INVESTOR'S
Edge

RBC Wealth Management

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An exclusive newsletter from RBC Wealth Management

Biodiversity: Invest in the world's most valuable asset

At first glance, biodiversity may seem like an out-of-place topic when it comes to investing. In recent years, however, it has become clear that biodiversity and nature loss pose potential systemic risks to society, business and the economy.

Why is biodiversity important?

Biodiversity is the variety of all living species on Earth. It helps maintain healthy, life-supporting ecosystems, including food and clean water, as well as invisible life-sustaining functions, such as flood protection, nutrient cycling, water filtration and pollination. Biodiversity is fundamental to maintaining high-quality natural capital, which is the world's stock of natural assets, including soil, air, water and all living things. A good example of biodiversity is a single English oak tree, which is

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estimated to support 2,300 different species of insects, fungi, plant life and birds.

The financial impact of biodiversity

Our relationship with nature can be a delicate balance, to say the least. Businesses that directly impact or depend upon nature are typically the most exposed to nature-related risks. These risks may create disruption in companies' activities or value chains, ultimately affecting their risk-return profile as investible assets and challenging their long-term survival.

Agriculture is a good example of potentially impacted businesses. Decreased rainfall and increased vulnerability to pests are physical risks that could threaten crop yields and reduce land value. Increased costs from switching to alternative farming methods and new drought- and disease-resistant crops highlight the risk associated with transitioning to sustainable practices. And potential fines or damages due to fertilizer runoff impacting ground-water quality could expose businesses to liability risk.

The next frontier of sustainability

Constraining nature-related biodiversity risks will require significant investment in solutions, such as reforestation, regenerative agriculture and wetland restoration. According to the UN's State of Finance for Nature report of June 20, 2023, U.S. $4.1 trillion in financing for nature protection must be bridged by 2050 to limit global warming, stop biodiversity loss and achieve land degradation neutrality.

The funding gap is seismic, however. More commitment is needed from the private sector to be effective. Currently, only 17 percent—or U.S. $26 billion per year—of total global investment in nature-based solutions comes from private industry.

As biodiversity and nature loss increase in priority, investors will need to assess the potential impacts across portfolios. Investors could potentially help to safeguard natural capital, contribute to sustainable development and mitigate financial risk by supporting companies with robust biodiversity management practices. Additionally, prioritizing products that promote sustainable land use and conservation will also be beneficial.

Spring is a great time to be earth-conscious and think about responsible investing. Contact your financial advisor to create a strategy that meets your investment goals.

Turbulent times call for calm, focused money management

Turbulent markets often lead people to worry about their financial security, so it's important to gut-check your emotions and remain calm and disciplined in your approach to investing.

Staying calm during uncertainty

Historically the market shifts up and down, but having that knowledge may not calm your worries or fears during uncertain times. Even if you're investing for the long term, have a diversified portfolio and feel like you've traditionally made all the right moves, you may find it difficult to keep your emotions in check.

If you find yourself or a loved one with feelings of being on an emotional roller coaster—now, during the upcoming elections or during any period of volatility—recognize and acknowledge it. People's feelings, thoughts and beliefs about money are intensely personal and tied to a sense of security, stability and well-being.

To avoid reacting emotionally during a volatile market or difficult time, which can complicate your planning or even negatively impact your financial goals, here are some tips:

Seek advice

Work with your financial advisor who can share insights and experiences to help you make well-grounded investment decisions.

Think big picture

Focus on your big picture, long-term wealth plan and avoid constantly checking your investment portfolio, especially if you're checking it daily and that's creating angst.

Remember your plan

Recall your goals, objectives, risk tolerance and investing timelines, factored into your personalized wealth plan.

Stick to the facts

Remember that wealth plans are driven by facts and figures rather than emotions, so don't panic or act before seeking information and understanding the implications of your decisions.

Some specific strategies during market downturns

If you're looking for more specifics on how to bolster your wealth or legacy planning during market turbulence, here are some topics to discuss with your financial advisor:

1. Revisit your wealth plan to determine if any of your big-picture goals, risk tolerance or timeframes have changed.
2. Retirees and near-retirement individuals should conduct an income check-up, revisit spending priorities and create a liquidity plan that includes an emergency fund and access to credit and lending.
3. Consider charitable giving options that may provide income or estate tax benefits—in addition to the personal fulfillment from supporting a cause that matters to you.
4. Consider opportunities within your portfolio for tax-loss harvesting.
5. Consider a Roth IRA conversion or partial conversion.
6. Look at your estate value and consider opportunities to employ during down markets.

Whether the market is bullish or bearish, your financial advisor's advice can help move you toward presence of mind and away from emotional reactions.

Age-based guidelines for retirement income planning

Conventional wisdom compares life to a journey. The metaphor is also apt for retirement. Although retirement is more like a decades-long odyssey around the world than a summer spent learning to sail. That makes careful planning tantamount to living comfortably and not running out of money.

To plan for your retirement—whether it's years down the road or only a few months away—consult your financial advisor. The RBC Wealth Management research-based RBC Retirement Paycheck: A guide to creating your personalized retirement paycheck is also available to help people of all ages plan for and thrive in every stage of life—leading up to and including retirement.

These age-based retirement income planning tips may also help you achieve the financially secure future you want.

Note: If you're not yet 50, see the accompanying New Investors' Nook article.

Age 50+: Seize opportunities

Starting at age 50 you can contribute more to your retirement accounts to help boost your retirement savings. In 2024, the catch-up contribution limits are $1,000 for individual retirement accounts and $7,500 for qualified employer-sponsored retirement plans.

Age 55: Think strategically

Look at your retirement health care choices and what they may cost, including long-term care. If there's a gap between your projected essential expenses (housing, food, health care) and your assured lifetime income sources (Social Security, pension, annuity income), develop a strategy to help cover it. Consider the advantages of a Health Savings Account (HSA) if available to you through your employer.

The Separation from Service After Age 55 option under Internal Revenue Service Code 72(t) may allow you to make a penalty-free withdrawal from your qualified plan (ordinary income taxes still apply).

Age 59½: Act tactically

Shift your focus from growing to preserving wealth and planning how to use it to create income. Your asset allocation decisions and the tax status of the accounts you use to hold assets will become important in the coming years to help manage taxes.

The federal tax code allows penalty-free distributions from your IRA or

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qualified plan any time after age 59 1/2. You will need to pay ordinary income taxes on any withdrawals. Before taking money out, consider the advantages and disadvantages.

Age 62: Begin transitions

Before leaving the work force, consider taking a retirement test drive by living for a month on your projected retirement income.

The Social Security Administration allows qualified individuals to start claiming early Social Security benefits beginning at age 62. However, the amount of each payment will be permanently reduced, compared with the amount received if payments begin at full retirement age. Employment income received prior to full retirement age may reduce benefits further.

Age 65: Enroll in Medicare

Sign up for Medicare benefits during the three months leading up to your 65th birthday. There are many options based on your health care needs and financial situation.

Ages 66–67: Take full benefits

Congratulations! Depending on what year you were born, you reach your full retirement age and qualify for your full Social Security benefit.

Age 68–70: Take delayed benefits

If you defer taking your Social Security benefits until after your full retirement age, the base amount you earn each month will increase eight percent for each year you delay, with the maximum benefit reached at age 70. These are also years when you can reposition assets to a Roth IRA or Stretch IRA prior to taking required minimum distributions (RMDs).

After age 73: Manage taxes

Annual RMDs from your qualified retirement accounts (those featuring tax deferral) are required no later than the year you turn 73. Your RMDs will affect your taxable income and are taxed at your ordinary income tax rate.

Producing a dependable income throughout retirement may be one of the most rewarding wealth management adventures you undertake.

New Investors' Nook

Planning your retirement paycheck

Just because your retirement may be far off into the future doesn't mean it's not on your mind. People are living longer—which sounds great, right?—but living longer costs more.

Having more years outside the workforce than previous generations, paired with rising health care costs, might have you wondering how much you'll need for your retirement.

To help prepare for a secure financial future:

1. Fund an emergency savings account (three months of expenses)
2. Max out your personal or employer-sponsored retirement plan
3. Take advantage of a Health Savings Account (HSA)
4. Stay invested throughout the market's ups and downs
5. Consider higher risk/higher return investments for your longer term financial goals.

You don't have to plan alone. A financial advisor can assist you today and throughout your journey.

RBC Wealth Management is not a tax advisor. All decisions regarding the tax implications of your investments should be made in consultation with your independent tax advisor.

Share your wealth wisely with gift-giving strategies

Charitable giving and other monetary gifting approaches can be powerful and effective ways to leave your financial legacy. Each strategy has its own advantages and benefits.

Gift-giving strategies provide a way to share your wealth with a long-term impact. Whether you are gifting to family members and future generations or community and society or causes that matter to you, it is important to be well informed about the pros and cons for each giving option. Also, to spend your money wisely, keep in mind any potential tax consequences and your wealth planning goals.

Intrafamily gifting: Keeping it in the family

You may find interfamily loans attractive when looking for ways to give to family members for a desired purchase or investment. With high school graduation on the horizon, you may be looking to help family members with college costs. Or you may want to help college grads with loan repayment or newlyweds with their first home purchase. Before making any gift to family members, it is imperative to explore all available options, from an outright gift to a federal annual gift to establishing a trust.

Charitable giving: For the causes you care about

The continued success of many nonprofit organizations relies heavily on philanthropy. Charitable giving can be a powerful financial tool and several options are available—each with unique benefits and disadvantages. Work with your financial advisor to map out a charitable giving plan that meets your wealth distribution goals.

Lifetime gifting: Leave your legacy for future generations

Like many people, you may have put off discussing your financial legacy because discussions about life's end are sensitive. Developing your legacy plan now allows you to make clear-headed choices about your finances. It allows your loved ones to act on your behalf with confidence, knowing they are distributing your wealth according to your wishes. It may also help you to reduce the impact of estate and gift taxes.

What monetary gift-giving strategies fit into your wealth plan? Work with your financial advisor to establish an effective strategy.

Wealth Management

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