



Wealth Management
Dominion Securities

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Around the world



Global markets

Global worries over rising and tenacious supply-side inflation has spooked markets, and driven up bond yields. However, consumer demand remains strong even in the face of a surge in cases and deaths from the COVID-19 delta variant, underpinning the outlook for corporate profits. China continues to show signs of moderating growth, and the regulatory threat confronting Chinese growth stocks is unlikely to dissipate in the near term.



Canada

Canada's high level of COVID-19 vaccinations and generally strong compliance with pandemic health measures give us optimism that the economy will continue to grow into 2022. Jobs have largely recovered to pre-pandemic levels, generous fiscal and monetary policy is still in place, and, while consumer spending has been held back by supply issues, demand remains firm and poised to grow.



United States

The U.S. Federal Reserve remains determined to ignite growth in the world's largest economy through historically low interest rates and massive asset purchases, or Quantitative Easing (QE). While supply-chain issues and labour woes could sustain higher inflation levels, consumer and business demand remains sharply elevated, setting up solid growth for the rest of the year and beyond.



Europe

The region continues to struggle to get back to its pre-pandemic economic levels, and certain key leading indicators have recently peaked. Energy supply issues for two of the continent's biggest economies – Germany and Great Britain – risk exacerbating rising inflation. However, there continues to be strong policy support from governments and central banks, which should dampen the downside.



Emerging markets

The more limited EM fiscal and monetary policy response means that EM central banks may have an easier time navigating their way out of the pandemic, although the slow rollout of vaccination programs is likely to tamp down growth and require more government support in the months ahead. Asian economies are expected to expand gradually, with growth gaining momentum amid rising demand for exports and increased domestic consumption.

To learn more, please ask us for the latest issue of *Global Insight*.

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Gut check – Three key questions to ask when volatility hits markets

Market volatility can test your resolve as an investor. Asking yourself a few key questions can help keep you on track to your goals and avoid common investment pitfalls.



Volatility is a normal part of the investing. The equity market's performance since the "COVID Crash" of February-March 2020 is a great example. Despite the unprecedented challenge of the pandemic, not only did equity markets quickly recover their losses, they went on to deliver strong gains. From February 2020 to September 2021, the S&P 500 Index generated a total return of almost 40%, or over 23% when annualized.*

Recently, however, the "wall of worry" is growing taller and volatility has returned. Some of the concerns include:

- fears that the ongoing pandemic will substantially slow the global economy
- growing supply-chain-driven inflation
- rising interest rates and bond yields

- the eventual end of the extraordinary government fiscal and monetary support intended to cushion the economic damage of pandemic restrictions

Climbing down the wall of worry

Any time volatility strikes markets, it's easy to climb a "wall of worry" – and make decisions that take you off-course from achieving your investment goals. To avoid making hasty decisions that might end up costing you, here are three questions to ask yourself:

- 1. Have my goals changed?** Your investment goals are the most important part of your investment plan. They're the reason why you're investing in the first place. Still investing for your newborn's post-secondary education in 17 years? Or for your retirement in 30?

- 2. Has my risk tolerance changed?**

It's normal to worry during times of market volatility. But it is important to consider that our risk tolerance is a gauge of our willingness to tolerate unpleasant negative emotions from time to time in order to achieve higher potential long-term returns.

- 3. Has my risk capacity changed?**

Risk capacity is a gauge of your ability to suffer investment losses – or, what risk you can afford to take. This reflects factors like your financial circumstances and how long you have to invest – in other words, your ability to wait out down periods in markets in order to capture higher long-term potential returns.

Every investor is unique, and your life and financial situation can change over time. That's why it is important to review your investment plan with us periodically or when a major life change occurs. This way, when volatility hits markets, your plan is there to help to guide you through difficult times and keep you on track to your goals.

*Source: Bloomberg. S&P 500 Index data from February 1, 2020, through to September 30, 2021, in U.S. dollars, before transaction costs, commissions and taxes. Note that past performance is not indicative of future returns and you cannot invest directly in an index.

Staying off the phishing hook – How to avoid getting lured in by social-media “angler phishing” scams

With the incredible popularity of social media sites like Facebook, Twitter and Instagram, it’s not surprising that cyber criminals are targeting these sites’ users with “angler phishing” scams. Here are a few steps to help ensure you don’t become the next “phish dinner” for a cyber criminal.

“May I be of service?” – caught in the angler’s net

Cyber criminals are increasingly using the messaging services – in-app communications – of social media apps to identify and contact users. According to the RBC Cyber Security experts, the “angler phishing” scam works as follows:

- Criminals identify active social media users and track public conversations or messages, looking for requests for technical help.
- They send messages to these active users pretending to be the help desk for a legitimate business or organization, offering technical assistance or advice.
- The criminals lead their targets to a phony social media account or page, where they are asked to give out personal information (for identity theft purposes) or even transfer money.

Avoiding the angler phisher’s lure

To avoid being the next victim of an angler phisher scam, ensure you are:

- 1. Wary of contacting companies on social media:** When messaging, check the legitimacy of the company username, and keep your conversation private by using the direct messaging feature.



- 2. Careful not to “overshare”:** To reduce the chances that cyber criminals can use your information against you or on its own to engage in identity theft, minimize sharing of any personal or business information, such as email addresses, home address and personal details.
- 3. Leery of any “instant friends”:** On many social media sites, once you allow a user to become a “friend” they can access all of your information and all intimate personal details you have posted.
- 4. Engaging all privacy settings:** Check all of your social media sites’ privacy settings to ensure you are only sharing information that you are comfortable with sharing and that won’t compromise your security against cyber criminals.
- 5. Looking before biting:** Phishing scams often depend on users making hasty decisions. Before reacting to

any request, email or message that seems even remotely suspect, check in with your local RBC branch or call us at 1-800-769-2511 -- we may be able to help.

Be cyber aware – spotting the bad worm

Social media sites can offer great ways to communicate with friends, family and businesses. But unfortunately, as in the physical world, it is important to always remain vigilant and aware of your surroundings.

Cyber criminals are constantly evolving their nefarious ways to better deceive and manipulate online users, so it helps to remain up-to-date to protect yourself. If you are interested in learning more, check out the RBC Cyber Security site. Also, use the top-notch security offered through RBC Wealth Management Online whenever you want to safely communicate with your RBC Dominion Securities Investment Advisor.

Seeking shelter – Maximize your savings through tax-sheltered plans

The average Canadian family pays more than 36% of their income to the government through various forms of taxes, according to the Fraser Institute's Canadian Consumer Tax Index – 2021 edition. That's a higher percentage than they pay on basic necessities such as food, shelter and clothing combined (35.4%). So it's fair to say that many Canadians would like to minimize their tax burden where possible.

When it comes to investments, taxes on your gains and income can have a meaningful impact on your actual, realized returns – and what you ultimately end up with in your wallet. And taxes can have a major impact if you're retired and drawing cash flow from your investments through either capital drawdowns (selling assets to generate cash) or through dividends, distributions and interest income.

Return refuge – government-sponsored investment accounts

Thankfully, eligible Canadians can avail themselves of government-sponsored, tax-sheltered investment accounts, including Tax Free Savings Accounts (TFSAs) and Registered Retirement Savings Accounts (RRSPs). These accounts offer a variety of tax benefits that can make a substantial difference to your long-term financial well-being.

TFSAs

Since their rollout in 2009 TFSAs have quickly become a very popular way for Canadians to save and invest given their many positive features:

- Growth within your account is completely tax free.
- There are no taxes levied on any money you take out (including any interest, dividends or capital gains earned within the account).



- TFSAs have no age limits (you must have attained the age of majority in your province to contribute). This can be appealing if you're a senior who doesn't need the money immediately, as you are not required to make withdrawals as with a RRIF.

It is important to note that contributions to TFSAs are not tax-deductible, and contributions of existing investments into a TFSA can trigger unrealized but taxable capital gains.

TFSA vs. non-registered account

If you make annual contributions to your TFSA of \$6,000 for the next 20 years, at a rate of return of 6% per annum you would accumulate approximately \$240,000. If the same circumstances apply but you are contributing to a non-registered, non-sheltered investment account, you would have almost \$53,000 less.*

RRSPs

RRSPs are a familiar and very popular tax-sheltered account for Canadians. This isn't surprising given their many helpful features:

- Contributions are deductible and reduce your income for tax purposes
- Income earned in your RRSP is not taxed until it is withdrawn. Capital growth is tax sheltered and so the total value may grow more quickly through tax-free compounding.
- You can contribute to an RRSP until December 31 of the year you turn 71, then you have to convert it to another vehicle, such as a RRIF

It's important to note that money you withdraw from an RRSP is added to your income and taxed accordingly.

Talk to us about how we can help you shelter your investments from the tax storm – and help you reach your goals faster.

*TFSA calculation: Example assumes that taxes are for an Ontario resident making \$100,000 per year, with no additional deductions or earnings. This annual income is used to estimate the combined federal/provincial marginal tax rate for the purpose of this calculation. Tax-free and taxable investment results are approximations and do not reflect actual returns. The starting contribution amount is assumed to be contributed in the beginning of the year.

Four on the road – Building the all-season investment portfolio



The right portfolio for you is the one that reflects your personal investment plan. Following some fundamental principles of portfolio construction can help ensure that your portfolio weathers any conditions that the market might throw at it.

Here are four “wheels” to help keep your portfolio on the road to achieving your goals:

1. Have a plan

Before you can build an effective all-weather portfolio, you should have a proper investment plan. Your investment plan should be personalized and unique to you. It should reflect your specific investment goals, and should accurately capture your risk profile.

Your risk profile is the mix of your risk tolerance, risk capacity and your time horizon, as well as any specific needs you may have, such as income, capital preservation or growth. Ultimately, your plan will determine where you fall on the risk scale: from very conservative to aggressive growth.

2. Establish and maintain an appropriate asset allocation

Once you have your investment plan in place and your risk profile established, you can determine your asset allocation across the three main asset classes: cash, fixed-income and equities. Generally, the more conservative your risk profile, the more fixed-income (such as bonds) your portfolio will hold; the more aggressive, the more equities (such as stocks).

Maintaining this asset allocation over time, rebalancing when necessary, helps ensure that your portfolio doesn't drift to an asset allocation that no longer reflects your risk profile. That way, it remains ready for volatility and/or periodic changes in market conditions.

3. Diversify your portfolio's holdings

Heard about not having all of your eggs in one basket? It's true for portfolio management, but in that case it's about more than not just concentrating your assets in one particular asset

class. With a portfolio, it's important to diversify your investments over different sectors, industries and even geographical markets. How does this apply to your all-weather portfolio? Because different investments and markets move in different ways at the same time during a market cycle, and respond differently to changes in economic factors (e.g., inflation, changes in monetary policy, the outlook for corporate earnings or the economy). So when you diversify, you benefit from the opportunities across different investments as they emerge, which in turn can smooth out volatility and generate a better investment experience.

4. Focus on quality assets to achieve your goals

An all-weather portfolio should be built with quality investments that generate long-term, sustainable returns. Picking stock and bond issuers with a solid track record of being sector and/or industry leaders, and that deliver quality earnings over time, are generally less volatile. While lower quality issuers and companies can provide higher potential returns, they also contain additional risk and are often more volatile than stalwart industry leaders.

Ask us for more information about building an all-weather portfolio to get you through any market conditions – and, most importantly, keep you firmly on the road to your goals.

Virtual and valuable – Digital estate planning



Digital assets may exist in a virtual world, but they are real in terms of their value. Our digital assets are growing at an exponential rate, and are an increasingly meaningful part of our wealth. As a result, they're becoming an important part of our estate planning.

Measuring your digital footprint (it's likely bigger than you think!)

With the average Canadian signed up to more than 100 online sites, it's easy to underestimate your digital footprint. It helps to understand that digital assets are more than just virtual stores of monetary value, like reward program points or cryptocurrencies. In fact, they are any record that is stored in a digital form, including photographs, videos, messages, emails, work products, intellectual property and, of course, social media accounts.

Access granted – assessing your digital state of affairs

Despite their relative newness, it is important to remember that your digital assets must be managed by your executor as part of your estate. To help them do

so, and to ensure that your beneficiaries don't miss out on these important assets, here are a few key steps you can take:

Step 1: Take inventory

Create a full list of all of your digital assets, and note:

- The type of asset it is;
- Its potential or real value (e.g., sentimental, business, monetary);
- The location on the web and/or your digital storage sites.

Also consider deleting old or unused accounts and sites to make life easier for your executor.

Step 2: Ensure access

It's important to ensure that your executor and beneficiaries can gain access to your digital assets. Make note of:

- The custodian of any digital assets, such as a social media or cloud-based storage company, through which access to an account or asset may have to be arranged;

- Note account names and devices, and the passwords to access them;
- Ensure you securely store account names and device and account passwords in a safe place, and inform your executor where to find them;
- Determine and note whether you may pass along account access to a third party without violating any terms of use as issued by the custodian of the asset, for example a bank or certain social media sites.

Step 3: Consider all aspects of your estate and plan accordingly

- In your Will, provide clear directions to your executor and/or beneficiary around how you wish to transfer or dispose of each digital asset;
- Any digital assets having financial value (e.g., cryptocurrency, domain names, loyalty program rewards) should be evaluated and considered within the context of the overall value – real and digital – of your estate, and properly proportioned to beneficiaries to avoid unintended over or under allocation to one beneficiary over another.

As our digital world expands, so does our digital footprint and the assets we leave behind in it. Talk to us about how we can help with your estate planning needs.