

Retire On Purpose

Creating the Life You Want in Retirement



Agenda

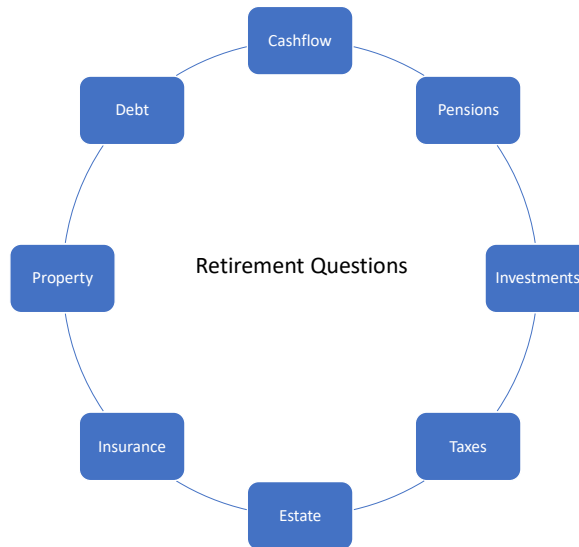
- The Financial Plan for Retirement
- Budget
- Investments
- Pensions
- Debt
- Life Insurance
- Estate Planning
- Taxes
- Stages of Retirement
- Tips for a Good Financial Plan
- Questions



Thinking About Retirement



Financial Planning For Retirement



Let's Get Started



Let's look at some of the many components of your financial plan to create a to-do list



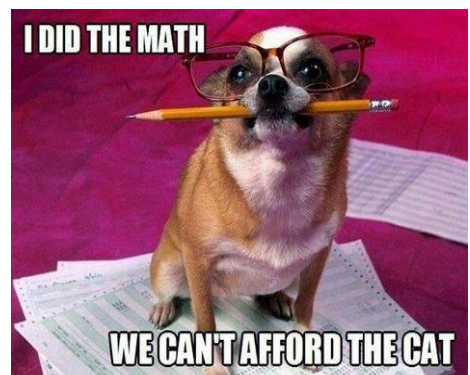
Budget and Cashflow

Do you budget now - poll?

Budget is simple: Money In – Money Out > or = \$0

Convenience = Losing track

Use apps or paper and pencil



Budget and Cashflow Cont'd

Knowing how you are doing now – net worth

How will costs change in retirement?

Do you have good money management skills and habits?

Spend time working on your budget



Investments

The two most important factors about your savings:

Is it registered or non-registered?

How is it invested?



Registered Plans

RRSP's:

Spousal/Non-Spousal, HBP/LLP, tax receipt when invested, taxable when de-registered
Contribution room base on income

RRIF's:

Rollover from RRSP by 71, min. required withdrawal, taxable when de-registered

LIRA's:

From pension plan, locked until 55, min and max withdrawn, taxable when de-registered

TFSA's:

After tax invested, no tax on growth, no tax when withdrawn, contribution maximum set annually



Investment Options



Principal guaranteed
No or low fees
Flexible access to money
Lower interest
Unfavorable tax treatment

- Savings
- GIC's/Terms
- Mutual Funds
- Stocks/Bonds
- Derivatives



Principal at risk
Potential investment fees
Limited access to funds
Potential higher return
Favorable tax treatment



Pensions

Teachers Pension Plan:

1. Does it make sense to wait for unreduced?
2. How does bridging affect income?
3. Inflation/Indexing

CPP/OAS

1. CPP available between ages 60 to 70
2. OAS available between ages 65 to 70
3. Additional benefit for waiting
4. Incomes are indexed by gov't



Debt

Debt is one of the biggest concerns for people preparing for retirement

Having debt does not mean you cannot retire. The goal should be to avoid adding to debt in retirement

Strategies for dealing with debt as you prepare for retirement:

1. Home Equity Line of credit instead of mortgage ? (“Rent from Yourself”/“Equity Freeze”)
2. Complete large purchases/renos prior to retirement (to avoid adding debt in retirement)
3. Time debt to match retirement date (car loan/trailer loan)
4. Consolidation loan



Consolidation

<u>Cost of Borrowing Comparison</u>	<u>Balance O/S</u>	<u>Int. Rate</u>	<u>Pay'mt</u>	<u>Mths to Payout</u>	<u>Total Int. Cost</u>
<u>Name of Credit Card</u>					
Wal-Mart Visa	\$ 2,000.00	28.80%	\$ 60.00	68	\$ 2,028.80
Home Depot	\$ 2,000.00	29.90%	\$ 60.00	73	\$ 2,241.18
Scotiabank Visa	\$ 2,000.00	19.90%	\$ 60.00	49	\$ 937.13
Canadian Tire MasterCard	\$ 2,000.00	21.99%	\$ 60.00	52	\$ 1,118.95
Capital One	\$ 2,000.00	24.00%	\$ 60.00	56	\$ 1,342.96
<u>Total</u>	<u>\$ 10,000.00</u>	<u>24.92%</u>	<u>\$ 300.00</u>	<u>60.00</u>	<u>\$ 7,669.02</u>

Your Credit Union

<u>Teachers Plus Credit Union Loan</u>	<u>\$ 10,000.00</u>	<u>6.0%</u>	<u>\$ 304.22</u>	<u>36</u>	<u>\$ 951.88</u>
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Life Insurance



Easy to get approved
 Less expensive
 May not last
 No investment component

- Group Insurance
- Creditor Insurance
- Term Insurance
- Whole Life
- Universal Life



Often requires medical
 More expensive monthly
 Lasts well into retirement
 Investment/CSV



Estate Planning

- Wills, Powers of Attorney, Living Wills, Personal Care Directives
- Tax planning for your estate
 - Making a family member joint or transferring property/investments
 - Establishing a trust
- Name beneficiaries



Tax Planning

Marginal Income Tax Rates

Annual Taxable Income	2023 Combined Marginal Income Tax
\$25,001 - \$29,590	23.79%
\$29,591 - \$53,359	30.48%
\$53,360 - \$59,180	35.98%
\$59,181 - \$74,999	37.70%
\$75,000 - \$93,000	37.17%**
\$93,001 - \$106,717	38.00%
\$106,718 - \$150,000	43.50%
\$150,001 - \$165,430	47.00%
\$165,431 - \$235,675	50.32%
Over \$235,675	54.00%



Retirement Plan Goals

1. Set lifestyle (cashflow) goals
2. Set income protection goals
3. Set tax efficiency goals
4. Set estate planning goals

Stages of Retirement

Early Stage — post retirement, adjusting to new cash flow, additional part time work, travel/volunteer

Full Retirement — not working anymore at all, adjusted to new cash flow, less travel, more routine in retirement

Security and Comfort — no more travel, protecting existing assets and cash flow, making sure money doesn't run out and estate planning



Early Retirement

Lifestyle/Cash Flow Goals:

Adjusting to new income
 Enjoying travelling/volunteering/spending time with family
 Most significant drain to cash flow – retirement income boosted by part-time employment?
 Finishing paying debt?

Tax Efficiency Goals

Pension splitting?
 Delay drawing CPP/OAS before age 65 (bridging)?
 Delay selling assets until later in retirement (second home/cottage)?

Income Protection Goals

Moving investments to conservative portfolio



Full Retirement

• Tax Efficiency Goals

- Pension splitting
- Access investment funds/additional assets over a number of years to minimize tax burden. Timing these increases to income to avoid income spikes. These do not necessarily have to go to increasing cashflow – but can be sheltered in TFSA or investments that provide a more favorable tax treatment

• Income Protection Goals

- CPP and/or OAS delayed beyond 65 if other sources for income are available?

• Lifestyle/Cash Flow Goals:

- Adjusted to retirement income
- Not willing to work anymore and lifestyle needs (travel, etc.) reduced from early retirement
- Debt paid?



Security and Comfort

Income Protection Goals

- Delayed CPP and OAS will provide some measure of protection since they are indexed
- Investment assets (accrued from de-registered assets/sale of home) can be used to boost cashflow as inflation starts affecting income

Estate Planning Goals

- Minimizing assets that would have to be probated
- Setting up trusts?
- Adjusting wills as family grows and/or wishes change
- Plan for the sale of home?

Tax Efficiency Goals

- Pension splitting



Tips for a good retirement plan

- Try to payout debt before retirement – and plan to avoid adding debt in retirement
- Have a strategy to combat inflation – delay government pensions? Use investments or proceeds from sale of asset to bolster un-indexed retirement income?
- Make a de-registration plan for RRSP's that maximizes cashflow and minimizes income tax
- The decision to start CPP/OAS should be part of your overall retirement plan
- Estate planning – start thinking early about life insurance/how assets are held
- Establish beneficiaries and have a will
- Pension split for income tax benefit
- Rely on the advice of experts (insurance/investments/taxes/estate)
- Credit unions and banks provide help with formulating a plan



Questions?

