Principles of successful investing

Wealth Management

Investors today are faced with ever-changing market conditions, an often overwhelming amount of information from the media and an increasing number of investment choices. It's not surprising that the world of investing can seem complex.

This complexity can lead to investing pitfalls that may result in lost investment gains over the long term. In fact, over the past 20 years, the average equity mutual fund investor has underperformed the market by 4.2%—mainly due to behavioral impulses.*

But the principles of successful investing are quite simple. The five tried and true investment principles outlined in this guide can collectively serve as a blueprint for building an effective long-term portfolio designed to achieve your financial goals.

1. Invest early
2. Invest regularly
3. Invest enough
4. Diversify your portfolio
5. Have a plan

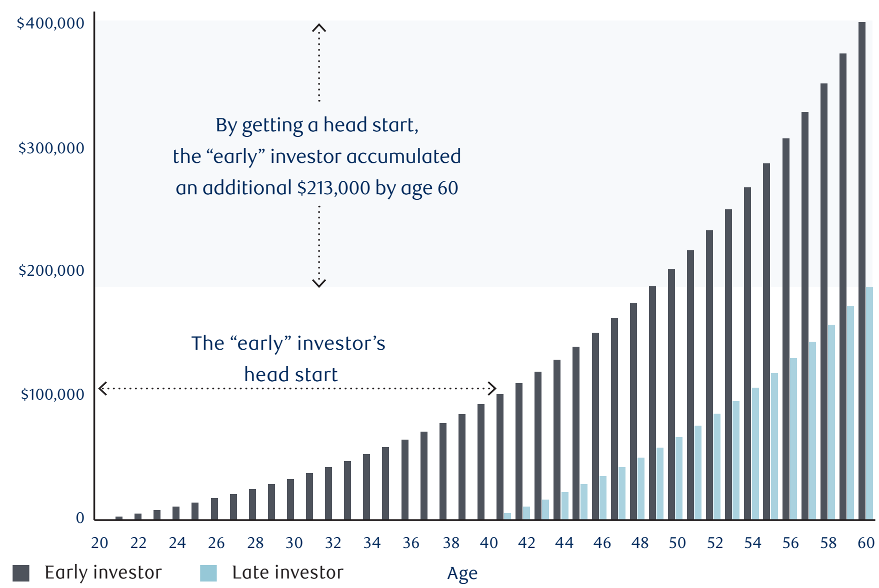
1. Invest early

Getting an early start on investing is one of the best ways to build wealth.

Investing for a longer period of time is largely recognized as a more effective strategy than waiting until you have a large amount of savings or cash flow to invest. This is due to the power of compounding. Compounding investment returns is the snowball effect that occurs when your earnings generate even more earnings. Essentially, your investments grow not only on the original amount invested, but also on any accumulated interest, dividends and capital gains.

The longer you are invested, the more time there is for your investment returns to compound. Time also enables you to take advantage of long-term historical market returns to effectively grow your portfolio over the long run.

Investing early can pay off over the long term



The chart represents an "early" investor who invests $200 per month for 40 years and a "late" investor who invests $400 per month for 20 years. Both investors have invested a total of $96,000 by age 60.

This chart is for illustrative purposes and not intended to be representative of any specific investment vehicle. Past performance is not indicative of future results.

Source: RBC Global Asset Management. Assumes a 6% annualized rate of return.

2. Invest regularly

Investing often is just as important as investing early.

A regular investment plan allows you to choose when and how often you make contributions to ensure that investing remains a priority throughout the year, not just during certain periods—like the IRA contribution deadline. This enables you to apply a disciplined savings approach to help successfully build wealth over time.

Investing regularly also allows you the opportunity to ease into any type of market (rising, falling, flat) and help reduce long-term portfolio volatility. This is the case because investing a fixed dollar amount on a regular basis gives you a chance to buy more investment units when prices are low and fewer units when prices are high, thereby potentially reducing the average cost of your investment over the long term.

Investing small amounts of money on an ongoing basis can help smooth out returns over time and reduce overall portfolio volatility.

With initial investment minimums starting at $500, it is easy to get started today.

Your monthly savings can really add up

Number of years invested	Monthly contribution amount			
	$50	$100	$250	$500
5	$3,489	$6,977	$17,443	$34,885
10	$8,194	$16,388	$40,967	$81,940
15	$14,541	$29,082	$72,705	$145,409
20	$23,102	$46,204	$115,510	$231,020
25	**$34,650**	**$69,299**	**$173,249**	**$346,497**

Source: RBC Global Asset Management. Assumes a 6% annualized rate of return.

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3. Invest enough

Achieving your long-term financial goals begins with saving enough today.

Saving for a major goal like a house, post-secondary education or retirement requires significant thought and decision making—but that is only half the battle. It is vital to know how much you need to begin saving today in order to have a large enough investment portfolio to support your future goal.

Generally, the more you save today, the less you will need to save in the future to achieve the same goal as someone who invested more over a shorter period of time. Your current income is a useful starting point for calculating certain long-term goals—like your retirement savings needs—since the more you make today, the more savings you will likely need to fund your lifestyle in retirement.

How much is enough?

Going through various questions with your financial advisor, such as the ones listed below, will help you determine how much savings you will need to fund your goal.

- What is your goal (e.g., retirement lifestyle, cottage)?
- How much will you need to attain your goal?
- What savings do you currently have in place to meet your goal?
- What is the time horizon required to reach your goal?

Your advisor can help you create a wealth management plan that ensures you are saving enough today to reach your future goals.

4. Diversify your portfolio

It's important to spread your investments across different asset classes.

When it comes to investing, one of the easiest ways that you can improve your probability of success is to take advantage of diversification opportunities through different asset classes, geographical markets and industries.

Financial markets do not move in concert with one another. And at various points in the market cycle, different types of investments or asset classes—such as cash, fixed income and equities— will have varying performance. This performance varies because asset classes can respond differently to changes in environmental factors, including inflation, the outlook for corporate earnings and changes in interest rates.

By holding a combination of different asset classes in your portfolio, you can take the guesswork out of predicting winning and losing investments in any given year.

5. Have a plan

Don't let your emotions influence your investment decisions.

When market volatility increases, even experienced investors can become overly focused on short-term movements. This can lead to hasty decisions, chief among them timing the markets—investing after markets have already risen and redeeming existing investments after markets have already fallen.

The key to avoid making rushed investment decisions is to maintain perspective and focus on the long term. With a well-structured plan in place, you can confidently remain committed to it, knowing that day-to-day market fluctuations are likely to have little impact on your longer-term objectives or on the investment strategy designed to get you there.

No single asset class consistently leads the market every year

2017	2018	2019	2020	2021	2022
Emerging Markets 37.28%	International Bonds 2.77%	Large Cap Stocks 31.49%	Large Cap Stocks 18.40%	Large Cap Stocks 28.71%	Cash Alternatives 1.52%
International Stocks 25.03%	Cash Alternatives 1.82%	Mid Cap Stocks 26.20%	Emerging Markets 18.31%	Small Cap Stocks 26.82%	International Bonds -10.06%
Large Cap Stocks 21.83%	Taxable Bonds 0.01%	Small Cap Stocks 22.78%	Mid Cap Stocks 13.66%	Mid Cap Stocks 24.76%	High Yield Bonds -11.19%
Mid Cap Stocks 16.24%	High Yield Bonds -2.08%	International Stocks 22.01%	Custom Asset Class Blend 11.93%	Custom Asset Class Blend 11.31%	Taxable Bonds -13.01%
Custom Asset Class Blend 15.20%	Large Cap Stocks -4.38%	Custom Asset Class Blend 20.11%	Small Cap Stocks 11.29%	International Stocks 11.26%	Mid Cap Stocks -13.06%
Small Cap Stocks 13.23%	Custom Asset Class Blend -5.81%	Emerging Markets 18.42%	International Stocks 7.82%	High Yield Bonds 5.28%	International Stocks -14.45%
High Yield Bonds 7.50%	Small Cap Stocks -8.48%	High Yield Bonds 14.32%	Taxable Bonds 7.51%	Cash Alternatives 0.04%	Custom Asset Class Blend -14.48 %
Taxable Bonds 3.54%	Mid Cap Stocks -11.08%	Taxable Bonds 8.72%	High Yield Bonds 7.11%	International Bonds -1.32%	Small Cap Stocks -16.10%
International Bonds 2.77%	International Stocks -13.79%	International Bonds 7.98%	International Bonds 4.31%	Taxable Bonds -1.54%	Large Cap Stocks -18.11%
Cash Alternatives 0.82%	Emerging Markets -14.57%	Cash Alternatives 2.21%	Cash Alternatives 0.54%	Emerging Markets -2.54%	Emerging Markets -20.09%

Source: RBC Weatlh Management.

This chart is for illustrative purposes and not intended to be representative of any specific investment vehicle. Past performance is not indicative of future results.

- **Cash Alternatives** — Represents short-term U.S. Treasury securities maturing in 90 days or less as measured by the Bloomberg U.S. Treasury Bills (1-3M) Index.
- **Emerging Markets** — Represents large and mid cap stocks across 26 emerging markets countries as measured by the MSCI Emerging Markets Index.
- **High Yield Bonds** — Represents U.S. below investment grade fixed-rate debt obligations as measured by the Bloomberg U.S. Corporate High Yield Index.
- **International Bonds** — Represents global investment grade debt from 23 local currency markets excluding the U.S. as measured by the Bloomberg Global Aggregate xUS Bond Index (USD Hedged) .
- **International Stocks** — Represents large and mid cap stocks across 21 developed markets countries, excluding US and Canada, as measured by the MSCI EAFE Index.
- **Large Cap Stocks** — Represents the performance of a market capitalization-weighted index of the 500 largest U.S. publicly traded companies as measured by the S&P 500 Index.
- **Mid Cap Stocks** — Represents the performance of a market capitalization-weighted index of 400 mid cap U.S. publicly traded companies as measured by the S&P Mid Cap 400 Index.
- **Small Cap Stocks** — Represents the performance of a market capitalization-weighted index of 600 small cap U.S. publicly traded companies as measured by the S&P Small Cap 600 Index.
- **Taxable Bonds** — Represents U.S. investment grade fixed-rate debt obligations as measured by the Bloomberg U.S. Aggregate Bond Index.
- **Custom Asset Class Blend** — Allocations are rebalanced to their respective target weightings at the beginning of each month.

  2% Cash Alternatives

  22% Taxable Bonds

  4% High Yield Bonds

  12% International Bonds

  24% Large Cap Stocks

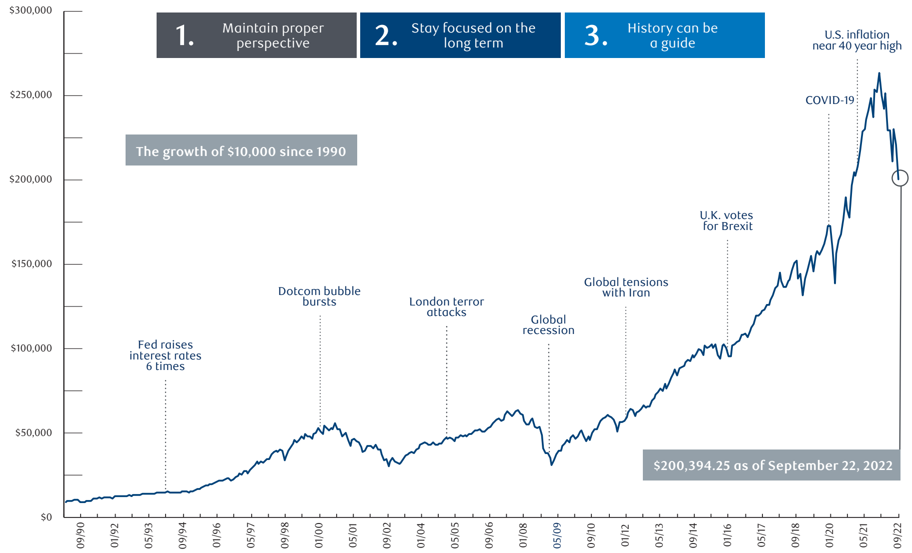
  9% Mid Cap Stocks

  3% Small Cap Stocks

  20% International Stocks

  4% Emerging Markets

Investment options like RBC Portfolio Solutions provide access to a well-diversified portfolio in one easy solution.



■ SPXT Index

An investment cannot be made directly in an index. Graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Performance data as of September 30, 2022.

Source: RBC Global Asset Management.

This chart is for illustrative purposes and not intended to be representative of any specific investment vehicle. Past performance is not indicative of future results.

There will always be events that affect equity markets in the short term. But over the long term, markets have always moved ahead.

Turning the principles into action

Applying the five principles of successful investing can help ensure your portfolio:

- Is well positioned for the long term.
- Successfully navigates temporary periods of market volatility.
- Takes advantage of opportunities as market conditions evolve.

Your financial advisor can help you put these investment principles into practice and keep you focused on your long-term plan.

RBC® Wealth Management

*Source: DALBAR's Quantitative Analysis of Investor Behavior, 2022. Based on U.S. data. U.S. Equity Market is represented by the S&P 500 Total Return Index.

Dollar Cost Averaging does not assure a profit and does not protect against loss in declining markets.

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