

# The Investment Advisor



Wealth Management  
Dominion Securities

Winter 2018

## Nymeyer-Scrimgeour Group of RBC Dominion Securities

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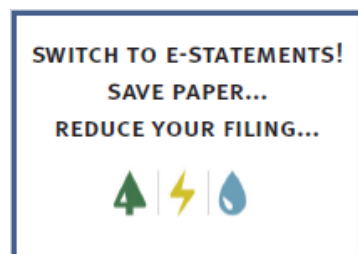
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## New Kids on the Blockchain

Blockchain, the technology that underpins cryptocurrencies, could have wide-ranging implications in many industries and for investors in the medium-to-long term.

Article written by Frédérique Carrier

### Overview of Cryptocurrency

Looking back at 2017, cryptocurrencies stole the headlines, with Bitcoin enjoying a spectacular sixfold increase in value. Cryptocurrency is a digital currency that uses decentralized technology called "blockchain" to enable users to make and receive payments and store money anonymously without the need of an intermediary.

### Expectations of Cryptocurrency

Eric Lascelles, RBC Global Asset Management's chief economist, believes cryptocurrencies are unlikely to replace traditional money in the short and medium term. He notes that they are not a store of value as are traditional

currencies. We hold our countries' currencies because we expect to trade them for a future good or service in an economy backed by a legal, political, and economic system. Bitcoins are not created by a central bank, but by a network and complex algorithms, or computer instructions. Also, there is no legal recourse as cryptocurrency ownership is anonymous—hence, no one to pursue in case of a theft, or hack. Lastly, their value is both "unstable and widely unpredictable".

In the long run, full replacement of traditional currencies is also unlikely, in his opinion; although he acknowledges this picture is somewhat hazy.

Continued on Page 2

*New Kids on the Blockchain continued*

The biggest advantage of using cryptocurrencies at the moment is the ability to transfer money not only cheaply, as it is a peer-to-peer system which cuts out the middle man, but also without being detected.

### Government Intervention

Lascalles surmises that governments are likely to intervene. China banned Bitcoin earlier in 2017, as it was being used to elude capital controls and transfer funds out of the country. Even in countries without capital controls, governments are likely to want to pin down fund flows to track taxation and potential criminal activities. Because cryptocurrencies do not enable this, Lascalles expects governments are likely to regulate them ever more tightly if their popularity grows. And as more pressure is put on cryptocurrencies to leave a paper trail, the cheapness of transferring funds could also erode, making them less attractive instruments, in his view.

While not necessarily displacing fiat currencies, cryptocurrencies could change the global economic system as more individuals use them and more companies launch them, according to RBC Capital Markets.

### Blockchain Emerging

While there are evidently hurdles to cryptocurrencies replacing traditional money, the underlying technology, blockchain, seems to hold considerable promise and could redefine several industries' rules of operation, in particular those with recordkeeping at their core.

#### What is Blockchain?

Blockchain is in effect a giant database, or ledger, that can maintain an ever-growing list of data. It is a distributed ledger – it is not kept nor altered in a centralized manner by an institution, but collectively by users. All data “blocks”

are encrypted – they cannot be changed or erased without leaving a record of previous blocks thanks to proprietary algorithms designed to protect data. As such, the data records seem to be manipulation-proof and much more difficult to hack.

Blockchain's decentralized nature is considered less prone to errors, in effect making many aspects of recordkeeping simpler and safer, while dramatically reducing paperwork and costs. It is a potential solution for hard-to-maintain, complex databases.

#### Blockchain in action – an example

To illustrate, blockchain could be used to keep track of the history of a car, with records of the initial purchase, the mileage, and where the car has been driven, as well as its repair history, making buying a used car much less of an adventure.

#### Blockchain in Financial Services

The financial services industry is one of the leaders in evaluating blockchain's potential. In an interview with Reuters, while RBC CEO Dave McKay stressed the technology is still in its infancy, he asserted that the technology is likely to play an important role in the industry's future, transforming the way money is moved and stored.

In time, if blockchain can help banks be more efficient and lower costs, it could also put cost-intensive payment systems, such as bank transfers and credit card payments, under pressure.

#### Applying the technology across sectors

Consultancy PwC estimates that annual savings of \$5B–\$10B in reinsurance are possible with the application of blockchain, thanks to improvements to data processing and claims settlement, and the reduction in fraud it could bring. Major stock exchanges and clearing

houses are also testing the technology. Utilities could make significant use of blockchain technology to replace their current costly administrative networks that often require human input into many databases. There are also many ongoing projects to test the technology for logistics and supply chain management purposes. For example, retailers are piloting the technology for provenance and safety tracking of the goods they sell.

#### Investing in Blockchain

Publicly listed pure plays on blockchain providers are few and far between and do not tend to have an established track record, which make them a risky proposition. Blockchain leaders within established business models make the most sense, though the technology is unlikely to influence group earnings at this stage.

Investors wanting exposure to this promising technology could look at software consultants, tasked with testing or integrating the new technology. Hardware providers, such as companies making the processing units used to generate cryptocurrencies, could be an alternative, though these have already had a good run. Companies poised to benefit from successful implementation of this new technology are also possibilities, though several other factors are likely to determine share price performance in the short term.

#### Final “chain” of thoughts...

It is still early days to gauge the impact of this new technology. More testing must be done as the security of blockchain might yet prove fallible in the hands of the hackers of the future. Moreover, the scalability of the technology has yet to be tested and, as it sucks up a lot of energy as a computer-based solution, its proliferation could yet be limited by the current capacity of the grid. Yet, its potential makes it a technology worth watching closely, which we intend to do.

# 2018 Handy Financial Planning Facts

The following is a summary of some common financial planning-related information that you can use as a handy reference. Any values noted below are for 2018 unless stated otherwise.

Retirement														
Maximum CPP/QPP benefit at age 65	\$1,134.17 per month													
Early CPP/QPP maximum benefit at age 60	\$725.87 per month (36% max reduction or 0.6% per month)													
Deferred CPP/QPP maximum benefit at age 70	\$1,610.52 per month (42% max increase or 0.7% per month)													
Maximum CPP/QPP contributions employer and employee	CPP: \$2,593.80 each annually QPP: \$2,829.60 each annually													
Maximum CPP/QPP contributions self-employed	CPP: \$5,187.60 annually QPP: \$5,659.20 annually													
YMPE – Yearly Maximum Pensionable Earnings	\$55,900													
Maximum OAS benefit for Q1 at age 65	\$586.66 per month													
Deferred OAS maximum benefit for Q1 at age 70	\$797.86 per month (36% max increase or 0.6% per month)													
OAS clawback rate	\$0.15 for every \$1 of net income above \$75,910; the full OAS is eliminated at a net income of \$122,843													
CANSIM rate	2.16%													
RRSP – maximum annual deduction limit	\$26,010 for 2017 \$26,230 for 2018													
RRSP – withholding tax on withdrawals	10% (20% in Quebec) for amounts up to \$5,000 20% (25% in Quebec) for amounts over \$5,000 up to and including \$15,000 30% (30% in Quebec) for amounts over \$15,000													
Annual TFSA contribution limits	\$5,000 each year 2009 – 2012 \$5,500 each year 2013 – 2014 \$10,000 for 2015 \$5,500 for 2016 – 2018													
Maximum TFSA contribution since inception	\$57,500 from 2009 – 2018													
Education - RESP														
Maximum annual RESP contribution	Unlimited annual contribution up to lifetime maximum of \$50,000 per beneficiary													
Maximum annual RESP contribution for maximum CESG	CESG of 20% on first \$2,500 of contributions per beneficiary up to a maximum of \$500 Maximum annual CESG of 1,000 if there is unused grant room from a previous year Lifetime CESG limit of \$7,200 per beneficiary													
Additional CESG on the first \$500 contributed to an RESP	CESG of 20% if net income is under \$46,605 CESG of 10% if net income is between \$46,605 and \$93,208													
Tax														
EI - maximum annual premium	\$858.22 (\$672.10 in Quebec due to separate maternity and parental benefits)													
EI - maximum annual insurable earnings	\$51,700													
Federal basic personal amount	\$11,809 (base) \$1,771 (credit)													
Federal tax brackets/rates based on taxable income	<table border="1"> <thead> <tr> <th>Taxable income</th> <th>Federal rate</th> </tr> </thead> <tbody> <tr> <td>Up to \$45,916</td> <td>15%</td> </tr> <tr> <td>Over \$45,916 up to \$91,831</td> <td>20.50%</td> </tr> <tr> <td>Over \$91,831 up to \$142,353</td> <td>26%</td> </tr> <tr> <td>Over \$142,353 up to \$202,800</td> <td>29%</td> </tr> <tr> <td>Over \$202,800</td> <td>33%</td> </tr> </tbody> </table>	Taxable income	Federal rate	Up to \$45,916	15%	Over \$45,916 up to \$91,831	20.50%	Over \$91,831 up to \$142,353	26%	Over \$142,353 up to \$202,800	29%	Over \$202,800	33%	
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Over \$91,831 up to \$142,353	26%													
Over \$142,353 up to \$202,800	29%													
Over \$202,800	33%													
Eligible dividends (most public companies)	Gross up: 38%; taxable amount: 138%; Federal tax credit: 15.0198% of taxable dividend													
Non-eligible dividends	Gross up: 16%; taxable amount: 116%; Federal tax credit: 10.0131% of taxable dividend													
Lifetime Capital Gains Exemption (LCGE) for qualified small business corporation shares	\$835,716 for 2017 \$848,252 for 2018													
LCGE for qualified farm or fishing property	\$1,000,000 for 2017 and 2018													
Personal tax calculator website	<a href="http://www.ey.com/ca/en/services/tax/tax-calculators">http://www.ey.com/ca/en/services/tax/tax-calculators</a>													
Government Links														
Canada Revenue Agency website	<a href="http://www.cra-arc.gc.ca/">http://www.cra-arc.gc.ca/</a>													
Canada Revenue Agency General Help Line	1-800-959-8281													
Phone number and website for CPP and OAS queries	1-800-277-9914 <a href="https://www.canada.ca/en/employment-social-development/corporate/contact/index.html">https://www.canada.ca/en/employment-social-development/corporate/contact/index.html</a>													
Phone number and website for QPP queries	1-800-463-5185 <a href="http://www.rrq.gouv.qc.ca/en/services/nous_joindre/Pages/nous_joindre.aspx">http://www.rrq.gouv.qc.ca/en/services/nous_joindre/Pages/nous_joindre.aspx</a>													



# A Healthy Financial 2018

Many of us go through an annual ritual of setting resolutions. Improving health is usually high on many people's lists. This year, in addition to improving your physical health, you can resolve to make this year your healthiest financial year too.

The following is a list of 10 financial to-do's (in no particular order) that you should discuss with your advisor:

1. Make sure your Will and Power of Attorney are up-to-date.
2. Put family income-splitting structures in place to help minimize taxes.
3. Ensure you have adequate life and living benefits insurance coverage.
4. Check to see that your asset allocation is up-to-date and works to meet your investment objectives and goals.
5. Make sure your account structures and beneficiary designations are up-to-date and appropriate.
6. Use credit effectively.
7. Give back — donate your money and time.
8. Ask your advisor to prepare a personalized financial review for you.
9. Ask your advisor to prepare a financial plan or retirement projection for you.
10. Simplify your financial life.

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

## Team news and Community Events



### 2017 Christmas Bash

Our 2017 client appreciation bash was by far the biggest and best yet. We had an incredible turnout and a wonderful time celebrating the holiday season with each and every one of you.

Once again, you showed your unparalleled support of our local charities with your generous toy donations. Above is our team pictured with two representatives from the Emily Murphy Centre. They went through the toys and selected a toy for each child at their shelter. The remaining gifts were then donated to the Optimism Place and the House of Blessing.

**Harrington Celebrates St. Patrick's Day**  
On March 17, 2018, the Harrington Community Association is hosting a concert and fundraiser.

Performers include Allison Lupton, Peter Jellard, Kyle Waymouth, and Emilyn Stam.

Come join the fun for \$25 per person.

Celebrate St. Patrick's Day with

**Allison Lupton**  
Irish Flute, Whistles, Vocals

**Saturday  
March 17th  
Harrington Hall**  
539 Victoria St., Harrington, Ont.

Doors open 7:30  
**Concert 8pm**  
**\$25.00 per person**

Advance tickets only  
[www.egtix.ca](http://www.egtix.ca) or  
519-475-4834

Cash Bar  
50-50 draw

**Kyle Waymouth**  
Canadian Step Dance  
Champion

**Peter Jellard**  
Accordian

**Emilyn Stam**  
Piano Fiddle  
Accordian

Guitar  
Fiddle  
Banjo  
Bass



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