 31, trustees must make the irrevocable decision to pay net income, including the taxable portion of capital gains earned in the family trust, to the beneficiaries. They must document this decision by a resolution signed by the trustees. The trustees need only determine the percentage allocation to the beneficiaries by December 31. They can confirm the exact amount in March after filing the T3 tax return.
- Documenting payments that were made during the year to beneficiaries or third parties for the benefit of beneficiaries.
- Keeping receipts for payments made to third parties or parents/guardians as reimbursement for expenditure.
- Maintaining promissory notes for income that has been made payable to beneficiaries.

Individuals, including minor children, with no other taxable income can realize approximately $22,000 of capital gains tax-free each year.

- Ensuring the trust's tax return is accurate and filed on time. The family trust tax return must be filed within 90 days of year-end (March 31, or March 30 in a leap year). T3 slips must also be sent to beneficiaries by this date.
- If the trust was settled using a prescribed rate loan, it is very important to document and maintain source documents for the interest payments on the loan and any repayments of principal.

Note: It is important to consult your qualified tax and legal advisors if you have record-keeping responsibilities relating to family trusts or loan agreements that involve a prescribed rate loan.

5 **Determine whether the trust has to pay tax by instalments:** If the trust owes net tax for the year of more than $3,000 ($1,800 for trusts resident in Quebec) and exceeded this threshold in either of the preceding two tax years, the trust will be required to pay tax by instalments this year. The CRA will send you instalment reminders if the trust is required to pay tax by instalments.

6 **Remember the 21-year rule:** Most trusts are required to report unrealized gains on their assets on the 21st anniversary of the date the trust was created, and every 21 years thereafter, to prevent it deferring its capital gains indefinitely. On these dates, the trust must report all accumulated gains on its tax return as if it had actually sold the assets on that date at fair market value. If the trust holds real estate or business assets, valuators may need to be involved to establish correct valuations. This doesn't mean that the trust must be wound up. After paying the tax due, it will continue to operate as it did before.

If the trust realizes gains as a result of this deemed disposition, the trust will pay tax at the highest marginal tax rate in the province where it is resident. The trust cannot avoid this tax liability by allocating these gains to a beneficiary to be taxed in their hands. However, with proper planning the trust may be able to defer the tax on the deemed disposition. If you are involved in the administration of a trust that's approaching a 21-year anniversary, you may be able to take appropriate steps to minimize the impact of this taxable event.

As the end of the year approaches, ensuring you comply with your tax filing, interest payment and record-keeping responsibilities in relation to any trusts with which you may be involved should be an essential part of overall planning. In some cases, advance planning may be either beneficial or required to minimize the tax impact of certain events for the trust. Your professional advisors can work with you to develop solutions appropriate to your circumstances and your trust-planning objectives.

Tropical breakfast couscous

Surprise your family with a new hot breakfast cereal. Couscous is quick to make and the tropical twist and tangy yogurt topping will surely brighten up everyone's morning.

Ingredients

- 1/4 cup (50 mL) chopped dried mango
- 2 tbsp (30 mL) unsweetened shredded coconut (optional)
- 2 cups (500 mL) milk
- 1 cup (250 mL) whole-wheat couscous
- 1 cup (250 mL) plain yogurt
- 1 tbsp (15 mL) packed brown sugar or liquid honey
- 1/2 tsp (2 mL) vanilla extract
- 2 bananas, sliced

Directions

1. In a saucepan, combine mango, coconut (if using) and milk; bring to almost a boil over medium heat, stirring often. Stir in couscous; remove from heat, cover and let stand for 5 minutes.

2. Meanwhile, in a bowl, whisk together yogurt, brown sugar and vanilla.

3. Using a fork, gently stir bananas into couscous, fluffing couscous. Spoon into bowls and top with yogurt mixture.

Tips: You can substitute other dried fruits for the mango. Try dried pineapple, cherries, cranberries, blueberries, apples or apricots, or a mixture.

If you don't plan to eat all of the couscous at once, stir the banana only into the portion you're eating right away. Store extra couscous and yogurt separately in airtight containers in the refrigerator for up to 2 days. Reheat couscous in the microwave or serve cold, adding more milk to moisten as necessary, then stir in remaining banana.

Nutritional information

Per serving
Calories: 359
Protein: 14 g
Carbohydrate: 67 g
Fat: 5 g
Fibre: 6.3 g
Sodium: 104 mg

Top 5 nutrients provided by a serving of this recipe — Nutrients and % DV*
Calcium: 26% / 286 mg
Vitamin B12: 46%
Vitamin D: 30%
Phosphorus: 28%
Riboflavin: 28%

*Note: The daily value (DV) is established by Health Canada and corresponds to the daily quantity recommended for each nutrient. The percentage of the daily value (% DV) indicates the proportion of the nutrient provided by a serving of the recipe, in comparison with the quantity recommended.

Recipe and image reprinted with permission from Dairy Farmers of Canada — www.dairyfarmers.ca.

Additional recipes can be found at www.dairygoodness.ca.

The STRENGTH of small businesses

While modest in size, small enterprises within Canada prove large in impact

- Small businesses represent 1.14 million of the total 1.17 million employer businesses as of December 2015, an impressive 97.9 percent![1]
- 73.5 percent have fewer than 10 employees.[2]
- Small businesses provide work for 8.2 million Canadians in the private sector, which equates to 70.5 percent of private sector employment.[3]

Recent findings indicate female entrepreneurs are gaining ground, as one-third of all small businesses are led by women.

Over recent decades, changing times and economies, advancements in technologies and transitions in population demographics have created far-reaching shifts in many businesses. Within the product and services industries, these changes include how some companies operate, the channels through which they conduct business and the types of businesses that exist. But amidst these changes, there's one aspect that remains constant: small enterprises have a stronghold across our nation.

Small businesses are a foundational pillar within Canada, representing 1.14 million of the total 1.17 million employer businesses as of December 2015. Breaking down the three main size groupings as percentages, small enterprises account for an impressive 97.9 percent, while medium-sized ones represent 1.8 percent and large businesses account for 0.3 percent.[1] To be categorized as a small business, an enterprise must employ anywhere between one and 99 individuals, but what's amazing within the overall statistics is that of all small businesses, 73.5 percent have fewer than 10 employees.[2] And while these enterprises are well-represented throughout a wide range of sectors, the top-three industries are retail trade; construction; and professional, scientific and technical services.[3] Additionally, recent findings indicate female entrepreneurs are gaining ground, as one-third of all small businesses are led by women.[4]

From a value and impact perspective, small enterprises need to be recognized for the contributions they make to our society and economy at community, provincial and national levels. After all, these businesses provide work for 8.2 million Canadians in the private sector, which equates to 70.5 percent of private sector employment.[5] From an output perspective, they collectively contribute to over 30 percent of Canada's gross domestic product (GDP), and have consistently

Recognizing the importance of Canada's entrepreneurs with 5 year-end tax considerations for business owners.

contributed to over one-quarter of the country's GDP through their activities over the last 10 years.[6] The annual celebration of Small Business Week in October (this year taking place the week of October 16 to 22) highlights small enterprises as a cornerstone in Canada. This year marks the 37th anniversary of Small Business Week, where over 10,000 business owners and professionals come together at over 300 events across the country.[7] Beyond the awareness and appreciation through initiatives such as this, however, another key focus is helping ensure business owners have access to appropriate information and planning elements that will enable them to grow and achieve ongoing success.

5 tax-planning considerations for business owners

For business owners, year-end marks an important time from a tax perspective. Those who own a business may want to consider the following strategies.

1. **Consider an Individual Pension Plan:** As a shareholder and an employee of your business, you have the option of considering an Individual Pension Plan (IPP) as a method of saving for retirement. An IPP is a defined benefit registered pension plan that your corporation can set up for you or key employees. IPPs generally have only one plan member, except certain family members may also participate if they are also employees of your company. An IPP is ideally suited for individuals over the age of 40 whose typical employment earnings ("T4 earnings") are at least $125,000 per year.

In certain situations, an IPP can provide you with greater annual contribution room than an RRSP. In addition, contributions made to an IPP are deductible from your corporation's income. So, if you are looking for both year-end corporate income tax deductions and a structured retirement savings plan for yourself and/or your family, consider establishing an IPP.

2. **Pay salaries and dividends before year-end:** If you employ family members in your business, consider paying salaries to yourself and those family members before year-end. This year-end payment will give your family member earned income so they can make an RRSP contribution the following year. The payment will also give your business a tax deduction in the current year. The salary paid must be reasonable based on the services performed by your family member. A good rule of thumb is to pay your family member what you would have paid someone who isn't related to you.

If your incorporated business has family member shareholders in a lower tax bracket, consider paying them a dividend to income split. Depending on their province or territory of residence, adult children or spouses with no other income can receive between approximately $8,400 and $32,900 in non-eligible dividends or $18,700 and $51,500 in eligible dividends without triggering tax.

3. **Declare a bonus before year-end:** If you are a business owner and require income, declare a bonus before the end of your corporation's tax year and pay the amount within 180 days of the corporation's year-end. Assuming your corporation's year-end is December 31, if your corporation declares a bonus on December 31, 2016, it will get a tax deduction for 2016 and the tax you will have to pay on the bonus will be deferred if you receive it at the beginning of 2017.

For information and resources on business succession planning in Canada, please contact your RBC advisor or visit https://www.rbcwealthmanagement.com/ca/en/find-a-wealth-advisor/get-matched-with-an-advisor to find one.

Additionally, learn more about RBC Wealth Management's award-winning approach to business planning by watching one of our client testimonials found here: https://www.rbcwealthmanagement.com/ca/en/about-us/our-approach/video.

4. **Repay shareholder loans:** If your business loaned you money, ensure you repay the loan within one year after the end of the taxation year of your corporation. Otherwise, you must include in income the amount of the loan received from your corporation on your personal tax return. The loan cannot be a series of loans and repayments. If it is, then the loan must again be included in income on your personal tax return.

5. **Purchase assets for your business:** If you intend on purchasing assets for your business — such as computers, furniture or equipment — consider making this purchase before year-end. If the asset is available for use, this year-end purchase will allow your business to claim depreciation on the asset for tax purposes (it is called "capital cost allowance" (CCA) for tax purposes). However, generally only half of the regular CCA can be claimed for tax purposes in the first year of an asset purchase.

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When business meets family

Canada is strongly represented by family-owned businesses, with approximately 80 percent of all employer enterprises having family ownership (this ranges from small-scale companies all the way to large corporations such as Bombardier Inc. and Saputo Inc.).[8] The unfortunate reality, however, is that many of these businesses begin to falter when it comes time to pass them from one generation to the next. In fact, it's estimated that 70 percent of family businesses won't succeed through the second generation, and a more shocking 90 percent won't make it through the third generation.[9] And the reason? The majority of these failures occur due to a lack of succession planning. While statistics indicate that approximately 50 percent do have some sort of informal plan or ideas in mind, only 17 percent have actually formalized their succession plans.[10]

For those who own or are involved in a family business, communication around family values and intentions is such an important element in effective succession planning. Defining founding family principles as they relate to the business, and then ensuring there's ongoing open dialogue among everyone involved, will help set the stage for putting firm plans in place. From there, seeking help from qualified professional advisors at a full-service firm may be very beneficial to align business objectives with the right planning approaches, while ensuring family values and individual priorities are upheld.

RBC works with clients and their independent legal or tax advisors to help achieve objectives and maximize overall wealth.

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RBC Wealth Management

A quick-reference guide on new investment industry regulations

Facts and details on what these rules coming into effect mean for you

There are new regulations being introduced and implemented across the Canadian investment industry called the Client Relationship Model, Phase 2 (CRM2). As part of this process, we are committed to ensuring investors are aware of what these regulations are and what impact they will have on individuals, as well as on the industry as a whole.

What is CRM2?

CRM2 is a set of new industry-wide regulations developed by the Canadian Securities Administrators (CSA). The main purpose of these regulations is to improve how the financial industry reports and discloses information to investors.

Why are these regulations being introduced?

The driving force behind CRM2 is to enhance the transparency in the investment industry as a whole in regards to both account costs and performance. These regulations are part of a global shift to help investors become better informed about their accounts and to improve their ability to assess and track progress towards their particular financial goals.

Who does CRM2 apply to?

CRM2 applies to all investment dealers and advisors across the country, including those regulated by the Investment Industry Regulatory Organization of Canada (IIROC), the Mutual Fund Dealers Association (MFDA) and provincial securities commissions in Canada.

How will CRM2 affect you?

First and foremost, it's important to understand that the introduction of these new regulations will not affect the costs you are paying as an investor. The main impact is additional information that investors will receive about their accounts through two channels: conversations with their advisors, and the two new annual reports on all investment accounts.

Two new reports investors would want to know about

1. **Annual Charges and Compensation Report:** This report shows a detailed list of account fees.

2. **Investment Performance Report:** This report provides specific information about how the account is performing, using a "money-weighted" rate of return.

It's important to note that in regards to the reports, regulators have required that investors receive separate documents for each account they hold. As such, individuals should expect to receive multiple reports.

When will these changes take effect?

The rules associated with the new reports came into effect this past July, and are currently being phased in. Full implementation will take place by early 2017.

Do you have more questions?

As part of our ongoing support for the implementation of CRM2, we are dedicated to helping investors understand these new changes. Please contact your professional advisor to inquire about our supplementary fact sheets that address key questions many investors have regarding the regulations and specific aspects of the reports.

Making fitness
a priority in
enjoyable and
sustainable ways.

The choice to be active and stay healthy

Incorporating physical fitness throughout every life stage

New Year's Resolutions are something the majority of individuals are familiar with. Many look at the new year as a chance to start fresh — assess potential shortcomings of the past year and vow to do better in the upcoming one. Quite often, lofty commitments or goals to improve a specific area are made, and a common focus chosen is physical health. In fact, according to a 2015 Ipsos Reid poll, one in three Canadians who do make New Year's Resolutions gear them towards bettering their health and fitness levels.[1] And while there is definitely nothing wrong with making that kind of resolution, the reality is that of those who do make them, 73 percent eventually break them.[2]

The true point to be made, however, has nothing to do with the value of New Year's Resolutions. Rather, it's about recognizing that when physical activity is viewed in this way, it often goes hand in hand with an all-or-nothing mindset, when the focus should instead be on building it in as part of personal and family lifestyle. In order to mould long-term positive behaviours, individuals need to respect and understand that health is an ongoing process, with needs and physiological factors changing throughout every life stage.

Key physiological changes

The human body is an incredible specimen: the heart beats 100,000 times per day, pumping blood through 160,000 kilometres' worth of blood vessels; the simple act of walking uses up to 200 of the body's roughly 650 skeletal muscles; ounce for ounce, the bones of the body are stronger than steel.[3] While these types of physiological facts likely aren't day-to-day considerations that motivate fitness endeavours, they do highlight the intricate structure and impressive functions of the body.

Among those in the physical health and wellness sector, education for clients and patients often stresses the importance of acknowledging age-related factors. "Starting as early as our 30s, our muscles begin to undergo changes, including an increase in fatigability, weakness, a decrease in endurance capacity and muscle wasting. These changes in muscle function rapidly progress as individuals progress through their 50s," notes Jon Howard, BKin, MSc, CEO of Apex Occupational Health and Wellness. From a cardiovascular standpoint, changes that occur as a result of aging include less-efficient pumping of the heart, hardening of the artery walls, decline in maximum heart rate, and thickening of the walls of the heart. A key point that Howard highlights, however, is that "many of these changes that occur in the cardiovascular system are modifiable; in other words, they're largely preventable through regular exercise, proper diet, getting enough sleep, managing stress and avoiding smoking."

As individuals age, it becomes more important to incorporate various forms of activities in order to maximize the benefits for both bone and overall health.

Quick tips to get moving

- Instead of sitting while watching TV, walk on the spot or do some bodyweight exercises.
- Consider wearable fitness tech for motivation and to track progress.
- Team up with a friend or make it a family goal to do something active every day.
- Seek out health and fitness resources and programs in your community.
- Try tai chi, yoga or another activity that offers physical and mental benefits.
- Find ways to incorporate "active transportation" in your local area.

Bone health

The strength and health of an individual's bones is another key age-related consideration that's closely tied to physical activity. Osteoporosis, a condition that causes bones to become thin and porous and therefore lose strength, affects approximately 1.4 million Canadians, with at least one in three women and one in five men suffering an osteoporotic fracture during their lifetime.[4] "The reality is that men and women begin to lose bone mass in the mid-30s, so it's never too early to prioritize bone health," notes Megan Helgason, Geriatric Consult Action Team Physiotherapist at Interior Health Authority. "As individuals age, it becomes more important to incorporate various forms of activities in order to maximize the benefits for both bone and overall health. Programs should include

As part of a healthy lifestyle, physical activity can mean anything from walking the dog and raking leaves to bike riding or tobogganing with the family to focused jogging or circuit training.

a mix of weight-bearing aerobic exercises, strength, posture and balance training, each of which offers overlapping benefits," Helgason explains. Weight-bearing aerobic exercises, in particular, are crucial, as they directly stimulate bone remodelling and therefore have a direct positive effect on maintaining bone mass and density. "An activity is considered weight bearing when bones and joints are bearing weight against gravity, so this includes activities such as walking, jogging, skiing, dancing, stair climbing and yoga," notes Howard.

Leading an active lifestyle

With physiological changes in mind, the task then becomes finding the best ways to effectively counteract them based on individual needs. Study after study links the benefits of physical activity to reducing the risk of over 25 chronic conditions such as heart disease, stroke, high blood pressure, certain cancers and Type-2 diabetes. Being active also offers the supplementary benefits of decreased stress levels, reducing the likelihood of dementia and prolonging independence as individuals age. But despite the wealth of beneficial information out there, the fact remains that 60 percent of adult Canadians are overweight or obese and 50 percent don't get the recommended levels of daily activity.[5]

What it comes down to for many is trying to bridge the conceptual gap between knowing physical activity is good for you and making time for a more fitness-focused lifestyle. This is something Howard addresses a lot with his clients. "Life is busy, there's no way around it. One of the first steps I take with individuals is really digging into the 'why.' Why do they want to work towards being more active and what are the driving forces? This establishes personal reasons as to why it's important and the motivators, which then sets the stage nicely for effective discussions on how to fit it in," he says.

In general, the Canadian Society for Exercise Physiology (CSEP) recommends 150 minutes of moderate to vigorous aerobic physical activity, plus two bone and muscle strengthening activities, per week.[6] While the total amount may seem like a lot to some people, the task becomes much simpler and manageable when broken down into increments and applied to activities individuals enjoy. As Howard emphasizes, "It doesn't have to mean dragging yourself to the gym at 5 a.m. five days a week;

A close connection: physical activity and nutrition

From childhood to later life stages, healthy eating is a key element in ensuring the body is able to develop and function properly. Adopting a more active lifestyle is a very positive step and one that should go hand in hand with a focus on fuelling the body with nutritious whole foods. Specifically for bone health, both calcium and vitamin D are crucial. Individuals between the ages of 19 and 50 need 1,000 milligrams of calcium daily, and for those over 50, the amount increases to 1,200 milligrams.[7] Vitamin D increases the absorption of calcium, and the recommendation ranges from 400 to 1,000 IU depending on age.[8] The recipes featured, provided by the Dairy Farmers of Canada, are each high in calcium and vitamin D.

Recipes to warm you up this winter:

Tropical breakfast couscous, page 47

Salmon with scottish oat and leek pilaf, page 61

the health benefits are a result of movement, not gym time." As part of a healthy lifestyle, physical activity can mean anything from walking the dog and raking leaves to bike riding or tobogganing with the family to focused jogging or circuit training. To assist Canadians in the process of adapting activity as a lifestyle choice, the Public Health Agency of Canada have advanced beyond their earlier *Canada's Physical Activity Guides* to develop age-specific tip sheets for children, youth, adults and older adults, which are available at www.phac-aspc.gc.ca/hp-ps/hl-mvs/pa-ap/04paap-eng.php.

One key approach Helgason often recommends is participating in a group fitness environment. "Joining a group creates a twofold benefit: overall health gains and improved socialization through multiple interactions. If an individual typically struggles with internal motivation, it's important to harness the external motivators." Depending on circumstances, this approach may become even more valuable for older adults who may be facing increased isolation and a lack of daily interactions they may once have been used to.

While most individuals have a general knowledge of anatomy and the basics of the human body, building a better understanding of the connection between activity and age-related factors may be a strong driving force in making physical health a priority. For many, it all comes down to a change in mindset — choosing to focus on physical well-being not because we have to but rather because we want to lead an enjoyable, active lifestyle at every age.

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Salmon with scottish oat and leek pilaf

Oats move to the savoury side in this skillet supper. It's truly a one-pan meal with all four food groups. Cooking the oats in milk makes them creamy and tender and infuses the good nutrition right in. The salmon steams on top of the oats, and the asparagus, dill and lemon add a fresh punch.

Ingredients

1 tbsp (15 mL) butter
2 leeks (white and light green part only), chopped
1/2 tsp (2 mL) salt
Dash of pepper
1 cup (250 mL) steel-cut oats, rinsed
3/4 cup (175 mL) low-sodium vegetable or chicken broth
2 cups (500 mL) milk
1/2 lemon
2 cups (500 mL) chopped asparagus or green beans
2 tbsp (30 mL) chopped fresh dill or 1 tsp (5 mL) dried dill
4 pieces (each 4 oz/125 g) skinless salmon fillet, about 1/2-inch (1 cm) thick
Additional chopped fresh dill (optional)

Nutritional information

Per serving
Calories: 547
Protein: 39 g
Carbohydrate: 41 g
Fat: 25 g
Fibre: 6.5 g
Sodium: 389 mg

Top 5 nutrients provided by a serving of this recipe — Nutrient and % DV*
Calcium: 21% / 226 mg
Vitamin D: 303%
Vitamin B12: 237%
Selenium: 70%
Phosphorus: 62%

*Note: The daily value (DV) is established by Health Canada and corresponds to the daily quantity recommended for each nutrient. The percentage of the daily value (% DV) indicates the proportion of the nutrient provided by a serving of the recipe, in comparison with the quantity recommended.

Recipe and image reprinted with permission from Dairy Farmers of Canada — www.dairyfarmers.ca.

Additional recipes can be found at www.dairygoodness.ca.

Directions

1. In a large, deep skillet, melt butter over medium heat. Sauté chopped leeks, salt and 1/4 tsp (1 mL) pepper for 2 minutes. Cover, reduce heat to medium-low and cook, stirring occasionally, for about 8 minutes or until leeks are soft and starting to turn golden. Stir in oats.

2. Stir in broth and milk and bring to a simmer over medium-high heat, stirring occasionally. Reduce heat to low, cover and simmer, stirring once, for 15 minutes, or until oats are slightly tender.

3. Meanwhile, finely grate zest from lemon; cut lemon into four wedges.

4. Stir lemon zest, asparagus and dill into oats. Nestle salmon fillets in oats, spacing evenly around the pan. Season with pepper. Cover and simmer for about 10 minutes, or until white juices are released from salmon and it is just opaque. Remove from heat and let stand, covered, for 5 minutes. Spoon portions onto plates and serve with lemon wedges to squeeze over top. Sprinkle with additional dill, if desired.

Tips: This recipe works best with salmon fillets that are about 1/2-inch (1 cm) thick. If you can only find thicker fillets, broil them on a baking sheet for 5 minutes before adding to the skillet with the oats to be sure they cook through in the same time as the oats and vegetables.

A gentle simmer, with small bubbles breaking the surface of the liquid, is important to keep the pilaf from sticking to the pan. If you have a smaller or "simmer" burner on your stove top, be sure to use that one to cook this recipe. If the pan seems to be boiling when cooking the oats, set the lid very slightly ajar to slow down the cooking. Be sure to put the lid on tight after adding the salmon to make sure it steams properly.

- Stepfamilies now represent about one in eight families with children in Canada.[2]

- 70 percent of families fail to successfully transfer assets from one generation to the next.[4]

Making wealth transfer work for blended families

Finding the right balance within this complex estate-planning situation

Family. It's a term that carries a number of different meanings for different people, and one that has changed greatly over the last several decades. More traditionally referring to an intact nuclear family (a family group including a father, a mother and their biological or adoptive children in which both biological parents are present in the home),[1] what constitutes a family unit has vastly broadened alongside shifts in societal norms. Imagine taking a snapshot of current Canadian society as a whole. It would quickly be evident that the "traditional" family as we once knew it is much less common — these days, the who and the what that defines a family is much more diverse, and a main type that's becoming increasingly prevalent is blended families. In

Addressing the complexities of "yours, mine, and ours."

fact, stepfamilies now represent about one in eight families with children in Canada.[2] And, given that approximately 75 percent of those who divorce ultimately remarry or re-couple,[3] it's clear why more complex family situations are on the rise.

For those who have experienced or are going through the change of blending a family, there's no denying it may often seem turbulent and all-encompassing. Roll in the additional complexities that arise when faced with wealth transfer and estate planning, and the entire decision-making process may feel downright overwhelming. While the layers of challenges are difficult to steer through, the process can, however, be successful with an approach that prioritizes proactive communication, an understanding of key factors and employing strategies that meet individual needs.

Establishing and maintaining open dialogue

Blended family or not, a key aspect of successful wealth transfer and estate planning is communication. According to a 20-year study by The Williams Group, 70 percent of families fail to successfully transfer assets from one generation to the next. And the root of the failure was family dynamics, lack of trust and poor communication, not complex legal and finance aspects of estates.[4] And while it's a topic some individuals and families avoid because it can generate feelings of discomfort or lead to tough conversations, it's important to think about the flipside — without those discussions, there's no assurance that wealth will be passed down according to an individual's wishes and in a way that promotes harmony based on agreed-upon family goals.

Specifically for blended families, communication takes on an even greater level of importance because of the additional factors, emotions and relationships that need to be carefully mapped out. To achieve an environment with open dialogue, some beneficial strategies to streamline the process are bringing children into the conversation early, open discussions to determine and evaluate expectations and family goals, and consistent check-ins and communication with all family members who will ultimately be impacted by the plans.

Knowing the facts to avoid pitfalls

Individuals in a blended family may sometimes feel pulled in any number of directions, trying to find some sort of balance to ensure family members are treated equitably while at the same time aiming to avoid potential feuds and turmoil down the road. Stress levels can also be increased given the fact that in some provinces, surviving spouses and dependants can make a claim against the deceased's estate if the estate plan or Will doesn't adequately provide for their needs.

When determining who will inherit assets, one of the largest missteps some individuals make is not keeping beneficiary designations updated.

Here, it becomes important to first understand certain considerations and then use that awareness to drive decision-making.

Recommended planning guidelines

1. **Review beneficiaries and estate-related documents**

When determining who will inherit assets, one of the largest missteps some individuals make is not keeping beneficiary designations updated. For example, in general, a divorce or relationship breakdown will not revoke a beneficiary designation on a plan. That's why it's vital to revisit any plan where a beneficiary is named, such as an RRSP, insurance policy or work pension, upon a marriage breakdown, a new relationship or anytime an individual's situation changes. Outside of those scenarios, a good rule of thumb is to revisit these plans every few years to assure the choices are still in line with intentions.

And while a Will may be the last thing on an individual's mind amidst a separation, divorce or re-marriage, neglecting to draft a new one can lead to some significant problems. This is because marriage cancels any previous Wills, so if someone remarries and then passes away without preparing a new Will, their estate would be treated as if they died intestate (without a Will). For those who have separated or divorced, updating a Will is also important, because separation and divorce do not cancel an existing Will in many jurisdictions.

2. **Choose the right executor**

Understandably, selecting an executor takes on a heightened level of complexity with the additional relationship dynamics in blended families. Some individuals struggle to choose among their spouse, children from their prior relationship, children from their current relationship or a combination. What it comes down to, however, is focusing on how well those individuals will be able or willing to work together in the administration of the estate. A potentially effective alternative is a neutral third party (e.g., trust company, lawyer, accountant), which may help to lessen any emotional ties that may negatively impact the process. And while some individuals may be hesitant about the fact that a third party may incur increased costs for the estate, it's important to weigh this against what the costs may be if a litigation were to ensue.

3. **Build customized strategies**

One of the biggest challenges for some is creating a plan where all parties are satisfied, in which the surviving spouse or partner is taken care of while the biological children become the beneficiaries of the assets. What those in a blended family situation need to know is that there are strategies out there that specifically cater to their circumstances and that are designed to help navigate around the complexities.

The value of marriage contracts

Despite the stereotypical assumptions about prenuptials and marriage contracts, the reality is that they serve multiple beneficial purposes, especially in re-marriages. It's therefore important to get past any misconceptions and instead look at these contracts as the foundation that lays the groundwork for smooth, successful estate planning. These agreements are valuable tools for assuring both people in the relationship are protected, and they present a very effective way for both spouses to outline what assets each will allocate to their respective children. And while they represent a good start, it's important to remember that they by no means replace an estate plan. Another key point here is ensuring the intentions indicated in the marriage contracts match up with the terms of the Will — if they don't, this may set the stage for legal battles among heirs.

Gifting and trusts

Whether individuals want to divide assets during their lifetime or upon their passing, a number of options exist. Outright gifts may be ideal for individuals who want to see the benefits of the gift while they are still alive or who feel strongly about helping children now during life events such as education or a downpayment on a home. With gifts, however, just be mindful of the fact that gifting means giving up control over the assets.

Trusts, on the other hand, are an effective method for distributing assets in a way that helps solidify a particular outcome, while at the same time creating the ability to tailor to individual preferences. The following chart highlights some key types.

Trust	Details and potential advantages
Alter Ego	• Inter vivos (during lifetime) • Must be 65 years of age or older when establishing the trust • The settlor (creator of the trust) is entitled to income and no other person other than the settlor can receive or use income or capital from the trust during the settlor's lifetime; at death, assets are then distributed according to the trust agreement • Assets transfer outside of the estate; protects against challenges to the Will
Joint Partner	• Inter vivos • Must be 65 years of age or older when establishing the trust • Only the settlor and his or her spouse or common-law partner are entitled to receive income from the trust until both individuals pass away • No other person other than the settlor and their spouse or common-law partner can receive or use income or capital from the trust during their lifetime • Ensures surviving spouse or partner continues to receive the benefit of the assets during his or her lifetime • Upon death, assets transfer to the beneficiaries, which could be the children from a previous marriage • Assets transfer outside of the estate
Testamentary	• Comes into effect after death; generally, terms set out in the Will • Presents options to provide for all desired beneficiaries who are part of the family • May offer a level of control over the timing for the distribution of assets to beneficiaries • Possible to establish more than one trust for different family members
Testamentary Spousal	• Comes into effect after death; generally, terms set out in the Will • Provides support to surviving spouse; can also direct that on spouse's or partner's death, remaining assets get distributed to children • Creates tax-deferral benefits on the rollover of assets to the spousal trust and ability to protect family interests

Note: The information in this chart may not necessarily apply to your personal situation. To ensure that your own circumstances have been properly evaluated, it is important to consult with a qualified tax and/or legal advisor to determine the best options for your individual needs.

Utilizing life insurance

Depending on family dynamics, life insurance may be another effective option. While the specifics of policies need to be addressed by an insurance professional, the general strategy rests in the fact that proceeds of a policy will be available at death, effectively creating an inheritance to leave to beneficiaries. What this does is address the challenge of establishing equity among the children and the surviving spouse — designating children may satisfy your obligations to them, thereby freeing up the estate to be left to the surviving spouse.

Amidst the extra layers of emotions and challenges that fuel decision-making within some blended families, estate planning can quickly drift off course. To help smooth the process, it's important to first accept that a blended family situation may change your planning, but then recognize that there are effective ways to simplify and work through it. With the right tools and approach, individuals can get beyond the worries of "yours, mine, and ours" and make equitable and personalized plans that can help to effectively manage the change.

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