Spring 2017

Financial focus

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Now that the days are getting longer, you may be starting to plan Spring cleaning for your home and yard. Like your home, your portfolio, too, needs regular maintenance and can benefit from a top-to-bottom review and refresh.

What does that involve? It means taking stock of your current holdings to make sure they continue to align with your goals and reflect your tolerance for risk. It also means checking that you're making the most of current market opportunities. Call us today to set up an appointment.

Investing: The gender divide

Hillary Clinton may have lost the race for the White House, but some research suggests that men can learn from women when it comes to investing. With women now the primary breadwinners in one-third of Canadian households,[1] their investing skills may provide all investors with some important lessons in doing more with their family's savings.

ADVANTAGE: WOMEN

Women are less likely to take on added risk in their portfolios, and they trade less than men. They are also more likely to stay the course during market swings, they make diversification a priority, and they are more willing to listen to advice.[2] Indeed, these likely were some of the reasons why women's investments slightly outperformed men's over a six-year period in a study by Berkeley researchers.[3]

ADVANTAGE: MEN

However, there's much that women can learn from men, too. Men typically are confident in their investing skills, more engaged with their portfolios, and score higher in tests measuring financial knowledge.[4]

And empirical evidence suggests a link between financial knowledge and positive financial outcomes: those with more financial know-how tend to engage more in retirement planning and accumulate more wealth over time.

NEXT STEP: Whether you are male or female, an experienced investor or just starting out, we can help you make the most of your innate investing capabilities and build on them over time.

1. Kevin Milligan, "Canada's female breadwinners are growing in number, but not by age group," *Canadian Business*, June 2013 Estimates.
2. Betterment Editors, "Data suggests women are better (behaved) investors," March 2015.
3. Brad Barber, Terrance Odean, "Boys will be boys: Gender, overconfidence, and common stock investment," *The Quarterly Journal of Economics*, February 2001.
4. Statistics Canada *Insights on Canadian Society*, "Gender differences in the financial knowledge of Canadians," March 2016.

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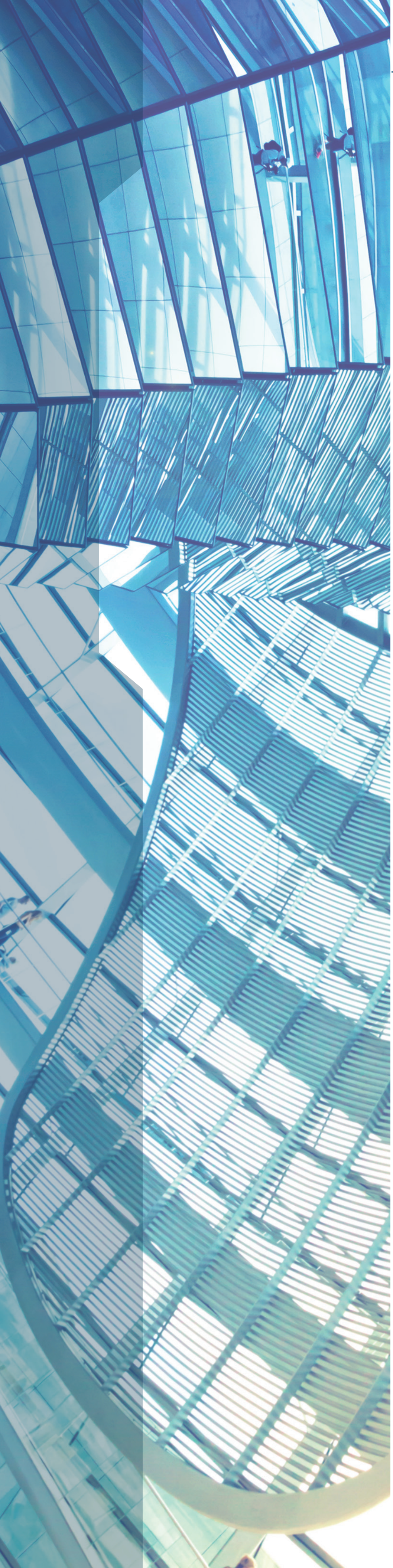

U.S. economy may get lift from stimulus measures

Even before President Trump won the hotly contested 2016 election, the U.S. economy was humming along. Domestic demand and consumption were improving, thanks to employment growth and low levels of debt, and the resilient private sector was a major contributor to growth. Government spending as a percentage of Gross Domestic Product was, however, at a 50-year low.

That is now likely to change. After winning the White House, the Senate and the House of Representatives, the Republican Party is now in a good position to advance its agenda. Infrastructure spending will be a major part of that, as will tax cuts. These factors should provide a lift to the already robust U.S. economy.

Though uncertainties remain about the Trump presidency, exposure to the U.S. market remains key for Canadian investors.

RAMPING UP SPENDING

After relying almost exclusively on monetary policy to stimulate growth in recent years, the U.S. is now turning to large-scale fiscal stimulus in the form of infrastructure spending. National Bank Financial Economics and Strategy Group believes that, together with the proposed tax cuts and reduced regulations, these factors should lift the U.S. economy in the second half of 2017 to 2018.

A larger fiscal deficit and potentially higher inflation — possibly intensified by protectionist measures — could prompt the U.S. Federal Reserve to speed up its rate hikes from 2017 to 2019. The U.S. yield curve could not only move up, but also steepen — which would put pressure on the bond market.

For the U.S. stock market, however, faster economic growth could lead to faster earnings growth and higher stock prices.

POTENTIAL CHALLENGES

Although the outlook for the U.S. economy appears positive, the outlook for global economic growth depends in part on the extent to which the Trump administration embraces protectionism. Considering how integrated the world economy has become through global supply chains and trade, any move towards greater protectionism could hamper global growth. Export-oriented economies such as those of emerging countries are most at risk.

With the U.S. taking more than 75% of Canada's exported goods, a push by President Trump to renegotiate NAFTA could also affect Canadian growth.

OPPORTUNITIES SOUTH OF THE BORDER

For Canadian investors, participating in the U.S. stock market brings a number of benefits — starting with reduced risk. With about two-thirds of the Canadian market devoted to the financial and resource sectors, our market lacks the diversification of the United States.

Also, by sticking too close to home, Canadian investors may miss out on opportunities in sectors better represented south of the border — such as information technology, health care, and consumer products.

NEXT STEP: Events on the world political stage often have an impact on global economies and markets. We'd be happy to review your portfolio in light of the current environment. Please give us a call today if you'd like to set up a meeting.

How professional advice pays off

An independent 2016 survey carried out on behalf of the Investment Funds Institute of Canada[1] has found that Canadian investors truly value the guidance they receive from their advisors. In fact, a remarkable **97%** of those surveyed said that they are **completely satisfied** with the advice they receive from their financial advisor, rating it 10 out of 10. Below are some other highlights from the survey.

Sound advice
95% trust their advisor to deliver sound advice

Better habits
82% credit their advisor for improving their saving and investment habits

Better returns
88% of investors believe they get better returns as a result of the advice they receive

Retirement security
50% say retirement is the main reason they invest; 14% plan to augment their retirement income with their personal savings

1. The Investment Funds Institute of Canada, *Canadian mutual fund investors' perceptions of mutual funds and the mutual fund industry*, September, 2016.

Rates up or rates down, fixed income belongs

Interest rates remain at historical lows. This was meant to be a temporary measure to stimulate the economy after the financial crisis of 2008. And the consensus has been that rates will have to rise at some point — first in the United States, where the economy is performing better than in Canada.

On the other side of the interest-rate question, some are now saying that low rates are the new normal, that they may be with us for years. For investors, this presents both challenges and opportunities.

The challenge: When interest rates rise, bond prices fall.

The opportunity: Higher interest rates mean investors will be able to earn better yields on their fixed-income holdings. Savers would also benefit from earning more on their money.

Whatever the future holds for interest rates, there are two important takeaways for investors:

1. **Fixed-income assets play an essential role** in a diversified portfolio. They provide stability to a portfolio — especially important during volatile markets — along with regular income.

2. **Growth assets, such as equities, can help investors get the returns they need** to achieve their goals in a low-rate environment.

NEXT STEP: We monitor interest rates, market fluctuations, and more to help ensure you have the appropriate mix of equity and fixed income to reach your goals.

Tax Planning

Tax refund? Pay it forward

Many people look forward to spring not only because of longer days and warmer weather, but also because that's when their tax refund arrives. If you're expecting a windfall, here are three ways to make the most of it.

1. PAY DOWN HIGH-INTEREST DEBT

If you were in a store and saw a $1,500 television marked down to $900, you'd think it was Boxing Day. Paying off your debts is like Black Friday for your finances.

At a marginal tax rate of 50%, you have to earn $2 to pay off every $1 of debt. Factor in interest charges, and paying down high-interest debt (credit cards and consumer loans) can be a very valuable use of your money.

2. PAY BACK A HOME BUYERS' PLAN (HBP) LOAN

If you withdrew money from your Registered Retirement Savings Plan (RRSP) under the RSP HBP in 2015 or prior, in 2017 you have to repay at least 1/15th of the amount borrowed. If you don't, the repayment amount will be added to your taxable income.

3. CONTRIBUTE TO YOUR RRSP

If you have sufficient contribution room available, consider ploughing your refund into your RRSP. At a marginal tax rate of 50%, a $2,500 RRSP contribution represents a tax benefit of about $1,250.

NEXT STEP: If you're expecting a tax refund, be sure to come in and see us. We can review your options and help you put it to the best use possible, based on your specific circumstances.

Investment Planning

How you can take advantage of market volatility

Sick and tired of hearing all the bad news related to market volatility? Well, here's some good news: When financial markets are turbulent, they present a golden opportunity to buy investments at lower prices.

An easy, effective way to do that is through dollar-cost averaging. This strategy involves investing a fixed amount at regular intervals, no matter how markets are performing. When markets dip and investment prices fall, the amount you regularly invest buys more shares. Over time, this can reduce your average cost per share and, in a rising market, increase returns when you sell.

DOLLAR-COST AVERAGING AT WORK

Here's an example to show how it works. Suppose you decide to invest $1,000 a month in company XYZ. Over a six-month period, the share price of XYZ fluctuates between $20 and $25, with the following results[1]:

- Month 1: $22. Shares purchased: 45
- Month 2: $20. Shares purchased: 50
- Month 3: $22. Shares purchased: 45
- Month 4: $21. Shares purchased: 47
- Month 5: $23. Shares purchased: 43
- Month 6: $25. Shares purchased: 40

Total shares purchased: **270**
Average price per share: **$22.22**
Accrued capital gain: **$750.60**

INVEST AUTOMATICALLY

Setting up a dollar-cost averaging program is fast and easy. Money can be transferred automatically from your bank account or other sources and used to purchase the stock(s) you want. Choose the frequency — monthly, quarterly, or semi-annually — that works best with your cash flow.

When you buy stocks that offer a dividend reinvestment plan (DRIP), you can also choose to have any dividends you earn reinvested in additional shares, augmenting your strategy further.

Automatic investments can be set up for any type of account including Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs), as well as non-registered accounts.

PSYCHOLOGICAL BENEFIT

There's one more important advantage to regular investing: it helps reduce the temptation to "time the market." When you invest regularly, you don't need to worry about trying to buy low and sell high.

Attempting to pick the best times to purchase and redeem investments is fraught with difficulty. Even professional investors rarely do it well.

NEXT STEP: Talk to us about how dollar-cost averaging can work for you. We'd be happy to help you select appropriate investments and work out a schedule that's convenient for you.

1. Example provided for illustration purposes only; excludes commissions, fees, taxes.

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