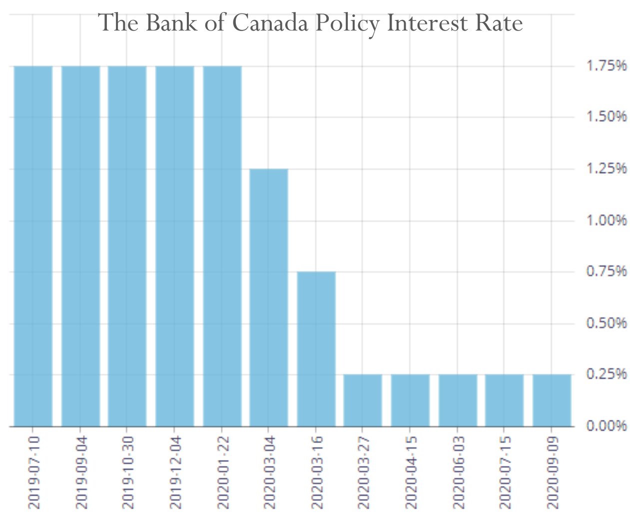
UPSON'S UPDATE

FALL 2020

MARKET COMMENTARY

The interest rate drop has challenged long time retirement investment strategies. Dividend investments are now a bigger part of the equation for many investors.



With the interest rate cuts by the Bank of Canada in 2020, many investors now need to look at options other than GICs to seek out higher return alternatives to meet their income objectives.

Recently the Bank of Canada Governor was asked about the possibility of Canada having negative interest rates. He replied that interest rates are used as a way to assist in any economic challenges we may see. When the Covid downturn occurred in March the bank cut interest rates to one quarter of one percent, and has said that rates will stay low for an extended period of time—at least the next couple of years.

So if interest rates are low in the years ahead, that challenges retirees who have lived off of returns from their savings. A number of years ago you could have a significant amount of your retirement savings in a very low risk investment strategy like GICs, such as in the 80's and 90's when interest rates were 10 to 15%. Even in the last decade you could get 5% on a GIC, and just last year a five-year GIC would still pay between 1.5% and 2%.

Today, you need to lock the money away for four or five years just to get 1%. One-, two-, and three-year term GICs are all paying under 1%, and if you want to look at government bonds the rates are even lower than GICs. The three-year Government of Canada bond is paying 0.25%, and going longer term won't increase the yield much, considering if you put the money away into a five-year Government of Canada bond you'll get 0.35% . So now, the after-inflation returns on GICs and bonds are negative and we haven't even factored in taxes, as interest is taxed at the regular income tax rate. Meanwhile, other types of investments like dividends are taxed more favourably.

Cont…

RBC Wealth Management Dominion Securities

SPECIAL POINTS OF INTEREST:

- *With the Bank of Canada interest rate cuts in 2020, fixed income holdings may be challenged to meet income needs. Canadian dividend stocks may help.*
- *Planning ahead is crucial to ensure your wishes are met in the event of an incapacitation.*
- *We're pleased to introduce our new eSign application for electronically signing documents. eSign is a digital signature solution that allows you to sign various documents electronically.*

INSIDE THIS ISSUE:

Cont…

Investors do have other investment options they can consider, but there will be a trade-off of some additional risk to get those additional returns.

Canadian dividends can be a way to add yield to an investment portfolio and they are taxed at a lower rate. There are high quality companies in the banking, insurance, utilities, and pipelines sectors that are paying a 4 to 8% dividend rate. However, you need to put up with fluctuations in the share prices for those returns.

Much like stocks, certain income-oriented mutual funds and ETFs can be included in a portfolio to generate additional yield, and will also help further diversify the holdings

Real Estate Investment Trusts (REITs) are a way to get exposure to real estate sector along with a manager that has a track record of managing real estate assets. A REIT gives you diversification and you get more liquidity than you would from holding a single rental property.

With interest rates as low as they are today many investors feel they have few options other than looking at higher risk investments, but you need to understand the pros and cons of all investment types.

Greg

WHO WILL SPEAK FOR YOU WHEN YOU CAN'T?

To help older Canadians make sound decisions about their personal finances, investments and health-care planning, RBC Wealth Management and the National Institute on Ageing at Ryerson University (NIA) recently formed a strategic partnership. This alliance is especially timely considering the COVID-19 pandemic, which has led many Canadians to think about their own health and well-being, and what might happen if they became incapacitated.

It's important to care about your care

The NIA reports that over 80% of Canadians have no form of written plan regarding their financial matters in the event of incapacitation. What's more, less than 50% have had a conversation with a trusted family member or friend about their preferred health-care treatments should they unexpectedly become incapacitated.

This is particularly concerning given the likelihood of incapacitation as we age. The average timespan between when we are living a healthy life and the time we die is nine to 11 years. During this span there is an ever-increasing risk that we will become incapacitated and unable to communicate or make decisions about our financial affairs or health care. Despite this, over 70% of Canadians do not have a Power of Attorney covering financial and health care-related matters.

Their voice, your words

In the event you become incapacitated, you are likely to want to ensure that your financial interests and health-care choices are dealt with as you would wish, and by whom you wish. For that, you require a Power of Attorney (POA). There are generally two types:

- ***Standard Power of Attorney for property:*** empowers your attorney to legally make decisions about your finances and property on your behalf.
- ***Standard Power of Attorney for personal care:*** empowers your attorney to legally make decisions about your health care on your behalf.

Advancing the conversation on care

The conversation around ageing and health care needs is evolving and deepening – and that's one of the many reasons we are excited about our partnership with the NIA.

According to the NIA, Canadians should consider Advance Care Planning (ACP) in addition to POAs. This is the process by which a person expresses what they wish to take place should they become incapable of consenting to, or refusing, treatment or personal care. This includes deciding who will make decisions on the person's behalf if this happens, and involves discussions with family members, friends and loved ones. It covers a wide range of scenarios and treatments, including end-of-life care, chronic conditions, and long-term care needs. It may also involve health-care providers, and lawyers who can help to document the decisions with an advance directive.

Engaging and empowering those you trust can help ensure your most difficult moments are spent in the manner you would hope for – and with the dignity and care you deserve.

*The information in this article on pages is derived from RBC Dominion Securities Portfolio Advisory Group and RBC Wealth Management. The chart on page 1 is as of 10/22/2020 Source: Bank of Canada.

CYBERSECURITY: HOW TO PROTECT YOURSELF AND YOUR MONEY

Protecting your assets is a central part of any wealth management strategy. While most of us may plan for the usual threats, taking precautions such as installing home-security systems and working with trusted advisors, not all of us are vigilant about the possibility of cybercrime.

In 2017, there were more than 27,000 cyber-related incidents reported to police and, according to the Canadian Chamber of Commerce, nearly half of small and medium-size businesses in the country have been the victim of a cyberattack, with cumulative costs to Canada's economy representing billions of dollars a year.

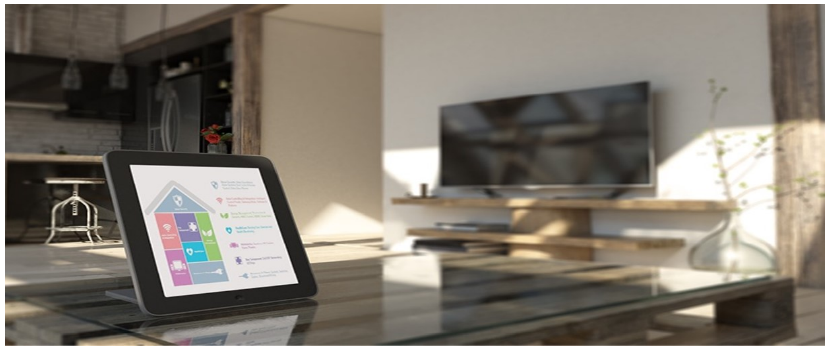
In a 2017 Campden Research study, 38 percent of ultra-high-net worth families, family offices and family businesses internationally, reported they didn't have a cyber security plan in place. If you fall into that category, you could potentially be more vulnerable to an attack by savvy cyber thieves. "Hackers that target high-net-worth individuals have done their homework," says Stacy Bertrand, manager of information security strategy and metrics at City National Bank, an RBC company. "They know they have money and that they have something to steal."

But it's not just financial resources that make these families more vulnerable to a cyberattack. It's also their public status and lifestyle that may make them more susceptible.

Lifestyle cues used for social engineering attacks

Social engineering involves the use of social media to mine your information. Hackers can gain clues about things like wealth status, property ownership and investments through private details that individuals choose to share publicly on social media.

"Cybercriminals are using increasingly sophisticated techniques to trick people into giving up personal or



private information," says Adam Evans, vice president of cyber operations and chief information security officer at RBC in Toronto. "They then use that information to target new attacks against these victims. Social engineering tactics can be used in any sort of personal contact, including email, texting, web browsing or by telephone."

Setting ground rules for social media use with you family members can be an effective way to combat the social engineering threat. For instance, you may wish to restrict the types of photos or information shared through social media, or insist family members set their account visibility to private-only.

In the first major survey of Canadians' attitudes to cyber security and the financial industry, RBC partnered with Ipsos to survey more than 2,000 Canadians on their cyber knowledge to gain more insight into Canadians' concerns about cyber security and the steps they can take to protect themselves.

While 77 percent of Canadians believe they are knowledgeable on cyber security, only 16 percent could identify the majority of cyber terms correctly. Nearly two-thirds (61 percent) could not identify the term "phishing", which describes an email designed to trick the recipient into clicking a link or opening an attachment in an effort to steal information or install malicious software.

"As our world becomes increasingly connected through the internet of things, there are more reasons for Canadians to learn how to protect themselves and their data," says Laurie Pezzente, chief security officer & senior vice president of Global Cyber Security at RBC.

Public status adds risk

In general, says Bertrand, high-net-worth individuals (HNWIs) are more searchable online. Someone who owns a company, holds a C-suite position (i.e. CEO, CFO, etc.), frequently makes large donations to charity or is a public figure has a highly-visible online presence, making it easier for cyber thieves to profile them as potential victims.

"Hackers are able to perform sophisticated spear-phishing attacks with the information they receive from searching the internet," says Bertrand. Spear-phishing involves the use of fake emails which lure you

Cont…

Cont…

into clicking a link, downloading a file or sharing sensitive personal or financial information that can be easily exploited.

Phishing emails can be used to infect computers with malware and to guard against this type of risk, it's always best to take the "better safe than sorry" approach and pick up the phone to verify the email is actually coming from the person you believe it is.

Lack of centralization can make cyberattacks easier

Having a broad network of people who aid in managing your wealth can also be a boon for hackers.

"Typically, clients we work with have a financial team," says Bertrand. "Because more people are potentially involved managing various aspects of your financial plan, hackers have more wiggle room to build convincing stories that do not need to be verified." Bertrand offers two tips for protecting yourself when you have a larger team, or widespread assets. First, "high-net-worth individuals need to develop a 'trust but verify' process," she explains. "This means that people or companies who work with these individuals need to know what they are allowed to approve and what they need to call and verify." In the best-case scenario, employees should verify all emails and phone calls with you prior to transferring money.

The second tip is to understand where your assets are held. You don't necessarily need to aggregate all your assets in one place but you should have visibility and transparency with regard to where your accounts are located and what's in them.

High-net-worth households have the means to pay

The use of ransomware— a software program which blocks access to systems or data until a ransom is paid — also poses a threat to HNWIs and, while businesses are often the target, individuals and family offices aren't immune.

Because HNW households have the resources to pay the ransom, cyber thieves are betting many of these individuals would prefer to pay up rather than dealing with a locked computer.

Preventing ransomware begins with protecting your personal and financial details and ensuring basic security practices are followed down the line by employees and any other individuals who have access to your information.

Luxury locations are a target for wireless spoofing

When you're traveling, you may find yourself using public and open wireless networks or hotspots to get online. But these networks are particularly unsecured, even when they require a password. Hackers are taking advantage of this fact and targeting luxury hotels and airport lounges.

Never log in to password-protected websites that contain sensitive data when using public Wi-Fi. If you need to use a Wi-Fi hotspot, consider using a virtual private network (VPN) to secure your connection.

Recognizing and understanding the various ways in which you may be a target of cyber fraud is an important step in protecting your assets.

Wealth Management
Dominion Securities

Greg Upson, FSCI
Investment Advisor & Vice President
greg.upson@rbc.com
604-257-7387

Alex McPhee
Associate Advisor
alex.mcphee@rbc.com
604-257-7332

Naveed Azad
Associate
naveed.azad@rbc.com
604-257-7653

VISIT US ON THE WEB

WWW.GREGUPSON.COM

CONTACT US

We are committed to providing you with the highest quality of service. If you have any questions, if there is anything we may assist you with, or if you would like to speak in greater detail about anything, please let us know.

Naveed's Note: We're pleased to introduce our new eSign application for electronically signing documents. eSign is a digital signature solution that allows you to sign various documents electronically and no longer requires you to scan or physically mail the forms back to us. When we send you the documents through eSign, the email containing the forms will be sent from RBC (do-not-reply@esign.rbc.com). We will always send you an additional email with full instructions on how to complete the e-signing and return, which is a quick and easy to use process. If you have any questions or need assistance when e-signing documents, please contact Naveed at 604-257-7653 or naveed.azad@rbc.com.

Closing Quote

"HOW MANY MILLIONAIRES DO YOU KNOW WHO HAVE BECOME WEALTHY BY INVESTING IN SAVINGS ACCOUNTS? I REST MY CASE."

-*ROBERT G. ALLEN*