

# DIRECT INVESTOR



## Leading the way in service

2014 Dalbar Award for  
Excellence in Service<sup>1</sup>



## Take the sting out of downturns

The recent plunge in oil and energy markets is a reminder of how quickly values in any given sector of the market can change. Or, as we learned in 2008-09, how quickly entire markets can change.

Market volatility can be nerve-wracking — even for the most experienced investor. When financial markets change quickly, it's natural to want to “do something” to try to “make things better.” But market movements that occur in the short term are not always the best basis for making long-term financial decisions.

It's important to remember that regardless of what the energy sector or any other sector or market is doing on a given day, the principles of investing wisely remain the same: A well-structured portfolio and a long-term strategy are likely to be the most effective ways to maximize potential success.

With that in mind, here are three questions to ask during volatile times and three things that you can do to help stay on track.

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## Questions to ask

When markets are turbulent, do a quick “reality check” by answering the following questions.

- 1. Are you letting your heart rule your head — and your portfolio?** No one likes losses, but extreme loss aversion may lead you to make decisions based on emotion. That might mean selling at the worst time, turning paper losses into real losses and then watching your previous investment go on to new highs. Or you might refuse to sell an investment that has no hope of recovery in a futile effort to recoup what you paid for it.

Take a look at the historical chart of the S&P/TSX Composite Index on page 3. It's important to view a sector or market downturn for what it is — a period of declining values that has historically “cycled back” to the upside.

- 2. How much risk can you afford to take?** Your risk tolerance could change over time based on your financial situation, your life stage and your comfort level with investment risk. If a downturn makes you uncomfortable, it's a good time to reassess the degree of risk in your portfolio.
- 3. Can you take advantage of the downturn?** Volatility creates opportunity as well as risk. You can take advantage of a downturn and buy at market lows. Automatic contributions and dollar-cost averaging can help you make strategic use of downturns and reduce the impact of volatility.

## Dollar-cost averaging defined

With dollar-cost averaging, you invest a fixed amount of money in a stock, mutual fund or other investment on a regular basis, rather than buying a fixed number of shares one time only. As the price of the investment fluctuates, you buy more when the price is lower and fewer when the price is higher. This helps to even out the effect of volatility and may reduce your average cost per share or unit.

## Actions to take

So what can you do to manage market volatility? The following three strategies have stood the test of time.

- 1. Start with a sound investment plan.** Define your investment goal — what you wish to achieve and when. Then determine what type of investor you are (very conservative, conservative, balanced, growth or aggressive growth) based on your risk tolerance — the level of risk you are comfortable with when it comes to your portfolio. This is what drives your allocations to various asset classes.

Diversification by asset class, geography, sector and industry is also fundamental to a sound plan. Finally, make sure you have a clear understanding of your account options (TFSA, RRSP, non-registered, etc.) and investment choices. At RBC Direct Investing™, you have a wide range of investments to choose from, including stocks, options, mutual funds, exchange-traded funds (ETFs), bonds, Principal Protected Notes and more.

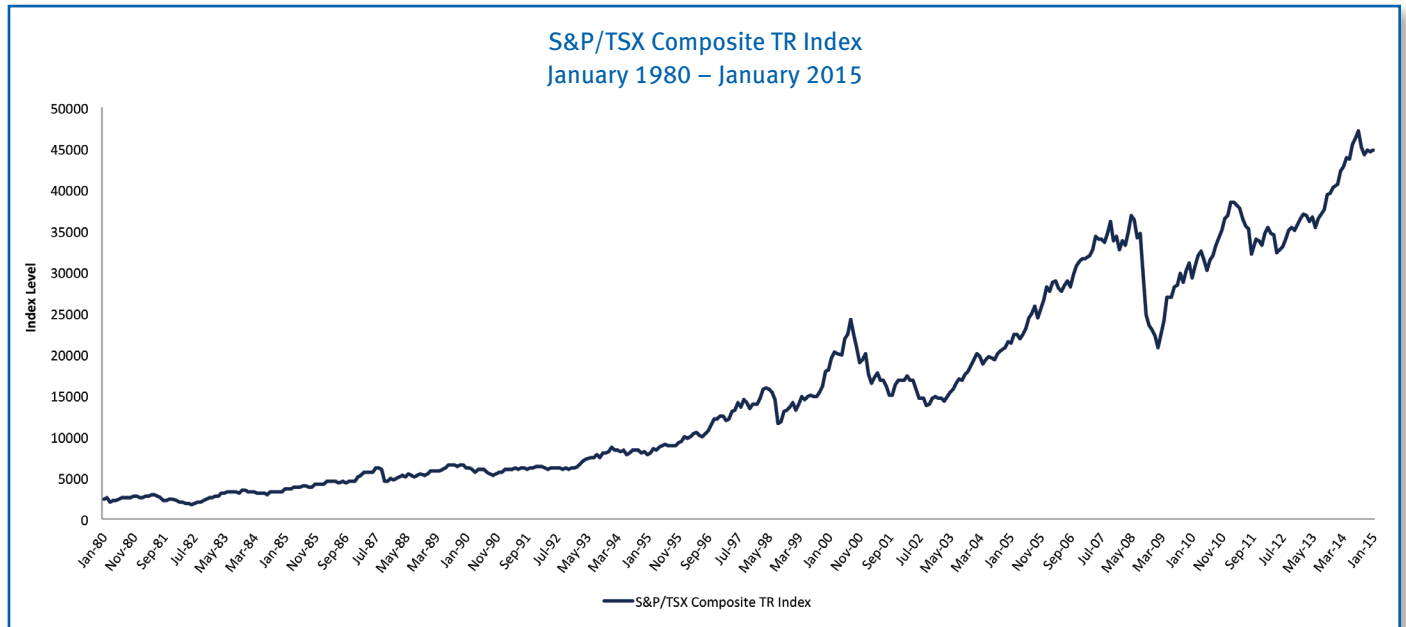
- 2. Monitor and rebalance as needed.** When market movements cause your asset allocation to deviate from your target, revisit your plan. Rebalance to get back to the mix that's right for you. Many investors rebalance at least annually.
- 3. Take advantage of the tools available on our site.** You have a number of resources at your disposal to help you create your plan, implement it and stay on track:
  - The **Goal Setting** tool walks you through the process of defining your long- and short-term goals, creating a savings plan to match and then charting your progress.
  - The **Analyze and Rebalance** feature works alongside the Goal Setting tool to help you visualize and track your progress and stay true to your risk profile through the use of rebalancing strategies.
  - The **Performance Tracking and Benchmarking** tool lets you evaluate your portfolio's rate of return and compare it with various benchmarks, including indices or a rate of return of your choosing.
  - The **Guidance & Planning and Investment Products** pages provide a wealth of additional information, from retirement planning and advanced investing strategies to the basics of the different types of investment products.

Remember, too, that you can always reach out to your fellow self-directed investors in the **Community**<sup>2</sup> to ask for their experiences and opinions.

## The long-term upside of equity investments

### With equities, history is on your side

Stock market declines are troubling for every investor. But as the chart below shows, the historical long-term direction of equity markets has been up.



Source is RBC Global Asset Management®, Bloomberg.  
For illustrative purposes only.



## Tax and investment forms — at your fingertips

Wondering how to request a copy of a tax slip? Need to request a payment from your Registered Retirement Income Fund (RRIF)?

Visit the online Investment and Tax Season Centre. There you'll find frequently used forms — for example, RRSP withdrawal and RRIF payment request forms — as well as key dates, such as the mailing dates for tax slips and contribution receipts. Also, you can find out how to request a copy of a tax slip.

You can find the Investment and Tax Season Centre on the *Forms* page under the **My Home** tab.



## Community member *exclusive* — 3 chances a month to win<sup>3</sup> \$1,000!

RBC Direct Investing is offering all Community members — existing and new — the chance each month to win one of three cash prizes of \$1,000 in our new monthly draw.

The first draw will be held on May 5, 2015, and draws will continue monthly until January 5, 2016. That's a total of 27 prizes of \$1,000 each!

There's no purchase required and no limit to the number of times you can win during the contest. All Community members qualify automatically. Please see complete contest rules for further information at [rbcdirectinvesting.com/communitycontest](http://rbcdirectinvesting.com/communitycontest).

If you haven't yet joined the Community, sign up now to maximize your chances of winning. The sooner you join, the more chances you have to win.

### The Community is growing

Thanks to your participation, 2014 was a huge year for the Community. We gave away 24 weekly prizes of \$1,000 and saw a big jump in enrolment.

Membership is now 14,000 and counting! And no wonder — the Community offers you access to the knowledge and experience of fellow investors with a diverse range of investing goals, approaches and interests.

Do you sometimes wonder how some investors manage to achieve great results? Visit the *Universe* to see the investments they're holding (in percentage values only).

You can also connect with other investors by posting thoughts and questions in the *Forums*<sup>4</sup>, or ask for input on a particular investment or strategy.

And if it's investment information you're looking for, the Community has a ton of articles and tips on everything from tax-smart investment strategies to generating retirement income.

It's a no-brainer: Joining is free and it lets you connect with other RBC Direct Investing investors in a secure, anonymous online environment.

### How to join<sup>2</sup>

Membership is open to all RBC Direct Investing clients and RBC Royal Bank® Online Banking clients with a Practice Account. Joining is easy:

- Sign in to the online investing site, and select the **Community** tab
- Click "Join the Community"
- Create your profile and you're done

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## Looking for the RBC Global Asset Management Market Outlook?

Sign in to the online investing site and head to the *Market Insight* page under the **Markets** tab. Go to the Expert Insights section, click on "View More Expert Insights" and select "Investment Outlook." While you're there, check out the latest Economic Outlook from RBC Global Asset Management and more.

## Think mutual fund MERs are too high? Discover Series D.<sup>5</sup>

If you are like many self-directed investors, you pay close attention to fees and other costs that can cut into your potential profits. Those costs include mutual fund management fees. So you'll be glad to know that there is a special series of mutual funds available through RBC Direct Investing — called Series D<sup>5</sup> — that offers the same professional investment management as other fund series but with lower fees.

### Lower fees for self-directed investors<sup>6</sup>

The Series D category of mutual funds is designed specifically to reward self-directed investors for doing their own research and making their own investment decisions. You enjoy:

- Cost savings. Lower fees mean more of your investment dollars stay at work for you.
- Low minimums, no commissions. You can purchase Series D funds with as little as \$500 per fund, per account. There are no commissions when you buy or sell.
- Wide choice of funds. Some of Canada's most recognized mutual fund managers, including BlackRock<sup>‡</sup>, Invesco<sup>‡</sup>,

Mackenzie Investments<sup>‡</sup>, Purpose Investments and RBC Global Asset Management, offer Series D funds across a range of asset classes.

### Save on fees with Series D

Here's a hypothetical example of how much you can save when you choose the Series D version of a mutual fund.

Amir	Donna
Invests \$10,000 in Series A U.S. equity fund (MER 2.10%)	Invests \$10,000 in Series D version of the same equity fund (MER 1.25%)
<b>Annual management fees: \$210</b>	<b>Annual management fees: \$125</b>

Donna could save \$85 each year in fees — for exactly the same investment.

To learn more about Series D funds — and all mutual funds offered through RBC Direct Investing — visit the *Mutual Funds Centre* under the **Quotes & Research** tab in the online investing site.

## Update: New ways to manage your account

Our operations began in 1989. With 25 years of enhancements behind us, we've learned to take the time to get it right.

### Account management enhancements

Our next set of enhancements — some exciting new changes related to managing your portfolio — is taking us more time to bring online than we anticipated. With such a major undertaking, we want to make sure that the key features of this offering meet our standards — and your needs. Here's a reminder of the changes we have in store for you:

- Obtain quotes and news on all of the stocks you hold on one page
- Enhanced search to make it easier to track your activities, such as trading and transaction history
- View balance and holdings information for a goal or an individual account

The account management enhancements will be introduced in beta. During this phase you'll have the opportunity to become familiar with the new features and share your feedback while you continue to have access to the current pages and tools.

While we continue to work on these enhancements, there's also some other changes coming. Soon all RBC Direct Investing clients will have access to the new Trading Dashboard!

The dashboard consolidates all of your trading needs, making it easier to manage your account holdings, track your order activity and make new trades on a single screen. Active Traders and Royal Circle<sup>®</sup> members will also benefit from real-time streaming market data and quick order entry.

We appreciate your patience as we are committed to providing the very best direct investing service to meet your needs.

## The beta advantage

So why do we launch in beta instead of simply introducing enhancements across the board? Two reasons:

- A beta launch lets you experience the new look and features while still having 100% access to existing tools.
- This approach gives us the opportunity to get your feedback and possibly make adjustments, to help ensure that we're meeting your needs in the best way possible.

## Investment books — a popular pick!<sup>7</sup>

We live and breathe investing at RBC Direct Investing. When we asked our teammates and colleagues what book they found most useful, *The Wealthy Barber*, by David Chilton, came out on top. This Canadian classic was first published in 1989 but is just as relevant today. Here's why:

- **It's simple.** Written in everyday language, explaining financial planning and investing principles that form the foundation of building wealth: saving, compounding, debt, RRSPs, investment products and estate planning.
- **It's fun to read.** Believable characters and humour make the story relatable.
- **It's actionable.** Goes beyond a discussion of investment principles to provide simple ways to achieve your goals, such as “pay yourself first.”

If you like *The Wealthy Barber* (or have already read it), you might also enjoy Chilton's 2011 sequel: *The Wealthy Barber Returns*.

## What's your fave?

Do you have a must-read investment book or a favourite author or blogger who writes about investing? Share the name of your find in the *Forums* on the Community — and see what others are reading too!



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<sup>1</sup> RBC Direct Investing was awarded the Winners Circle by DALBAR Inc. in 2013 and 2014. The annual DALBAR Direct Brokerage Service Award rankings are based on evaluations made over the calendar year, measuring a company's quality of performance in product knowledge, professionalism and their ability to provide value-added service.

<sup>2</sup> Specific terms and conditions apply for membership in the RBC Direct Investing Community. For details please sign in to the RBC Direct Investing online investing site, click the link to the Legal Terms of Use and read the RBC Direct Investing Community – Terms of Service.

<sup>3</sup> The monthly draw is only open to RBC Direct Investing Community members. No purchase necessary. Selected participants in the draw must successfully answer a skill-testing question before they can be declared a prize winner. Please see complete contest rules for further information at [rbcdirectinvesting.com/communitycontest/contestrules.html](http://rbcdirectinvesting.com/communitycontest/contestrules.html).

<sup>4</sup> Forum topics and discussions are member-generated and do not constitute recommendations or advice from RBC Direct Investing Inc.

<sup>5</sup> There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Please read the Fund Facts/ simplified prospectus before investing. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer, their values change frequently and past performance may not be repeated. For money market funds there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you.

<sup>6</sup> Mutual Fund companies assess additional fees — for example, deferred sales charges on back-end load funds, early redemption fees, setup fees and charges for insufficient funds on pre-authorized purchases. Management fees and operating expenses are paid by the mutual fund. There may be trailing commissions associated with these mutual fund investments.

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For past issues of our newsletter, go to [www.rbcdirectinvesting.com/newsletter](http://www.rbcdirectinvesting.com/newsletter).

For account-specific inquiries, call us toll free at 1-800-769-2560.