Winter 2017

Financial focus

R HUNTER WEALTH MANAGEMENT GROUP

U.S. markets bounce back from Brexit

Investors took some deep breaths after the United Kingdom voted to leave the European Union last year. As expected, the markets fell dramatically in the days after Brexit. But then, in just three short weeks, major world stock markets not only recovered all of their losses — they surged higher.

STRONG U.S. JOBS NUMBERS

In the U.S., both the S&P 500 and the Dow Jones Industrial Index rose to new all-time highs after Brexit thanks to a strong jobs report — and the employment gains continued well into the summer. In Japan, the Pokémon Go phenomenon propelled Japanese markets.

Brexit was a market-moving event, but so were the robust U.S. employment numbers and the Pokémon Go craze. Any investors who reacted hastily to the negative news and exited the markets would have missed out on the post-Brexit gains.

FOCUS ON THE LONG TERM

Brexit proves once again that perspective and a longer-term view are the key ingredients to investment success.

Trying to time the markets is a risky proposition. If you wait for the best time to reinvest, chances are you'll wind up sitting on the sidelines while the markets climb.

Remember, the investments in your portfolio were selected not only to help you reach your long-term goals but also to help you weather unexpected market events with confidence.

NEXT STEP: If any market event ever has you feeling uneasy, don't hesitate to contact us. Together, we can review your portfolio to ensure it's still meeting your needs.

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Uncertain markets call for a disciplined approach

Although the global economy continues to struggle, the financial markets appear to be shrugging off some of the challenges caused by sluggish growth. Last summer, it was the Brexit vote that crystallized some of the concerns. As expected, the markets fell dramatically immediately after the United Kingdom voted to leave the European Union. But then, just a short time later, stocks surged and U.S. markets reached new highs.

Although Brexit fears have receded, National Bank Financial Economics and Strategy Group believes uncertainty remains in light of weak global growth. Stock markets, after all, are driven by corporate profits, which are in turn driven by economic growth.

Ongoing rebalancing efforts in China, a new U.S. president, and potential interest rate hikes south of the border are other risk factors facing the markets.

The good news is there are some time-tested strategies to help you navigate uncertain markets and reach your investment goals. Here are some things to keep in mind as you consider your Registered Retirement Savings Plan (RRSP) contributions.

STAY DIVERSIFIED

The diversification message is especially important for Canadian investors, as our market is heavily concentrated in the resource and financial sectors. Over the past few years, Canadian equities have been hit by falling resource prices, which has led to underperformance relative to U.S. equity markets.

What's more, by sticking too close to home you may miss out on opportunities that are better represented in the U.S. and Europe — such as information technology (IT), health care, and consumer products. The IT sector is particularly interesting in a climate of weak growth, as companies look for a competitive edge.

BE COMFORTABLE WITH YOUR INVESTMENTS

If volatility and negative market news make you uncomfortable, it might be a good time to review your risk tolerance and consider a more conservative investment stance. Bear in mind, however, that if you have a longer-term investment horizon, you'll still need a growth component in your portfolio to achieve your goals. By setting realistic expectations, it will be easier to stay the course and not make rash investment decisions.

INVEST IN QUALITY

Investing in high-quality businesses with a history of generating profits is a sound strategy in any market climate. These companies tend to be mainstays in the economy and often increase their dividend payouts over time. While market volatility can affect all stocks, high-quality stocks tend to weather the storm better than riskier names.

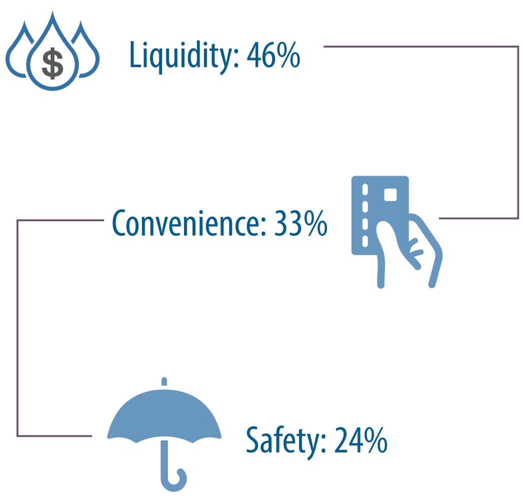
In Canada, National Bank Financial Economics and Strategy Group continues to favour the financials sector, as both valuations and dividend yields remain attractive.

NEXT STEP: We can help you review your investing strategy in light of your investment objectives, risk tolerance, and time horizon. Please give us a call today to set up a meeting.

What's under your mattress?

A recent BlackRock Global Investor Pulse survey[1] found that Canadians are holding a whopping 60% of their portfolios in cash-type investments. Here are the top three reasons why:

TOP 3 REASONS INVESTORS HOLD CASH



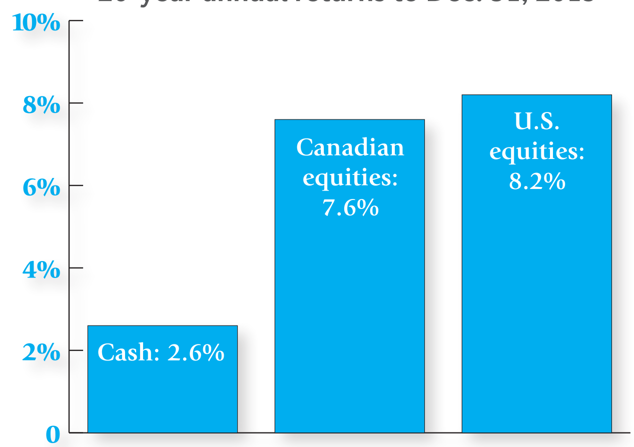
NEXT STEP: We can help you decide on the best way to put your cash to work, so that you are getting the returns you need to meet your goals without taking on more risk than you're comfortable with.

WHAT'S WRONG WITH THIS PICTURE?

Just like keeping money under your mattress, focusing too much on cash-type investments can limit your opportunity for investment growth and seriously impair your ability to reach long-term savings goals, such as retirement.

Just look at the comparative returns over the past 20 years:

20-year annual returns to Dec. 31, 2015[2]



1. BlackRock Global Investor Pulse: Stuck in Cash.
2. Taxtips.ca, "Historical Returns on Stocks, Bonds, T-Bills." Pre-tax returns as of Dec. 31, 2015 in Canadian dollars.

Contemplating self-employment? Start by reviewing your financial plan

Whether it's the ongoing popularity of shows like *Dragon's Den* and *Shark Tank* or a desire to pursue a passion, Canadians are setting out on their own in record numbers — some 2.8 million of us were self-employed in 2015, according to Statistics Canada.[1]

This figure has been rising steadily over the past decade, and there's every indication that it will continue to rise. That's because Canadians between the ages of 55 and 64 are almost twice as likely as their 25- to 44-year-old counterparts to be unincorporated, self-employed workers.[2]

If you're considering self-employment, let's get together soon to talk about:

- Revising your budget to reflect your new situation.
- The best way to access cash if you need capital to get started.
- The potential tax benefits of being self-employed.
- How to stay on track to your retirement goals if you'll no longer belong to a company pension plan.
- Whether you need to replace any employer group benefits you'll be giving up.
- Whether we need to adjust the asset allocation in your portfolio in light of your new circumstances.

NEXT STEP: Whatever path you decide to take, we're here to support you.

1. Statistics Canada Table 282-0012 Labour Force Survey Estimates.
2. Statistics Canada: Unincorporated self-employment in Canada, 1989 to 2010.

Investing

The *real* cost of missing the RRSP deadline

March 1, 2017, is the last day to make a contribution to your Registered Retirement Savings Plan (RRSP) that can be deducted on your 2016 tax return.

If you're thinking of skipping your contribution, you might want to think again.

OPPORTUNITY COST

If you are 55 years old and skip a single $5,000 contribution, by age 65 you will have $8,954 less in your RRSP (assuming an average annual return of 6%). If you skip a $10,000 contribution, the cost rises to $17,908.

The younger you are, the higher the cost. Using the same assumptions as above, skipping a $5,000 contribution at age 45 will cost you $16,036 by retirement. Skipping a $10,000 contribution will cost you $32,071.

Missing a contribution at age 35 has an even greater impact on your retirement funding. Skipping a single $5,000 contribution will cost you $28,717. And foregoing a $10,000 contribution? That will cost you $57,435.

TAX COST

Opportunity cost is only part of the story. Not contributing also means not being able to claim a tax deduction that could reduce your tax bill or maybe even result in a refund. And the higher your earnings, the more valuable that deduction becomes.

NEXT STEP: Contact us — before the deadline — so we can review your options and help make the most of your RRSP.

Investment Planning

Make investment decisions as a couple

What's the sweet spot for a successful long-term relationship? Many couples might say communication, openness, honesty, or doing things together. Those are all items that can be applied to your investment plan, too — with equal success.

Whether you choose to pool your assets with your spouse, coordinate approaches, or simply keep one another informed about major moves, there are benefits to looking at your portfolios together rather than in isolation.

COMMUNICATION RULES

The first step is starting the conversation with your partner. What are your financial priorities? When do you want to retire? Where do you want to retire? In Florida? Or in Bali?

Getting on the same page regarding your goals as a couple can make it easier for us to map out an effective long-term investment strategy to reach them.

A COMPLEMENTARY APPROACH

Investing as a couple doesn't mean you have to have identical portfolios or even the same investing profile. For most couples, that wouldn't be realistic. So, just as you and your partner may have different hobbies, passions, opinions, and beliefs, you may also have different approaches to investing. In this situation, we can design your portfolios to complement rather than conflict with one another.

For example, you may want to focus on growth while your partner places a priority on capital preservation. That gives us an opportunity to create portfolios with which you are comfortable as individuals and to provide you, as a couple, with an appropriate balance of both growth potential and security.

DIVERSIFICATION TIMES TWO

Diversification is a major investment priority. By evaluating your portfolio in conjunction with that of your spouse, we can often identify gaps, redundancies, and rebalancing opportunities.

For example, if you are both fully invested in equities, you may, as a couple, be exposed to excessive risk. On the other hand, if you both hold only fixed-income securities or cash, you may be missing out on market growth opportunities.

INVEST TAX-EFFICIENTLY

One of the financial benefits of having a partner is being able to take advantage of income-splitting opportunities. By shifting taxable income into the hands of the lower-earning spouse, that income will generally be taxed at a lower rate.

One effective way to split income is to use the lower-income spouse's earnings for investing, while the higher-earning spouse pays all the household bills. That way, any investment income generated will be taxed in the hands of the lower-income spouse.

Spousal Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs) can also offer effective ways to split income. Every situation is unique, which is why we're here to provide professional advice.

NEXT STEP: Get started in adopting a common investment approach by bringing your partner along the next time we review your portfolio.

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