

Portfolio Advisor



Wealth Management
Dominion Securities



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Market commentary

Equities extended gains, as global economic data surprised on the upside. More recently, the main concerns for the market seem to have faded, with the mood music on the U.S.-China trade war improving, the price of oil retreating, and the possibility of an imminent no-deal Brexit receding. These are welcome developments, but we are mindful that this progress could reverse abruptly, while the implications of the impeachment process in the U.S. may cause volatility to return.



We would continue to focus on the two key points that matter most: the global economy and corporate earnings. Economic growth remains sufficient in most regions to enable companies to grow profits and for stocks to move forward, in our view. We maintain our Market Weight stance in global equities, though we would nevertheless start to prepare portfolios at the margin for when times may be more challenging.

Fixed income

The Fed's 25 basis point (bps) rate cut in September should be followed by one more in 2019, market expectations indicate a 72 percent chance of a rate cut at the December meeting of the Federal Open Market Committee. Despite some improvement in U.S. economic data, trade and global growth concerns will continue to drive Fed and

other global central bank policy actions. The market volatility, which produced an approximate 70 bps roundtrip swing in 10-year Treasury yields last month, will likely continue, but we see lower yields and flat/inverted curves in the months ahead.

We maintain our Market Weight recommendation for global fixed income. Even though we've seen a slight improvement in risk sentiment, late-cycle economic concerns remain, and investors are best served by a continued focus on quality, in our opinion. And with the likelihood of rates drifting even lower in the future, reinvestment risk remains a concern.

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

RBC Wealth Management
Global Portfolio Advisory Group

Second-half comeback: It's never too late to achieve your retirement goals



We've all seen or heard of that football classic "comeback game": the team down by a seemingly insurmountable score with only one or two quarters left in the game. Yet, despite the odds stacked against them, little by little, one field goal and touchdown at a time, leveraging an intelligent strategy, strong play execution, adherence to fundamentals, unwavering discipline and calm-headed coaching, they gradually chip away at the deficit to bring home the victory in the dying seconds of the game.

Many Canadians facing a looming retirement date find themselves in need of their own comeback to achieve their retirement goals. A survey of pre-retiree Canadians over 50 showed that 22% have nothing saved for retirement, while 40% worry they will not have enough to maintain their lifestyle in retirement.* Even wealthier Canadians worry they may not have enough to achieve their desired retirement lifestyle.**

For those who are in "the second half of the game" and haven't started saving – or are not saving enough – towards their retirement goal, even attempting to achieve that goal might seem like an insurmountable and futile effort.

Start your comeback today

But it is never too late to start investing, even if you only have 15 – or even 10 – years until your targeted retirement date or age.

Here are five key steps to take to get across your retirement "goal line":

1. Have a financial plan

A goal without a plan is a dream, so it's critical to map out where you are today and where you need to get to. Once you've done that, you know realistically where you stand and what income you really need in retirement (versus what you might think you want). Then you can start building on the savings you need to achieve your goals.

2. Execute your plan

Many people have well-structured financial and investment plans, but fail to act on them. Follow through on your plans – whether that requires reducing spending, finding ways to enhance income, eliminating debt, or investing more regularly.

3. Stick to the fundamentals

Great comebacks are based on making the most of proven strengths, such as a

well-diversified portfolio with quality assets that are purchased steadily and consistently over time.

4. Stay disciplined

When the clock is running down and desperation sets in, it's tempting to send a "Hail Mary" pass into the end zone. But with the right plan you don't need to "go for broke" with some high-risk strategy. Being disciplined – and patient – is critical to success.

5. Listen to your financial "coach"

Like a good coach, your advisor is focused on helping you achieve your financial goals. They can help establish your financial and investment plans, revising and refreshing them as required, and keep you focused on coming back to win your retirement game.

[Please contact us to learn more.](#)

*Ontario Securities Commission, Retirement Readiness: Canadians 50+ (September 2016).

**New Wealth Rising survey conducted by The Economist Intelligence Unit, commissioned by RBC Wealth Management (September 2019).

Crazy Canucks

Canadians love their homegrown companies, from Tim Hortons to Canadian Tire to Roots, among many others. And Canadian companies can make smart investments, too, when those kinds of investments are appropriate for your portfolio. But many of us don't realize the extent to which we are already invested in domestic assets. This can mean that investors are losing out on the benefits and opportunities that global diversification can provide.

There's no place like home

The average Canadian has more than 90% of their wealth tied to Canada, as follows:

Real estate	46.1%
Domestic funds, stocks, and bonds	13.7%
Pensions, insurance, CPP/QPP	16.2%
Cash and GICs	10.3%
Private mortgages and businesses	5.7%

(Source: Investor Economics' Household Balance Sheet Report 2018. Data as of Dec. 31, 2017.)

Within that context, it's not hard to see how much opportunity there is to diversify our wealth across the world. And what a great big world it is, with Canada's share of global GDP amounting to only 1.4%.

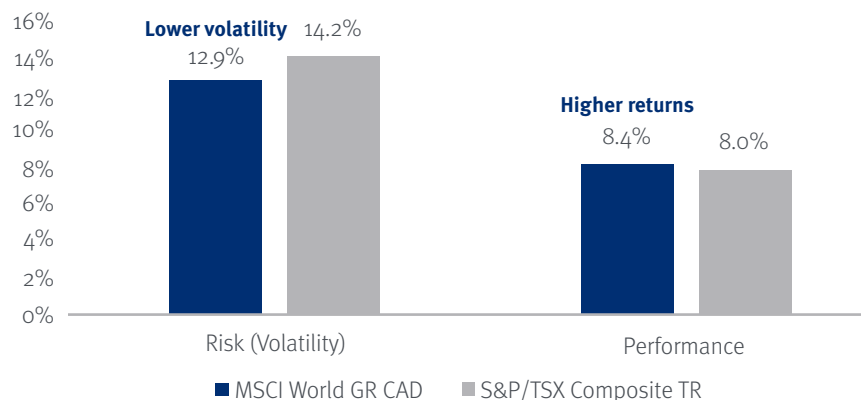
Polar portfolio vortex

When we consider our investment portfolios, many Canadians are concentrated in domestic holdings: most industry figures put the Canadian content of the average portfolio at approximately 60%*. And that may be appropriate, given their objectives. But on just the equity side of the equation, Canada accounts for less than 3% of total global market capitalization**, meaning domestic investors who are crazy about Canuck equities are missing out on more than 97% of available equity investment opportunities, including many industry-leading companies.

As well, Canada's benchmark S&P/TSX Composite Index is heavily weighted in just three sectors, with Financials (32%), Energy (16%) and Materials (11%)

Why invest globally? Lower volatility and higher return potential

Global equities including Canada vs. Canadian equities only



Source: RBC GAM, Morningstar, as of April 1, 1986 to April 30, 2019. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower.

accounting for approximately 60% of the entire index. This greatly reduces sector diversification opportunities relative to indexes like the U.S.-based S&P 500 Index, which provides far greater diversification opportunities in such innovative and high-growth areas as Health Care, Consumer Discetionary and Technology.

Only invested in Canada, eh? Pity!

Beyond missing out on a wealth of opportunities for investment beyond our borders, why does it matter if Canadians stick so close to home with their portfolios? Because geographic diversification has been shown to enhance returns while actually reducing risk (see chart). So, when one region is underperforming, another could be overperforming, and this has been shown to smooth out returns over time. And, as the chart above shows, this diversification helps investors achieve more stable returns over time, while reducing the volatility of their portfolios.

The world at your finger tips

Fortunately, Canadian investors today have no restrictions on foreign investment ownership in their accounts, like they once did in their RRSPs. As well, the ease at which an investor can achieve foreign exposure to equities, fixed income or even a globally diversified portfolio is easier – and more cost-effective – than ever. And, again, it may be appropriate, given an investor's risk tolerance and investment preferences, to have their portfolio Canadian focused. But, given the vast scope of investments available around the world, and the potential to enhance returns while reducing risk, looking beyond Canada's borders for investment opportunities isn't so crazy after all.

[Please contact us to learn more.](#)

*Bloomberg, as of June 19, 2019. Percentage of world market capitalization of listed domestic companies.

**International Monetary Fund (IMF), as of December 2014.

Ghosting your avatar



Planning for our earthly passing is never easy. But the evolution of the digital world has added another complication: our virtual, online self or avatar, and the digital “assets” associated with it. These days, when we pass on, our digital presence remains behind and, when not managed properly, can potentially cause unnecessary emotional and financial issues for your family, heirs, Power of Attorney and executors.

Information transformation

In today’s world, more and more of our assets – from banking to investments to loyalty programs – have moved from a paper-based to a digital existence, transforming the way we receive, track, store and access our assets. Traditionally, with paper-based records, those who needed access were able to do so through your Will, your records cabinet, a solicitor or accountant, or (heaven forbid) the shoebox in the back of your closet!

It’s often hard enough to keep track of our digital assets when we are alive, especially when we consider the added dimension of social media sites, online accounts and digital subscriptions. And the value of some of our assets can end up being overlooked: who knew that your loyalty rewards points could amount to a substantial sum? (According to Bond Brand Loyalty, Canadians have over \$16 billion in unredeemed loyalty points!).

Ghost in the machine

Many of our most important digital assets are not necessarily financial. Instead, they consist of our online photos, videos, emails and documents that exist in our digital world and in various formats and sites, including “the cloud,” storage drives and sticks, and discs. These assets can be vitally important to family, friends and beneficiaries, providing them with a lasting link between you and them or representing valuable intellectual property.

As well, consider the various accounts and social media avatars that so many of us possess. Making sure these are shut down in a timely manner – or managed by Power of Attorney on your behalf – can avoid unfortunate confusion. Stating how you want these assets managed in your Power of Attorney and Will ensures your intentions are understood and honoured.

“Does anyone have a pen?”

The most straight-forward solution to the problem of finding and accessing your digital assets may seem quaint and retro in the Digital Age: write down the information and store it somewhere safe. And, ensuring that your accounts and passwords are written down somewhere that your Power of Attorney or executor can locate them is essential. But keep in mind that you need to let the right people know where to find this information, while also ensuring that it is easily understood, accurate and up-to-date.

As well, your Will should address your online assets, and how to access to them, which can alleviate many of the issues that are increasingly plaguing estate administrators and beneficiaries. Many sites have complicated and restrictive non-account-owner access rules, and that needs to be addressed to avoid complications when you are gone, or incapacitated.

Please contact a qualified legal professional to learn more.



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