Richard Rand's

Random Views

"Simplifying All The Financial Needs of Busy Families"

Wealth Management
Dominion Securities

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Rand Wealth Management

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Meetings are indispensable when you don't want to do anything.

~John Kenneth Galbraith

Rand Wealth Management - August 2017

Are the Canadian Dollar and the Equity Markets Overheating?

The hottest part of the year has arrived across Vancouver and the rest of B.C. and our hearts and thoughts are with the many people affected by the wild fires across our province and the rest of Canada. We have made a donation to the Canadian Red Cross BC Fire Relief fund and this is still the best way to help out in our small way…..At the same time, the Canadian Dollar and the North American stock markets have put together a pretty impressive hot streak of their own, achieving a series of record highs and avoiding the 5% - 10% pullback that has been talked about for over a year. Although this pullback "drought" is not unprecedented, it is rare and provides a reminder that while it may be summer vacation time, we cannot become complacent. So have stocks overheated given this long stretch of calm…? Here are several reasons to suggest conditions for investing may still be comfortable for the next while….

Earnings are on the upswing. Second quarter earnings season is underway and consensus estimates are calling for a second straight quarter of solid earnings growth for the North American Index's.

The Bank of Canada and the Federal Reserve (Fed) remains careful. The Fed will likely hike interest rates very gradually, minimizing the chances of a major market disruption or abrupt recession. The Fed may only hike rates once more this year, while the bond market is currently pricing in just one hike in all of 2018. During the economic expansion of the 1990s, the U.S. economy grew for seven years after the first rate hike of that cycle (the first hike of the current cycle came in December 2015).

The U.S. economy isn't overheating. Consumers and businesses are not exhibiting the same type of overspending, over borrowing, or overconfidence seen at other major market peaks. While we are likely past the cycle's midpoint, we are not at the end of this economic expansion and bull market.

Sentiment is balanced. Balanced sentiment suggests investor optimism has not become excessive, reducing the odds of a selling wave pressuring the market in the near term and suggesting buyers still could potentially be lured off the sidelines and support stocks. Share valuations have historically been higher when interest rates and inflation have been low, so given the current low interest rates and benign and falling inflation readings, the stock market should not be viewed as meaningfully overvalued. These factors help give us comfort that the stock market is not overheating. However, some clear risks could cool this market down and future developments will continue to be closely monitored. So as you head out to the golf course or beach this summer, use sunscreen and drink plenty of water so, like the markets and the economies, you don't get overheated.

As always, please contact our Team with any questions or comments.

For more information, please visit https://ca.rbcwealthmanagement.com/documents/10192/1189349/Global+Insights+July+English.pdf/956e965e-63d5-438f-a5b4-cf0ef8819488

Please visit us at our new website: http://ca.rbcwealthmanagement.com/richard.rand

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Tips for Building Financial Literacy among the Younger Generations

1. Identifying short- and long-term financial goals

What's important to recognize, however, is that defining your short- and long-term financial goals is a very beneficial starting point to map out concrete plans for reaching those goals. And regardless as to whether those goals are more immediate or farther into the future, clearly defining and recording them provides an important sense of direction for putting appropriate strategies in place

2. Creating a structured savings plan

One highly effective approach to consider for saving is determining a specific amount to set aside on a regular basis. This is something that can be achieved through a pre-authorized contribution plan where funds are automatically taken from a paycheque and deposited into an investment vehicle or savings account.

3. Building a spending plan and adhering to it

Spending plans are most effective when they are created in alignment with the identified short- and long-term goals and accurately reflect what amounts individuals are able to work with. In this sense, an appropriate spending plan functions as a helpful reminder of goals and objectives and assists in developing accountability and mindfulness in making financial decisions that you may not otherwise pay conscious attention to.

4. Understanding various forms of debt, as well as considerations for paying down debt versus investing

The main point to recognize, however, is that not all debt is created equal, so individuals need to know what types of debt they have, and then look at the interest rates on that debt in comparison with the rate of return on investments.

5. Developing a basic knowledge of investment options

This strategy closely ties back to the creation of a savings plan, as individuals need to be aware of the different types of plans and accounts that exist and the potential benefits of each, depending on one's circumstances and goals. In regards to registered accounts, two main options to examine are Tax-Free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs). Specifically, TFSAs offer flexibility and one of the key features is the tax-free growth. TFSAs can be opened by any individual with a social insurance number who is at least 18 years of age (19 in B.C.)

Individuals can contribute up to their contribution room, and carry forward any unused contribution room. An individual who was 18 years of age (19 in B.C.) as of 2009 and has never contributed to a TFSA would have contribution room of $52,000 as of 2017. This savings option often appeals to those for use with *short-term goals*, but it is also a worthwhile option for long-term goals. RRSPs are less flexible but offer a main advantage of tax deductibility, as individuals regain some of the funds in the form of a tax refund.

6. Prioritizing overall financial literacy

When it comes to financial planning, there is great value in building and improving overall knowledge about financial topics, as research indicates there is a direct connection between high levels of financial literacy and confidence in financial decision making.

Wealth Transfer Checklist for Individuals and Families

This checklist provides key tips and aspects that span both the technical and softer sides of planning, including practical information for both the giving and receiving generations.

- ✓ Using a comprehensive financial plan as a starting point
- ✓ Developing and maintain an up-to-date Will, and recognizing that estate planning is not static
- ✓ Understanding that a range of strategies and options exist to meet varying situations and needs
- ✓ Appropriately weighing personal preference with potential tax strategies
- ✓ Discussing and defining family values
- ✓ Promoting open dialogue and ongoing communication
- ✓ Finding the right balance with information sharing
- ✓ Separating the concepts of fair and equal, and recognizing various methods of equalization
- ✓ Using financial literacy education as a supplement/ support
- ✓ Considering the value of philanthropic giving

RBC Wealth Management's **myGPS™** offers a new, integrated approach for individuals to identify, plan, track and help realize their wealth goals. **myGPS™** is a tool that helps to define and report on potential options to help meet wealth needs and objectives, and may act as an effective supplement to comprehensive planning.
Please do not hesitate to contact us for further details about this new financial planning tool!!

Blazing the trail to your retirement dreams

Different retirement lifestyles

Healthier lifestyles and medical advances are leading to longer life expectancies. All these factors indicate that people will be looking to enjoy higher standards of retirement as well. Achieving this involves careful planning so that your savings are able to provide adequate income for you to enjoy the rest of your life on your terms.

Times have changed – and so has the retirement age

Many individuals have found fulfilling careers they want to continue developing past the age of 65. Some are even planning on starting a second career after "retirement."

Retiring later may mean you may be able to wait longer before transitioning to strategies that protect your nest egg. On the other hand, if your dream is pursuing a new passion or to start a small business after you "retire," you may need to save additional funds in order to avoid financial stress.

To longevity and good health

Living longer ultimately means very little without your health. With longer life expectancies and medical advances that allow people to recover from serious illnesses, you also need to think about building health-care costs into your retirement savings plan. By planning for these expenses, such as in-home care and specialized treatments, ahead of time by purchasing critical illness, disability and long-term care insurance, you and your family will be able to focus on your health, and not the impact recovery has on your savings.

Charitable giving

For a lot of boomers, writing a cheque to save taxes just isn't enough. Many have special causes that they are passionate about. If charitable giving through time or funds is in your retirement plans, you and your advisor can evaluate how you can balance both your retirement lifestyle and charitable giving at the same time. With sophisticated tax strategies, you may even be able to make more significant contributions to your cause.

Creating a new family tradition

Through efficient tax and estate plan strategies, you are able to fulfill your own retirement objectives while making sure they can still leave a legacy to care for their families.

You've seen it before

While you've been saving for your retirement, you've experienced the ups and downs of the markets and seen generous and all-time low interest rates. After you stop working, the markets and interest rates will continue to change. With the many different demands on your retirement income, planning ahead and planning with smart strategies is important in order for you to achieve your objectives and still be prepared for economic swings.

Elder Care

How to recognize and prevent financial elder abuse

Financial abuse can take many forms, from the seemingly innocent, like a child charging their groceries to their parent's credit card, to the more deliberate, such as a new boyfriend trying to get included in a will. The challenge with elder abuse – and a reason why Statistics Canada says that 96% of abuse experienced by older adults goes hidden or undetected – is that it's often difficult to ascertain.

Spot the red flags: new "friends" or changes in spending patterns

It's not always easy to see financial abuse of an elder as it's happening. More often, cases are discovered after large portions of one's savings have gone missing.

Protect your loved one by establishing financial power of attorney

The best way to prevent elder abuse is to put plans in place early on. Begin by appointing the proper financial power of attorney, or POA, which is distinct from a health-related POA

Educate yourself and your loved ones about all the options

Last but not least, education is key. "Boomers and seniors who are either approaching retirement or living in retirement must understand their financial goals, their sources of income, how to manage their current finances, and what to be aware of when it comes to potential financial abuse," says David Agnew, CEO of RBC Wealth Management Canada.

Financial abuse of elders isn't going to go away any time soon, but people can better protect themselves and their loved ones by being vigilant and well-informed – and recognizing that it's not uncommon for something – or someone – to go awry.

Please visit us at our new website: http://ca.rbcwealthmanagement.com/richard.rand

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Money-weighted Return VS Time-weighted Return

While there are a number of ways to calculate an investment rate of return, the time-weighted rate of return calculation is the more common method used in the investment industry, over the money-weighted calculation method.
Both are valid and acceptable calculation methods, but each has different uses and can be appropriate in different circumstances. The key differences and primary uses of each are outlined below.

	TWRR	MWRR
Cash flows	Are not factored into returns	Timing and size of cash flows influence returns
What is measured?	Performance of the market value of an investment over a specific time period	The performance of the investment and the impact of client cash flow decisions
Used to gauge	Investment manager's decision making and performance	Client's individual performance

For more information about the differences between time-weighted and money-weighted rate of return, please visit our website at *http://ca.rbcwealthmanagement.com/richard.rand/money-weighted-rate-of-return*.

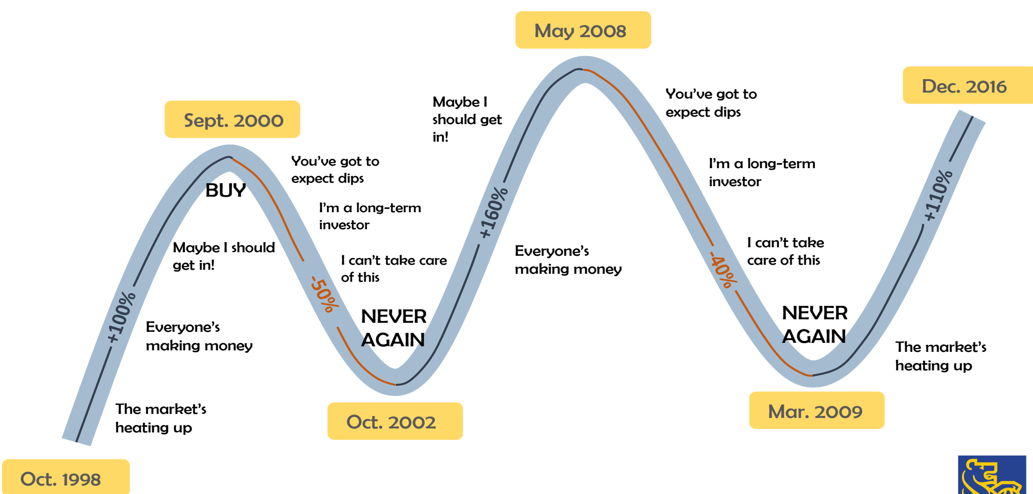
Richard's Corner

Community Events Coming Up

- Summer Farmer's market (Ladner Village Market/ Kitsilano/ Granville Island…)
  Find one in your neighborhood! *http://eatlocal.org*
- Back to School
  Here are some tips to make the back-to-school transition safe, enjoyable and successful:
  http://www2.gov.bc.ca/gov/content/education-training/k-12/support/back-to-school-tips
- Fall Fairs in September
  http://www.bcfairs.ca
- Richmond Hospital Foundation/ New Acute Care Tower Capital Campaign

CNN, BNN, Global News…

Don't get caught on an emotional rollercoaster… Staying focused on the long term will make for a smoother ride.



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