Spring 2018

Financial focus

R HUNTER | WEALTH MANAGEMENT GROUP

National Bank Financial
Suite 700-737 Yates Street
Telephone: (250) 953-8415
Toll-Free: 1-800-799-1175
Fax: (250) 953-8470
www.rhunterwealth.ca

Rob Hunter
Senior Investment Advisor
Vice President
Phone: 250-953-8415
rob.hunter@nbc.ca

Leslie Vieites
Investment Advisor
Phone: 250-953-8447
leslie.vieites@nbc.ca

Maureen Peters
Investment Associate
Phone: 250-953-8415
maureen.peters@nbc.ca

Stephanie Hunter
Associate
Phone: 250-953-8442
stephanie.hunter@nbc.ca

Less debt means more money to invest

While debt is a useful tool in helping you reach your financial goals, the more you're paying out in interest, the less you have available to invest. That's an important point to keep in mind, given that Canadians on average owe $1.68 for every $1 they earn.[1] And rising interest rates will only increase the cost of carrying that debt.

With the foregoing in mind, here are three debt-reduction strategies for your consideration.

1. TACKLE HIGHEST-RATE DEBT FIRST

It's not uncommon to be paying down multiple debts at a time. While you need to maintain minimum payments to avoid charges and late fees, you can take a strategic approach by focusing extra payments on the debt that has the highest interest rate. Paying off a $5,000 balance on a retail store card at 19.99%, for example, will save you almost $1,000 a year.

2. CONSOLIDATE TO LOWER RATES

An alternative approach when you're carrying multiple balances is to consolidate. For example, take out a secured line of credit to pay off all your outstanding personal loans and credit card debt. You'll be left with one monthly payment at a much lower rate.

3. MAKE REPAYMENTS AUTOMATIC

Automating debt payments integrates them into your budget and ensures that you make steady progress towards reducing your overall debt.

NEXT STEP: We can work with you to set up a debt-reduction plan that lets you live for today while saving for tomorrow.

1. Statistics Canada, *The Daily*, National balance sheet and financial flow accounts, second quarter 2017.

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Making money, making a difference

When it comes to investing, most of us want to generate positive returns while avoiding unnecessary risk. But there's another objective that's gaining momentum — investing to create a better future.

Socially responsible investing (SRI) is the process of integrating environmental, social, and governance considerations — such as climate change, human rights, diversity, labour relations, consumer protection, and health and safety — into the selection of an investment or the building of a portfolio.

It's a fast-growing approach in Canada, with more than one-third of all assets under management incorporating a responsible investment strategy.[1]

The good news is that it's possible to invest in a responsible way and generate solid returns. The Jantzi Social Index — a socially screened index that includes 50 Canadian companies that pass a broad set of environmental, social, and governance criteria — outperformed the S&P/TSX Composite in 2017 and has done so over the past five- and 10-year periods.

SCREENING FOR SRI

Social responsibility can encompass a wide range of economic, environmental, social, and governance factors, and both negative and positive practices may factor into SRI screening. Here are some examples.

- Human rights performance
- Commitment to reducing greenhouse gas emissions
- Excellence in employee and community relations
- Commitment to diversity in the workplace
- Transparent corporate culture

Negative screening typically excludes companies in the businesses of weapons manufacturing, alcohol and tobacco production, pornography, and gambling.

Positive screens look for proactive shareholder advocacy, which aims to bring about positive corporate change, and investing in companies that foster sustainability.

CORPORATE BENEFITS

Increasingly, the marketplace is rewarding companies that embrace socially responsible principles. It's seen as a smart, long-term corporate philosophy, a way to minimize risk, improve returns over time, and fulfill a fiduciary duty to shareholders.

Indeed, a socially responsible approach has become a viable way for Canadian investors to achieve their investment goals and minimize risk, while knowing that their money is being managed to meet corporate and environmental standards.

NEXT STEP: We can review your portfolio and gauge its alignment with your goals regarding social responsibility as well as your investment objectives and tolerance for risk. Please give us a call today.

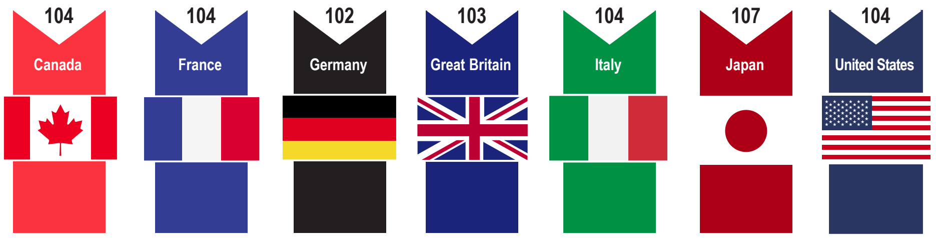
1. Responsible Investment Association, 2016 Canadian Responsible Investment Trends Report.

We'll live to 100 – but can we afford it?

A white paper released recently by the World Economic Forum[1] predicts that half of the world's population born in 1987 will live to age 97. Life expectancy rises to 100 for those born in 1997 and to 103 for children born in 2007.

With 100 becoming the new 85, retirement planning is taking on a whole new meaning. It's more important than ever to have a retirement plan designed to provide the income you'll need for as long as you'll need it.

Oldest age at which 50% of babies born in 2007 are predicted to be alive[1]



1. World Economic Forum White Paper, "We'll Live to 100 – How Can We Afford It?" May 26, 2017.

Bitcoin bubble?

Wild price swings in Bitcoin late in 2017 — which saw the crypto-currency skyrocket to almost $15,000 for each currency unit before losing 20% of its value in a single day — call to mind other investing bubbles.

From tulip mania in 17th century Holland, to the silver surge in the 1970s, to the dot-com bubble and subsequent crash at the start of this century, there is no shortage of surefire investment stories ready to grab the headlines — and investors' wallets.

Though these stories may be interesting to follow, when it comes to their portfolios, investors would be wise to tune out the noise. Ultimately, the most effective way to build wealth over time is also the least volatile: a diversified portfolio structured to provide the returns you need with the least possible amount of risk.

Retirement Planning

How are Canadians faring?

With Canadians living longer, how are we doing when it comes to earnings power and retirement savings rates? The results are sobering.

The 2016 Canadian Census showed that median household income grew 10.8% between 2005 and 2015 — from $63,457 in 2005 to $70,336 in 2015.[2] On the face of it, this looks impressive, but it works out to annual growth of about 1% a year.

What's more, a recent survey[3] of more than 22,000 investors from 30 countries found that most are not saving enough for retirement. Sixty per cent of Canadians surveyed regret not saving more for their retirement, and 13% say they don't expect ever to fully retire.

These figures underline the need to include equity-based investments in your portfolio. Equities and equity funds provide the potential growth to stay ahead of inflation and accumulate the capital you need to fund your retirement.

NEXT STEP: We're committed to helping you build and manage a diversified portfolio, including equities, so you can feel confident about your financial future.

2. Statistics Canada, *The Daily*, "Household income in Canada: Key results from the 2016 Census," released September 13, 2017.

3. Schroders Global Investor Study 2017.

Investing

What to do when an investment declines in price

"One of my investments is down. Should I sell or buy more?"

As is the case with so many financial quandaries, there is no definitive right or wrong answer.

But what you can do is ask yourself this: If I had X dollars today, would I buy that same investment? Your answer to this question will help us to assess the security's current relevance within your overall portfolio.

So let's look at it methodically. Would you buy this investment again?

Yes. This means that at least some of the reasons you bought it in the first place remain valid and, despite the downturn, you still believe it has potential. In fact, the price drop may represent a valuable buying opportunity.

No. It could be that the market outlook for the investment may no longer be favourable, or perhaps it no longer meets your objectives.

In this case, we can make a plan to sell with the goal of minimizing actual losses while taking advantage of any tax-loss selling opportunities.

I'm not sure. This is just as reasonable an answer as "yes" or "no." If you're not sure, let's review your overall portfolio to ensure all of your investments continue to meet your objectives, time frame, and circumstances.

NEXT STEP: With anything other than cash-type securities, price fluctuations are to be expected. But any time volatility in any one sector or holding is making you uneasy, please be sure to contact us for guidance.

Money Management

Need cash? Here's what *not* to do

A recent survey found that 38% of Registered Retirement Savings Plan (RRSP) holders withdrew money from their plans in 2016 (up from 34% in 2015). And, almost as bad, fewer Canadians planned to contribute.[1] That's a one-two punch that could send your retirement dreams reeling — especially if you're planning to leave the workforce early.

Of course, there may be compelling reasons to tap into your RRSP — career transitions and health considerations to name just two. But withdrawals for any reason should be considered a last resort. Here's why.

SHORT- AND LONG-TERM IMPACT

Suppose you're faced with a sudden cash crunch at age 50 and decide to withdraw $25,000 from your RRSP. That withdrawal will cost you in a number of ways:

- **Withholding tax.** Your financial institution is required to withhold a certain percentage of your withdrawal and remit it to the federal government on your behalf. In Quebec, a percentage is withheld for the provincial government as well. So on a $25,000 withdrawal, $7,500 will be withheld ($7,750 in Quebec).
- **Income tax.** Your withdrawal will be added to your taxable income for the year. If the amount withheld doesn't cover the income tax owing, you'll need to pay more when you file your return.
- **Lost contribution room.** Unlike funds borrowed from an RRSP to buy a first home or go to school, withdrawals cannot be re-contributed.
- **Lost earnings potential.** Assuming a modest growth rate of 6% a year, that $25,000, if left in your RRSP, would add almost $60,000 to your retirement fund by age 65.

ALTERNATIVES TO EXPLORE

For many investors, there may be other, less costly, sources of cash than an RRSP. Options to consider include the following:

- **Take out a line of credit.** Even with recent increases, interest rates remain low by historical standards. If you secure the line of credit against your home or other significant asset, you can bring it down even further. An additional advantage of this approach is that you pay interest only on the amount you've actually withdrawn.
- **Withdraw from your Tax-Free Savings Account (TFSA).** TFSA withdrawals are tax-free. Plus, whatever you withdraw this year gets added on to your allowable contributions the following year.
- **Tap into the cash value of permanent life insurance.** If you have a Universal or Whole Life policy, you may be able to borrow against the policy's cash value. Note, however, that the death benefit will be reduced by the amount of the loan.

NEXT STEP: Ultimately, you want to be sure you're doing right by your long-term plans. If you face a cash crunch, let's review all your options together.

1. Pollara/BMO Annual RRSP Study, February 1, 2017.

Vol. 25, No. 2. © 2018.

CIPF Canadian Investor Protection Fund MEMBER

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT