

# InvestmentUPDATE

Winter 2016 Edition



## In this issue

- Five financial resolutions for 2016 – and beyond!
- More clarity coming to investment statements
- One-minute market update
- Introducing the new RBC Income Builder GIC™

## This year, I will...

### Five financial resolutions for 2016 – and beyond!

As we move into 2016, many Canadians are trying to stick to their New Year's resolutions. Surveys show that the most common goals revolve around health and fitness, budgeting and personal organization. And it's pretty easy to see why: the holiday season often means extra food, too little exercise, a lot of spending and additional clutter due to new purchases and gifts. In a way, resolutions are an apology for the month of December, but can also be a sign of optimism – a challenge to get better at something and a belief that it can happen.

**For those looking for steady improvement in their financial health, we offer five resolutions for 2016 that should pay off this year and for years to come:**

#### 1. Diversify your investment portfolio

Effective diversification starts with exposure to the three main asset classes: savings and cash equivalents (e.g. bank accounts, money market funds and shorter-term GICs), fixed income (bonds and longer-term GICs) and equities (stocks). Your RBC® advisor can help you allocate your investment dollars between these asset classes according to your investor profile, which is determined by your time horizon, comfort with volatility and investment objectives.



**Don't miss the the 2015  
RRSP contribution deadline**

#### 2. Stay consistent, even if markets aren't

Whether you invest in fixed income, balanced or equity mutual funds, at some point you can expect the value of your holdings to fluctuate due to market performance. During volatile periods, your own consistency (i.e. investing regularly and staying invested) serves as a counterweight. For example, if you invest the same amount each month, that fixed amount will actually purchase more mutual fund units during a negative month. When returns become positive again, those extra units will help your overall returns.



### 3. Have at least one family discussion about money in 2016

It is rewarding to get ahead of the game with your money decisions: for example, setting up a registered retirement savings plan (RRSP), paying down debts and saving for post-secondary education. Another way to plan ahead is to discuss money issues with your family before life circumstances dictate that you have to do it. Here are some sample topics: saving, budgeting, education planning, retirement, eldercare, wills, powers of attorney and the location of important documents.

### 4. Get advice

Some people love doing their own investing and financial planning. They even find it relaxing. Many of us, however, are too busy or would prefer a professional to do it for them. A financial advisor can provide valuable perspective on your financial situation as you set goals and develop your investment strategy. They can also help you navigate through the various types of saving and investing vehicles.

### 5. Keep your advisor informed if your circumstances change

Major life events, whether positive or negative, can affect your investment planning and your cash flow needs. For example, a windfall or sale of a property may give you money that you won't need right away, so you can explore longer-term investment and tax-saving opportunities. A change in employment can increase or decrease the amount you have available for regular savings. When the dust settles from whatever change comes up, a call or email to your advisor can keep you on course.



## TURNING RESOLUTIONS INTO REALITY

Resolutions are easy to make but tough to stick to. In a British study of 3,000 people who made New Year’s resolutions, only one in ten actually achieved their goals<sup>1</sup>. So, how can you stay on track with your investment resolutions in 2016 and beyond? Here are two easy steps:

- i) **Set up a regular investment plan:** by setting up a regular investment plan, funds are automatically debited from your account and invested into your portfolio according to your investment plan. These plans help ensure that you won't miss a contribution and you are progressing towards your investment goals. And, you're likely to find that your spending will adjust accordingly over time.
- ii) **Ensure your portfolio is working for you:** RBC offers a number of investment solutions that can ensure you stay true to your investment profile and are progressing towards your goals. Ask your advisor about how RBC Portfolio Solutions can help you achieve your investment resolutions.

<sup>1</sup>Research by Richard Wiseman of the University of Hertfordshire, as reported in "New Year's resolution success tip," BBC News, Dec. 28, 2007 and "New year resolution? Don't wait until New Year's Eve," by Alok Jha, *The Guardian*, Dec. 28, 2007.

### Connect with us – We can help

Your RBC advisor is available to help you implement and maintain your 2016 investment resolutions. Set up an appointment today or visit your local RBC branch (to find a branch near you, go to [maps.rbcroyalbank.com](http://maps.rbcroyalbank.com)). Alternatively, call us toll-free 1-800-463-3863, or visit us at [rbcroyalbank.com/investing](http://rbcroyalbank.com/investing).

# More clarity coming to mutual fund investment statements

Having a clear understanding of how your mutual fund portfolio is performing is important. So is knowing what your costs are for investment management and for advice. Knowing all three can help you assess your progress towards your goals and the value that you receive.

At RBC, our long-standing commitment to value through advice, access and service is what sets us apart. Our performance has been recognized by numerous industry awards, and our fees are low. In fact, over 95% of the assets in funds managed by RBC Global Asset Management have management expense ratios (MERs)<sup>1</sup> below their category median.

So, we are happy to advise that changes are underway in Canada's investment industry to provide more clarity around investment costs and performance. These client-focused changes, which are part of an initiative by investment industry regulators, are intended to help investors make informed decisions by better understanding the value they receive for financial advice.

## WHAT THESE CHANGES MEAN TO YOU

Under the new reporting model, known as CRM2 (Client Relationship Model, Phase 2), you will receive additional information on your investment statements, including new fee and performance reports. Here's a summary of some changes that have taken place already, and what you can expect in 2016.

The enhanced information in your statements and reports will be in plain language. The added clarity will allow you to better assess the value you receive and the progress you are making towards your financial goals.

## THE VALUE OF ADVICE

Making the right decisions with your life's savings isn't easy. That's why five out of six Canadian investors turn to a professional financial advisor for ideas and perspective.<sup>2</sup>

A financial advisor can play an important role at any stage of your investment journey. Your advisor works with you to develop a customized plan and an appropriate investment portfolio tailored to your unique goals and circumstances, ensuring that these evolve with your life stages.

Speak with your RBC advisor about these changes and also to review your current financial situation and goals in relation to your investment portfolio.

2014



- Pre-trade disclosure of all expected fees related to an investment
- Explanation of how benchmarks are used to measure performance

2015



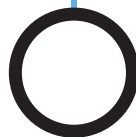
## ENHANCED STATEMENTS

- Amount and definition of book cost of your investments
- How funds are held (under your name or a nominee's name, like Royal Mutual Funds Inc.)
- Whether an investment is covered by an investor protection fund

## TRANSACTION CONFIRMATIONS

- Transaction fee details (e.g. short-term trading fee, transfer out fee)
- Amount of any deferred sales charges and withholding taxes
- Total of all transaction fees, deferred sales charges and withholding taxes

July to  
December  
2016



- New Annual Charges and Compensation Report that will show the total dollar amount of fees you've paid
- New Annual Performance Report that will show investment performance and rates of return

<sup>1</sup>MERs are based on RBC Funds Series A and PH&N Funds Series C assets under management, Canadian Investment Funds Standards Committee categories, and median measured by Morningstar Canada as of June 30, 2015.

<sup>2</sup>The Investment Funds Institute of Canada, *The Value of Advice Report 2012*.



# ONE-MINUTE MARKET UPDATE

For a summary of the New Year 2016 Investment Outlook, please visit [rbcgam.com/investment-outlook](http://rbcgam.com/investment-outlook).

## ECONOMY

- Economic data remains uninspiring in most regions, although the threat of recession seems modest. While we continue to expect moderate economic growth, we recognize that warning signs are more and more evident and that it is prudent to raise the alert status.
- Significant downside risks remain, creating a challenging environment for investors. The geopolitical environment has been fraught with conflict and uncertainty for quite some time, and this is only increasing.
- We have made only minor tweaks to our growth forecasts this quarter, nudging them slightly lower in aggregate due to emerging-market weakness.

## FIXED INCOME

- As the Fed begins a new tightening cycle, we expect bond yields to rise, albeit at a gradual pace. That said, even a modest rise in yields from the current low levels will put significant pressure on bond returns, so we remain underweight fixed income.
- However, bonds offer stability through periods of higher volatility and, as yields rise, we expect to increase our exposure to fixed income. During the quarter, we took advantage of a spike in yields following positive U.S. employment data and added one percentage point to our fixed-income weighting, sourced from cash.

## EQUITY MARKETS

- The sell-off in many equity markets over the last few months has bolstered the long-term return potential for stocks.

- However, as expanding valuations have been the key driver of rising stock prices since the 2008-2009 financial crisis, they may be less supportive of higher equity prices going forward. With higher valuation levels, earnings growth will likely be the key driver of further gains in stocks.
- Analysts expect corporate profits to be above current levels in 2016 and 2017, but given that earnings estimates have been coming down for most of this year, this bears watching.
- Our models continue to indicate that equities are likely to outperform bonds so we remain overweight stocks, but understand the need to manage risks especially carefully in this volatile investing environment. Should our stress indicators worsen, it may be prudent to begin scaling back some of our overweight in stocks in the months and quarters ahead.

You've spent years building your savings. In retirement, your needs change from growing your money to creating cash flow from your nest egg.

## With the RBC Income Builder GIC, you can:

- Customize payments to suit your needs
- Choose your payment amounts<sup>†</sup>
- Maximize your return with a long-term interest rate
- Plan for up to 20 years of retirement
- Protect your investment from stock market fluctuations
- Get peace of mind as terms of 5 years or less are eligible for CDIC deposit insurance<sup>\*\*</sup>, up to the allowable limits.

Speak with an RBC® advisor today about investing in an RBC Income Builder GIC.

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<sup>†</sup> The RBC Income Builder GIC requires the depletion of your principal by at least 10% per term.

<sup>\*\*</sup> Term deposits are eligible for deposit insurance coverage by Canada Deposit Insurance Corporation ("CDIC"), provided they are for a term of 5 years or less, they are in Canadian dollars and they do not exceed \$100,000 on an aggregated basis per client, per insurance category and per deposit provider.