

# DIRECT INVESTOR



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Learn more on page 6.

## Is it time to update your investor profile?

Fall is the traditional time that we return to routines. Children go back to school, regular sport, social schedules resume and summer cottages are closed for the season. Here's one more important item to add to your fall checklist – revisiting your investor profile to see if it has changed.

### What drives an investor profile?

Your profile is based on three key factors: your goals, your comfort level with investment risk and your time horizon. If any of these have changed, your profile might also have changed.

Why does that matter? Because your investor profile determines the mix of cash, fixed income and equities that's appropriate for you. Aggressive profiles have more equity investments. They offer higher potential returns but also carry more investment risk. Conservative profiles have a low percentage of equities, lower potential returns and lower levels of risk.

See *How your investor profile can change* on page 2

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Management® Market Outlook?<sup>3</sup>**

For economic analysis and market commentary to help you manage your portfolio, head to the *Market Insight* page under the **Markets** tab of the online investing site. From the Expert Insights section, click on "Investment Outlook."

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### How your investor profile can change

Why would your investor profile change? The potential reasons fall into three categories:

**Market events.** For some investors, market volatility, as we have seen recently, could be a wakeup call that they overestimated how comfortable they are with risk. In such a situation, moving to a less aggressive investor profile can provide the comfort you need to continue saving and investing to meet your goals.

**Financial changes.** Just received a promotion and big raise? Congratulations! With an increase in salary, you may be able to direct additional money to your investments or be willing to take on more risk and seek higher potential returns. Similarly, if you receive an inheritance, it might increase your tolerance for risk because of the safety net it provides.

**Significant changes in your personal life.** The birth or adoption of a child, marriage, divorce or career change can have a significant impact on your goals, your time horizon

or both. For example, having a child might mean that you add education savings to your list of goals. Or if your expected retirement date changes, you might wish to change to a more conservative profile as your portfolio now has a shorter time horizon to recover from significant market fluctuations.

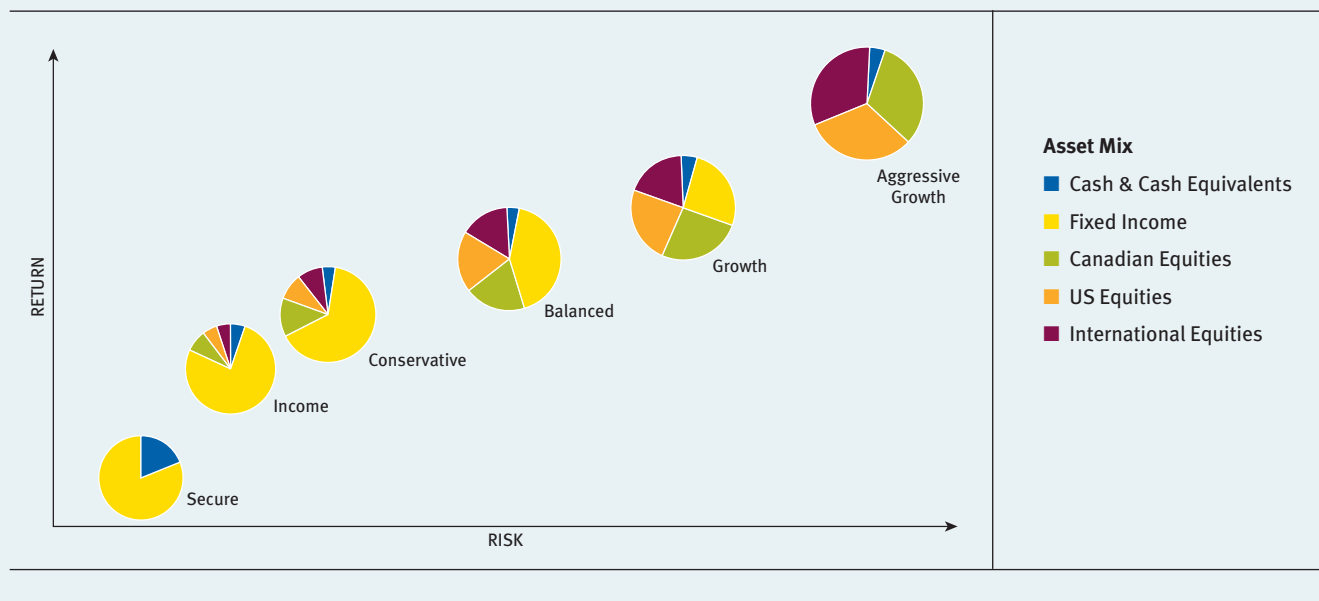
### Assessing your risk tolerance

Your comfort with investment risk is a key factor in determining your investor profile, and one that's not as easy to quantify as your goals or time horizon. What makes it tricky is that in order to earn higher potential returns, you need to be willing to accept temporary downward fluctuations. The more stability you need, the lower the returns you can expect to earn.

Your time horizon also comes into play because volatility – or the range of possible returns of a portfolio – decreases over time. In other words, the longer you can stay invested, the less likely you are to be affected by temporary market downturns.

### What kind of investor are you?

The chart below shows how an investor profile depends on the level of risk an investor is willing to take in order to earn potentially higher returns. The optimal asset mix for a Secure profile, for example, in the lower left area of the grid, is mainly fixed-income securities (low risk, low return). In contrast, the portfolio for an Aggressive Growth profile, in the upper right area of the grid, holds mainly equities (high risk, higher possible returns).



### Determining your profile

Use the resources on the online investing site to determine or reassess your investor profile and see whether your portfolio is aligned with it. Go to the **My Portfolios** tab and select “Analyze & Rebalance.” Then choose the goal you want to analyze and follow the steps to view your current mix. You can also compare your portfolio to various investor profiles to see how aggressive or conservative it is. If you haven't created a goal, simply follow the steps to set one up.

## Retirement on the horizon: How will you harvest your savings?

Seasons change – both in nature and in life. And while retirement means different things to different people, there's one change that applies to everyone – switching from a paycheque to other sources of income.



Here are seven tips to help you create a “retirement paycheque” that will work for you.

### 1. Develop your retirement vision

To develop a solid retirement income plan, you'll need to establish your retirement wish list. If you have a spouse or partner, share your goals. This will help you create a plan that will work for both of you.

### 2. Assess your income needs

The amount of income you need will depend on the lifestyle you want. For example, do you want to travel? Are you planning to downsize? Will you be taking up any new hobbies? Working part-time in retirement will also generate ongoing income that enables you to preserve your registered assets.

Your answers to questions like these will determine the amount of income you will need each year.

### 3. Understand your sources of retirement income

Your income may come from several sources in retirement: government retirement benefits (including OAS, CPP/QPP), employer pension plans, registered plans, personal savings and investments, and part-time employment. Understanding your sources of income can help you create a plan that is secure and tax efficient.

Income from guaranteed sources may allow you to delay converting your Registered Retirement Savings Plan (RRSP) to a retirement income fund until the end of the year you turn 71. It will also give you the choice to keep withdrawals

from your retirement income fund to the prescribed minimum amount each year and preserve your savings in a tax-deferred environment for longer.

### 4. Plan for a long life

The average life expectancy of a 65-year-old Canadian is more than 20 years.<sup>4</sup> You'll want to ensure your nest egg lasts well beyond that age.

### 5. Think about the legacy you want to leave

If you wish to gift cash or assets during your lifetime or leave an inheritance to your children or other persons, you'll need to factor this into your plan.

### 6. Boost your savings

Looking to boost your savings in the years leading up to retirement? Consider focusing on tax-free savings accounts (TFSA), especially now that the annual contribution limit is \$10,000.

These accounts maintain their tax-free status for your lifetime and, unlike your registered savings, withdrawals are not taxable. TFSAs can be a flexible source of cash in retirement. Best of all, withdrawals won't affect your eligibility for OAS payments or other income-linked benefits.

### 7. Review your asset mix

Retiring is a significant life event that may have implications for your investor profile and your optimal asset mix. See page 2 to learn more.

## See what other retirees are doing

There is no single “right” strategy for generating retirement income from savings. To determine what’s right for you, it may help to see what other investors are doing. And for that, you can count on the Community<sup>5</sup> for ideas.

- See the investments that other members hold in their portfolios and compare your performance to theirs in the *Universe* section
- Pose a question to the Community in the *Forums*<sup>6</sup> section or browse conversations
- Voice your opinion about a strategy, product or account

### Joining the Community is easy:

**Step 1.** Sign in to the online investing site and select the **Community** tab

**Step 2.** Click “Join the Community”

**Step 3.** Create your profile and you’re done!



## Celebrating your 71st birthday in 2015?

If you’re turning 71 in 2015, you must convert your Registered Retirement Savings Plan (RRSP) or Locked-in Retirement Account (LIRA) to a source of retirement income before December 31. Follow these steps to convert online:

- Log in to the online investing site and select “Open New Accounts” under the **My Home** tab
- Choose “Open a Personal Investment, TFSA, RSP and/or RIF Account”
- For account ownership, select “Sole”
- For account type, select “Retirement Income Fund” and the type of income fund account you wish to open
- Choose the method of application (the “Interactive online application form” is the fastest and easiest way to open an account)
- From there, follow the guide to completing and submitting the application electronically

You can also visit your local RBC Royal Bank<sup>®</sup> branch to apply in person. If you need assistance or have questions, please call 1-800-769-2560.



## The ABCs of ETFs

If you are new to online investing, you may have come across the term “ETF” as a potential choice for your portfolio. Here’s an overview of what an ETF is and how it works.

### ETFs — defined

ETF stands for exchange-traded fund. Similar to a mutual fund, an ETF generally holds a portfolio of stocks, bonds or commodities. However, the key difference between an ETF and a mutual fund is that an ETF trades on a stock exchange. So, just like stocks, ETFs can be bought and sold at market price throughout the trading day. In addition, options can be bought and sold on many ETFs.

Most ETFs are passive investments, designed to track a specific market index, sector or commodity. However, an increasing number are actively managed by portfolio managers who make buy and sell decisions to achieve the fund’s objectives.

### Types of ETFs

ETFs can be divided into the following categories:

- **Equity market ETFs** track major domestic or foreign stock market indices.
- **Sector and industry ETFs** track particular sections of the market representing a certain industry, such as healthcare or technology.
- **Commodity ETFs** track particular commodities, such as gold or oil. It may hold the actual physical commodity or use derivative investments to track its price.



- **Currency ETFs** track individual currencies or baskets of currencies from a particular world region.
- **Bond ETFs** come in many varieties, tracking international, government and corporate bond indices.

### Choosing ETFs for your portfolio

There are a number of tools and resources on the online investing site that can help you find ETFs that align with your investment objectives. At the *ETF Centre*, located under the **Quotes & Research** tab, you’ll find:

- **ETF Model Portfolios.** These “sample” portfolios, created by third-party investment professionals, can help all kinds of investors build a diversified portfolio. Each model portfolio includes a range of asset mixes and an assortment of ETFs from a variety of Canadian and U.S. providers.
- **ETF screener.** Screeners are filters that can help you narrow down your choices to ETFs that have the criteria you’re looking for.
- **Comparison tool.** Compare three ETFs side-by-side in different categories.

On the *Market Insight* page under the **Markets** tab, you will also find ETF pick lists – favourite long-term portfolio builders as chosen by Morningstar<sup>†</sup> analysts. For more general education and information about ETFs, visit the *Exchange Traded Funds* page under the **Investment Products** tab.

### ETFs – at a glance

	ETFs
Management style	Inherently passive investments designed to track an index (though the number of actively managed ETFs is increasing)
Pricing	Available in real-time <sup>7</sup> throughout the day
Trading costs	Commission per buy/sell transaction
Disclosure of portfolio holdings	Listed daily on the ETF company website

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<sup>4</sup> Statistics Canada, Life expectancy, at birth and at age 65

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