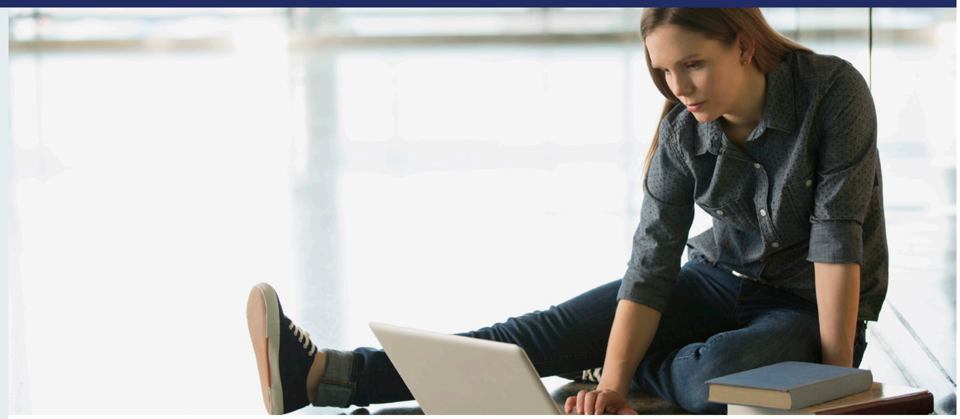
The

Broxterman Bulletin

Wealth Management
Dominion Securities

Your quarterly financial planning newsletter

FALL 2018



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Welcome and thank you

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for your continued loyalty.

Six keys to financial success

Core concepts to help build sound financial management skills in youth

1. Budget your money "Pay yourself first"

In general, there are four main uses for money: spending, investing, saving, giving away. Finding the right balance among these four categories is essential, and a budget can be a very useful tool to help you accomplish this.

Many use this formula in their budgeting:
Income – Expenses = Savings …

But, this is the formula to help you achieve money success:
Income – Savings = Expenses.

In other words, savings should be prioritized and built into your budget plan, and expenses should be planned and paid from the remaining money after savings have been factored in.

For a budget to be most effective, it's important to factor in all lifestyle expenses and other financial components, and ensure they're logged appropriately. To help you in creating a budget, ask us about the RBC Wealth Management Budget Calculator.

2. Taxation – it's not all yours "Understand your true earnings and how they are taxed"

Canada's federal tax rates are based on income level:

Income level	Tax rate
‹$11,635	0%
$11,635 – $45,916	15%
$45,916 – $91,831	20.5%
$91,831 – $142,353	26%
$142,353 – $202,800	29%
›$202,800	33%

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However, it's important to distinguish between marginal tax rates and average tax rates. Your marginal tax rate is the rate of income tax that you will pay on your *next* dollar of income earned. Your average tax rate is calculated considering your total income tax payable as compared with your total income. Further to federal tax rates, there are also varying provincial and territorial tax rates.

When making important financial decisions, it's crucial to consult with a qualified tax advisor to ensure your circumstances and needs are appropriately accounted for.

3. Borrowing
"Not all money is created equal"

What is credit?

A form of borrowing that gives a customer the ability to obtain something on a promise to repay in the future. There are three main types of credit: Credit cards, personal/term loans, line of credit.

Regardless of type, remember that all forms of credit come with a cost — i.e. interest, usually monthly, and fees (the amounts lender's charge for use of their money).

Credit and credit scores

When you borrow, certain information, like whether you've paid your bills on time, is shared with a credit bureau. These factors go into calculating your credit score — a number that indicates to lenders your capacity to repay a loan — as reported on your credit rating report.

The credit score range is 300 (just getting started) to 900 (the best score you can achieve).

The "magic middle number" is 650. A score above will likely qualify you for a standard loan. The #1 tip for maintaining credit score? Pay all bills on time, even if it's just the minimum payment. Missing even one payment can negatively impact your credit score.

Tips to manage debt

To avoid over-indebtedness, it's crucial to ensure funds are available to pay your bills. Planning goes a long way to help stay on top of debt. Try creating a list of all your outstanding credit and write down when payments are due and what the interest rate is for each. A good general rule is to repay the debt with the highest interest rate first, and always try to determine where you can make more than the minimum monthly payment.

4. Plan before investing
"Think about and map your goals"

Identifying your short- and long-term financial goals will help determine which types of investments and planning approaches may be most suitable and effective to help you save for your needs. In doing so, it's crucial to first distinguish between what you actually need versus what is a "nice-to-have." Going through this process allows you to set realistic goals that you can confidently work towards achieving.

Six benefits of wealth planning

- Peace of mind
- Increased control over the unexpected
- More money in your pocket
- Minimized financial risk
- Sustainability
- A road map that is easy to update

Six keys to financial success
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Whether you develop a simple wealth projection or a more detailed wealth plan, the process involves analyzing and interpreting all of your financial information. Your current stage in life may impact what type of recommendations are made, as well as how you implement the recommendations to pursue your financial goals. Plans will also differ by individual.

5. Choosing the investments that make sense for you
"Match your financial vision with the right investments"

Understanding the risk/return relationship

Generally speaking, the higher the potential return, the more risk an investor should be willing to accept. When you assess your risk tolerance, consider your investment time horizon, level of comfort with market fluctuations, cash flow needs and other alternative of income. Defining your risk tolerance will help you determine the type of portfolio that best suits your needs and also help you manage expectations during down markets.

Don't put all your eggs in one basket

With investing, it's important to diversify, which means finding the right balance of investments and creating a portfolio that includes different types of investments to reduce overall risk and volatility.

6. Preparing your estate
"Protect yourself, your family and all of your assets"

What is estate planning?

Estate planning is the broader process of creating a detailed plan, in advance, that includes tasks and decisions for the management and transfer of a person's assets during their lifetime and after death. It can, together with your Will, serve to help assure a tax-efficient transfer, and that your wishes are carried out.

Key documents in estate planning

Will
This is a guiding legal document in the administration of an estate where you outline your decisions for how property and possessions are to be distributed at death. If an individual passes away without a valid Will, they are said to have died "intestate" and, simply put, this means the provincial laws determine how the estate will be administered and divided. In other words, individuals lose all choice as to who receives what, and it may also create extra fees, taxes and delays in administering the estate.

Power of attorney (POA)
This is a written document that legally authorizes another party to act on an individual's behalf during their lifetime. It may help to provide personal and financial comfort should you become incapable of making these decisions (due to an accident, significant illness, cognitive condition, etc.).

Creating an inventory

A beneficial first step in estate planning is building an inventory of what you own and what you owe, as well as other important financial information (e.g. location of your Will, POA, insurance policies, digital passwords, etc.).

Main wealth transfer options

- Through your Will
- Registered accounts with named beneficiaries or joint ownership accounts
- Gifting assets before death
- Through inter-vivos (living) trusts

Death and taxes

In Canada, there is no true estate tax … but, there are three potential taxes that may apply at death:

Income tax – because individuals are deemed to have disposed of all of their assets at death, so capital gains are automatically triggered and registered accounts are generally collapsed.

Provincial/territorial probate fees – these fees are associated with probating a Will, which vary greatly by province/territory.

U.S. estate tax – This can apply to U.S.-sourced assets, such as U.S. corporate stocks and U.S. real estate.

Did you know?

Insurance may be an estate planning option to consider. It can provide:

- A tax-free lump-sum death benefit
- Liquidity in an estate to pay taxes and debt
- Funds when they are needed the most

Remember …

Over the course of life, your priorities and circumstances can change, so it's important to review and revisit your estate plans every few years or after a significant event (e.g. a change in marital status, birth or death of a loved one, etc.).

Personal touch

Carolyn – Eating ice-cream in Dunchurch, Ontario with almost all of her family

PJ – PJ and Ryn have baby news: IT'S A GIRL!

Liz – Liz and her family in Sao Miguel Azores, Portugal

Tony – Tony's family photo while on vacation recently

Thank you for your ongoing loyalty to The Broxterman Group of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.

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