

DON'T MAKE THE GOVERNMENT YOUR BENEFICIARY

brought you you by:

- ◇ Halton CARP
- ◇ deGraaf Financial Strategies



©

Our Agenda

- Introduction
- Essence of Retirement Income Planning
- How your RRSP's are taxed upon death
- Tips & strategies to minimize taxes
- The whole picture
- Questions



Léony deGraaf Hastings, CFP, EPC

- ◇ Certified Financial Planner®
- ◇ Elder Planning Counselor
- ◇ Certified Executor's Advisor*pending



deGraaf
financial strategies

simplify the seasons of life

Retirement Income Planning

- The essence of Retirement Income Planning is to get a dollar to spend in the most **EFFICIENT** way possible
 - You can **REDUCE THE STRAIN ON YOUR SAVINGS** by minimizing the number of pre-tax dollars you have to withdraw to deliver the required after-tax (spendable) income
 - Take advantage of the lowest marginal tax rates (MTRs) and use federal/provincial tax credits in the most effective way to minimize taxes - as a family, couple or single
 - Long-term continuum -- **STRUCTURE YOUR INCOME TODAY** to achieve **FUTURE EFFICIENCIES** -- when RRSPs or LIRAs mature -- when a spouse passes -- when transitioning your Estate to the next generation



Retirement & Estate Planning begin and end with Taxes

Deferral is Old School

Are you deferring income from RRSP 's until age 71?



- There are some old ideas about retirement income planning which can lead to UNNECESSARY TAXATION and UNNECESSARY STRESS on your income-producing assets
- If you want a dollar to spend in retirement -- or a dollar to leave to your heirs -- an EFFICIENT plan will minimize the number of pre-tax dollars you need to accomplish that
- Deferring the use of registered savings -- RRSPs & RRIFs -- is OLD SCHOOL THINKING!
- Too much taxation, unnecessary clawbacks of tax credits and income-tested benefits that waste the assets you have saved over a lifetime
- You DON'T have to spend it . . . Redirect to a TFSA then a Non-Reg investment



Graduated Tax Rates

OUR TAX SYSTEM

- graduated rates apply to each new range of income
 - your first dollars of income are taxed at the lowest rate of tax
 - if your total income crosses over in the next 'band', the dollars falling in the next band will be taxed at a higher rate

Retirement Income -- CPP -- OAS -- Pensions -- RRIF payments -- RRSP withdrawals -- Interest income

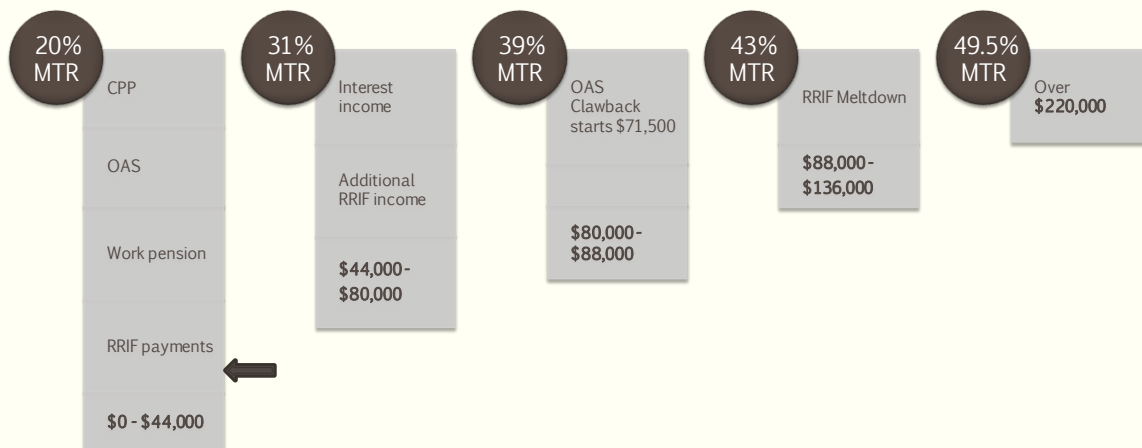
Your Income Plan should attempt to bring these sources into income at the **LOWEST MARGINAL TAX RATE**

Other sources of income -- Dividends -- Capital Gains -- **enjoy tax benefits**

which effectively **LOWER THE TAX RATE** you pay on them



Graduated Combined Tax Rates



Maximize Your Lowest Marginal Tax Rate!

Your RRSP or RRIF

- Tax-free Spousal Rollover
- Deferred Tax Liability
- Name Spouse Successor Annuitant or Beneficiary on RRIF's
- Last spouse
- **100% taxable in the highest brackets**
- Taxed to the Estate not the beneficiary – be careful
- Maximize your 21% - 31% bracket while living
- Higher tax brackets -- consider an RRSP/RRIF Meltdown strategy



RRIF Meltdown



- ✓Advanced strategy
- ✓Best for higher tax brackets
- ✓Turns RRSP funds in to Non-Reg funds via an Investment Loan

Interest payments on Investment Loan are tax deductible

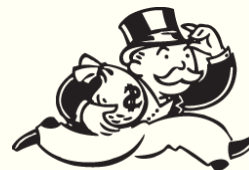
Withdraw same amount from RRSP as Interest payments = tax wash

Non-Reg account grows while RRSP account depletes tax free

Take your CPP

Are you using personal assets instead of government pensions?

- ◇ Many defer taking their CPP benefit early to get a 'bigger pension'
- ◇ Max CPP at age 60 = **\$40,000** before the age 65 individual receives their first CPP cheque
- ◇ Then takes until age 77 before the streams of payments equal the same total dollars
 - ◇ Time value of money makes that gap even larger
- ◇ Helps preserve or increase your current personal savings
- ◇ Ensures you leave behind a Survivor's Benefit



Starting in 2012 - the Work Cessation Test was removed
No reduction in earnings has to take place in order to collect the benefits prior to age 65

Avoid the Clawbacks

- OAS clawback may not affect most retirees -- starts to apply at Net Income of **\$71,592** (2014)
- Once Net Income reaches **\$34,873** (2014) the **Age Amount** starts to be reduced
- In addition to the federal personal exemption of \$11,138 (2014) the Age Amount provides an additional 'tax-free zone' of \$6,916 (2014 - Federal) to taxpayers 65 and over
- Take advantage of **INCOME SPLITTING** to maximize benefits & credits



TFSA Tips

- Spouse as **Successor Annuitant NOT Beneficiary**
- Maintain Tax free Growth
- Name Kids/Grandkids Beneficiary
- TFSA is supposed to be **INVESTED** for **MAXIMUM TAX SAVINGS**
- 3 - 6 months expenses High Interest Savings Account



Consolidate → Simplify = Efficiency

Are your income-producing assets scattered around with different advisors and institutions?

Some people may consider this a form of diversification or portfolio allocation, but in fact, it makes it very difficult to control cash flow and taxes and complicates your affairs at a time when most people want to simplify things.

Consolidating your assets with one qualified advisor can

- a) avoid the confusion of conflicting advice
- b) reduce administration and record-keeping
- c) contribute to tax savings, better portfolios and lower fees
- d) create more orderly transitions as you go through the stages of retirement



Simplify your Retirement Cash Flow

- Retirees with debt
- Want/need to increase their monthly cash flow
- Worried they'll outlive their savings
- Multiple GIC's
- Simplify finances



What is Manulife One?

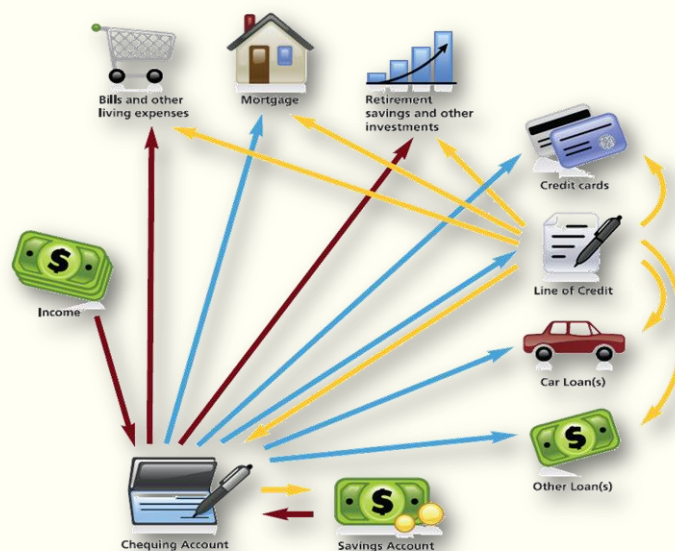
An "all-in-one" account that combines your...

- Mortgage
- Savings account
- Chequing account
- Other debts & lines of credit
- Income

...into a convenient, efficient everyday account.



How EFFICIENT is my banking?





How much time do I spend managing my banking?

- Take the "30-second test"

Snapshot of your Manulife ONE account	
Your total borrowings at the end of June 2010	\$174,884.52
Money that went into your account in July 2010	4,689.78
Money that came out of your account in July 2010	\$2,416.03
Your total borrowings at the end of July 2010	\$172,610.77
Reduction in your borrowings in July 2010	\$2,273.75
Your maximum borrowing limit	\$200,000.00
Available limit on July 31, 2010	\$27,389.23

Sample case for illustration purposes.

Is becoming **debt-free** one of my primary financial goals?



The "What If...?" Account

The concern of most people heading into retirement or those already retired can be summarized as...

What if...?

- The markets drop?
- The roof starts to leak?
- The car breaks down?
- One of us gets sick?
- We have an amazing travel opportunity?
- Our assets deplete too quickly?
- The kids (or grandkids) need money?



When is the best time to get a Manulife One?

- **Before you need one!**
 - If you're a homeowner approaching retirement, consider getting a Manulife One now to provide greater flexibility in retirement.
 - You can access up to 80% of the equity in your home
 - If you're a homeowner who is already retired, you can still access up to 50% of the equity in your home.



That's a Manulife One!

The "all-in-one" account that combines your...

- Mortgage
- Savings account
- Chequing account
- Other debts & lines of credit
- Income

...into a convenient, efficient everyday account.



Recurring Theme . . .

Retirement Income Planning

- Simplicity
- Efficiency
- Reduce Taxes
- Don't Make the Government your Beneficiary

Estate Planning

- Joint Ownership no longer an efficient strategy to avoid probate
- New 4 year audit window - Banks protecting THEMSELVES
- Executor's perspective - Stock portfolio WORST to transition



Estate Simplicity & Efficiency



Estate Planning

- ❑ Segregated Funds - Large Canadian Life Insurance Companies - Easy to track ➡ Simplicity
- ❑ Principal Guarantees - downside protection against market volatility
- ❑ Named Beneficiary on **ALL** Accounts = By-pass Probate (EAT) ➡ Efficient, Reduce Taxes
- ❑ Fraud/POA Abuse protection by naming a Beneficiary -- Long term continuum
- ❑ Special Beneficiary Designations -- Irrevocable, Graduated Inheritance, Successor Annuitant

Simplicity for your Executor





INUKSUITE®

You're on the right path.



Innovative Life Planning From Executor's Choice



INUKSUITE®

Introducing InukSuite® from Executor's Choice

InukSuite® is a comprehensive suite of life-planning services developed to guide you through the legal, financial and administrative decisions that will protect your Estate from potential threats and unnecessary financial losses.

Innovative Life Planning From Executor's Choice





InukSuite® Risk Assessment Service

- Protects and preserves your family's assets
- Avoids costly fees, taxes and probate
- Keeps your money away from banks and government and with your family
- Most of the recommended strategies are free

Innovative Life Planning From Executor's Choice



InukSuite® Will Preparation Service

- May be used by any family member or given as a gift
- Opportunity to prepare a new will if you wish to make changes
- Your circumstances may have changed as a result of a death

Innovative Life Planning From Executor's Choice



INUKFile® Executor's Concierge

- Quickly completes and submits all required forms
 - Unique proprietary software ensures accuracy and rapid filing
 - From the comfort of your own home or at the funeral home
 - Turns hundreds of hours of work into a 55-minute meeting

□ Innovative Life Planning From Executor's Choice



INUKIdentity Theft and Estate Registration Service

- Registration helps to prevent identity theft
 - Protection against the high incidence of fraudulent activity after a death
 - Executor's Choice pays any legal expenses in the event of identity fraud
 - The Executor is legally responsible and financially liable if they are proven negligent

□ Innovative Life Planning From Executor's Choice



Completion of Final Tax Return

- ▣ Required by law (Canada Revenue Agency)
- Our tax specialists ensure accuracy and identify ways to maximize the return

Innovative Life Planning From Executor's Choice



Who is it For?

- ▣ Your Executor
- Your Family
- You

Innovative Life Planning From Executor's Choice

In life, preparation is key.

InukSuite® was created to put you on the right path as you navigate the road ahead.



www.ExecutorsChoice.com

To Summarize . . .

Essence of Retirement Income Planning

- it begins and ends with Taxes - maximize your tax bracket - maximize your credits

Don't make the Government your Beneficiary

- deferring RRIF income is Old School
- deferring your CPP is Old School

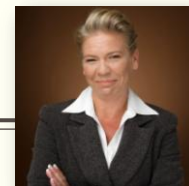
Simplicity in Retirement

- consolidate your assets to one Advisor for income efficiency
- simplify your cash flow and your debt repayment with a Manulife One account
- segregated funds provide all the upside potential with downside protection

Simplicity for your Executor

- segregated funds by pass probate headaches and offer Estate protection
- Executor's Choice / InukSuite assists your Executor when they need it most
- joint assets are no longer the easy way - may come back to bite

Recent Client Satisfaction Survey



WHAT ARE ONE OR TWO THINGS THAT YOUR ADVISOR DOES VERY WELL FOR YOU?

- ✓ Keeps me informed about our investmentshas good knowledge on the money market
- ✓ Responds promptly, answers questions fully. Very approachable.
- ✓ Highlights new products that protect initial investment
- ✓ She is very aware as to what is going on in the market & does her homework
- ✓ Explains things till I fully understand. Very patient and her amazing honesty.
- ✓ I have not been with my financial advisor that long but appreciate work put into a financial plan for myself. My advisor returns emails and phone calls immediately.
- ✓ My advisor is professional and approachable.
- ✓ She is very personable, professional, takes the time to explain things, and does not talk down to dumb seniors.
- ✓ Talks to me, not over my head.

What's the Difference?

Independent Advisor	*	Bank Employee
relationship is nurtured & long term	Continuity	high turnover rate
holistic planning & full range of options suited to most client needs	Planning Options	single need products
house calls	Convenience	bank location
wide range of products due to industry access	Product Options	limited to bank products
life, term certain and guaranteed annuities	Guaranteed Income	Annuities not available
available on all holdings	Beneficiaries	only available on registered accounts
creditor-proof products	Creditor Protection	limited protection
assets flow through Insurance Act	Legislation	assets flow through Bank Act
insurance based products by-pass the Will thereby remain private	Privacy	probated Will becomes public record
ASSURIS covers 85% of all GICS, segregated funds and life insurance policies	Bankruptcy Protection	CDIC on GICS with less than 5 year terms, not on bonds or treasury bills or mutual funds
households with independent financial advisors out-perform those without by 50%	Statistics	how well does your banker know your family dynamics?
I work for you	Who do we work for	their employer and their shareholders
commission based which is standard across industry	Earnings	salary / commission / bonus structure designed by bank
work for clients best interest since no quotas attached to recommendations	Incentive	thresholds/targets for bonus
assets by-pass probate without giving up control so no need for joint ownership	Joint Ownership Issues	deemed disposition of asset when this is done = tax implications and probate issues
available throughout term	GIC Redemption	held until maturity
no minimum	Account Size	typically min \$250k +
option to retain term or take asset	GIC at Death	remain invested until maturity
pays out to your family	Life Insurance	pays out to bank
confirmed at time of application	Insurance Claims	confirmed at time of claim
personal family assistance	Death Claims	generic bank process
mandatory	Continuing Education	not required
personal service	Cash Flow Management	not offered
recognized worldwide	Education Designations	recognized within bank only

Thank You Halton CARP!

Questions?

E-mail sign up sheet



deGraaf
financial strategies

simplify the seasons of life

At deGraaf Financial Strategies, we are committed to working with you to reach your Retirement & Estate Planning goals. Our financial plans and recommendations are founded on decades of family experience in the financial industry and thousands of client cases over the years.

905-632-9900 www.dgfs.ca



Valued Burlington's Best Financial Advisor 5 Years in a Row!

905.632.9900

leony@dgfs.ca

To contact for more information, please click on the logos



- This presentation is copyrighted © and is not for distribution or use by others to provide financial advice.
- This presentation is for general educational purposes and not to be considered personalized financial, tax or legal advice. The information contained is not complete without the speaking notes.
- For information specific to your personal financial circumstances, please consult a Certified Financial Planner[®] to assess your personal needs and goals.
- The information contained is accurate at the time of presentation and is subject to change without further notice. This is a static document presented to Halton CARP members in October 2014.

Crunching the Meltdown

RRSP Meltdown Calculator 1.0		© 2009 Paul Gannon	
RRSP beginning value	\$250,000	RRSP Growth Rate	7.00%
Monthly Withdrawal	\$500.00	Investment Growth Rate	7.00%
		Run Scenario (years)	10.00
		Loan Interest Rate	4.00%
		Marginal Tax Rate	43.00%
1. Let RRSP grow			
RRSP Balance	\$491,788	Income Taxes if cashed out at once @ MTR	\$211,469
		After Tax Value of RRSP	\$280,319
2. Withdraw from RRSP			
RRSP Balance	\$406,262	Income Taxes if cashed out at once @ MTR	\$174,693
		After Tax Value of RRSP (monthly + cash out)	\$265,769
3. Implement Meltdown			
Investment Loan	\$150,000	Investments Value (net of Loan)	\$145,073
RRSP Income Taxes	\$174,693	Investments Capital Gains Taxes	\$31,191
		RRSP Balance	\$406,262
		After Tax Value of RRSP + Investment	\$345,451
Additional Info			
Max Monthly Withdrawal which matches RRSP growth	\$1,413.54	RRSP Meltdown Life (maximum # of years scenario can run)	-----
		Total Benefit of Meltdown (compared with #2)	\$79,682

This chart/calculator is for illustrative purposes only - individual results may vary.
Borrowing to invest magnifies gains and losses - consult your financial advisor for personal advice