



Retirement Planning Guide

Creating a roadmap to finance your retirement



INVESTMENT
INDUSTRY ASSOCIATION
OF CANADA

The average **Canadian** is
expected to reach **80 years**
of age — which for many could
mean spending **20** or more **years** in
retirement.

— *Statistics Canada*

Putting in place a sound retirement plan is the essential first step towards achieving the retirement lifestyle you've always imagined – and it is never too late to get started.

This booklet was developed to help you understand the fundamentals of retirement planning. It introduces you to the planning process and provides detailed information on common sources of retirement income, current government rules and other factors for you to consider when creating a plan to live your retirement just as you intended. Because tax and government pension rules change, the booklet provides phone numbers and internet addresses to enable you to get the latest information or ask an investment advisor at a registered investment dealer to help you.

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Old age is like everything else. To make a success of it, you've got to start young.

– Fred Astaire

Use the net worth estimate worksheet in **Appendix 1** to calculate your current net worth.

As a rule of thumb, experts recommend your retirement income should be roughly 70 to 80 per cent of your pre-retirement income in order to maintain your standard of living before retirement.

GETTING STARTED

People begin planning for their retirement at many different ages and life stages. But the sooner you begin and the more retirement savings you accumulate during your prime working years, the better prepared you'll be when you retire.

The retirement planning process

One of the hardest parts of creating any plan is getting started. Knowing where to begin is often daunting, especially where money matters are concerned.

But when you think about it, planning is really a matter of asking where you are now, where you want to be – and how you intend to get there. When it comes to your retirement plan, it helps to answer these questions by following a simple, “3-D” process:

1. Determine your current financial status.
2. Decide how much you will need when you retire.
3. Develop a strategy to get from what you have to what you need.

Completing these steps gives you the foundation on which to build your retirement plan and also helps you determine the actions you need to take to achieve your financial goals.

1. Determine your current financial status

To determine your financial status, first determine your net worth. Net worth equals your assets (the value of the things you own including savings and investments) minus your liabilities (the total of what you owe, including any financial commitments you have).

Net worth calculations should be updated annually, since your commitments and circumstances constantly change.

2. Decide how much you will need when you retire

There is no definitive way to determine how much you will need to retire comfortably because it all depends on what type of retirement lifestyle you have in mind and what sources of revenue you can count on. To estimate your financial needs, it's a good idea to project the income and expenses you will have during retirement.

Since employment income ends when you retire completely from the workforce, you must rely on other sources of income to provide for your needs in retirement.

There are four common sources of retirement income:

1. Government-sponsored plans
2. Employer-sponsored plans
3. Registered retirement savings plans
4. Other personal assets

The remaining sections of this guide provide detailed information on each of the above sources of retirement income.

3. Develop a strategy to get from what you have to what you need

Once you have estimated what you have today (your net worth) and what you need when you retire, the next step is to create a savings and investment strategy to fill in any gaps – and the sooner you take action, the better!

An investment advisor can work with you to determine the best strategy for achieving your financial goals in a way you are comfortable with – and help make sure you can live your retirement just the way you intended.



Service Canada provides a convenient online retirement income calculator to help you estimate your retirement income. Go to www.canada.gc.ca, choose the A-Z Index, select Pensions and then scroll down to the Canadian Retirement

*Use the retirement cash flow statement in **Appendix 2** to estimate your expected retirement income and expenses.*

For help in establishing a good savings and investment strategy, consult a qualified investment advisor (refer to the back cover for information on the IDA registered investment advisor advantage).

Two-thirds of **Canadian** households are currently saving at levels that will **not generate sufficient income** to cover their non-discretionary expenses in **retirement**.

– Canadian Institute of Actuaries (2007)

GOVERNMENT-SPONSORED PLANS

The Canadian government provides income for retirees through the Old Age Security (OAS) program and the Canada Pension Plan/Québec Pension Plan (CPP/QPP). Together, these programs provide a modest base on which to build your retirement income.

Old Age Security program

The old age security program includes the OAS pension, the Guaranteed Income Supplement (GIS) and the allowance.

OAS pension

The OAS pension is available to Canadian citizens and legal residents aged 65 years and over who have lived in Canada for at least 10 years since turning 18 and, with some restrictions, to individuals no longer living in Canada. It is not based on employment history.

OAS benefits are paid monthly and the amount is adjusted quarterly for increases in the cost of living as measured by the consumer price index.

To receive the OAS pension, you should submit an application six months prior to your planned retirement date. The income you receive from the OAS pension is included in your taxable income. If your taxable income is over a specified amount, you may need to repay some or all of the OAS pension.



To receive the GIS, you must apply every year. However, most seniors can automatically re-apply by filing their annual income tax return. The GIS is not included in taxable income.

Guaranteed Income Supplement

The Guaranteed Income Supplement is an additional monthly amount paid to OAS pensioners who have a yearly income (either individually or combined with a spouse or common-law partner) below a certain level.

The supplement amount is adjusted annually relative to the consumer price index to reflect changes in the cost of living. In addition, the amount individuals receive is adjusted annually based on their current financial circumstances and marital status.

The allowance

The allowance is paid to qualified people who are:

- a spouse or common-law partner of an OAS pensioner;
- a widowed spouse of a person who was receiving an OAS pension; or
- a widowed spouse of a person who would have been eligible for the OAS pension had they survived until age 65.

To qualify for the allowance, you must:

- be between the ages of 60 and 64;
- have lived in Canada for at least 10 years after turning 18; and
- have an annual income as a survivor, or combined yearly income as a couple, within a determined range that is established each quarter.

The allowance stops when you become eligible for an OAS pension at age 65 or if you leave Canada for more than six months. If you are receiving the allowance as the spouse or common-law partner of an OAS pensioner, it will stop if your spouse/partner ceases to be eligible for the OAS or if you separate or divorce. For widowed spouses, benefits stop if you remarry or live in a common-law relationship for more than 12 months. The allowance is not considered taxable income but you must include it in your tax return.

The table below summarizes the maximum benefits available under the OAS program for the January to March 2007 quarter.

OLD AGE SECURITY PROGRAM (January to March 2007)

Type of benefit	Maximum monthly benefit	Average monthly benefit (Oct. 2006)	Maximum annual income
Old Age Security pension	\$491.93	\$467.21	see note
Guaranteed Income Supplement			
■ Single	\$620.91	\$418.87	\$14,904
■ Spouse/common-law partner of:			
■ A non-pensioner	\$620.91	\$406.46	\$35,712
■ A pensioner	\$410.04	\$261.30	\$19,728
■ An allowance recipient	\$410.04	\$337.29	\$35,712
The allowance			
■ Regular	\$901.97	\$354.69	\$27,600
■ Survivor	\$999.81	\$559.05	\$20,064

Note: OAS recipients with an annual income of between \$63,511 and \$102,864 will be required to repay a portion of the benefit. Those with an annual income above \$102,864 will be required to repay the entire OAS received.

Source: Human Resources and Social Development Canada



For additional information about applying for an OAS benefit, call the Government of Canada Income Security Program at 1.800.277.9914. For the most current figures and other details, visit the Service Canada website at www.servicecanada.ca.

Canada and Québec Pension Plans

With very few exceptions, every employed person in Canada over age 18, who earns more than \$3,500 per year, contributes to the Canada Pension Plan (CPP) or, for residents of Québec, the Québec Pension Plan (QPP). You and your employer each pay a half of the contribution, up to a set threshold. Self-employed people contribute both parts.



To find out how much you have contributed to the CPP or QPP, call Service Canada at 1.800.277.9914 or the Régie des rentes du Québec at 1.800.463.5185.

Example:

If you start your pension at age 60, your monthly payment is 30 per cent less than if you wait until age 65 (0.5% adjustment per month x 60 months). On the other hand, if you wait until age 70 to receive your pension, the monthly payment is 30 per cent higher.

The more you earn and contribute to the CPP/QPP over the years, the higher your benefit entitlement will be when you retire. Benefits received under the CPP/QPP are part of your taxable income and may also affect other benefits programs (e.g., GIS) where eligibility is based on your annual income.

The CPP/QPP offer three kinds of benefits to eligible individuals:

1. Retirement pension
2. Disability benefits
3. Survivor benefits.

1. Retirement pension

The retirement pension is a monthly benefit for individuals who are 65 years of age or older and have contributed to the CPP and/or QPP. You may elect to start receiving the pension as early as age 60 or defer until as late as age 70. You may also choose to receive the pension regardless of whether you have retired from the workforce or not – as long as you meet the age requirements.

Pension benefits under the CPP/QPP are indexed to the average wage growth. If you decide to start receiving the benefit other than at age 65, the payments are adjusted by 0.5 per cent for each month before or after your 65th birthday.

2. Disability benefits

Disability benefits protect against the loss of earnings due to a disability, provided you meet the eligibility requirements. Your dependent children may also qualify for a disability benefit as long as they meet certain criteria.

Payments are made on a monthly basis starting four months after the disability occurred and they continue until you reach age 65 or recover from the disability, whichever happens first. If you are still receiving the disability benefit at age 65, it automatically converts to a retirement pension.

The benefit consists of a flat-rate component and an earnings-related component and is subject to a maximum monthly amount. The income is taxable and may have an impact on other disability income you are entitled to receive (e.g., through an employer-sponsored insurance plan).

3. Survivor benefits

There are three types of survivor benefits available under the CPP and QPP following the death of a qualified contributor:

1. A lump-sum payment is paid to the estate of the deceased. The amount of the death benefit depends on how much the contributor paid into the plan.
2. The spouse or common-law partner of the deceased contributor, as defined by the CPP or QPP, may be entitled to a survivor's pension. The amount of the pension varies based on how long the contributor paid into the plan and the age of the surviving spouse at time of death.
3. The dependent children of the deceased contributor may also be entitled to a monthly benefit. To qualify, children must be either under age 18 or both between the ages of 18 and 25 and attending school on a full-time basis.

The following table summarizes the benefits currently available under the CPP and QPP.

CANADA PENSION PLAN AND QUÉBEC PENSION PLAN

Type of benefit	Maximum monthly benefit CPP	Maximum monthly benefit QPP	Average monthly benefit CPP <i>(Oct. 2006)</i>
Retirement pension (at age 65)	\$863.75	\$863.75	\$473.09
Disability benefit	\$1,053.77	\$1,053.74	\$772.88
Survivor benefit			
▪ under age 65	\$482.30	varies	\$347.89
▪ age 65 and over	\$518.25	\$518.25	\$293.75
Children of disabled contributor	\$204.68	\$64.99	\$200.47
Children of deceased contributor	\$204.68	\$64.99	\$200.47
Death benefit (maximum lump sum)	\$2,500.00	\$2,500.00	\$2,227.82
Combined benefits			
▪ survivors and retirement (at age 65)	\$863.75	\$863.75	\$667.48
▪ survivors and disability	\$1,053.77	n.a.	\$911.00

Source: Human Resources and Social Development Canada

Talk to an investment advisor to learn about tax-smart CPP and QPP strategies like credit-splitting and pension-sharing.



For additional information on the CPP or to request an application package, call Service Canada at 1.800.277.9914. For QPP inquiries, contact the Régie des rentes du Québec at 1.800.463.5185.

EMPLOYER-SPONSORED PLANS

Registered pension plans, group registered retirement savings plans and other types of employer-sponsored retirement plans are a convenient and disciplined way to top up the income you expect to receive through government programs for retirees. But it isn't safe to assume you won't need additional retirement savings – you may be disappointed with the level of benefits offered.

Some questions to consider when evaluating your employer-sponsored plan are:

- What type of employer pension plan do you have?
- What will happen to your plan if you decide to retire early or change jobs or at the time of your death?
- What investment options, if any, can you choose from within the plan?
- How will your employer pension impact your government pension?
- Does your plan include other retirement benefits such as dental care or life insurance?
- What happens to your plan if your employer goes bankrupt?
- How much additional savings and income do you need above what is available from your employer plan?



Some employer-sponsored plans offer a matching component where the employer matches employee contributions up to a certain threshold. This can provide an excellent opportunity to increase savings for retirement.

You can get answers to many of these questions by reading the information available about your specific plan or by speaking to your employer or plan administrator. You may also want to talk to an investment advisor about how your (and your spouse's) employer-sponsored plan(s) fits into your overall retirement strategy. It is also a good idea to periodically check your most recent pension statement from your employer.

Registered pension plans

There are generally two types of registered pension plans (RPPs) offered by employers to their employees:

- 1. Defined contribution plans** (also known as money purchase plans) – the employer and, in some cases, the employee, pay a specified contribution rate. At retirement, pension benefits are determined by the accumulated contributions and the investment return earned on those contributions, meaning the final pension benefit is usually not known until retirement.

2. Defined benefit plans – a formula (often based on length of employment and annual salary) is used to determine the specific pension amount the employee will receive upon retirement. The employer is responsible for ensuring that there is sufficient growth in the plan to cover all future pension payments.

Your contributions into either type of plan are tax-deductible. However, contribution limits do apply, as outlined in the table below.



If asked to switch from a defined benefit to a defined contribution plan (or vice versa), an investment advisor can help you determine the impact this switch would have on your retirement plan.

REGISTERED PENSION PLAN LIMITS

	2007	2008	2009	2010
Defined contribution (money purchase) RPPs:				
Annual contribution limit	\$20,000	\$21,000	\$22,000	Indexed to average wage growth
Defined benefit RPPs:				
Maximum pension benefit per year of service	\$2,222	\$2,333	\$2,444	Indexed to average wage growth

Source: 2007 Federal Budget

Group registered retirement savings plans

With group registered retirement savings plans (RRSPs), employees make periodic contributions, usually through payroll deductions, that are submitted to the plan's investment manager/administrator and invested. Generally speaking, the employee is responsible for choosing the investments within the RRSP and for selecting an income option at retirement. With some group RRSPs, the employer may also choose to contribute to the plan by matching a portion of employee contributions.

Like registered pension plans, group RRSPs are also tax-sheltered. Any investment returns, such as dividends, interest, or capital gains accumulated in the plan, do not get taxed until you start withdrawing from the plan.



Group RRSP contributions may have restrictions on investment options, transfers and locking-in provisions. Request plan brochures and documentation from your employer or plan sponsor to find out the particulars of your plan.

As an added advantage, group RRSP payroll deductions are generally made on a pre-tax basis. This means the amount of income tax deducted from your paycheque is calculated after your contribution is made—resulting in an immediate tax savings for you.

Other employer plans

Profit-sharing, employee share purchase, top-up and other types of employer-sponsored plans exist, sometimes as a supplement to RPPs or group RRSPs. Find out from your employer what is available to you and consider the costs and benefits before enrolling in any such programs. This may be one of the biggest decisions you make in planning for your retirement.

If you **retired** today and want to have an income of **\$3,500** per month, you'd **need** at least **\$1 million** to pay for **25 years** of retirement.

– *Canadian Business (2006)*

REGISTERED RETIREMENT SAVINGS PLANS

It's important to build a nest-egg of personal savings, along with government and employer-sponsored retirement plans to help ensure your financial independence at retirement. A simple and popular way to do this is to set up a registered retirement savings plan.

RRSPs are federally registered savings plans that provide key tax advantages to investors:

1. The contributions you make to an RRSP each year are tax-deductible, allowing you to immediately defer taxes on a portion of your earned income. The higher your taxable income and marginal tax rate, the greater the tax savings will be.
2. Investment returns (e.g., dividends, interest, etc.) are not taxed while they remain in the plan. Over time, this tax-free compounding of investment returns can add considerable growth to your portfolio.
3. When you do start to withdraw RRSP funds, presumably at retirement, you will likely be in a lower tax bracket, meaning your withdrawals will be subject to less tax.



The sooner contributions to an RRSP start, the greater will be the benefits at retirement due to tax-free compounding.

Contribution rules

Who can contribute?

Most individuals with earned income can contribute to an RRSP. Earned income includes wages from employment or income from their business, alimony received, royalty income and rental income, among other sources. It does not include sources such as pension or investment income.

Contribution limits

There is no limit on the number of RRSP accounts you can open, but there are limits on the annual tax-deductible contributions you are able to make. You can currently contribute as much as 18 per cent of your previous year's earned income, up to a maximum dollar amount.

Canada Revenue Agency (CRA) sends you a notice of assessment following your annual tax return that shows your allowable RRSP contribution limit for the coming year plus any unused contribution room you may have left over from previous years.

Below is the current schedule of increases to the maximum RRSP dollar contribution limits:

ANNUAL RRSP CONTRIBUTION LIMITS

2007	2008	2009	2010	2011
\$19,000	\$20,000	\$21,000	\$22,000	Indexed to average wage growth

Source: Canada Revenue Agency

If you are a member of a registered pension plan or deferred profit sharing plan, the amount you are able to contribute to your RRSP is reduced by the value of your pension credits. This is known as a pension adjustment (PA) and is reported on your T4 tax slip.

Contribution deadlines

To claim an RRSP deduction for the current tax year, you must make an RRSP contribution during the twelve months of the calendar year or within the first 60 days after year-end.

Contribution age limit

You can contribute to your RRSP and have available contribution room, if you have employment income, until December 31 of the year you turn 71, at which time your RRSP must be liquidated.

Carry-forwards

If you are not able to contribute your maximum allowable amount to your RRSP in a given year, you are allowed to carry forward the unused portion for use in future years. The amount of unused contribution room that you have accumulated since 1991 is shown on your Notice of Assessment. Despite this carry-forward provision, it's a good idea for most people to contribute the maximum each year so that contributions have a longer exposure to the benefits of tax-free compounding (e.g., earning a return on re-invested income).

Claiming RRSP deductions in a later year

You have the option to deduct your current year's RRSP contribution in a later year. You might choose this option if you believe you will be in a higher tax bracket the following year and would receive a greater tax saving from the deduction. However, this would mean that you delay receiving the tax savings by one year.



To request a copy of your Notice of Assessment, speak to a CRA representative by calling 1.800.959.8281 or the automated T.I.P.S. service at 1.800.267.6999.

RRSP terminology

SPOUSAL RRSPs

With this type of RRSP, contributions are made by the higher-income-earning spouse in the name of the lower income-earner. The contributor receives the tax deduction in the year the contribution is made – however the spousal plan assets are owned and controlled by the registered owner of the plan (the non-contributing spouse).

The contributor may only contribute an amount up to his or her personal allowable RRSP contribution limit for the year into a spousal plan. Individuals over age 71, who are no longer permitted to make contributions into their own personal RRSPs, may still direct allowable contributions to a spousal RRSP up until December 31 of the year the spouse turns 71 years of age.

The advantage of a spousal RRSP is that withdrawals are taxed in the hands of the registered plan owner (who is the lower-earning, and therefore lower tax-paying spouse). However, the contributor rather than the spouse is taxed on withdrawals, if any spousal contributions have been made in the year of the withdrawal or in the two previous calendar years. Certain exceptions apply, such as in the case of a marriage breakdown.

SELF-DIRECTED RRSPs

Unlike certain plans that restrict the type of investments you can hold, self-directed RRSPs allow you to choose from a wide variety of investments (e.g., stocks, bonds, mutual funds, guaranteed investment certificates, etc.). Under certain conditions, shares of small business or venture capital corporations, certain option contracts and qualified mortgages may also be held in self-directed plans. The added flexibility and choice come at a price, as most self-directed plans charge an annual administration or trustee fee.

LOCKED-IN RRSPs (also called locked-in retirement accounts or LIRAs)

This type of RRSP contains funds transferred from a registered pension plan. Individuals generally cannot make contributions or withdrawals; the funds are instead used to buy a life annuity that provides a steady lifetime income stream during retirement. In certain provinces, the locked-in RRSP can be transferred to a locked-in registered retirement income fund (RRIF), a tax-deferral vehicle used when investors are converting their RRSPs into retirement income.

Contributions in kind made to eligible charities and foundations provide tax relief to donors. Speak to an investment advisor to find out more.



Income from your registered savings may affect the amount you are eligible to receive under government programs like CPP/QPP and OAS. Contact a tax advisor for more information.



The Home Buyers' Plan (HBP) is a program under which RRSP-holders can, under certain circumstances, withdraw up to \$20,000 from their RRSPs to buy or build a qualifying home. For more information, visit www.cra-arc.gc.ca and search for Home Buyers' Plan.

Over-contributing to your RRSP

If you make an RRSP contribution that exceeds your maximum allowable amount for the year, it is considered an “over-contribution”. You are allowed a lifetime over-contribution limit of up to \$2,000 in your RRSP (if you were at least 18 years of age in the preceding year). Any excess amounts will be subject to a one per cent per month penalty. Speak to an advisor on how to remedy any over-contributions.

Contributions “in kind”

If you have a self-directed RRSP, you may contribute qualified mutual funds, common shares, bonds and other securities instead of cash and receive a corresponding tax deduction equal to the fair market value of the security at the time of contribution. However, be aware that securities contributed in kind are deemed to be sold at the time of contribution, meaning that any capital gain on the sale is taxable. By contrast, any capital losses are not recognized for tax purposes.

Other considerations

Withdrawals and withholding taxes

Funds can be withdrawn from your RRSP at any time – but any withdrawals are taxed as regular income in the year they are made. Also, your plan administrator is required to withhold a certain level of taxes up-front and only give you the balance of your withdrawal (*see table below*).

Your plan administrator provides a T4 RRSP receipt for any funds withdrawn during the year that shows the amount you have to include as part of your taxable income and the credit for the tax withheld. When you file your annual tax return, your personal income situation will determine whether or not you owe additional taxes or are entitled to a refund.

TAX WITHHELD ON RRSP WITHDRAWALS

Withdrawal amount	All provinces except Québec	Québec
\$5,000 or less	10%	21%
\$5,001 to \$15,000	20%	26%
\$15,001 or more	30%	31%

Source: Canada Revenue Agency and Revenu Québec

TAX WITHHELD ON RRSP WITHDRAWALS

RRSPs at the death of a planholder

Upon your death, any RRSP assets are distributed to your designated beneficiaries. This designation is specified in either the RRSP plan documents or through your will. Under certain circumstances, the proceeds of the RRSP will continue to be tax-sheltered. For example, if your spouse is the beneficiary, he or she has the option of rolling the assets into their own RRSP or registered retirement income fund (RRIF) without paying taxes.

Other beneficiary designations involving dependent children or grandchildren who are minors or physically or mentally infirm may also qualify for a tax-sheltered rollover. In most other situations, the full value of the RRSP is taxed at the date of death as income in the final tax return of the deceased. Because of the many tax and estate law considerations involved, it is recommended you seek professional tax and legal advice when co-ordinating will and beneficiary designations.

Turning your RRSPs into retirement income

You must convert your RRSP plans into an eligible retirement option no later than December 31 of the year in which you turn age 71. If you miss this deadline, your plan automatically collapses and the full proceeds are added to your taxable income for the year.

Generally speaking, you have three conversion options for your RRSP plans:

1. Withdraw all funds from the RRSP
2. Transfer RRSP funds to a registered retirement income fund
3. Use the RRSP funds to purchase an annuity.

A combination of the above three options can also be used.

Withdrawing all RRSP funds

If you choose to fully withdraw all funds from your RRSP, your plan administrator is required to withhold a certain amount of tax up-front and the full amount of the withdrawal is included in your income for the year and taxed at your marginal rate. While this option does not allow you to preserve the tax-sheltered status of your RRSP savings, it does give you complete access to your funds (unlike RRIFs and annuities, which generally limit the amount of income you receive on a periodic basis).

Transferring to a RRIF

You may transfer your RRSP funds into a RRIF at any time, but no later than December 31 of the year you turn 71. Funds transferred to the RRIF will continue to benefit from tax-sheltered growth.



Spouses should consider naming each other as their RRSP beneficiary to reduce the tax burden should one spouse die.



Rules for designating RRSP beneficiaries differ in Québec. Consult with an investment advisor for more information.



A RRIF is a tax-sheltered investment vehicle that enables RRSP-holders with maturing RRSPs to continue benefiting from tax-free growth. The plan-holder invests the maturing RRSP funds in the RRIF and each year must withdraw and pay income tax on a set fraction of the total assets in the fund.

Calculating the RRIF minimum annual withdrawal amount

The withdrawal amount is calculated by multiplying the market value of the RRIF at the beginning of the year by a “prescribed factor” corresponding to the planholder’s age. The following table summarizes the prescribed factors for both general RRIFs (those opened after 1993) and qualifying RRIFs (those opened before 1993) and. The minimum RRIF withdrawal requirement is being waived in 2007 for those turning 70 or 71 in 2007 and in 2008 for those turning 71 in 2008.

RRIFs OPENED AFTER 1993

General RRIFs			
Age	Factor	Age	Factor
71**	0.0738	83	0.0958
72	0.0748	84	0.0993
73	0.0759	85	0.1033
74	0.0771	86	0.1079
75	0.0785	87	0.1133
76	0.0799	88	0.1196
77	0.0815	89	0.1271
78	0.0833	90	0.1362
79	0.0853	91	0.1473
80	0.0875	92	0.1612
81	0.0899	93	0.1792
82	0.0927	94+	0.2000

RRIFs OPENED BEFORE 1993

Qualifying RRIFs			
Age	Factor	Age	Factor
71**	0.0526	83	0.0958
72	0.0556	84	0.0993
73	0.0588	85	0.1033
74	0.0625	86	0.1079
75	0.0667	87	0.1133
76	0.0714	88	0.1196
77	0.0769	89	0.1271
78	0.0833	90	0.1362
79	0.0853	91	0.1473
80	0.0875	92	0.1612
81	0.0899	93	0.1792
82	0.0927	94+	0.2000

**Note: To calculate the factor for below age 71, use the formula $1/(90-\text{age})$
Source: Canada Revenue Agency and Revenu Québec

You are not allowed to make contributions into a RRIF, but instead must withdraw a minimum amount each year (starting the year after RRIF set-up). This minimum amount is based on your age (or, if elected, the age of your spouse or common-law partner) and the fair market value of the RRIF at the beginning of the year.

When setting up a RRIF, you also have the option to base the annual minimum withdrawal amount on the age of your spouse or common-law partner. If the spouse or common-law partner is younger, this will result in lower annual minimum withdrawals, which maximizes the amount of funds that can continue to grow on a tax-deferred basis in the RRIF.

All funds withdrawn from a RRIF are fully taxed as income, but only amounts withdrawn in excess of the minimum annual amount are subject to withholding taxes. For withdrawals above the minimum, withholding taxes are the same as for RRSP withdrawals:

TAX WITHHELD ON RRIF WITHDRAWALS

Withdrawal amount	All provinces except Québec	Québec
RRIF minimum	0%	0%
\$5,000 or less	10%	21%
\$5,001 to \$15,000	20%	26%
\$15,001 or more	30%	31%

Source: Canada Revenue Agency and Revenu Québec

Spousal RRSPs may also be converted to spousal RRIFs. Be aware that if contributions were made to the spousal RRSP in the current or previous two years before the conversion to a RRIF, any amounts in excess of the minimum that are withdrawn from the RRIF will be taxed in the hands of the contributing spouse or common-law partner.

The rules that apply upon the death of a RRIF annuitant are generally similar to those discussed for the death of an RRSP-holder.

Annuities purchased with registered assets, e.g., RRSPs, RRIFs, locked-in RRSPs, etc., are called registered annuities.

If you have several retirement accounts, e.g., self-directed RRSPs, spousal RRSPs or locked-in RRSPs, consider consolidating them with one or two investment advisors for better portfolio planning opportunities and easier administration. At a minimum, keep accurate records of assets you have and the institutions they are held in.

Annuities

You may choose to use the funds in your RRSP (or RRIF) to purchase an annuity from a life insurance company. In exchange for your lump sum, the insurance company agrees to provide you with a regular stream of income for the rest of your life or for a set period of time. The payment amount from the annuity is largely dependent on the following criteria:

- *Age* – generally, the older you are, the larger the payments
- *Gender* – because women have a longer life expectancy, the periodic payment amounts to women tend to be smaller
- *Amount used to buy the annuity* – the more capital, the larger the payments.
- *Interest rates at the time of purchase* – higher interest rates means higher payments

The payment frequency can be monthly, annually, or any other interval agreed upon at the time of purchase, but the payment amount usually remains fixed. This fixed payment provides some level of security to seniors because it allows them to budget or plan, knowing exactly how much income they will receive from the annuity.

With an annuity, all of the investment risk is transferred to the insurance company. But on the downside, an annuity generally does not allow you to access additional income if needed.

Types of annuities

- **Life annuity:** Provides income for as long as you live – some also have an option that guarantees the number of years that payments are made so that if you die during this time, a death benefit is paid to your beneficiary.
- **Joint and last survivor life annuity:** Provides income payments for as long as you or your spouse live.
- **Term certain annuity:** Gives a specified number of income payments – if you die before all the specified payments are made, a death benefit is paid to a beneficiary.
- **Deferred annuity:** Does not start paying income right away but instead takes advantage of a higher interest rate environment to provide larger payments at a later date.

OTHER PERSONAL ASSETS

A final source of income in your retirement is your personal assets, which includes non-registered investments, personal possessions and your home.

Non-registered investments

Given that restrictions are placed on the amount that can be contributed to RRSPs and employer-sponsored plans, you may have to accumulate additional retirement savings outside of a registered plan to meet your retirement objectives. Creating a balanced portfolio that minimizes taxes and delivers the required level of growth or income is essential and will usually benefit from the assistance of an investment advisor.

Personal possessions

Liquidating personal assets such as cars, artwork or vacation properties is another potential source of retirement income. The proceeds can be used directly or to purchase income-generating investments.

Home equity

Home-owners can use their house as an additional source of retirement income. Several options exist, including:

1. **Selling your home** – Proceeds from the sale can be used to purchase a lower-priced home or to provide rent for another home or condo, with the difference added to your retirement savings.
2. **Reverse mortgages** – A reverse mortgage provides senior homeowners with access to tax-free money from the equity built up in the home. The exact amount you receive varies depending on the appraised value of your home and the ages of you and your spouse. No repayment is required while you or your spouse continue living in your residence. The full amount, including compounded interest added to the outstanding balance, becomes due upon the death of the last surviving spouse or when your home is sold. Home-owners have the option to repay this amount sooner. There are some set-up costs and tax and estate considerations that you should consider before entering into a reverse mortgage.



Visit www.chip.ca for additional information on reverse mortgages or speak to an investment advisor to determine if this strategy is right for you.

A FINAL WORD

When planning for your retirement, keep in mind that retirement legislation, tax laws and investment products and services are constantly changing. For the latest information, it's recommended that you consult with a qualified investment advisor at a registered investment dealer, to develop an effective investment strategy that reflects your individual circumstances and needs.

Finally, recognize that retirement planning is an ongoing process. As you approach retirement, and as your individual or family circumstances change, revisit and update your plan accordingly.

Only **31 per cent** of
Canadians approaching
retirement expect to be **ready**
financially.

– *Investors Group survey (2006)*

The information contained in this publication is for general information purposes only and is not intended by the Investment Industry Association of Canada as investment, financial planning, legal or tax advice.

APPENDICES: RETIREMENT PLANNING WORKSHEETS

Appendix 1: Net worth estimate

Net worth estimate as of: <input type="text"/>							
Assets	Self	+	Spouse	+	Joint	=	Total
A. Non-registered investments							
Cash/chequing accounts		+		+		=	
Savings accounts		+		+		=	
Short-term deposits		+		+		=	
Long-term deposits/GICs		+		+		=	
Savings bonds		+		+		=	
Mutual funds		+		+		=	
Stocks		+		+		=	
Individual bonds		+		+		=	
Cash value of life insurance		+		+		=	
<i>Subtotal financial assets</i>		+		+		=	
Rental property		+		+		=	
Other		+		+		=	
Total non-registered investments		+		+		=	A
B. Registered (tax-sheltered) investments							
Individual RRSPs/RRIFs		+		+		=	
Group RRSPs		+		+		=	
Locked-in registered plans		+		+		=	
Value of pension plan(s)		+		+		=	
Value of deferred profit-sharing plans		+		+		=	
Registered education saving plans (RESPs)		+		+		=	
Other		+		+		=	
Total registered investments		+		+		=	B
C. Personal assets							
Residence		+		+		=	
Vacation property		+		+		=	
Furnishings		+		+		=	
Vehicles/boats		+		+		=	
Collectables		+		+		=	
Other		+		+		=	
Total personal assets		+		+		=	C
D. Total assets							
		+		+		=	A+B+C=D
Liabilities							
Mortgage on home		+		+		=	
Mortgage on other properties		+		+		=	
Income/property tax owing		+		+		=	
Car/consumer/investment loans		+		+		=	
Credit card debt		+		+		=	
Other		+		+		=	
E. Total liabilities		+		+		=	E
F. Net worth (assets minus liabilities)							
		+		+		=	D-E = net worth

Appendix 2: Retirement cash flow estimate

	Monthly self	+	Monthly spouse	=	Monthly Total	x 12 =	Annual Total
Sources of income							
Government plans (OAS, GIS, CPP, etc.)		+		=		x 12 =	
Employer-sponsored plans		+		=		x 12 =	
Income from registered and non-registered savings		+		=		x 12 =	
Income from rental property		+		=		x 12 =	
Part-time/self-employment income		+		=		x 12 =	
Other		+		=		x 12 =	
Net income						x 12 =	A
Estimated income taxes (net income x estimated tax rate)						x 12 =	B
Net after-tax income						x 12 =	A-B=C
Expenses							
<i>Living expenses</i>							
Food		+		=		x 12 =	
Clothing		+		=		x 12 =	
Health and dental		+		=		x 12 =	
Life insurance		+		=		x 12 =	
Grooming		+		=		x 12 =	
Pets/pet care		+		=		x 12 =	
Lunch/pocket money		+		=		x 12 =	
Public transportation		+		=		x 12 =	
Other		+		=		x 12 =	
<i>Home-related expenses</i>							
Rent or mortgage		+		=		x 12 =	
Property taxes/		+		=		x 12 =	
Utility expenses (phone, heat, water, light, etc.)		+		=		x 12 =	
Home insurance		+		=		x 12 =	
Household supplies		+		=		x 12 =	
Home renovations/maintenance		+		=		x 12 =	
Furniture		+		=		x 12 =	
Other		+		=		x 12 =	
<i>Automobile expenses</i>							
Loan/lease payments		+		=		x 12 =	
Insurance		+		=		x 12 =	
Licenses		+		=		x 12 =	
Parking		+		=		x 12 =	
Gas		+		=		x 12 =	
Maintenance		+		=		x 12 =	
Other		+		=		x 12 =	
<i>Entertainment expenses</i>							
Vacations		+		=		x 12 =	
Dining out		+		=		x 12 =	
Theatre/sports tickets		+		=		x 12 =	
Movie theatre and rentals		+		=		x 12 =	
Concerts		+		=		x 12 =	
Health/sports club membership		+		=		x 12 =	
Books and newspapers		+		=		x 12 =	
Birthday/holiday gifts		+		=		x 12 =	
Other		+		=		x 12 =	
Total expenses		+		=		x 12 =	D
Cash flow surplus/deficit * (total income less total expenses)						x 12 =	C-D=cash flow

* Note: if you have a cash flow surplus, consider reinvesting for future use.

Roughly **9.8 million** Canadian
baby-boomers
are approaching **retirement**.
By **2020**, the number of
Canadians retiring each
year will be **425,000**.

— *Urban Futures Institute (2006)*

NOTES

The IDA registered investment advisor advantage

When looking to invest money, finding a good investment advisor is critical. There are differences between people *calling* themselves investment advisors and ones *regulated* as advisors, as well as different standards of regulation. Investment Dealers Association of Canada (IDA) registered investment advisors are qualified, trained, regulated and meet high standards of conduct to ensure they provide investors with the best possible service to meet investor needs. The business and financial practices of IDA registered advisors and member investment dealers are regulated by the IDA, Canada's front-line securities regulator.

IDA registered advisors offer:

THE BROADEST CHOICE – IDA registered advisors are able to offer a broad range of investment products and services to meet investors' needs. They can offer not only mutual funds and guaranteed investment certificates (GICs), but also other products only available through registered investment dealers. These include stocks, bonds, options and other more sophisticated alternatives.

FULL UNDERSTANDING OF INVESTOR NEEDS – IDA registered advisors are required to meet rigorous suitability and "know-your-client" rules prior to offering advice. This ensures they understand the investors' financial situation, investment knowledge and objectives, and tolerance for risk.

EXPERT KNOWLEDGE – IDA registered advisors are required to complete extensive training to obtain their registration and meet ongoing education requirements to maintain it. Before being licensed, they are subject to demanding proficiency requirements. They are one of only a few types of advisors subject to mandated continuing education requirements to sustain their expertise as financial products change and capital markets grow.

THE UTMOST IN INTEGRITY – IDA registered advisors are held to strict compliance standards that are monitored at both the firm level and by the IDA.

THE HIGHEST DEGREE OF PROFESSIONALISM – IDA registered advisors are required to act solely in investors' interests to provide investment solutions that meet their clients' specific objectives and needs. They form the only group of securities advisors who must provide clients with written information on how to have complaints addressed through the firm, the IDA and the federal Ombudsman for Banking Services and Investments (OBSI) – complaint channels to which clients of other types of advisors may not have access. The IDA requires investment dealers across Canada to report all client complaints, even if the complaints are solved at the firm level, through a central database.

PROTECTION – Accounts held at registered investment advisors are protected from dealer insolvency by the substantial Canadian Investor Protection Fund (CIPF) to an amount of \$1 million or more each (the fund does not cover losses resulting from a decrease in the market value of securities). Visit www.cipf.ca for more information

For a list of IDA registered investment dealers, visit www.iiac.ca.

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The Investment Industry Association of Canada (IIAC), formerly the industry association arm of the Investment Dealers Association of Canada (IDA), advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for investment dealers, the Investment Industry Association's mandate is to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry. Member firms range in size from small regional firms to large organizations that employ thousands of individuals nationwide. Our members work with Canadian investors to help build prosperity and investment security for them and their families.