

# DIRECT INVESTOR



## New TFSA contribution limit<sup>1</sup>

Good news! The latest federal budget proposed an increase in the annual contribution limit for TFSAs to \$10,000 from \$5,500. You can immediately contribute up to the proposed maximum. See page 4 for more on TFSAs.

## Planting the seeds for portfolio success

Ever wonder what lies behind a successful portfolio? The answer may be in your own yard.

Planting a garden that's beautiful and healthy all year long is a lot like creating a portfolio for all seasons. Both require planning and variety.

A beautiful garden, for example, will contain a range of tall and short flowers as well as ground cover. Ideally, some flowers will bloom in early spring, others in the summer, and some in the fall. You'll carefully choose plants suitable for your climate and environment and mix annuals, perennials, bulbs and tubers.

The same principles apply to a successful portfolio. Consider a mix of investments that perform well at different times and under a variety of conditions. Holding a range of investments spanning asset classes, industry sectors and geographic areas can help your portfolio weather short-term market swings and give it greater stability, because a decline in the value of one holding may be offset by an increase in the value of another.

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## Multiple ways to diversify

Your portfolio can be diversified in many ways, starting with the three main asset classes: cash and cash equivalents for security, fixed income for cash flow and equities for growth. You can further diversify by:

- **Geography.** Markets around the world do not necessarily perform the same way at a given point in time. By investing in more than one geographic region, you give yourself the opportunity to compensate for potential downturns in one region with potential gains in another.
- **Industry sector.** As market conditions change, sectors are affected in different ways. Because there are so many factors that can affect how any one sector will perform, it makes sense to diversify your holdings across sectors.
- **Individual holdings.** It's important to monitor your exposure to any single company. Overconcentration could leave you vulnerable if the company experiences a downturn.

## Diversification help – just a few clicks away

To help you manage diversification, you can use the *Analyze & Rebalance* tool. It shows you at a glance your portfolio's mix of cash, fixed income and Canadian, U.S. and international equities. You can also analyze your exposure by sector and region.

If you have used the goal setting tool to establish a goal, you can compare your portfolio to various investor profiles and rebalance to bring your portfolio in line with your investment objectives.

Visit the **My Portfolios** tab, then access the *Performance, Analyze & Rebalance* and *Manage My Goals* pages to get started.

## It's mid-year – how are you doing?

If you made a New Year's resolution at the start of the year or you have a particular goal for 2015, the mid-year mark is a good time to see how you're progressing. If needed, you can adjust your portfolio to reflect any life events. Changes such as marriage, the birth of a child, an inheritance or a career change can affect your objectives or risk tolerance. Revisit your portfolio to ensure that you're on track and happy with your progress.

# 5 ways to make investment planning easier this summer

Looking forward to a little downtime this summer? Here are a few tips that can help you keep your portfolio on track while you relax.

## 1. Invest on the go

Monitor and manage your accounts from almost anywhere<sup>2</sup> with the **RBC® Mobile app**.<sup>3</sup> Use your smartphone to access real-time<sup>4</sup> quotes, check your order status and place trades. Visit [rbc.com/mobiletrading](http://rbc.com/mobiletrading) or text "RBC" to 722722 to receive a text with a link to download the app.

## 2. Reinvest dividends automatically

Want to maximize your investment dollars? With the **Dividend Reinvestment Plan (DRIP)**, you automatically reinvest the cash dividends<sup>5</sup> you earn by having RBC Direct Investing™ buy additional shares<sup>6</sup> in the same companies on your behalf. No fees or commissions apply. To sign up for a DRIP, please call us at **1-800-769-2560**.

## 3. Save with pre-authorized contributions

Build your savings over time with a pre-authorized contribution plan. Simply set it up and watch your savings

grow! Go to the *Transfer Funds* page under the **My Portfolios** tab and select the **Pre-Authorized Contribution (PAC)** tab to get started.

## 4. Invest automatically in mutual funds<sup>7</sup>

Enjoy the convenience of automatically investing in your choice of mutual funds on a monthly or quarterly basis with the Automatic Investment Plan. To sign up, go to the *Forms* page under the **My Home** tab to download and complete the Automatic Investment Plan (AIP) form.

## 5. Set limit and stop loss orders

You can buy or sell at the price you want without having to continually watch the markets:

- Use a **limit order** to set the maximum purchase price you are willing to pay, or the minimum selling price you are willing to accept for a specified security.
- **Stop loss orders** can guard against downside risk. If an investment you own declines to or below your specified stop price, a sell order will automatically be generated.

## Community<sup>8</sup> picks: Books, blogs and more<sup>9</sup>

In the spring issue we asked Community members to share their favourite investment writers and bloggers. Here are their recommendations of books, guides and blogs, as posted in the *Community Forums*.<sup>10</sup>

- **Gordon Pape.** One of Canada's best known financial writers, Pape has written a number of books on financial topics, from TFSA's and retirement saving to teaching children about money.
- ***The Lazy Investor* by Derek Foster.** Foster is known as Canada's youngest retiree. His book outlines his strategy for stock investing success in simple, everyday terms.
- ***The Intelligent Investor* by Benjamin Graham.** Considered "the father of value investing," Graham shares his wisdom on the stock market and value investing in this timeless book, first published in 1949.
- ***Get Rich with Dividends: A Proven System for Earning Double-Digit Returns* by Marc Lichtenfeld.** This new book from an investing veteran sets out strategies centred on dividend-paying stocks.
- ***In Your Best Interest: The Ultimate Guide to the Canadian Bond Market* by W. H. "Hank" Cunningham.** Cunningham demystifies the Canadian fixed income market and provides tips and tools for investing in this important asset class.
- ***MoneySense.*** Community members called out three guides from this Canadian financial magazine: *Guide to Investing in Stocks*, *Guide to the Perfect Portfolio* and *Guide to Retiring Wealthy*.

- ***The Wall Street Journal.*** One of the most trusted names in financial journalism, *The Wall Street Journal* publishes a number of "how-to" guides related to finance.
- **Frances Horodelski, Amanda Lang.** Financial information can come in many forms. Commentary from BNN personality and blogger Frances Horodelski and CBC journalist Amanda Lang were also recommended by Community members.



### What do other investors think?

Visit the *Community Forums* for the thoughts and opinions of other investors on a variety of investing topics.

## Looking for the RBC Global Asset Management Market Outlook?<sup>9</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." While you are there click on "View More Expert Insights" for the latest *Economic Outlook*, *One Minute Market Update* and *Capital Markets Outlook* from RBC Global Asset Management.

## You could be a \$1,000 winner<sup>11</sup> — join the Community!

All Community members — existing and new — have a chance each month to win one of three cash prizes of \$1,000. The contest runs until December 27, 2015.

Not a Community member yet? The sooner you join, the more chances you have to win. For more information and full contest rules, visit [rbcdirectinvesting.com/communitycontest](http://rbcdirectinvesting.com/communitycontest).

## TFSAs: Now more attractive than ever!

With an increased annual contribution limit of \$10,000 beginning in 2015, Tax-Free Savings Accounts (TFSAs) may play an even more important role in helping you reach your financial goals. This federal budget proposal brings the total maximum contribution (since inception) to \$41,000.<sup>12</sup>

TFSAs can hold a wide range of eligible investments, including stocks, exchange-traded funds (ETFs), GICs, mutual funds and bonds. Inside the account, all investment earnings (whether interest, dividends or capital gains) are completely tax-free.

Withdrawals are also tax-free and can be made at any time, for any reason.

To help you contribute to the maximum, set up a pre-authorized contribution (PAC) plan and transfer regular amounts from your bank account to your TFSA.

To make a contribution to an existing TFSA or to set up automatic contributions, sign in to the online investing site and select *Transfer Funds* under the **My Portfolios** tab.

Don't have a TFSA yet? Log in to your existing account and go to the *Open New Accounts* page found under the **My Home** tab. The interactive online application takes about 15 minutes to complete and your new account may be available as soon as the next business day.



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- <sup>1</sup> The proposed measure increasing this limit is subject to parliamentary approval and therefore is subject to change or rejection. Consistent with its standard practice, the Canada Revenue Agency is administering this measure on the basis of the federal budget announcement. Consult your tax or other professional advisor for further details.
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- <sup>7</sup> There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Please read the prospectus or Fund Facts 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.
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- <sup>12</sup> Assumes you were at least 18 and a resident of Canada since 2009.

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