

# Investment UPDATE

## Five ways you can succeed in 2010

At last there is cause for celebration as the world economy is recovering from the deepest recession since the Great Depression. Today there is a renewed sense of optimism reflected by the fact that major global stock markets have risen in excess of 50% since their lows in early March 2009.

### LESSONS LEARNED IN 2009

The atypical market activity over the past 15 months highlights why a properly diversified portfolio is a key factor to achieving long-term success. Market recoveries tend to happen swiftly, particularly after deep declines. The sharp recovery of the Canadian market following the extreme dip in March 2009 (see chart on page 2) is a great example. The quick snapback highlights why it is important to stay invested and stick with your long-term investment plan.

Despite the historic rally, there is still a generational opportunity in stocks for long-term investors. The typical bull-market lifespan since 1942 has lasted 49 months — so far, we are only at month nine! Equity valuations are still low by historical standards. Despite the recent rally shown in the graph on the next page, equities remain attractively valued. Entering the market now, while it is still at relatively depressed levels, enables you to take advantage of the opportunity for potentially significant gains in your portfolio as we continue to pull out of the recession.

*Continued on page 2*

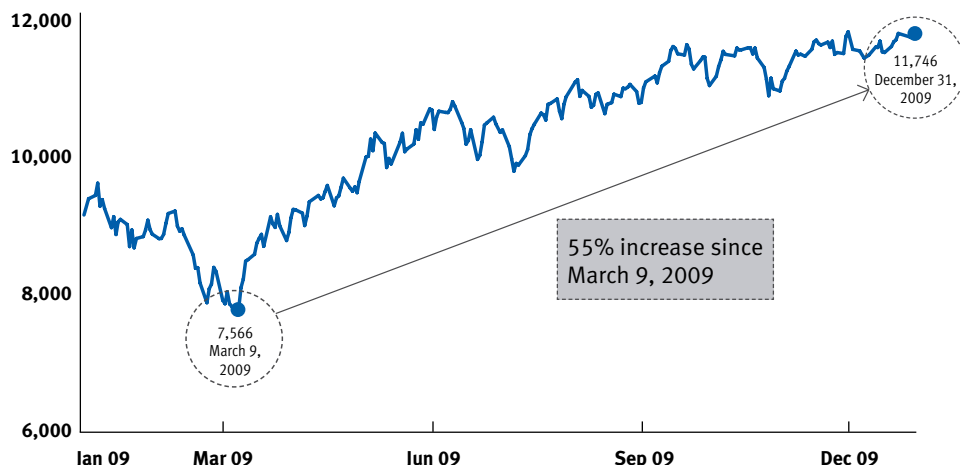


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## S&amp;P/TSX Composite Index — 2009 Year in Review



## WHAT SUCCESSFUL INVESTORS DO

The most successful investing strategies are those that are built to guide you through all market conditions. We have put together a list of **five habits that are common among successful long-term investors**. Working with your advisor to incorporate these strategies in your portfolio may help you be well positioned for the year ahead:

**Habit #1**

## Develop a long-term investment plan

It's important for investors with long-term goals to also have a long-term investment plan designed to meet those goals. The right portfolio for you depends on your time horizon, comfort with volatility, and personal investment goals. To help you determine these parameters, consider what you are saving for — a vacation next year, your child's university education in 10 years, or your retirement in 20 years. Generally, the longer your time horizon, the more growth you will need in your portfolio to provide the long-term returns that can outpace the rate of inflation.

**Habit #2**

## Take a balanced approach

Rather than trying to outwit the market by guessing whether its next swing will be up or down, or what the next big winner will be, maintain a diversified portfolio instead. A diversified portfolio that combines the three major asset classes (cash, bonds and equities) has been proven to reduce risk over time and provide the highest probability of a favourable long-term outcome.

**Habit #3**

## Stick to your long-term plan

Focus on your long-term goals, not short-term market volatility. Successful investors know the importance of having equities in their portfolio in order to achieve their long-term goals. They make changes to their investments only when their personal circumstances change, not when markets change. Making frequent changes to your portfolio (perhaps driven by the latest headline) can derail a sound, long-term investment plan. Focusing instead on what you can control will help put you on the path to long-term success — regardless of what markets do in the short term.

**Habit #4**

## Engage in regular investing

Besides making it easier for you to maximize your RRSP contributions each year, regular investing provides a convenient and disciplined way to build wealth during any market environment. By investing regularly, you apply a "savings first" approach to managing your finances. Many investors find it easier to automatically invest a small amount on a regular basis rather than come up with a large, lump-sum RRSP contribution at the start of each year. And with an RBC RSP-Matic®, you get the convenience of having contributions automatically debited from your bank account, with the flexibility to make contributions weekly, biweekly, or monthly — just pick the option that works best for you.

**Habit #5**

## Choose quality investments

Just as you would have a house inspected before buying it, have your advisor research the investments you intend to purchase. Once you determine the appropriate asset mix (proportion of cash, bonds, and equities), select your investments from a trusted money manager with a solid track record of long-term performance and an investment process you can understand.

**Advice from your advisor is equally important to ensure that your portfolio is properly positioned to take advantage of the market recovery. Your RBC® advisor can help review your portfolio to ensure that it still has the proper asset mix and that it is still on track to meet your long-term goals.**

# The one-minute market update

## EQUITY MARKETS

- › Despite the massive size of the rally since March, valuations remain unusually attractive, as long as the economy avoids slipping back into recession — a prospect we view as unlikely.
- › The recent shift in leadership toward higher quality firms is consistent with the normal course of a new bull market. We expect relative strength to continue shifting toward stocks that feature typical characteristics of past sustained leaders.

## FIXED INCOME MARKETS

- › Central banks unlikely to begin moving short-term interest rates higher prior to mid-2010.
- › Ultimately, a rise in inflation expectations and the demand for “real” returns will present a risk to fixed-income markets. Total returns from government bonds seem unlikely to exceed low single digits.

## ECONOMY

- › Global economies began their recovery during spring/summer of 2009 and, along with capital markets, are moving toward normalcy. However, unusual and important threats to full recovery — including access to credit, the job market, and unwinding of the stimulus — remain.
- › Epic ease in monetary and fiscal policy showing signs of success as credit channels open, housing stabilizes, equity and credit markets rally.
- › Expect sustained growth, mild inflation through 2010.

For a summary of the New Year 2010 Market Outlook, please visit our website at [rbcam.com/news/investment-market-outlook](http://rbcam.com/news/investment-market-outlook)



## Reminders for the RRSP Season

Keep the following tips in mind as you reflect on your past year and begin planning for the new year:

### RRSP TIPS

- › The annual RRSP contribution deadline is **March 1, 2010**.
- › The maximum RRSP contribution limit for the 2009 taxation year is the lesser of **\$21,000** or 18% of 2008 earned income plus any carry-forward room from previous years less any contributions to a company-sponsored registered pension plan.

### TFSA TIPS

- › Starting January 1, 2010, the contribution room for the Tax-Free Savings Account (TFSA) increases by \$5,000. You can catch up if you didn't contribute the \$5,000 maximum in 2009; or if you haven't yet opened a TFSA, you can contribute up to \$10,000 in 2010.
- › You are not required to have earned income to contribute to a TFSA.

For more information on RRSPs, TFSAs or to find out how we at RBC® can help you reach your financial goals, visit your nearest RBC Royal Bank® branch, call 1-800-463-3863 or visit our website at [www.rbc.com/investing](http://www.rbc.com/investing).

If you are a member of the RBC Rewards® program, you can use your RBC Rewards points to contribute to your RRSP or TFSA. Visit [www.rbc rewards.com](http://www.rbc rewards.com) to find out more.

## Get ready for tax season!

At RBC, we're focused on providing you with everything you need to get ready for tax season. As an investor in RBC Funds or RBC Guaranteed Investment Certificates (GICs), you will receive all the information you need early in the new year to accurately report income you've earned from your investments.

For non-registered mutual fund account holders, your Adjusted Cost Base (ACB) appears on your year-end

statement, making it easy for you to track this information. The ACB is important when filing your taxes because it determines whether you realize a capital gain or loss when you sell your investment.

Depending on the type of account in which you hold your investments, the table below shows which tax slip(s) you will receive, and the approximate mailing date for each.

TAX SLIP	ACCOUNT TYPE	DESCRIPTION	MAILING DATE
T3, Relevé 16 in Quebec or NR4 for non-residents	Non-registered mutual fund	Shows the interest, dividends, capital gains, return of capital, and foreign income received from mutual funds during the year, as well as any foreign income taxes paid. Favourably taxed income, such as amounts eligible for the dividend tax credit, are also clearly identified.	Late February
T5, Relevé 3 in Quebec or NR4 for non-residents	Non-registered GIC	Shows the interest earned on GICs during the past year.	Late February
RRSP Contribution Receipt (March 3 to December 31, 2009)	RRSP	Shows contributions made to an RRSP.	Late January
RRSP Contribution Receipt (First 60 Days: January 1 to March 1, 2010)			Mid-March*
T4RSP, T4RIF, Relevé 2 in Quebec or NR4 for non-residents	RRSP, RRIF, PRIF, LRIF, LIF	Summarizes withdrawals from an RRSP (T4RSP), RRIF, PRIF, LRIF, or LIF and any withholding taxes applied to those withdrawals.	Late February

\* If receipts not previously received in branch at time of contribution.



For more information on how your RBC investments impact your taxes, please ask your advisor for a copy of our Taxes and Investing in Mutual Funds brochure, or you may download it at [www.rbcam.com/taxes-investing-in-mf.pdf](http://www.rbcam.com/taxes-investing-in-mf.pdf).

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