Wealth Management Essentials for Oil and Gas Professionals

Presented By Sean Baylis

Investment Advisor
Flow-through investments may not be suitable for all investors. Please read the prospectus before investing. Past performance may not be repeated and there is no guarantee of a return on your initial investment. The specific amount of tax credits will depend on the individual’s province of residence. This material does not constitute an offer to sell or a solicitation to buy any security. This information is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. In Quebec, financial planning services are provided by RBC Wealth Management Financial Services Inc. which is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RBC Dominion Securities Inc. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ®Registered trademarks of Royal Bank of Canada. Used under licence. © 2014 Royal Bank of Canada. All rights reserved.
Introducing RBC Dominion Securities

Wealth management services designed for you

- Serving clients since 1901, today RBC Dominion Securities is Canada’s leading full-service wealth management firm with over 400,000 clients and $150 billion in assets under administration.

- Our services are provided through your personal Investment Advisor, who can custom-design an individual plan for you.

- Access all types of investments, including:
  - Domestic and global investments
  - The largest inventory of fixed-income investments available in Canada
  - Equity investments backed by top-ranked capital markets research and investment strategy

- Our wealth management approach encompasses money management, financial planning, tax minimization and estate planning.
Wealth Management Services

Addressing all your financial concerns

- In addition to investment advice and money management, we can assist with a wide range of wealth management needs.

- This includes:
  - *Financial planning* to clarify your financial situation and goals
  - *Will & estate consultation* to help you maximize your legacy
  - *Risk Management* to identify opportunities to protect or enhance your wealth

- We will assess your needs to determine which of these complimentary consultations are appropriate for you.
Why is Wealth Management Important?

In 2010, Stats Canada released results from a survey of Canadians Financial Literacy

Findings included:

- More than one-third of Canadians are struggling to keep up with their finances
- 30% of Canadians are not planning ahead for retirement
- Only 35% of Canadians know that their stock market investments are not insured
- About one-third of Canadians do not understand the effect of inflation on their buying power.

Canadian Centre for Financial Literacy reported that only 10% of Canadians surveyed indicated that they were very knowledgeable about financial literacy

A Sunlife study revealed that 43% of Canadians were unsure how much they needed to save for retirement

A Bank of Canada report indicated that a 0.5% increase in interest rates would put 1.1 million Canadians at risk of defaulting on consumer or mortgage related debt.
Who is Ultimately Responsible?

RBC CANADIAN CONSUMER OUTLOOK – Percentage of share of responsibility for ensuring a financially secure retirement

- Government: 19%
- Your financial advisor: 5%
- Another family member: 8%
- Your employer: 10%
- You: 59%

Who do you think shares the responsibility for ensuring you have a financially secure retirement?

Total Base – Canada: 3398

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Today’s Agenda

- Financial Planning
- Company Retirement Benefits and Options in Oil and Gas
- Risk Management
- Estate Planning and the Use of Trusts
- Strategies to Build Wealth today and in the Future
Do You Have a Financial Plan?

22nd Annual RBC RRSP Poll

### Have a Financial Plan?

- **Yes:** 40% (59%)
- **No:** 41% (60%)

**Notes:**
- Ages 18-34 (n=285)
- Ages 55-69 (n=335)

### In What Format?

- **On paper:** 20% (52%)
- **In my head:** 21% (40%)
- **Electronic:** 30% (21%)
- **Other:** 2% (7%)

**Notes:**
- Ages 18-34 (n=115)
- Ages 55-69 (n=195)

@ 2011 Ipsos 11-040070 RBC 2011 RRSP Poll

= Statistically significant difference
Creating a Financial Plan

- Being Realistic about your current state—what are your assets and liabilities are today?
- Identify the Financial goals you would like to achieve
- Identify the Strategies you will incorporate to achieve your goals
- Measuring and celebrating success—SMART Goals = an increase in your families net worth
- Who is your COACH? Your financial plan is your road map but can only be achieved if you involve a coach to keep you track
Maximizing your Companies Retirement Benefit Planning

- Defined Contribution vs Defined Benefit Plans
- RRSP Matching Programs
- Employee Profit Sharing Bonuses and Share Purchase Plans
- Stock Option Plans
- Tax Saving Opportunities with Juniors through Flow Through Share Purchase Plans

Figure 2. Traditional DB pensions versus account-based plans (1985–2010)
Albert Einstein once stated that compound interest is one of the most powerful forces on earth.

Time is your biggest ally and worst enemy when it comes to growing your money.

Compounding Interest occurs inside a shelter when you earn interest on previous growth and the principle.

Rule of 72 states to determine how long it will take your money to double, you divide the targeted rate of return into 72. Ex. If you achieved 7% return on your money, it would take 10.28 years for your money to double.

The earlier you start paying yourself, the more time your money has to grow.

You later you invest, the more risk you need to take and the less compounded of interest/return occurs.
# Tactical Asset Allocation

## Asset Quilt

<table>
<thead>
<tr>
<th>Year</th>
<th>REITs</th>
<th>Gold</th>
<th>MSCI EmMids</th>
<th>DJ UBS Commd</th>
<th>Barclays Agg Bond</th>
<th>Russell 2000</th>
<th>MSCI EAFE</th>
<th>S&amp;P 500</th>
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<td>52.3%</td>
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<td>2002</td>
<td>9.3%</td>
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** rst: 2001-13 Annualized **

Source: RBC Dominion Securities
Speculative Investments: Futures, Stock Options, High Yield Bonds, Precious Metals or Gems, Aggressive Growth Stocks, Emerging Markets, Mutual Funds, Collectibles, Antiques, Stamps, Small-Cap Stocks, Undeveloped Land

Moderate Risk Investments: Blue Chip Stocks, Quality Growth Stocks, Moderate Yield Bonds, Income Producing Properties, Conservative Mutual Funds, Large-Cap Stocks, Royalty Trusts

Low Risk Investments: Strip Bonds, Bond Mutual Funds, Bankers’ Acceptances, Canada Savings Bonds, Government Bonds, Corporate Bonds

Cash and Cash Equivalents: Cash, Savings Accounts, Guaranteed Investment Certificates, Money Market Funds, Treasury Bills, Insurance

Such investments may yield large gains or losses

These investments may lose money but they offer a long-term potential for higher rates of return.

It is unlikely that these investments will lose money but they tend to offer a lower potential rate of return than the higher risk investment

These are assets that can be made accessible at any time (liquid). This is generally the safest category of investment but it produces the lowest rate of return.
Flow Through Shares

- Investor purchases flow through limited partnership (ex. $10 000)
- Investor receives immediate tax deduction for the amount of the contribution
- Funds are held for 18-24 months in LP
- LP then rolls into a Mutual Fund
- Investor has the choice to sell the mutual fund or hold mutual fund
- All gains are taxed as capital gains which investor can write off any capital losses against
- Flow through provides a great opportunity to participate in the growth of junior resource companies while receiving a tax deduction
- Investors can maximize tax savings by donating flow-through shares to a charitable organization
Exempt Market Investing

- Limited Partnerships, Promissory Notes, Mortgage Investment Corporations, Land Development
- Only Accredited Investors can buy (Net worth of 1 million or income of $200,000 +) and investors that have a significant degree of investment knowledge and sophistication
- Offering is exempt a prospectus and instead provides an offering memorandum (Less disclosure required)
- Evaluate Risk Factors, Management History and Track Record, Objectives, Business Plan and Mark-Up
- The performance of exempt market investments can diversify your holdings from traditional investments found in mutual funds

Amount raised in Alberta by Industry ($12 billion, 2010)

- Oil & Gas $7.6 billion (66%)
- Financials, incl. mortgage investment $1.3 billion (11%)
- Real Estate $0.6 billion (5%)
- Other $2.1 billion (18%)

Source: Alberta Securities Commission
Should I Pay off the Mortgage or Invest?

- How disciplined are you?
- What keeps you up at night?
- What do the numbers support?

If your interest rate on your mortgage debt is 3% higher than the average annual return from your retirement portfolio then ignore your RRSP and pay down your debts.

-Talbot Stevens- Author of Financial Freedom with Sacrifice
Protecting yourself and your family

- Who will be the guardian for your kids?
- Life Insurance Types - Term vs Permanent
- Disability Insurance - Protecting your lifestyle
- Critical Illness Insurance - Providing a lump sum payment should you be diagnosed with a critical illness
- Long-Term Care Insurance - Providing you choice when you no longer can look after meeting your basic needs
- Health Coverage and Benefits
Insurance can be used for protecting your family’s financial future and as a tax-free investment

- Premiums are paid into the policy on a set schedule
- Premiums are added to the cash value and the death benefit
- Policy pays a yearly dividend (growth)
- In retirement, you can use the policy as collateral to receive a loan to access the money within the policy tax free
- Upon death the policy pays out tax free to the estate and covers all loans incurred by the policy holder
- Do you have an updated will?
- Do you have an updated power of attorney?
- Have you been asked to be an executor of anyone’s estate?
- Who will be the Executor of your estate?
- If something should happen to you and your spouse, how do you want the proceeds of your estate distributed?
- What will be the tax consequences of your current estate plan?
- What strategies are you using to maximize the value of your estate?
RBC DS Family Trust

- Parent or Grandparent loans money to the trust
- Trust money is invested
- Each year, trust distributes investment gains to the beneficiaries
- Money can be used to pay for private school tuition, Lessons, Camps, Sports Equipment and Gifts
- Great Opportunity with CRA prescribed rates at 1%
Strategies to Build and Protect Wealth

- Maximize Retirement and Benefit Plans early
- Protect Your Earning Power and Family from Unplanned Events
- Consolidate Services to reduce fees, increase focus and build an appropriate asset allocation
- Work with Professionals
Comprehensive Wealth Management Planning

Professional Wealth Management

- Financial Planning
- Estate Planning
- Insurance
- Charitable Giving
- Education Savings
- Credit & Lending
- Taxation
- Retirement Planning

Money Management
Where we can help?

- Complimentary Family Financial Analysis/Portfolio/Estate Plan Overview - Independent Review by a professional
- Risk Management Analysis - Comprehensive look at how you are protecting your income and wealth
- Executor Services - Expert and Impartial
- Power of Attorney Services - Great if family members are not close by or would like guidance in this area
- Trustee Services - Family Trusts, Testamentary Trusts, Charitable Trusts and Foundations
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