



Retirement Planning

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Our Time Today

- ❑ The Basics of Financial Planning
- ❑ Sources of retirement income
- ❑ Investment account types & investment options
- ❑ Managing your investment risk
- ❑ Severance payment and the tax implications
- ❑ Estate considerations
- ❑ Question period



Retire at 65...Says Who?



The age 65 retirement was introduced in Germany in 1883 by Chancellor Bismarck

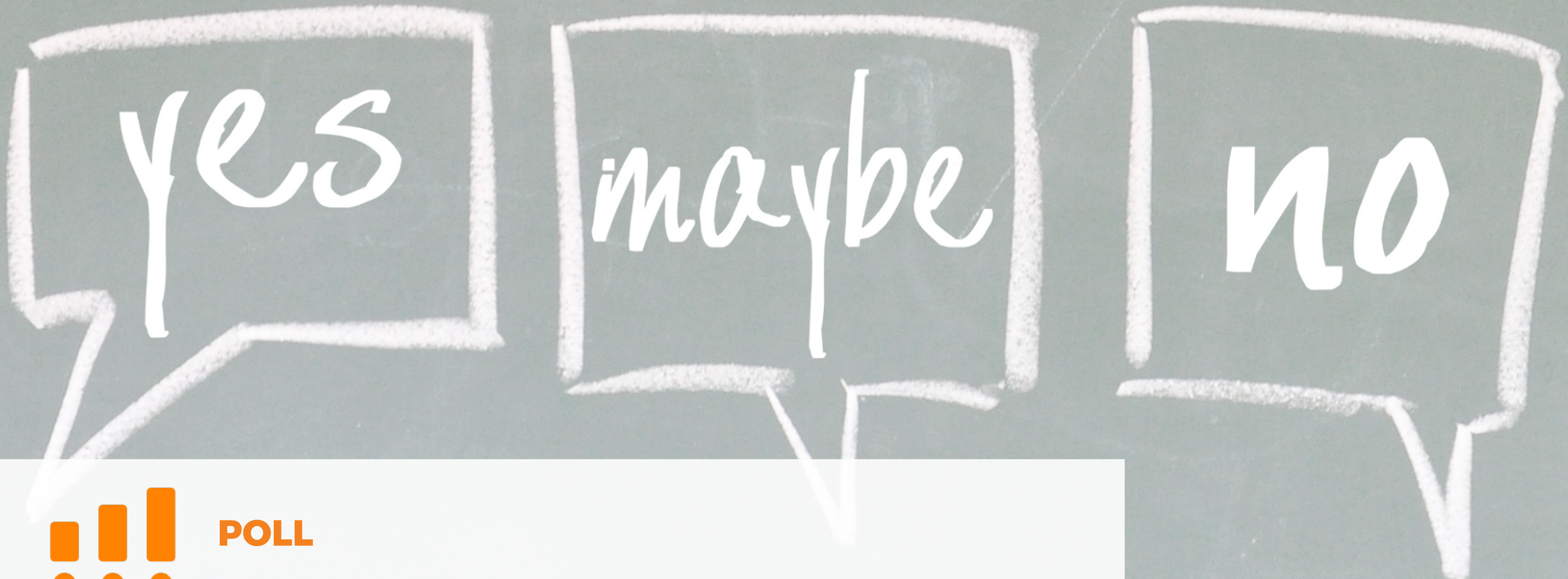


Life expectancy was about 40 years old



**The golden years were considered to be
between 25 and 40**





POLL

Do You Know When You're Going to Retire?

Demographics of Retirement

19

Average years life expectancy

41%

Chance at least one will live to 90

12K

Average spent per year by Canadian senior on healthcare

2.8%

Current 10-year Canadian government bond yield

The Basics of Financial Planning?



Spend **Less** Than You Make

- Identify the sources of income
- Evaluate your spending priorities and the timing of your spending
- Understand your non-discretionary expenses vs discretionary expenses



Understand **Your** Risk



- What would you rank as most people's most valuable asset?
- This is where insurance, life, disability, and critical illness play a part in your financial planning
- What is important to you

Types of Insurance



Temporary Life (rent)

- Term Life (10,20, 30)
- Creditor Life
- Group Life



Permanent Life (own)

- Term 100
- Universal Life
- Whole Life



Other

- Disability
- Critical Illness
- Long Term Care



Free Money is Always Good



Employer programs

- Medical/Dental plans
- Pension
- Group RRSP matching



Government programs

- RESP Grant
- RDSP Grant
- Disability Tax Credit



Understand Your Tax Situation

Average Tax Rate

- Total amount of tax divided by total income
-

Marginal Tax Rate

- The incremental tax paid on incremental income
 - The incremental tax reduction on incremental income deductions
-

Understand your different sources of income and the taxes withheld at source

- Work, CPP, OAS & Tax Implications



Tax Planning



Understanding + managing your tax brackets

Marginal Tax Brackets

How do RRSP/RRIF withdrawals get taxed

Tax instalments

Pension Income splitting

Optimizing your tax brackets



NS Marginal Tax Brackets

First \$25,000	23.79%
Over \$25,000 up to \$29,590	24.32%
Over \$29,590 up to \$53,359	30.48%
Over \$53,359 up to \$59,180	35.98%
Over \$59,180 up to \$74,999	37.70%
Over \$74,999 up to \$93,000	37.17%
Over \$93,000 up to \$106,717	38.00%
Over \$106,717 up to \$150,000	43.50%
Over \$150,000 up to \$165,430	47.00%
Over \$165,430 up to \$235,675	50.32%
Over \$235,675	54.00%

NB Marginal Tax Brackets

First \$47,715	24.40%
Over \$47,715 up to \$53,359	29.00%
Over \$53,359 up to \$95,431	34.50%
Over \$95,431 up to \$106,717	36.50%
Over \$106,717 up to \$165,430	42.00%
Over \$165,430 up to \$176,756	45.32%
Over \$176,756 up to \$235,675	48.82%
Over \$235,675	52.50%

PEI Marginal Tax Brackets

Up to \$31,984	24.80%
\$31,984 to \$53,359	28.80%
\$53,589 to \$63,969	34.30%
\$63,969 to \$100,664	37.20%
\$100,664 to \$106,717	38.87%
\$106,717 to \$165,430	44.37%
\$165,430 to \$235,675	47.69%
Over \$235,675	51.37%

Singles, Not Home Runs

Small decisions can add up over time

- Cash in bank account earning no interest, line of credit, or worse, credit card charging higher interest
 - Take the cash and pay down the line of credit
 - Pay off credit card balance with LOC
- Re-negotiate debt to a lower interest rate
- Save an extra \$50/month in the children's RESP (20% CESG)
- Review insurance needs on a regular basis



Good Debt **vs** Bad Debt

- **Good debt**

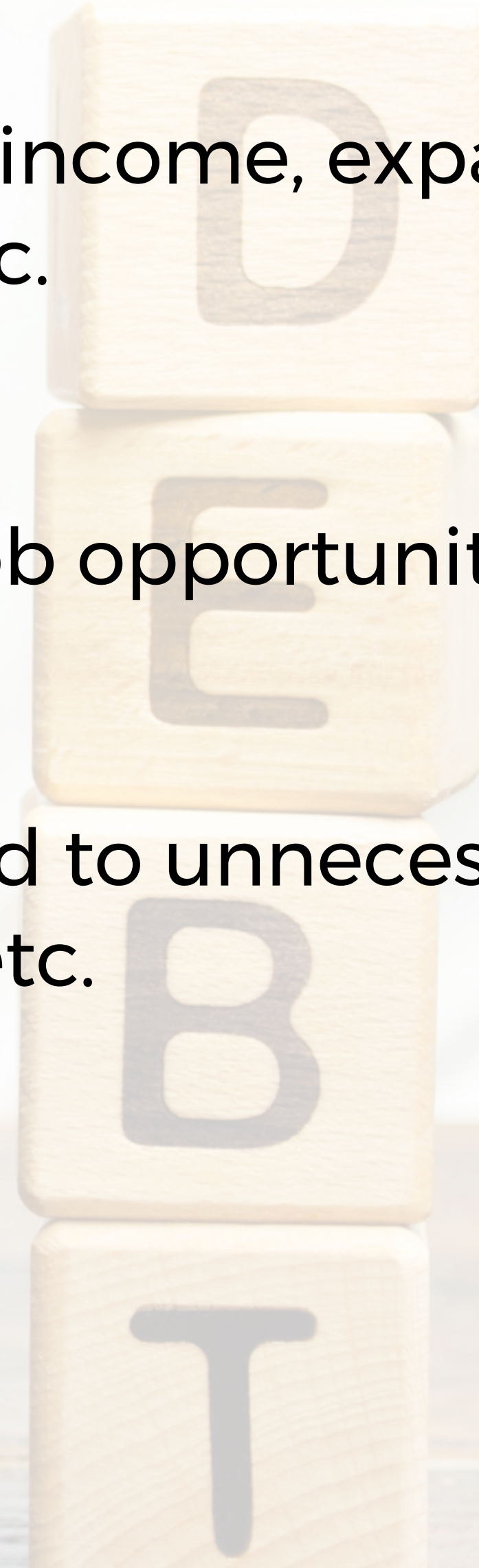
- Purchase of an asset that will generate an income, expanding a business, income producing real estate, etc.

- **Questionable Good debt**

- A loan to move family to a new city for a job opportunity

- **Bad debt**

- Doesn't provide a monetary benefit, related to unnecessary consumer purchases, not tax deductible, etc.



Prepare for Emergencies



The Financial Plan

1) Discovery

- What is most important to you about money?

2) Data Gathering

- Net Worth
- Cash Flow
- Insurance coverage

3) Analysis

- The math

4) Recommendations

- Should sound like common sense

5) Implementation

- Action plan

6) Review

- Monitor and adjust as necessary



Retirement Sources of Income

- CPP
- OAS
- Pension Income
- Investments
- Outside business activity (rental property)
- Potentially RDSP
- Still working ('rehirement')



Pensions



Canada Pension Plan (CPP)

Standard age to start pension is 65

You can start as early as 60
0.6% reduction per month prior to
age 65

You can defer as late as age 70
0.7% enhancement per month after
age 65



Pension Splitting/Sharing





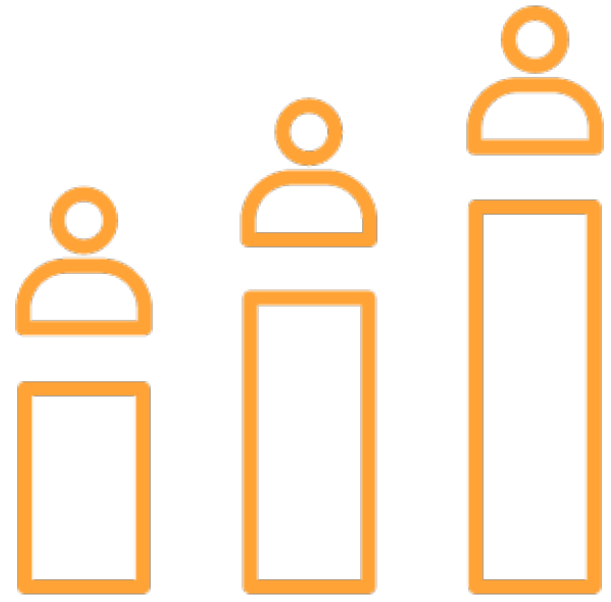
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Who knows what their CPP numbers are?



Investment Account Types & Investment Options





POLL

Do you know the difference between an RRSP and a TFSA?



Registered Retirement Savings Plan (RRSP)



Tax Free Savings Account (TFSA)





VS



**vs Paying
Down Debt**



**What if you took your tax return and
put it in your RRSP?**

**TAX
RETURN**



Spousal RRSP

- Attribution rules



Additional Accounts

→ Registered Retirement
Income Fund (RRIF) / Life Income Fund (LIF)

→ Locked-in retirement account (LIRA) / Locked-in
retirement savings plan (LRSP)

→ Cash / Non-Registered



Registered Education Savings Plan (RESP)

- \$2,500 Contribution
 - \$500 Grant
 - Payable until age 17
- Lifetime Grant Max
 - \$7,200



Registered Disability Savings Plan (RDSP)

- \$1,500 Contribution
 - Up to \$3,500 Grant
 - \$70,000 Lifetime Max
 - Grant payable until age 49
- Up to \$1,000 Annual Bond
 - \$20,000 Lifetime Max



Investing **vs** Speculating



Investing

- Reasonable expectation of profit
- Free cash flow, earnings growth, etc.



Speculating

- Potential for permanent loss of capital
- No earnings, built on hopes



Managing **Your** Investment Risk

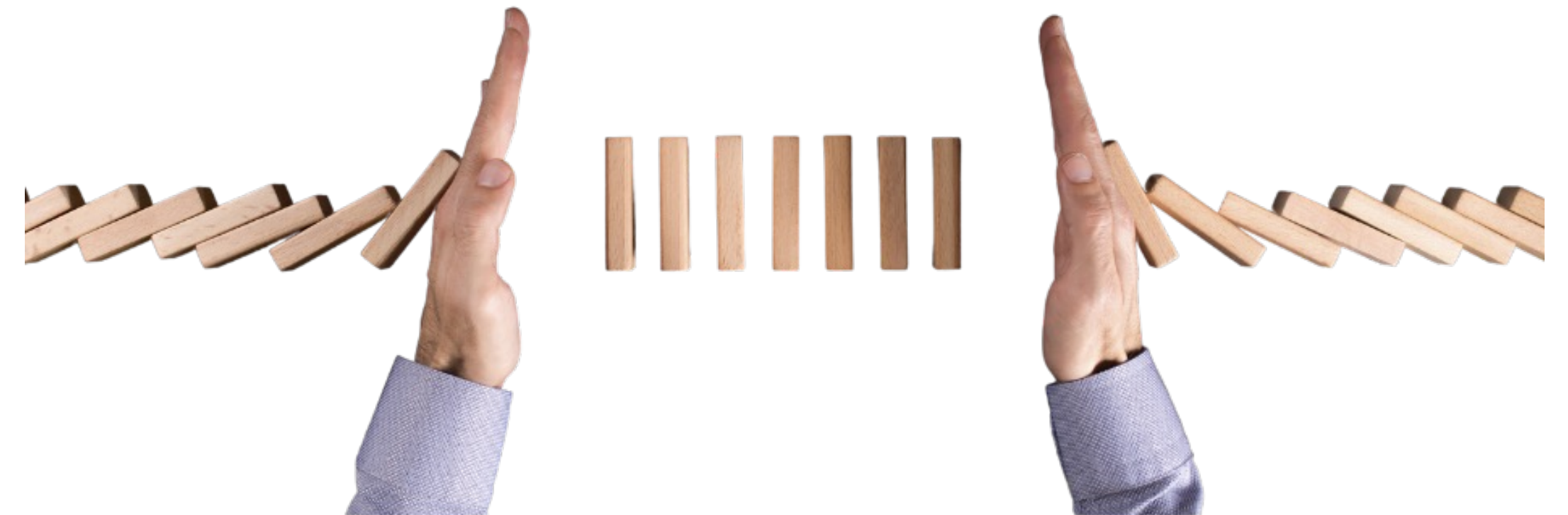
Capacity vs willingness to take on risk

Time horizon

Portfolio income requirements

Cash needs

Your personal temperament



Time horizon is key to your investment allocation

Time period for investing

Percentage allocation

1 to 3 yrs.

LOW

_____%

3 to 7 yrs.

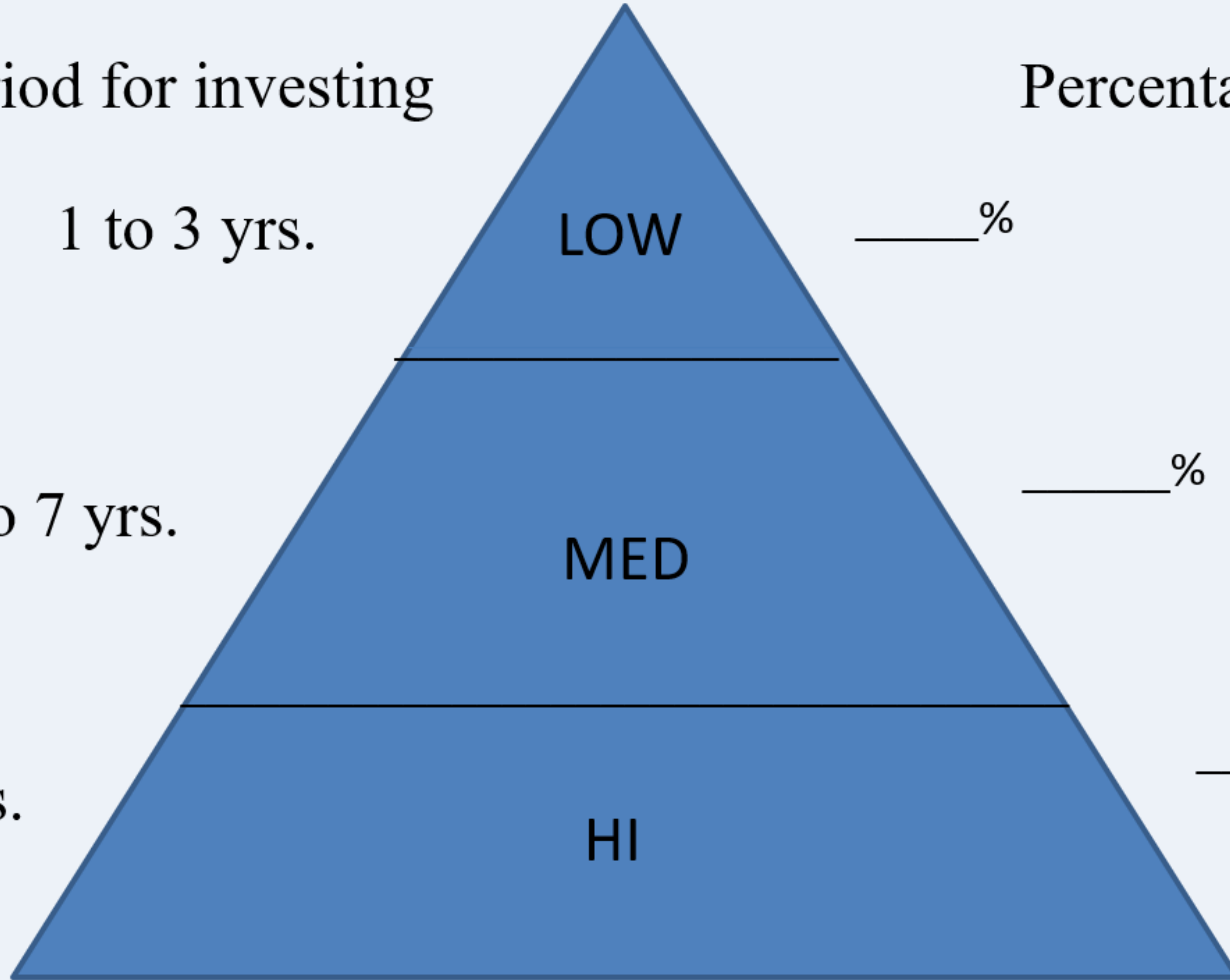
MED

_____%

7 plus yrs.

HI

_____%



Tax Planning

CRA My Account for Individuals

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>



My Account for Individuals



Multi-factor authentication

The CRA has added multi-factor authentication for all users to help make your CRA sign-in services more secure! To ensure everyone can use it, we've introduced a new passcode grid option. Learn more at [Multi-factor authentication to access CRA sign-in services](#).



If your CRA user ID and password have been revoked

Some taxpayers may have received a notification that their CRA user ID and password have been revoked. Visit [CRA user ID and password have been revoked](#) for more information.



Try My Account's new look and feel!

My Account has a new look! Check it out – sign in and select “Try the new My Account BETA”. It features an improved look and feel, and it's easier to use. To learn more: [My Account – What's new - Canada.ca](#)

My Account is a secure portal that lets you view your personal income tax and benefit information and manage your tax affairs online.

Choose from one of three ways to access My Account:



Note: Before you can register using option 1 or 2, you must have filed your income tax and benefit return for the current tax year or the previous one.

Option 1 – Using one of our Sign-In Partners

Sign in or register with the same sign-in information you use for other online services (for example, online banking).

[Sign-In Partner](#)

[View list of Sign-In Partners](#)

Option 2 – Using a CRA user ID and password

Sign in with your CRA user ID and password, or register.

[CRA sign in](#)

[CRA register](#)

RPP

Tax Implication of Receiving a **Severance** **Payment**

Eligible rollover to RRSP

- \$2,000 per year of RPP service prior to 1996, plus
- \$1,500 per year of service prior to 1988 where no pension service was earned

Otherwise taxable



Bridge to Estate Planning

- Do you have a Will
- Have you granted power of attorney to a trusted individual in case you become incapable of managing your affairs?
- Do you have goals for your estate?
 - Spend it all
 - Leave as much for the kids as possible
 - Leave to charities



Other Things to Consider

- Self-management vs working with a financial advisor
- How to find a good financial advisor?
 - Credentials, independence
- Difference between an advisor and salesperson
- How much does it cost to get advice?





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Questions?

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Power of Compounding

How many times do you need to double a \$1 to get to \$1million?

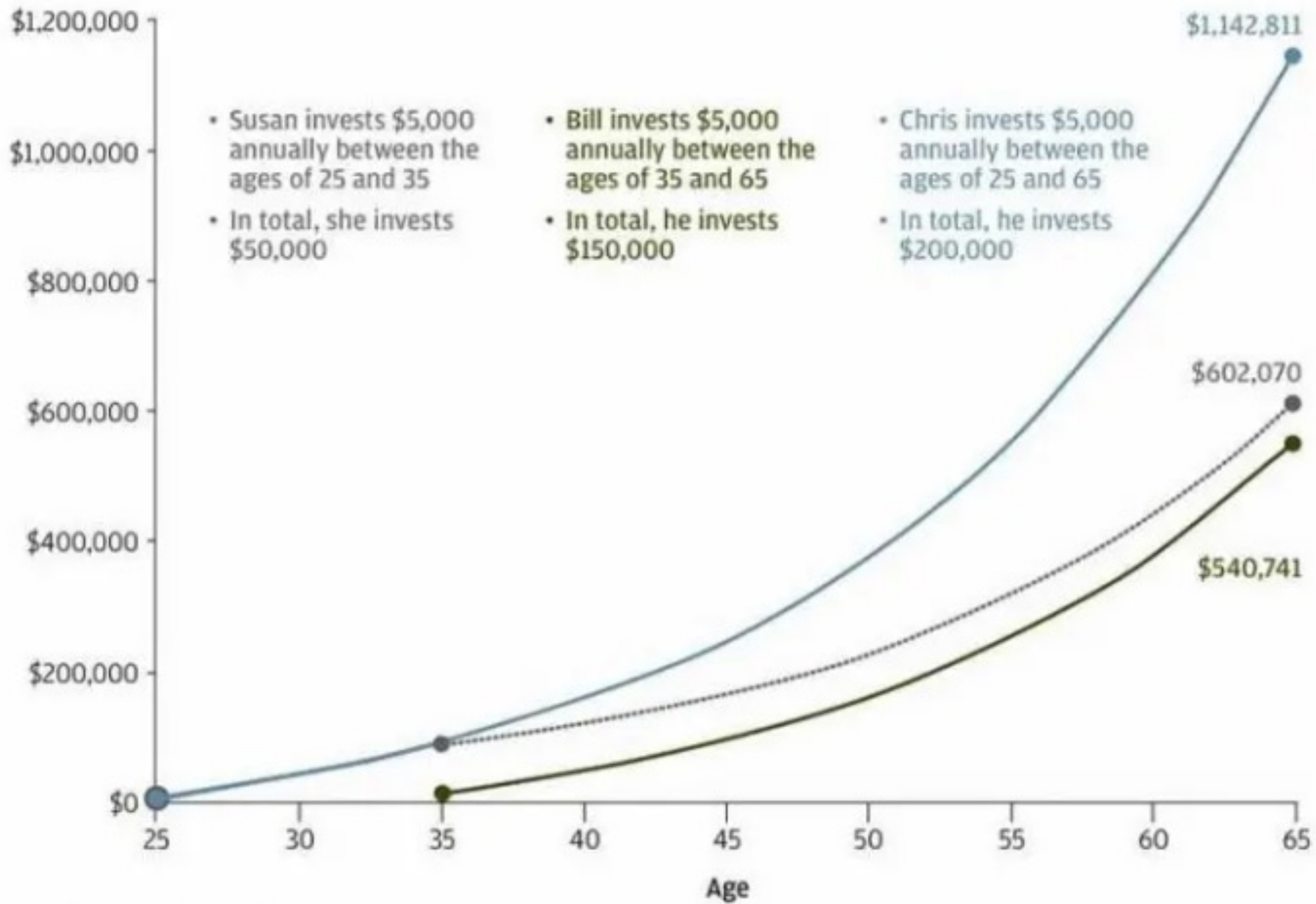
Double 10 times = \$1,024

Double 15 times = \$32,768

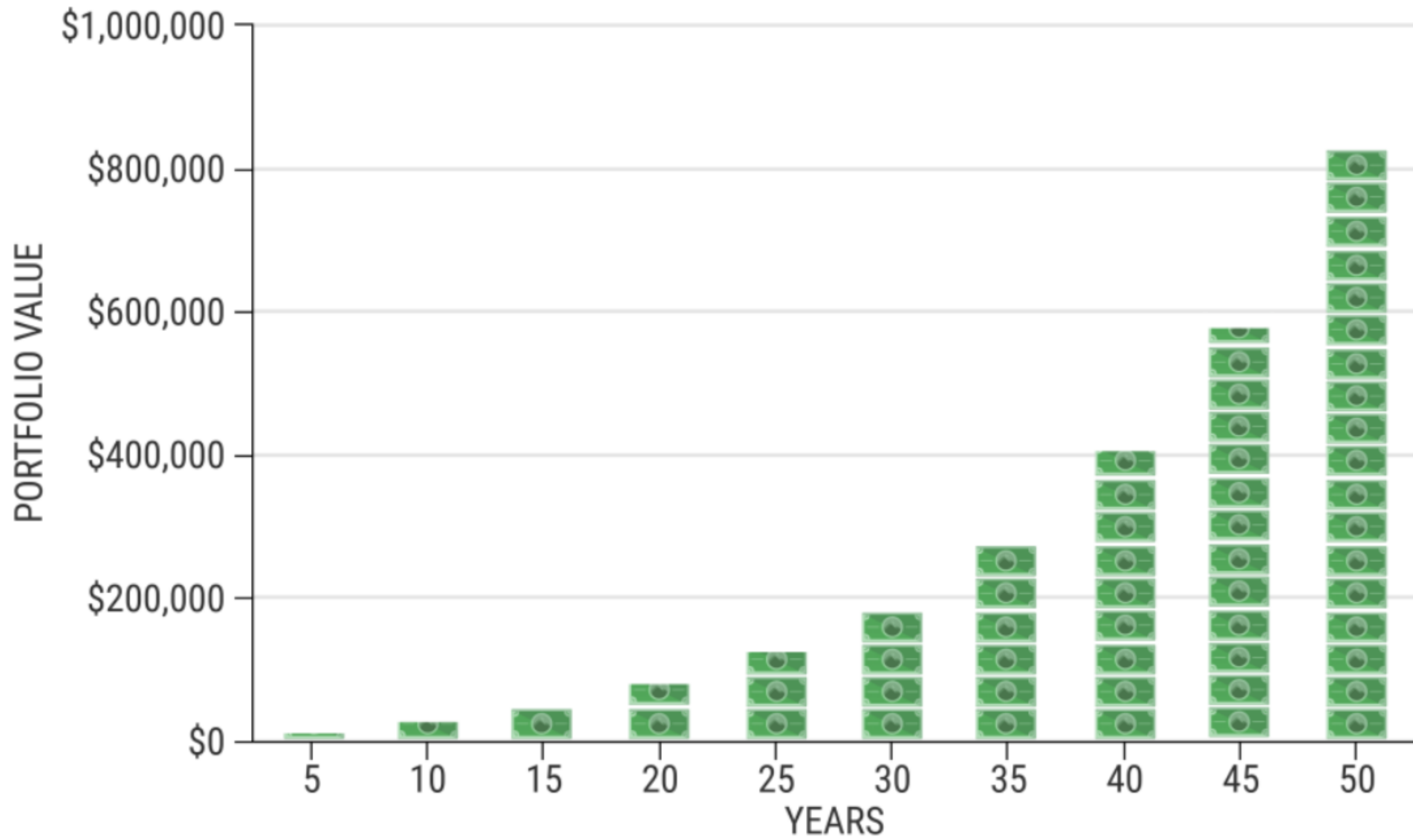
Double 20 times = \$1,048,576



Growth of savings accounts



INVESTING \$5 A DAY



Investment Options

- GICs
- Bonds
- Stocks
- Mutual Funds
- Exchange Traded Funds (ETF)
- Real Estate



RISK TOLERANCE



RISK
TOLERANCE





← SHORT TERM

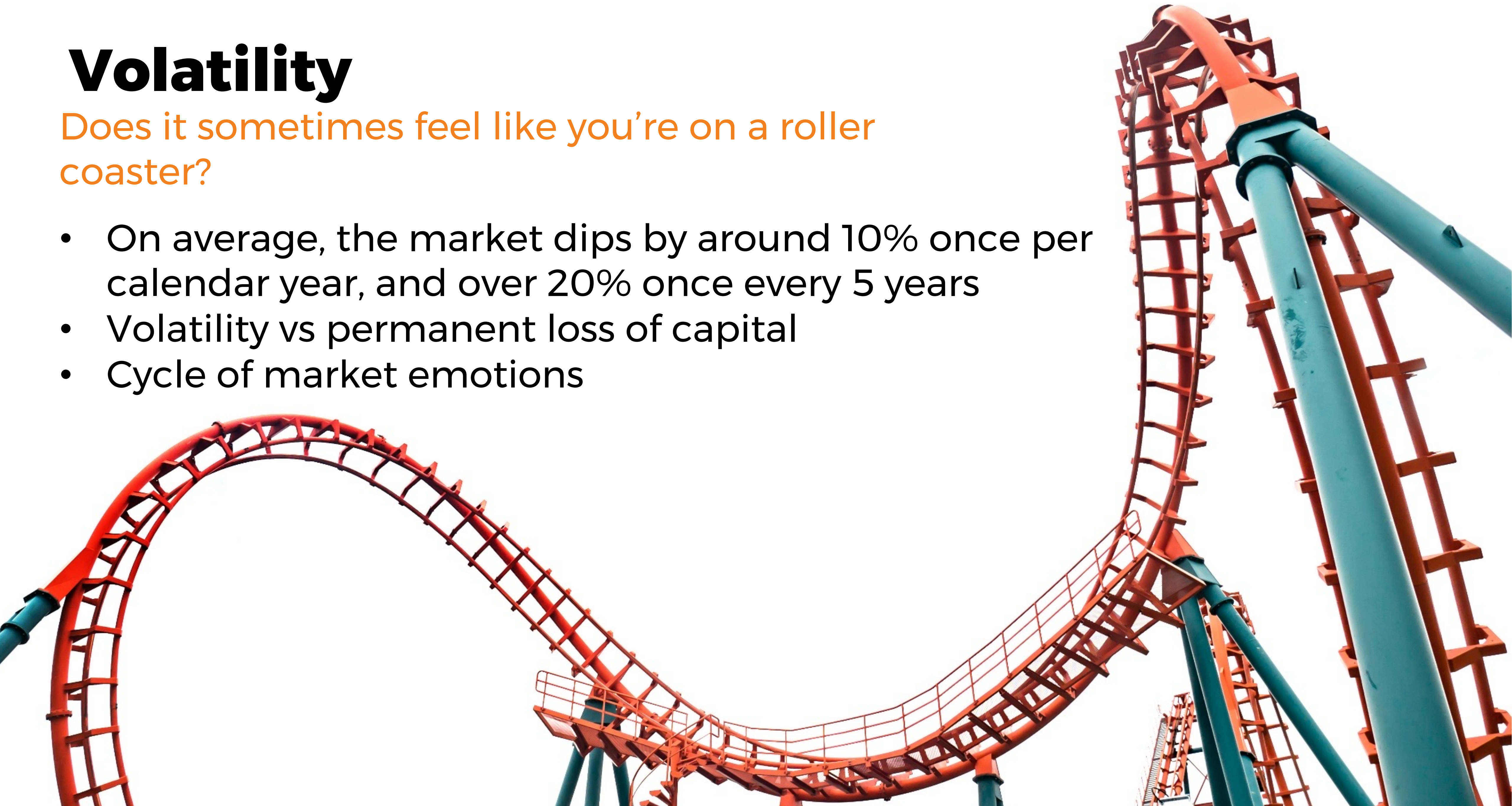


LONG TERM →

Volatility

Does it sometimes feel like you're on a roller coaster?

- On average, the market dips by around 10% once per calendar year, and over 20% once every 5 years
- Volatility vs permanent loss of capital
- Cycle of market emotions



Accumulation to Decumulation

Savings accounts are turning into spending accounts

Which accounts should you draw from for those additional expenses, beyond what your pension is covering (big trips, home repairs, vehicle replacement, children's first home, children's wedding, grandkids, etc)

Layering your income in retirement



Inflation

