Investor's**Edge**

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Three ways to ensure your legacy will be lasting

"Wealth does not pass three generations."
– Chinese proverb

It is a sad truth that this short, simple sentence often summarizes the financial legacies of many families. In fact, research has shown that, historically, only 30% of wealth lasts through the second generation. And just 10% remains at the end of the third.

What can you do to help ensure that the wealth you have accumulated over the years creates a more lasting legacy for your family? Your success may depend on how well you heed another bit of proverbial wisdom often attributed to Benjamin Franklin: "By failing to prepare, you are preparing to fail."

When it comes to passing along wealth, most Americans are woefully underprepared, according to the 2017 Wealth Transfer Report, *Lasting Legacy*. Published in February by RBC Wealth Management in collaboration with Scorpio Partnership, the report documents findings that further underscore the challenges many American families face.

- Only 30% of survey respondents have created a comprehensive wealth transfer plan.
- Another 30% of respondents said they have done nothing to prepare for the transfer of their estates to their heirs.
- Only 37% of those who received an inheritance were readied for it by their benefactors.
- More than one in three inheritors received no professional help when they went through the process.
- On average, formal financial education for heirs in the U.S. began at age 28.

Financially successful people overwhelmingly wish to transfer their wealth and knowledge to the next generation. Yet the report indicates there is a remarkable gap between intention and action. So this lack of preparation is not due to lack of interest or desire.

Indeed, like most people, you may have at least some idea of what you want to do with your assets. For example, you may want to bestow financial gifts on your children and grandchildren during your lifetime. This approach allows you to share your experience and wisdom regarding money matters, in addition to your hard-earned wealth. Lifetime

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Three ways to ensure your legacy will be lasting, continued

gifts also allow you to see how your generosity helps the people you care about achieve important goals such as purchasing a first home, attending college or starting a business.

You may also assume that, upon your passing, you will leave the rest of your assets to your family, along with bequests to worthy causes that are meaningful to you. However, to turn these important goals into reality, you will need to take action.

Step 1: Develop a plan

As part of your overall estate plan, you need to create a wealth-transfer strategy that meets all your goals, such as providing resources for your loved ones, donating gifts to charities, managing tax liabilities and possibly even creating a framework for preserving your family's wealth for the second and third generations.

Of course, such a plan can be complex, involving a variety of legal documents and arrangements, such as wills, living trusts or irrevocable trusts and other advanced estate planning solutions. Consequently, you will need to work with your financial advisor, accountant and attorney to ensure the tools you use to transfer wealth to the next generation are structured properly.

Many people think that once the planning documentation is completed they are "done" with inheritance planning. However as your life continues to change, you will want to ensure your plan keeps pace. It is recommended you review your plan when you experience any of the following events:

- Changes within family (births, marriages, divorces or deaths),
- Changes to your estate (such as significant inheritance or gift), or
- Changes to estate laws (either at the state or federal level).

Even if these events do not occur, it is still a good idea to review your transfer plan every three to five years. This includes ensuring that executors, trustees and guardians are still appropriate.

Step 2: Communicate your intentions

Only 37% of those surveyed were prepared by their benefactors to receive an inheritance. Of these inheritors, most were informed of the monetary value of the inheritance, but little else. And only 31% of them knew how their benefactors intended them to use their inheritance.

This lack of clear expectations from the benefactor regarding wealth transfer can have broad implications on family relationships. Differing views among family members regarding how the benefactor may have intended the inheritance to be managed can lead to family rifts, creating long-term, unintended consequences.

Such occurrences can be avoided with proper discussion in advance. If you plan to leave sizable assets to your family, do not let it come as a surprise.

Talk with family members about how much you intend to leave them and when. For instance, tell them whether it will be an outright bequest or held in trust for their benefit. And if you have plans to extend your family's wealth through an arrangement such as an irrevocable trust, let your children or other relatives know how the trust works, your intentions regarding distributions from the trust and who the trustees will be.

Step 3: Educate your heirs

Also take time to help children and grandchildren develop financial literacy skills while they are young. Survey respondents said the ideal time to begin formal education on managing family wealth is the late teens – ten years earlier than the average age (28) that survey respondents reported they themselves began their formal financial education.

Enjoy greater peace of mind

Report findings indicate that parents who have a wealth transfer strategy in place feel more confident their heirs will be capable of preserving family wealth. And the earlier children are educated, the greater the likelihood they will feel confident about making sound financial decisions.

Take action today

You have worked hard and invested carefully for decades to build and preserve your wealth. Perhaps an inheritance also contributed to your success. **Preparation, communication** and **education** are three keys to preserving and transferring that wealth – that family legacy – for your loved ones. And for generations to come.

Please contact your financial advisor to request a copy of the 2017 Wealth Transfer Report and to discuss your unique wealth transfer concerns and goals for your family.

How credit may support your overall financial strategy

Like many people, you may be looking forward to hitting the road – or the water – this summer. And perhaps you have been thinking of taking your summertime experience to a new level by purchasing a boat, a recreational vehicle or even a vacation home. If so, can you afford the expense without jeopardizing your long-term financial strategy?

Unless you keep an enormous amount in cash or cash equivalents, you will likely have to borrow to make these types of purchases. But as you know, you can borrow in many different ways. Which is the best method for you?

The answer depends on your individual situation, of course. Your first impulse might be to get a loan from your local bank. However, conventional bank loans can be expensive, with high interest rates and fees. Also, processing and approval requirements can result in lengthy delays.

As an alternative, you can sell some of your investments. This is usually not hard to do, but it may not be easy to reinvest later. Plus there will be tax consequences to consider. And if you dip into your portfolio repeatedly – or at the wrong time, such as when the market is down – you will slow your progress toward your key financial objectives.

Fortunately, you have some attractive funding options. As our client, you have access to two lending programs secured by the eligible securities in your account(s) held at RBC.

RBC Express® Credit – Simply sign a margin agreement on your brokerage account and gain fast, easy access to cash, up to the permitted value of your marginable securities. As long as your minimum equity requirements are maintained, you will not have to establish a fixed term or repayment schedule.

RBC Premier Line of Credit – This revolving line of credit (starting from $500,000 in eligible assets for collateral) has no setup fee and offers an attractive LIBOR-based borrowing rate,* a range of fixed interest rate periods and flexible repayment options. And with a Premier Line of Credit, you can borrow in major currencies.

Both of these lending programs offer you some advantages over traditional bank loans. First, the interest rate may be highly competitive. Also, the qualification process may offer greater personal privacy. And by consolidating your assets and liabilities with RBC, you can potentially reduce fees and paperwork and gain a clearer overview – and greater control – of your entire financial picture.

Savvy investors have long used credit solutions like these to gain access to the liquidity they need without interrupting

their long-term investment strategy. And as a financially successful individual or family, you may enjoy that big-ticket item even more if you pay for it in a way that makes better sense for your life.

Credit is an often-overlooked – but still essential – component of a comprehensive financial strategy. And the more you know about it, the greater the opportunity and flexibility it may offer you in accomplishing your goals.

To learn more about RBC Express Credit and RBC Premier Line of Credit, or to request a complimentary copy of *The Savvy Investor's Credit Workbook*, please call your financial advisor.

* LIBOR (the London InterBank Offered Rate) is the benchmark interest rate that banks charge each other for overnight, one-month, three-month, six-month and one-year loans.

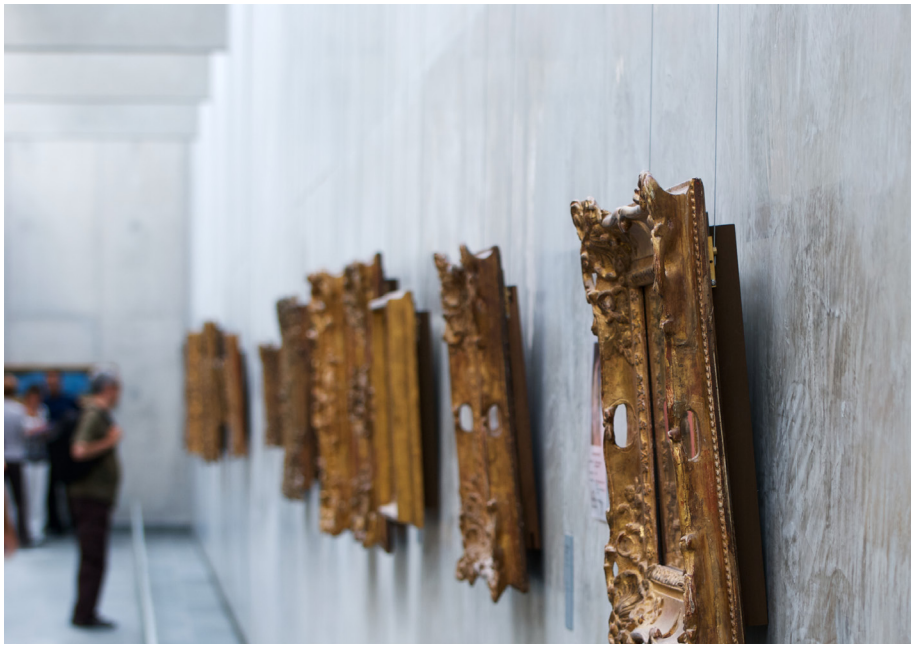
RBC Express Credit (margin) and RBC Premier Line of Credit (PLOC) are asset-based lending and may not be suitable for all investors. You must maintain sufficient collateral to support outstanding loans. Before using either product, you should read the Margin Disclosure Statement or PLOC literature and regulatory disclosures to ensure you understand the risks involved.

Lending services are offered by different entities. Our firm and/or your financial advisor may receive compensation in conjunction with offering or referring these services.

Is artwork a wise investment?

Whether you like abstract paintings or not, there is no doubt some can be valuable. Recently, a collection of American abstract expressionists, including one piece by Willem de Kooning and one by Jackson Pollock, sold for $500 million – making it one of the highest-priced private art deals ever.

Such multimillion-dollar price tags are apt to draw some opportunistic investors into the art market for the first time. But would-be art investors, beware. Investing in art is not for the faint of heart.



Understand the risks before you buy

Art can be a volatile investment. Like fashion, artists and their work go in and out of style, affecting the resale value and return on investment. Art acquisition also comes with considerable extra costs, such as commissions and insurance. Plus, there is always a chance of forgery, theft or damage.

How art differs from securities

Some investors may look to art as a way to diversify their portfolios away from traditional stocks and bonds. But the illiquidity of art and a thinly traded market can make art a riskier investment. Stocks trade for clearly defined prices, Monday through Friday from 9:30 a.m. to 4 p.m. Eastern time. The art market does not have a specific time frame. You might have a piece you would like to sell, but there might not be a market for it. The valuation of artwork is also more subjective, and prices for a particular piece of art may vary widely should prospective buyers be located.

Supply far exceeds demand

Just 1% of all artists generate more than half of all artwork sold globally, according to a TEFAF Art Market Report. There is no easy way to identify which artists will be the most sought-after or successful – with no guarantee of a positive return on investment. And you may end up with a piece of art you do not care for or appreciate.

Key idea: Buy art because you like it

Nearly three-quarters of art collectors said they buy art for passion, according to a Deloitte report. So buy art you like, because it will be in your house for you to enjoy every day. It might appreciate in value, but do not invest in art as a way to save for an important financial goal.

Five tips for investing in art

Research art and artists. Visit galleries, museums, fairs and artists' studios to develop an understanding of art's market value. Read art critics to find up-and-comers, and review art prices from auction houses.

Establish contacts. Build relationships with gallery owners, art critics, artists and other collectors to educate yourself. Join a museum collector's club.

Ignore the hype. Buy art based on the quality of the work, not trends. And do your homework up front, so you know the provenance of the art you are considering.

Do not limit yourself. Artwork can take many forms beyond canvases. Consider investing in other formats, such as photography, costumes and archaeological items.

Buy what you like. The artwork you purchase will most likely be displayed in your home or office for years to come. Above all, make sure you like it.

To discuss how art may fit into your overall wealth management goals, please call your financial advisor.

Going green with bonds — for the right reasons

In building a truly diversified portfolio, you may sometimes expect more than just monetary returns from your investments. If that sounds good to you … then good **for** you. And you are not alone, because a growing class of investors is looking to align investment principles with personal values.

Bonds in general have long been a practical way to build and preserve wealth. In observance of Earth Day 2017 on April 22, why not look at how "green" bonds may expand the opportunities available to fixed income investors who want to blend a financial return with social outcomes.

Green options in both the corporate and municipal bond sectors allow investors to contribute to making the products or programs we use and the communities where we live better for all. The proceeds often go to broad corporate and civic investments, such as infrastructure, schools and health care facilities – which means you can feel confident about making a socially sensible investment.

Since the first green bonds were issued about ten years ago issuance has been robust and increased steadily. Even so, green bonds still account for a relatively small piece of the total issuance pie.

Yet projections from ratings agencies, strong investor demand, growing emerging markets, renewed interest from U.S. utility companies and new issuances by high-profile corporations make it likely that both corporate and municipal market issuance will rise. From an issuer standpoint, increased participation will be driven by cost/benefit analysis, investor demand and growing support for infrastructure projects promoting sustainable long-term environmental objectives.

What makes a bond "green"?

The cornerstone of a green bond is the use of its proceeds. The Green Bond Principles (GBP) recognize the following broad categories of Green Projects:

- Renewable energy
- Energy efficiency (including efficient buildings)
- Sustainable waste management
- Sustainable land use
- Biodiversity conservation
- Clean transportation
- Clean water and/or drinking water

These principles recommend that all designated Green Project categories provide clear environmental benefits that can be described, assessed and quantified. The GBP were written to assist underwriters and issuers to move toward a standard disclosure that will facilitate transactions. RBC Capital Markets is among the investment banking firms to have committed to the GBP.

Key considerations

Green bonds may be attractive because they allow you to enjoy social and environmental returns as well as financial returns. However, it is important to evaluate the risks associated with green bonds, whether taxable or tax exempt, as you would any other investment. It is equally important to remember that socially responsible investment status does not guarantee superior returns.

In recognition of the increased importance of green bonds to investors, ratings agencies are developing better metrics to evaluate and analyze the level of disclosure and environmental credentials of green bonds. This should result in increased transparency for investors in the future.

Which shade of green is right for you?

Supporting socially responsible projects and/or causes is great philanthropy. And you may have a keen eye for spotting opportune investments. But be pragmatic in your approach to investing in green bonds. The key is finding the right balance between your ideals and financial goals.

For professional help, please call your financial advisor.