Wealth Management
Dominion Securities

Wealth Management Review

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Client guide to 2021 tax reporting

www.rbcwealthmanagement.com/en-ca/dominion-securities/tax-reporting-guide/

This guide summarizes the important dates and required tax information to prepare your annual tax return. It also includes a handy list of potential tax slips you may receive from RBC Dominion Securities.

March 1, 2022 – last day for 2021 RRSP contributions.

May 2, 2022 – last day to file your 2021 tax return without penalty.

June 15, 2022 – last day to file your 2021 tax return without penalty if you are self-employed.

To help make tax time easier for you, your 2021 tax slips are available through RBC Wealth Management Online, including mutual fund tax slips issued by RBC (tax slips issued by other issuers outside of RBC will continue to be sent by regular mail).

For access to RBC Wealth Management Online, please contact your Investment Advisor.

Going the distance

By Jim Allworth

Until well into 2023 we think the trajectory of the world's major economies will be shaped by the normal progression of the business cycle and the remaining effects of policies put in place to contend with the pandemic.

Following the shortest recession on record – less than three months – the U.S. economy had regained all its ground by the end of the third quarter of 2021. Canada likely hit that milestone in the fourth quarter.

Our principal focus is always on the U.S. economy – the world's largest which sets the rhythm and tone for much of the developed world. A U.S. recession has usually been bad news for other economies and for equity markets. Every bear market for U.S. stocks – and for most other equity markets – has been associated with a U.S. recession.

One direction

All six leading indicators of a U.S. recession that we follow are pointing in a direction consistent with this economic expansion having quite a bit further to run. Powerful tailwinds are driving the U.S. economy and most developed economies forward:

- Credit conditions are very "easy." U.S. recessions, with few exceptions, have been triggered by the arrival of overly tight credit conditions featuring: (1) prohibitively high interest rates that discourage businesses and individuals from borrowing and (2) an unwillingness by banks to lend.

  The opposite describes today's credit conditions. Rates are so low they encourage borrowing, while banks everywhere are looking for credit-worthy individuals, businesses, and projects to which to lend.

- U.S. and Canadian households are sitting on excess savings built up over the pandemic of more than 10% of GDP. We expect about 20% of this saving pile will get spent in the coming year or two, and keep the consumer spending engine powering through 2023.

- Inventories of goods on hand are unusually depleted and need to be replenished for many businesses to meet current demand. Restocking should underpin industrial production and GDP growth through much of this year.

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- Business capital spending has been strong in the U.S. driven by low interest rates, strong corporate profits, as well as the need for more capacity and more resilient supply chains.

Could the Fed and other central banks spoil the party?

The answer is "Yes – eventually." But before that happens, monetary conditions have to transition from "easy" – what we have now – all the way to "tight," which looks far off. And once it finally arrives, "tight money" is typically around for six to 12 months before the U.S. economy tips into recession.

Usually the fed funds rate has had to climb above the nominal growth rate of GDP (i.e., the growth rate before subtracting the effect of price increases) before a recession gets under way. Looked at this way, at the end of last year's third quarter, U.S. GDP was ahead by 9% over the previous year. The fed funds rate is currently close to zero. Assuming the Fed raises rates three times next year (as it has indicated) and then raises by 0.25% at each meeting thereafter (i.e., far faster than either the Fed or the market currently expect) that would leave the rate at 2.75% by the end of 2023. This is still well short of the nominal GDP run rate, which we expect by then to have slowed to 4%-5%.

In other words, we seem to be a long way from the kind of interest rate environment that would throw the U.S. into recession. It's worth remembering the Fed doesn't tighten with the intention of pushing the economy into recession. It is always trying to engineer a "soft landing" wherein the economy slows enough to reduce inflationary pressures but avoids an outright downturn. Of the 17 Fed tightening cycles since 1953, only eight ended in recession.

Recession Scorecard

Indicator	Status		
	Positive	Neutral	Negative
Yield curve (10-year to 1-year Treasuries)	✔		
Unemployment claims	✔		
Unemployment rate	✔		
Conference Board Leading Index	✔		
Non-financial corporate cash flows	✔		
Fed funds rate vs. nominal GDP growth	✔		

We expect inflation to ebb in the second half of 2022 and recede further in 2023 under the influence of:

- Resolution of factors that have artificially produced shortages;
- Return of more people to the labourforce as benefit programs end and personal safety issues fade; and
- A capital spending boom already under way yields productivity gains that somewhat offset higher employment costs.

If this proves to be the case, the Fed and other central banks may be able to end rate hikes before credit conditions pass the point of no return for the economy.

Either way, the economic tailwinds described earlier provide good reasons to expect above-trend GDP and corporate profit growth through 2022 and probably 2023 as well. It would be unusual for share prices not to maintain an upward trend for at least another 12-18 months in that case.

What could go wrong?

Our Recession Scorecard persuades us the business cycle is alive and well and has much further to run. It would take some powerful external event or circumstances to produce a sustained downturn from here. There is no shortage of media speculation about what might threaten to do this. For example, the threat of contagion from possible credit defaults within the large Chinese property sector, or a geopolitical flare-up. And the arrival of the Omicron variant reminds us that the pandemic remains capable of seriously disrupting economic momentum.

Such potential threats regularly come on and off the stage and it's always worth considering what they might mean for the economy and financial markets. But structuring a portfolio as if one or more were likely to occur soon would have left a portfolio un-invested, or at least under-invested, for most of the past 15 years if not longer.

In our view, an investment portfolio diversified across asset classes – where the equity component is diversified sensibly across industry sectors and owns the best, most resilient businesses in each sector – is the most appropriate stance in a world of unpredictable possibilities.

For a more comprehensive look at where we see the global economy and financial markets headed over the next several years ask for a copy of our *Global Insight Outlook* issue.

Jim Allworth is co-chair of the RBC Global Portfolio Advisory Committee.

Firewalls: Seven ways to protect your wealth in an increasingly cyber world

The cyber world offers great convenience and connection, but can also bring perils and pitfalls. Enjoying the virtual world requires awareness and some key steps to remain safe.

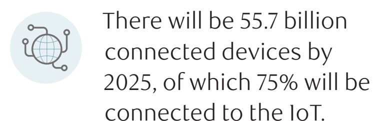
The (accelerated) digital revolution

While the long-term trend to digitization – and the adoption of online ways to conduct many of the activities we once did in person, by mail or by phone – was already well under way, the arrival of the COVID-19 pandemic meaningfully accelerated the transformation.[1] Whether ordering fast food or groceries from your iPad, paying bills and checking your portfolio from your cell phone, suddenly many of the things that took us considerable time and planning could be done anywhere, anytime – and conveniently.

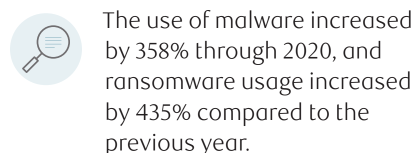
Even professions traditionally dependent on paper, such as law, have seen a significant acceleration in their transitions to e-signatures and e-documents, and transferring funds electronically instead of issuing cheques. And since the start of the pandemic, many businesses have discovered that employees working from home online is both effective and productive.[1]

What's more, the digital revolution shows no signs of abating. According to industry experts[2], consumers and businesses are planning on significantly increasing their investment in and cyber-based modes of purchasing and commerce, and adopting more ways to take advantage of the convenience and cost-savings that they offer. And the increasing prominence of the Internet-of-Things (IoT) – the interconnectivity of physical devices and systems over the Internet or other communications networks – means that the cyber world stands to become even more integrated into our lives.[3]

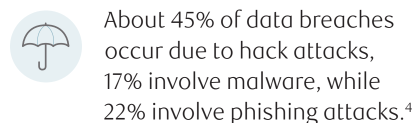
Spending on digital transformation technologies and services worldwide is expected to rise to US$2.4 trillion in 2024 from US$0.6 in 2017.



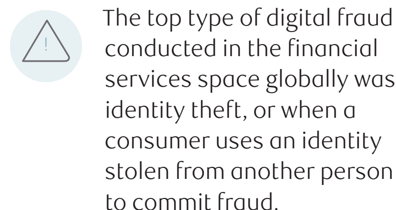
There will be 55.7 billion connected devices by 2025, of which 75% will be connected to the IoT.



The use of malware increased by 358% through 2020, and ransomware usage increased by 435% compared to the previous year.



About 45% of data breaches occur due to hack attacks, 17% involve malware, while 22% involve phishing attacks.[4]



The top type of digital fraud conducted in the financial services space globally was identity theft, or when a consumer uses an identity stolen from another person to commit fraud.

New opportunities, new risks

This rapidly evolving world, however, also brings with it new risks. Rarely does a week go by where the news isn't reporting some new way that cyber criminals are exploiting or scamming consumers or attacking businesses through such cyber-specific crimes such as hacking or ransomware.

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Firewalls ... Continued from page 3

Firewalls: Build your defences to help protect you from cyber threats

Fortunately, you can both enjoy the cyber world and its many conveniences while also helping to protect yourself against cyber criminals. To do so, RBC Cyber Security experts recommend the following:

1. **Use strong passwords or passphrases:** Weak passwords and login credentials are the most common way cyberattacks occur – so they should be as strong as possible, and never used for multiple accounts or services. Passphrases – strings of words – are stronger than passwords and easier to remember. Password manager services can help with remembering stronger, more complicated passwords and passphrases.
2. **Add additional layers of authentication:** Use multi-factor authentication to unlock your device, like a PIN, fingerprint or security question(s).
3. **Ensure software is always up to date:** Often this is done automatically, but ensuring your software is current can help protect against the latest identified vulnerabilities.
4. **Avoid clicking web links or attachments:** These are two of the most prevalent ways for cyber criminals to infiltrate web users. Never click a link in an email or open an attachment unless it comes from a trusted source, and only visit trusted websites.
5. **Store your data securely:** Back up your important data and, if possible, delete it from any other location that is not secure.
6. **Secure your social media and email accounts:** These are increasingly how cyber criminals are getting to victims, so ensure you apply all the security and privacy settings available through those services.
7. **Build your human firewalls:** Your own human "firewall" network can be critical to your financial security, as your trusted relationships will keep their "eyes and ears open" for any activity that seems unusual or out-of-character that can alert them to cyber crime attempts. This network might include your Investment Advisor, family/spouse, banker/relationship manager, lawyer and Power of Attorney.

Counting to six: Following the six-second rule can help protect against cyber crime

Taking a few small precautionary steps to protect yourself as you engage in the cyber world can help to significantly reduce your risk of becoming a victim of cyber crime. Unfortunately, sometimes no matter what we do to prevent it, cyber criminals still sneak through our firewalls and defences.

That's where the *six-second rule* comes into play: before responding to an email, text, ad or call that seems strange or unusual, out of character for the sender, oddly or poorly written, or just out of the ordinary, take six seconds to pause, review the communication, and consider whether it's too good to be true, looks legitimate or seems threatening – chances are that it could be from a cyber criminal.

To learn more about the *six-second rule* and other important information and resources on cyber security, visit the RBC Cyber Security site at rbc.com/cyber-security.

[1] https://www.rbcwealthmanagement.com/en-eu/insights/how-covid-19-has-accelerated-digital-transformation

[2] https://www.elasticpath.com/blog/gartner-predicts-2021/

[3] https://www.fortinet.com/resources/cyberglossary/cybersecurity-statistics/

[4] https://redefineprivacy.com/cybersec/cybersecurity-statistics/

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