Mackenzie Investments

RETIREMENT U

YOUR ROADMAP TO SUCCESS

YOUR STUDY GUIDE FOR RETIREMENT

Retirement U is designed to help you make a successful transition into retirement.

Packed with tips, practical exercises and checklists, our goal is to help you prepare for your future with confidence and work more closely with your financial advisor, at whatever stage you are at.

Use this guidebook as a starting point, along with the ongoing guidance of your financial advisor, to take control of your future and enjoy the retirement you really want.

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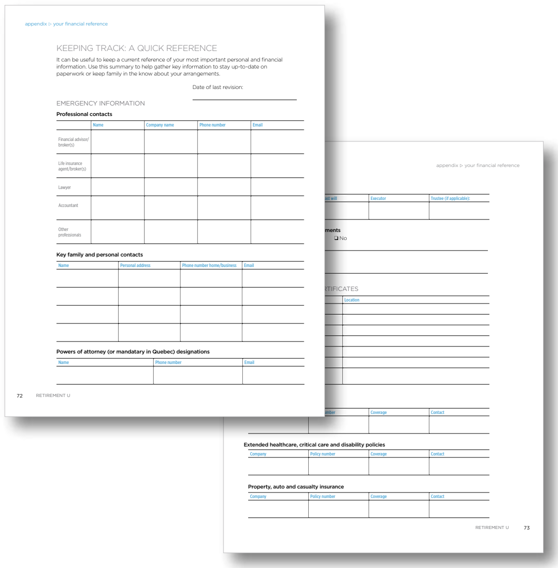

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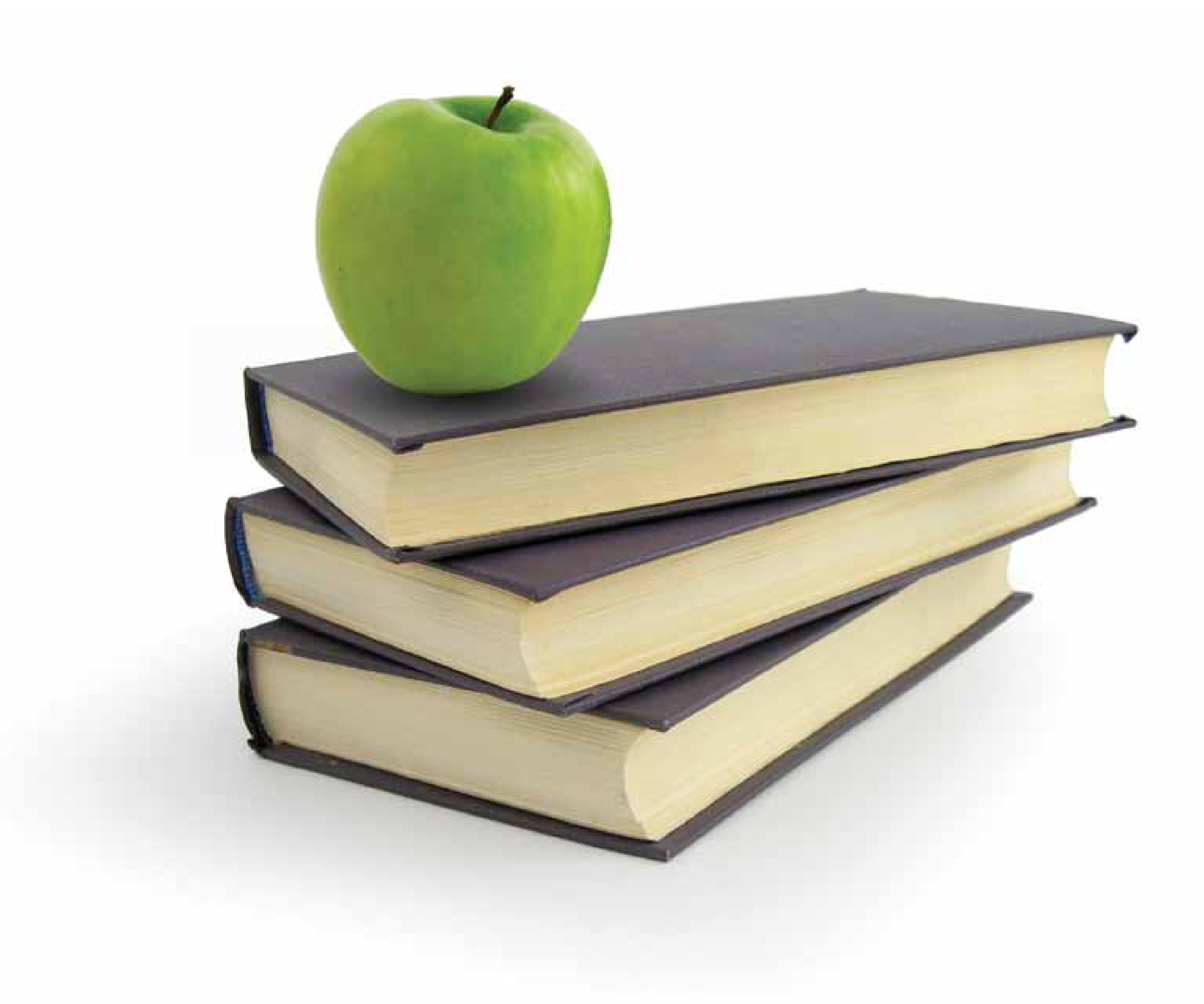
RETIREMENT UNIVERSITY 101: ADVANCE PLANNING

GETTING SERIOUS ABOUT RETIREMENT

YOUR TIME LINE:
3 TO 15+ YEARS AWAY FROM RETIREMENT



PLAN RETIREMENT ON YOUR TERMS

You've worked hard to get to this point in your life. The next stage should be one of the happiest and most fulfilling. You deserve to set the rules for your own retirement and enjoy all the things you love to do. Being prepared gives you an opportunity to retire on your terms.

THINKING AHEAD PAYS OFF

Taking control of your future starts with a plan. Your plan will be your guide to determine how much you'll need to save, how to make it grow and, eventually, how to turn your savings into retirement income.

If you haven't had time to develop a retirement plan with your financial advisor, or you want to make sure current plans are on track, this guide offers an easy way to get started. These next steps are not only "first" steps: Come back to this section anytime in the years ahead to review what's changed in your life or to prepare for meetings with your advisor.

Use this section to:

- ❏ Establish your time frame
- ❏ Define your idea of retirement
- ❏ Estimate how much money you'll need
- ❏ Plan your sources of future income
- ❏ Think about your investments
- ❏ Organize your estate planning

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KNOW YOUR GOALS

The first step to ruling your retirement is to outline your goals. Two key drivers in planning your finances are your time frame (how long from now you expect to retire) and your lifestyle (what you look forward to doing during your retirement years).

The actions you take now can make a significant impact on your future retirement. So, let's get going.

> "An intelligent plan is the first step to success. If you don't know where you are going, how can you expect to get there?"
>
> – Basil S. Walsh (American author)

WORKSHEET 101

What's your time frame?

How many years until you want to retire? This key number will help determine what you need to do and provide a date against which you can track your savings progress.

Time frame to your retirement:

Today's date: ______________________

You want to retire in ____________ or ____________
Years from now / Months from now

Spouse/partner wants to retire in ____________ or ____________
Years from now / Months from now

Are you considering semi-retiring?

You: ❑ yes ❑ no Spouse/partner: ❑ yes ❑ no

TIME TO RETIRE DATED THINKING ON RETIREMENT

Retirement may be more of a transition than an event for many people today, for several reasons: There are more work opportunities open to those who wish to work beyond age 65. Plus, in some cases, the additional income from a paycheque comes in handy.

DID YOU KNOW?

The average retirement age has dropped in Canada over the last few decades. In 1980, the average age at retirement was 65 years. The latest data shows the average age is now closer to 62. At the same time, longer life expectancies suggest spending more of your years in retirement — so you will likely need to have more savings and be better prepared than previous generations. But the reward may be more fulfilling years ahead.

Source: Statistics Canada

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WHAT WILL YOUR RETIREMENT LOOK LIKE?

Even if it seems a long way off, it's important to take time now to envision your future retirement lifestyle. This is also the basis for the next steps to determine your savings and financial needs.

Let's start with the essentials, which is simply to think about what's important to you in your future retirement. Use the following questionnaire to write down a few possibilities.

WORKSHEET 102

Lifestyle planner

Fast-forward to your future: Take few minutes to imagine your life in retirement

Where's home? ____________________

Where's your "home away from home"? ____________________

What type of activities do you enjoy?

- Travel ____________________
- Sports ____________________
- Cultural events ____________________
- Time with family ____________________
- Hobbies ____________________
- Other ____________________

Who are you enjoying these activities with?

____

____

What have you always wanted to do, if you only had the time?

- Volunteer ____________________
- Enrol in a course ____________________
- Take up a sport ____________________
- Start a hobby ____________________
- Other wishes ____________________

What do you want to be doing less of, or stop doing altogether?

Would you want to semi-retire, and continue to work? ❏ yes ❏ no

What kind of part-time employment or consulting might you ideally want to do?

What kind of small business or new venture might you want to start?

Are there other personal goals you would want to accomplish?

Your retirement is looking good so far!

Next step: Put a dollar amount to your dreams.

WHAT'S YOUR RETIREMENT LIFESTYLE GOING TO COST?

While the previous exercise was to create a wish list to imagine your lifestyle in retirement, these next steps will help you take control of your goals and future finances.

These planning tools and ideas will help you get a realistic sense of how much income you'll likely need to enjoy the life you envision.

There are two common ways to calculate the annual income you will need:

1. **Quick method:** A "top-down" or "rule-of-thumb" estimate. A best guess based on a percentage of your current income. This is a good approach if you are five to ten years or more from retirement and a reasonable estimate is good enough for your retirement plan calculations.

2. **Budget-based method:** A "bottom-up" estimate. Much like making a budget, this approach is preferred as you get closer to retirement, when accuracy becomes more important. It also will help you understand the expense dynamics better, as some costs will go up in retirement while others will diminish.

1. CALCULATING YOUR NEEDS: A QUICK METHOD

To start with a traditional rule-of-thumb estimate, many financial experts suggest that you will need 60% to 80% of your current income to cover your expenses in retirement to maintain your current standard of living. This assumes you'll spend less on things like housing and transportation to work, for example. Using this simple rule, estimate the amount you will require to live on using the table below:

WORKSHEET 103

To calculate your retirement income, insert your current gross income and your spouse or partner's gross income and add together. Next, choose a percentage, multiply the household income amount by the appropriate multiplier and record the amount. This is your estimated retirement income stated in today's dollars.

Your current income ($)		Your spouse/partner's current income ($)		Combined household income ($)		Percentage of current income	Estimated retirement income needed ($)
	+		=		x	0.9 (for 90%)	
	+		=		x	0.8 (for 80%)	
	+		=		x	0.7 (for 70%)	
	+		=		x	0.6 (for 60%)	
	+		=		x	0.5 (for 50%)	
	+		=		x	Other	

Keep in mind that these ballpark estimates are gross amounts, calculated in today's before-tax dollars.

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2. CALCULATING YOUR NEEDS: A BUDGET-BASED METHOD

For greater precision in retirement planning, a detailed budget estimate can help you anticipate your needs for tomorrow and manage your savings today. This approach may be preferable the closer you get to retirement, when accuracy and detail is most important.

WORKSHEET 104

	Cost per month (today's dollars)	
	Today (actual) $	Estimated need in retirement ($)
Housing (if you also have a cottage, include here)		
• Mortgage/rent/fees		
• Property taxes		
• Home or tenant's insurance		
• Utilities (gas, hydro, water)		
• Cable, phone, internet		
• Repairs and maintenance		
Groceries		
Beverages		
Restaurant meals		
Clothing		
Other		
Transportation		
• Gas		
• Repairs and maintenance		
• Auto insurance		
• Public transit		
• Loan or lease payments		
Personal insurance		
• Life		
• Disability		

EXPENSES THAT MAY DECREASE OR BE PAID OFF IN YOUR RETIREMENT

- Mortgage
- Cost of children's education
- Work-related costs (transportation, clothing, lunches)
- Retirement savings
- Income tax

Healthcare expenses		
• Prescription medication		
• Physiotherapy/massage		
• Dental		
• Eye glasses		
Discretionary expenses		
• Savings & investments		
• Travel		
• Education		
• Subscriptions		
• Entertainment		
• Clubs, memberships		
• Gifts		
• Charitable donations		
Total monthly expenses		
(Multiply by 12 for annual estimate)	x 12	x 12
Total annual expenses	$	$

EXPENSES THAT MAY GO UP IN YOUR RETIREMENT

- Lifestyle costs (such as travel, club memberships, hobbies)
- Education (for yourself)
- Charity/donations
- Healthcare

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FOOD FOR THOUGHT:

The importance of living within your means is heightened as you save for your retirement.

Do your homework first, but depend on the knowledge and expertise of your financial advisor.

Notes and questions to discuss with your advisor:

"Just as soon as people make enough money to live comfortably, they want to live extravagantly."

– A wise advisor

You're halfway to making a plan!

Next step: Determine your sources of future income.

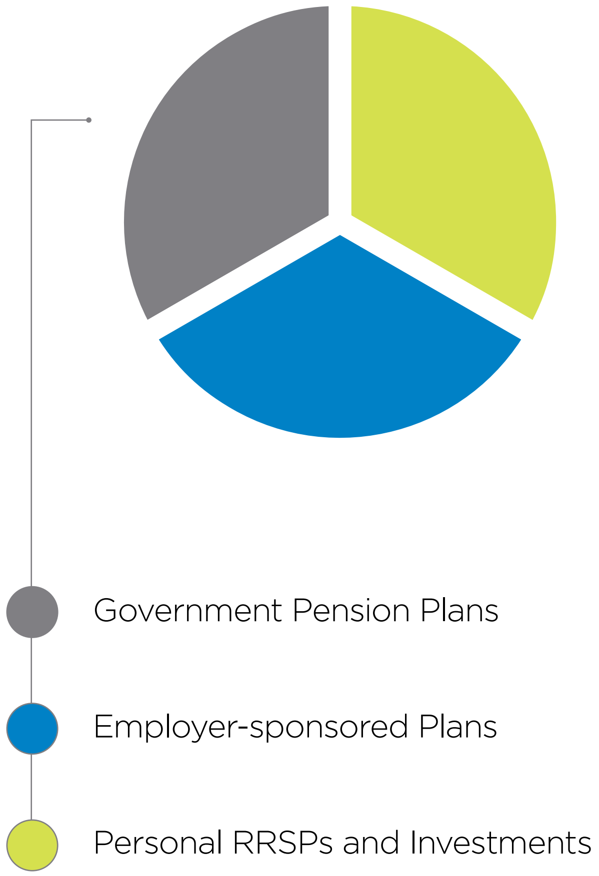
YOUR SOURCES FOR RETIREMENT INCOME

For most Canadians, the three main sources for retirement income will be a combination of government programs, employer-sponsored plans, and personal savings and investments. These are the three key financial pillars available to support your needs in retirement.

Our goal is to help you take inventory and maximize your future revenue from each of these sources by providing insights and tips for estimating what you might be able to expect.

More importantly, this guide is designed to help raise any questions you may want to discuss with your advisor, who can provide additional insight, offer personalized recommendations and help adjust your financial plan to achieve your goals.

Three main sources of retirement income



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Government pension plans

GOVERNMENT PROGRAMS: HOW MUCH CAN YOU COUNT ON?

Canada's public pension system is intended to provide a secure, although modest, basic retirement income to senior citizens. The two main programs that provide retirement benefits are the Old Age Security (OAS) program and the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP).

1. Old Age Security pension (OAS)

Available to most Canadians aged 65 or older, the Old Age Security program is the most universal pension provided by the government. You may be entitled to receive these benefits even if you have never worked.

Eligibility:
Based on your age (65+), your legal status and the number of years you've lived in Canada.

Benefits:
The amount you're eligible for is income-sensitive — that means benefits are reduced once your taxable income reaches a certain threshold (often described as a "clawback"). OAS benefit rates are reviewed in January, April, July and October to reflect increases in the cost of living as measured by the Consumer Price Index.

The broad numbers

Old Age Security benefits at age 65 (as at December 2010)

	Monthly	Annually
Maximum	$521.62	$6,259
Average	$490.30	$5,884

Your numbers: Be aware of the OAS 'clawback'

The OAS pension is taxable income. For example, pensioners who earn individual net income of $67,668 or more in 2011 (including OAS income) have to repay part of their OAS benefits. A retiree with income of $109,607 or more in 2011 would have to repay all of his or her OAS benefit.

Strategy:
To reduce the potential of an OAS clawback, plan ahead and work with your financial advisor to consider strategies such as the use of spousal RRSPs for income splitting and the reduction of debt. Reducing debt lessens the amount of income needed in retirement.

ADDITIONAL OAS BENEFITS

The Old Age Security program offers other types of benefits for seniors in need who are eligible.

The Guaranteed Income Supplement (GIS):
Available to those eligible who have little or no other income aside from the Old Age Security pension.

The Allowance:
Available to people 60 to 64 whose spouse/common-law partner receives the Old Age Security pension and the Guaranteed Income Supplement.

The Allowance for the survivor:
Available to people 60 to 64 who have little or no income and whose spouse/common-law partner is deceased.

2. Canada Pension Plan (CPP) and Quebec Pension Plan (QPP)

The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) are earnings-related programs tied to the contributions you make during your working years. CPP/QPP is intended to replace approximately 25% of an average person's earnings from employment, up to a maximum amount.

Eligibility:
You qualify for a CPP/QPP retirement pension if you have worked and made at least one valid contribution (payment) to the Plan, you apply and are at least 65 years old (or are between 60 and 64 years old and have met earnings and contributions requirements).

Benefits:
The amount you will be eligible to receive is determined based on your age at the time you apply for benefits (age 65 for full benefits, less if you retire between ages 60 and 65, and more if you defer, up to age 70), and meeting the earnings and contribution requirements.

The broad numbers: What to expect

CPP/QPP benefit rates at age 65 (as at December 2010)

	Monthly	Annually
Maximum	$934.17	$11,210
Average	$505.09	$6,061

CPP benefits are revised once a year in January to reflect the cost of living as measured by the Consumer Price Index. You can visit the Service Canada website to obtain your *CPP/QPP Statement of Contributions*.

Your numbers: Why retirement age matters

- Plan to retire early? Expect lower monthly CPP/QPP income for life

  You may be eligible to receive CPP/QPP benefits as early as age 60 if you stop working or earn less than the current monthly maximum CPP/QPP payment ($934.17 in 2010). However, keep in mind, your pension amount will be reduced by 0.5% for each month before age 65. (This reduction will increase to 0.6% effective 2016.) This adjustment is permanent — if you choose to start your pension before age 65, your reduced pension amount does not increase when you reach 65.

- Want to work past 65? Get a bigger monthly pension later on

  It pays to wait: If you opt to apply for your CPP/QPP pension after age 65, your pension amount increases by 0.5% for each month after age 65 and before age 70, calculated from your first benefit cheque (this increase will rise to 0.7% effective 2013). The maximum increase is 30% (or 42% effective 2013), which applies if you start receiving your CPP pension at age 70. But don't wait too long: If you delay past age 70, there is no additional financial benefit.

CPP/QPP: When you start collecting makes a difference in monthly benefit

Early retirement: Up to 30% less Applying prior to age 65 (age 60-64)	**Traditional age:** Applying in time for 65th birthday	**Late retirement: Up to 34.2% more** Applying after your 65th birthday (age 65-70)
Eligibility – Must stop working or earn less than current CPP/QPP monthly maximum in month pension begins and month prior **Implication** – Your payment will be reduced by 0.5% for each month prior to age 65, to a maximum of 30%*	**Implication** – Full pension received	**Implication** – Your payment will be increased by 0.57% for each month after age 65 (and before age 70), to a maximum of 34.2%**

* Early pension reduction will gradually increase to 0.6% by 2016
** Late pension increase will gradually rise to 0.7% by 2013

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ADDITIONAL CPP/QPP BENEFITS AND FEATURES

Child-rearing provision: Adjusts pension to recognize parents who opted not to work or who worked less during traditional peak earning years. (See tip below)

Survivor benefits: A surviving spouse/common-law partner of someone who has contributed to CPP/QPP may be eligible for monthly survivor benefits, as may dependent children up to the age of 25 (if between ages 18 and 25 and attending school full time). CPP/QPP may also provide a death benefit to the estate of the contributor to help with funeral expenses.

Credit splitting: Upon a divorce or separation, CPP/QPP contributions made by you and your spouse or common-law partner during your relationship can be divided equally.

Pension sharing: If you and your spouse or common-law partner are both 60 or older, you can share your CPP/QPP retirement pensions for income tax purposes; useful if one of you is in a lower tax bracket.

Disability benefits: If your disability prevents you from working, you and your dependent children may be eligible to receive monthly disability benefits.

TIP

Did you give up peak earning years to be a stay-at-home parent? If your earnings either stopped or dropped because you took a break from paid work to raise children under the age of seven, you can ask CPP/QPP to exclude that period of time from the calculation of your retirement pension. This is called the child-rearing provision. If accepted, it means your child-rearing years won't be included to calculate the amount of your benefit, helping ensure that you get the highest possible payment.

Summary of government sources of retirement income

	Old Age Security Pension (OAS)			Canada Pension Plan (CPP)/ Quebec Pension Plan (QPP)		
Description	• Available to Canadians age 65+ • Not earnings-related • May receive if never worked or still working			• Earning-related programs — designed to replace 25% of pre-retirement earnings up to a maximum		
Eligibility Factors	• Your age (65 or older) • Resident or Canadian citizen • Number of years lived in Canada			• Full benefits available at age 65 (reduced benefits available as early as age 60; increased benefits available after age 65) • Earnings and contributions throughout working years		
Pension Benefits at age 65 (as at December 2010)		Monthly	Annually		Monthly	Annually
	Maximum:	$521.62	$6,259	Maximum:	$934.17	$11,210
	Average:	$490.30	$5,884	Average:	$505.09	$6,061
Planning considerations	• Benefit could be clawed back at a certain income level (starting at $67,668 or more in 2011)			• Early retirement can take a bite out of your monthly CPP/QPP income, if you apply for benefits prior to age 65 • Applying later, up to age 70, can produce higher payments		
Inflation adjusted	Yes			Yes		
Application	Apply at least 6 months in advance			Apply at least 6 months in advance		

DID YOU KNOW?

Effective 2012, if you are under 65, receive CPP retirement benefits and continue working, you will be required to contribute to CPP in respect of your employment or self-employment earnings.

Your pension benefits will increase as a result of your contributions. If you are 65 or older, receive CPP retirement benefits and continue working, you have the option to contribute to the CPP in respect of your employment or self-employment earnings. Additional contributions will increase your retirement benefits.

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Income from government sources

Using the average rates shown as a guideline, and taking our planning considerations into account, you can make a rough estimate of how much monthly income you and your spouse or common-law partner might be able to expect from government pensions.

	Self ($)	Spouse/partner ($)	Total ($)		Annual ($)
Old Age Security benefit	/month	/month	/month	X 12	/year
CPP/QPP benefit	/month	/month	/month	X 12	/year

Do your homework first, but depend on the knowledge and expertise of your financial advisor.

Notes and questions to discuss with your advisor:

That's your take from the state.

Next step: Calculate your supplemental sources of retirement income.

Employer-sponsored plans

EMPLOYER-SPONSORED PLANS

One of the potentially most valuable employee benefits is to be part of a workplace-sponsored pension plan or other type of group plan to save for your retirement. This source can form an important second pillar supporting your retirement income plan, if you are fortunate enough to have it. What you can expect to receive will vary depending on the type of plan, how long you're a member and, in some cases, your own contribution level and your choice of investments.

Defined benefit pension plan (DB plan)

This kind of plan defines your pension benefit, so you can anticipate the amount of pension payments you will receive when you retire. Employers, and sometimes employees, pay into to the plan at a level deemed appropriate to ensure future pension benefits. All contributions are pooled into a pension fund administered and invested on behalf of all members.

How much you can expect to draw in retirement from a defined benefit plan is typically based on a formula that factors the number of years you have been a plan member and your average income over your last five years of employment.

Retirement payout:
Plan members will receive the specified pension amount as monthly income for the rest of their lives.

DID YOU KNOW?

You can request a status of your future pension entitlement from your company's plan sponsor. This is important information for you and your financial advisor in preparing your retirement plan.

Defined Contribution pension plan (DC plan)

This type of pension plan *defines the annual contribution amount* that an employer is required to contribute (and, in some cases, the employee), rather than promising a future benefit. Contributions are administered in trust, with the investment options generally selected by the employee.

How much you can expect in retirement depends on how much you can accumulate over time and how well your investments perform. Professional advice can help you maximize the plan's investment return within your risk tolerance and investment horizon.

Retirement payout:
When it's time to retire, plan members have the choice of transferring their accumulated funds to a locked-in RRSP, Life Income Fund (LIF), or to purchase an annuity.

Group Registered Retirement Savings Plans (Group RRSPs)

This type of plan is a collection of individual RRSPs, into which employees and/or their employer make contributions through regular payroll deductions on a pre-tax basis.

The plans are generally very comprehensive in their investment flexibility and can include virtually any qualified investments that suit your needs. The selection is directed by the employee, thus it's important to take advantage of financial advice and tools provided by your employer.

Deferred Profit Sharing Plan (DPSP)

A DPSP is an employer-sponsored Canadian profit sharing plan that is registered with the Canada Revenue Agency. On a periodic basis, the employer shares business profits with all employees or a designated group of employees by contributing to the DPSP. Employees receiving a share of these profits do not have to pay tax on this money until it's withdrawn from the DPSP.

Employee Share Ownership Plan (ESOP) or Employee Share Purchase Plan (ESPP)

In these company-run programs, employees can opt to purchase company shares, often at a discounted price. Most provinces also offer some form of tax credit for investing in certain businesses. Employees contribute to the plan through payroll deductions, and employer contributions are also possible. Terms of specific plans can vary, and it's most important to anticipate any tax implications before buying or selling the stock.

TIP

Pension income splitting

Once you retire and start drawing employer pension income, be aware that you and your spouse or common-law partner may be able to split any eligible pension income. This could result in some overall savings if one of you can pay tax at a lower rate. Talk to your advisor to plan ahead and benefit the most.

What to ask your employer about your benefit plans

For all pension and group savings plans

- ❑ What contributions will you make?
- ❑ What happens to my savings if I leave the company before retiring?
- ❑ If I should die before (or after) retiring, will my spouse (or estate) receive the benefits?

If you have a defined benefit pension plan

- ❑ Does the plan have a specified retirement age?
- ❑ What is the plan's policy if I choose to retire early?
- ❑ Is my pension income indexed to inflation?
- ❑ Is my pension income reduced by the amount of government pension I will be entitled to?
- ❑ What formula is used to calculate my pension entitlement?

Health insurance and other benefits

- ❑ In retirement, will my family and I continue to receive other benefits such as medical, dental, prescription drug plans and insurance coverage, or is it possible to opt to join a group policy?

WORKSHEET 106

Employer plan summary

Review your annual statement of benefits to help estimate savings you have currently accumulated in employer-sponsored plans.

	Current value of plan ($)		Years left to contribute		Anticipated monthly benefit in retirement* ($)	
	Self	Spouse/ partner	Self	Spouse/ partner	Self	Spouse/ partner
Defined benefit plan						
Defined contribution plan						
Group RRSP						
Company share program or DPSP						

* In today's dollars, for illustration only

Do your homework first, but depend on the knowledge and expertise of your financial advisor.

Notes and questions to discuss with your advisor:

Revisit this section if you change jobs.

Next step: Assess your personal savings plans.

Personal savings and investments

PERSONAL SAVINGS AND INVESTMENTS

Your third source to fund future retirement income is your personal savings and investments. For many, this is will be the cornerstone of retirement funding, particularly for high-income earners who wish to enjoy an equivalent standard of living in retirement. Even those counting on receiving generous company pensions should consider their need for additional retirement savings. A desire to retire at a younger age, to be able to afford children's increasing education costs years from now, or to pursue a life dream of travel or leisure can all add up to higher than anticipated expenses in the future.

Achieving an appropriate level of savings and investments for retirement takes commitment and discipline but is key to financial independence and retiring with confidence. We will review proven techniques that may be able to help maximize your savings.

WORKSHEET 107

Summary of your current savings and investments

	Self ($)	Spouse/partner ($)	Total ($)
Savings and chequing accounts			
RRSPs			
TFSAs			
Investments (stocks, bonds, mutual funds, GICs)			
Business interests			
Total			

WORKSHEET 108: ADDING IT ALL UP

Summary of what you can currently expect from the three primary sources of retirement income (an estimate in today's dollars)

Annual income estimate (gross)

Income source	Self ($)	Spouse/partner ($)	Total ($)
Old Age Security Pension (OAS)			
CPP/QPP			
Company pension			
Group RRSP			
RRSP/RRIF			
TFSA			
Non-registered investments			
Rental income			
Other income (a)			
(b)			
(c)			
(d)			
(e)			
Total	$	$	$

TIP

Try different scenarios to see how far your money will go. Visit mackenziefinancial.com for helpful planning calculators.

You're writing the rules to your own retirement!

Next step: Strategies to get you where you want to be

THREE STRATEGIES TO BUILD YOUR RETIREMENT SAVINGS

Effective retirement saving and investing is an ongoing process, not a once a year RRSP contribution event. Meet with your advisor regularly to monitor and review your plans, and apply these three fundamental and time-proven strategies to build your retirement savings and your confidence in the future.

1. Build your investments through 'systematic' contributions

A savings program that makes automatic contributions to an RRSP or TFSA provides an important element of discipline and also helps to take emotions out of investing. For many of us, it can be very difficult during down market periods to remain motivated to save and invest. However, the history of market performance has demonstrated, time and time again, that down markets are exactly when the greatest upside potential exists.

TIP

If you are not already enrolled in a monthly investment plan, speak to your advisor to help determine whether this strategy is right for you.

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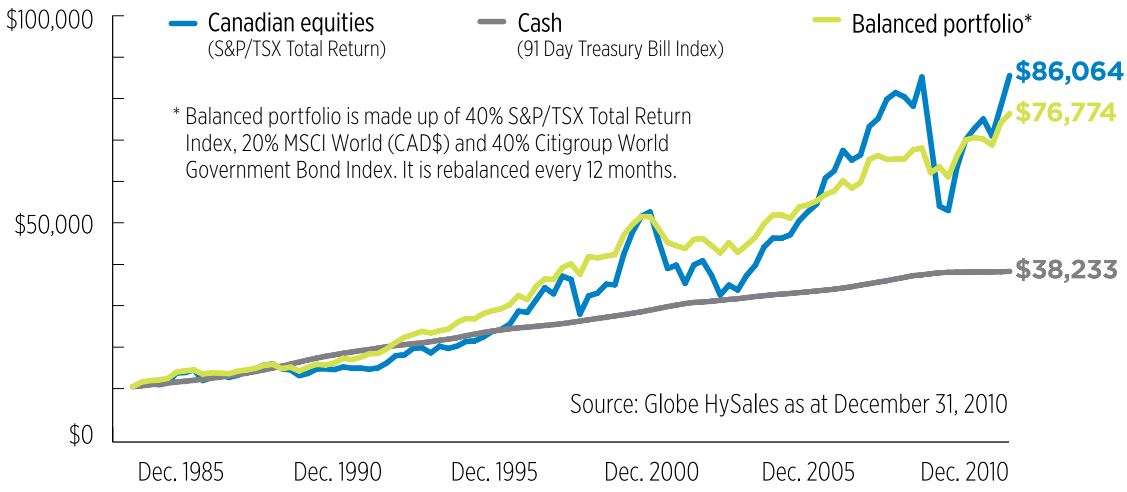
2. Maintain an appropriate balance in your investment mix

Just as maintaining a good balance in life is very important, the same applies to your investment portfolio over time. The benefit of a balanced portfolio strategy, holding a mix of bonds, equities and cash equivalents, becomes even more evident during periods of challenging markets when capital preservation is a priority. The graph below illustrates how a balanced portfolio of Canadian equities, global equities and bonds has performed over the past 25-year period relative to equities alone and cash. While the return isn't as high as that for Canadian equities alone, the ride is much smoother, with less dramatic ups and downs.

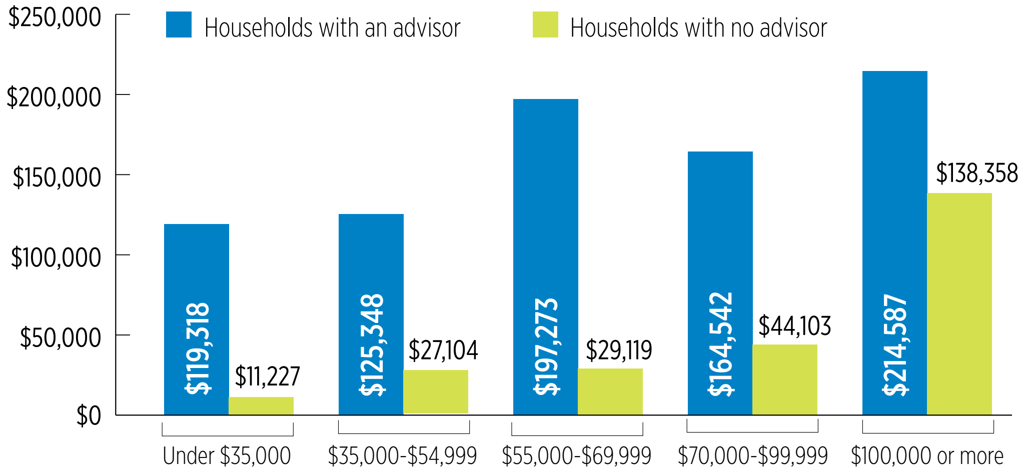
Growth of $10,000 over 25 years: Balanced portfolio softens the ups and downs



3. Benefit from seeking professional advice

Research has shown that people who work with an advisor have more investable assets than those who don't, across all income brackets. A financial advisor has the expertise and tools to tailor a comprehensive retirement plan to your individual needs. This can incorporate a disciplined approach to saving and investing, will and estate planning, insurance, tax planning and lifestyle considerations — plus, your advisor may be able to recommend experts in other fields to provide guidance when you need it.

Household average investable assets based on household income



Sources: IFIC's Value of Advice, Investment Funds Institute of Canada, IPSOS Reid, 2010

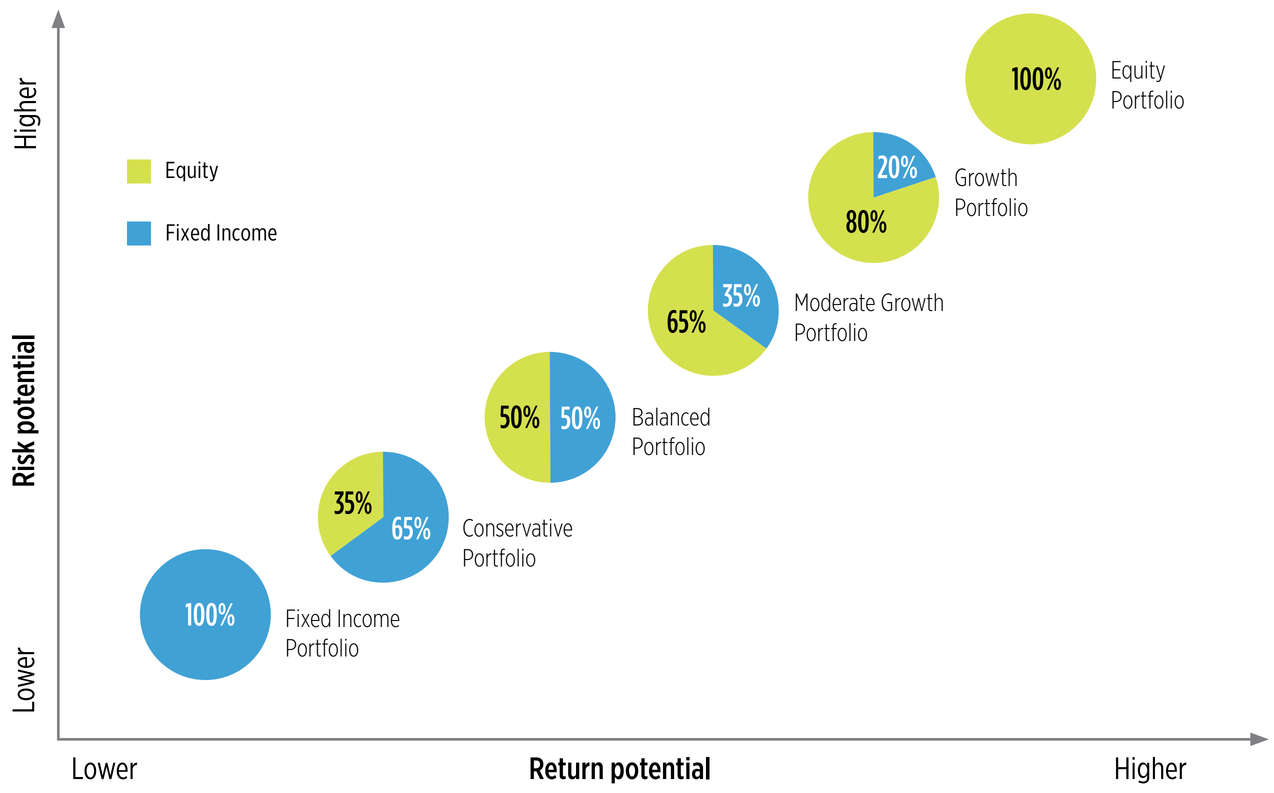
YOUR ASSET MIX AND INVESTMENT CHOICES

As a fundamental investment principle, portfolio diversification is actually a very simple concept: to avoid having all your eggs in one basket.

Different types of investments tend to perform differently in the same market conditions — some will rise while others fall. A properly diversified portfolio reduces concentration risk in any one area, and can help ensure exposure across core investment categories for upside potential. Plus, as multiple asset classes are unlikely to all move up or down at the same time (be positively correlated), the volatility of a diversified portfolio will be less extreme than if you held only one single asset class.

A properly diversified portfolio can be maintained through asset allocation and rebalancing programs your financial advisor may employ, tailored to suit your risk tolerance, goals and time frame to reach your goals. Rebalancing this mix is important through market cycles and as your situation changes along with your need for growth or safety. Staying true to your ideal allocation also helps to take emotions out of investing, to avoid buying an asset when prices are high or selling when prices may be a bargain.

The most basic way of viewing asset allocation is the mix between equities and fixed income. In general, 100% fixed income has lower risk and lower potential returns. As you increase the proportion of equities, the risk and potential returns increase.



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WORKSHEET 109

Asset mix check-up

Over the years, many people accumulate savings in a number of different investment accounts and Registered Retirement Savings Plans. This exercise can help prepare you to meet with your advisor, who can help develop a comprehensive strategy to make the most of your investments.

Account type	What you're invested in	Value $ (approximate)
RRSPs	Cash, money market funds, cash equivalents	
	Bonds, bond funds, fixed income	
	Stocks/equities, equity funds	
TFSAs	Cash, money market funds, cash equivalents	
	Bonds, bond funds, fixed income	
	Stocks/equities, equity funds	
Non-registered investment accounts	Cash, money market funds, cash equivalents	
	Bonds, bond funds, fixed income	
	Stocks/equities, equity funds	

Asset class	Value ($)	% of total investments
Cash, money market funds, cash equivalents		%
Bonds, bond funds, fixed income		%
Stocks/equities, equity funds		%
Total investments		**100%**

TIP

Time to get your financial affairs organized. If you haven't already, consider speaking with your financial advisor about how to consolidate your investment accounts and make the process easy. The benefit to you is this will help ensure a comprehensive plan is in place with all your investments working in unison towards your retirement goal.

SAFEGUARDING AGAINST 5 RISKS THAT CAN DERAIL YOUR PLAN

A fundamental consideration for developing a retirement plan is to safeguard against challenges you and your spouse or partner may face in retirement. Some you can anticipate. Others may arise unexpectedly. The key is to be aware in advance and address these crucial issues in your planning. Here are five potential risks that can challenge both your retirement plan and retirement years:

1. Inflation

Inflation erodes the purchasing power of your savings — the value of today's dollar diminishes over time, especially if you're invested in cash and cash equivalents like GICs. It's important for a retirement savings portfolio to have an appropriate weighting of inflation-fighting investments (from real return bonds to equities) that can provide an important hedge against the effects of inflation.

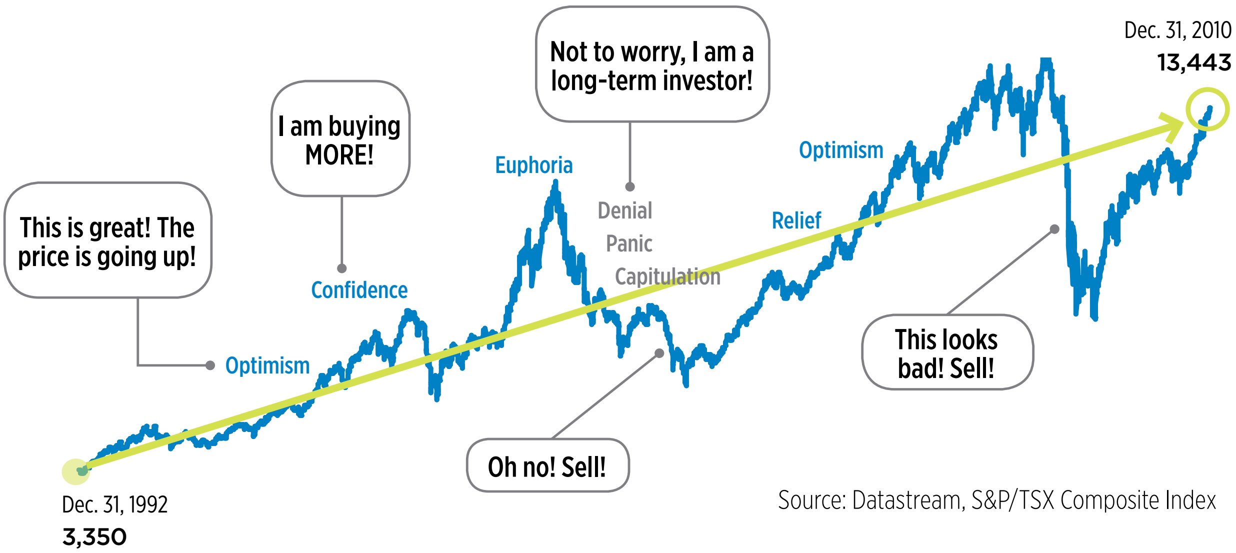
	What you will need*		
Income at retirement	5 years later	15 years later	25 years later
$50,000	$55,204	$67,293	$82,030
$75,000	$82,806	$100,940	$123,045
$100,000	$110,408	$134,587	$164,061
$150,000	$165,612	$201,880	$246,091

* Assuming 2% annual inflation rate. Source: Retirement Insight and Research

2. Emotions

Emotions and successful investing don't tend to mix. What we feel in reaction to market cycles is often inversely related to what we should do as investors. This illustration shows why people tend to invest more during market peaks, and almost nothing during the lows — a sure recipe against investment success. The discipline built into a well-developed plan can keep you on course.

How emotions can lead to buying high and selling low



Source: Datastream, S&P/TSX Composite Index

3. Market cycles

Different types of investments tend to perform differently through each market cycle, and it's impossible to predict which asset class may bring the highest returns year to year, as shown in this chart. A balanced portfolio that holds a mix of investments can minimize the effect of a down market cycle and keep you on course with your retirement plans.

Predicting the winners is difficult

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
U.S. Small Cap 8.8%	Global Bonds 18.5%	Cdn. Small Cap 42.7%	Emerging Markets 16.8%	Emerging Markets 31.2%	Emerging Markets 32.1%	Emerging Markets 18.6%	Global Bonds 35.8%	Cdn. Small Cap 75.1%	Cdn. Small Cap 38.5%
Cdn. Bonds 8.1%	Cdn. Bonds 8.7%	Emerging Markets 27.8%	Cdn. Large Cap 14.5%	Cdn. Large Cap 24.1%	Foreign Equities 26.8%	Cdn. Large Cap 9.8%	Cdn. Bonds 6.4%	Emerging Markets 52.0%	U.S. Small Cap 20.6%
Global Bonds 5.1%	Cdn. Small Cap -0.9%	Cdn. Large Cap 26.7%	Cdn. Small Cap 14.1%	Cdn. Small Cap 19.7%	Global Equities 20.6%	Cdn. Bonds 3.7%	U.S. Small Cap -17.9%	Cdn. Large Cap 35.1%	Cdn. Large Cap 17.6%
Emerging Markets 3.8%	Emerging Markets -7.0%	U.S. Small Cap 20.5%	Foreign Equities 12.4%	Foreign Equities 10.5%	U.S. Small Cap 18.3%	Cdn. Small Cap 2.0%	U.S. Large Cap -21.9%	Foreign Equities 13.2%	Emerging Markets 13.0%
Cdn. Small Cap 3.4%	Cdn. Large Cap -12.4%	Foreign Equities 13.9%	U.S. Small Cap 10.2%	Global Equities 6.6%	Cdn. Large Cap 17.3%	Foreign Equities -5.3%	Global Equities -26.1%	Global Equities 11.8%	U.S. Large Cap 9.4%
U.S. Large Cap -6.5%	Foreign Equities -16.4%	Global Equities 9.4%	Global Equities 7.3%	Cdn. Bonds 6.5%	Cdn. Small Cap 16.6%	Global Bonds -5.5%	Foreign Equities -29.4%	U.S. Small Cap 8.7%	Global Equities 6.8%
Global Equities -11.4%	Global Equities -20.2%	Cdn. Bonds 6.7%	Cdn. Bonds 7.2%	U.S. Large Cap 1.6%	U.S. Large Cap 15.7%	Global Equities -7.1%	Cdn. Large Cap -33.0%	U.S. Large Cap 8.1%	Cdn. Bonds 6.7%
Cdn. Large Cap -12.6%	U.S. Small Cap -21.1%	U.S. Large Cap 5.3%	U.S. Large Cap 3.3%	U.S . Small Cap 1.3%	Global Bonds 6.2%	U.S. Large Cap -10.6%	Emerging Markets -41.4%	Cdn. Bonds 5.4%	Foreign Equities 2.8%
Foreign Equities -16.4%	U.S. Large Cap -22.7%	Global Bonds -6.0%	Global Bonds 2.8%	Global Bonds -9.8%	Cdn. Bonds 4.1%	U.S. Small Cap -16.5%	Cdn. Small Cap -46.6%	Global Bonds -11.5%	Global Bonds -0.3%

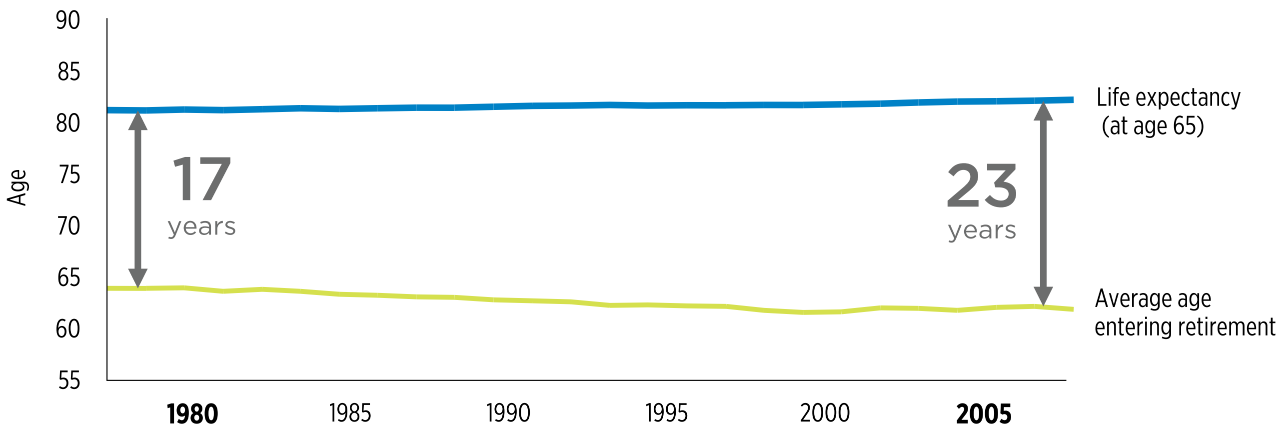
Source: Globe HySales

Canadian Bonds: DEX Universe Bond Total Return Index
Canadian Large Cap: S&P/TSX Total Return Index
Canadian Small Cap: BMO Nesbitt Burns Cdn Small Cap Index
Emerging Markets: MSCI Emerging Markets Free Index ($Cdn)
Foreign Equities: MSCI EAFE Index ($Cdn)
Global Bonds: Citigroup World Government Bond Index ($Cdn)
Global Equities: MSCI World Index ($Cdn)
U.S. Large Cap: S&P 500 Total Return Index ($Cdn)
U.S. Small Cap: Russell 2000 Index ($Cdn)

4. Outliving your savings

The great news: You end up living longer than you ever expected. The not-so-good news: Your savings are depleted. In estimating your time frame in retirement, don't just go with the averages, but give yourself a healthy buffer in this calculation. Keeping some exposure to equities in your portfolio can also help to ensure long-term growth.

Retirement is getting longer

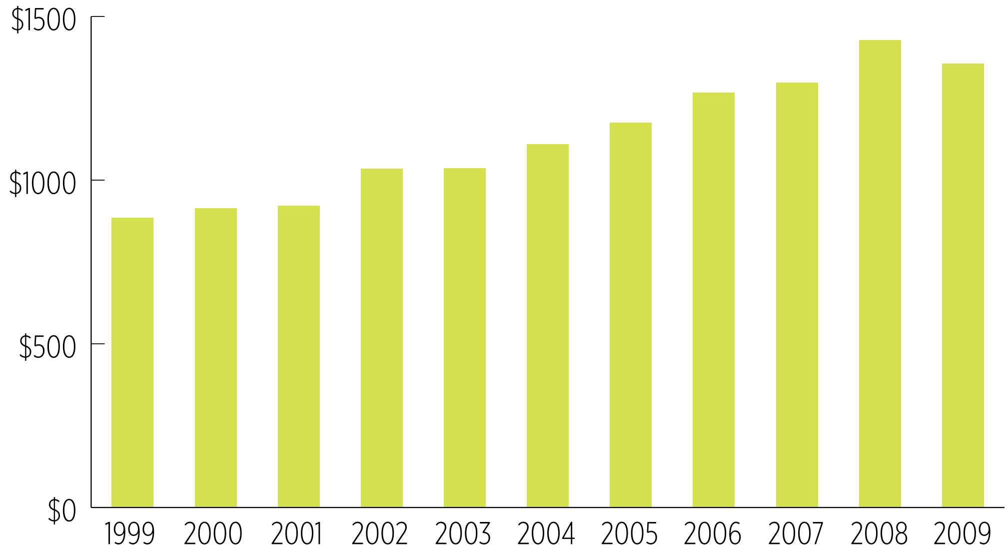


Source: Statistics Canada, 2007; Retirement Insight & Research

5. Unexpected healthcare costs

A prime example of planning for the unexpected. It's important to review your healthcare benefits and insurance with your financial advisor to determine if you and your partner/spouse have appropriate healthcare coverage. This is a cost that is rising above the inflation rate — be prepared, well in advance.

Annual household spending on healthcare in Canada



Source: Statistics Canada, Survey of Household Spending (SHS), annual household spending on healthcare, by province and territory

CHOOSING THE RIGHT INVESTMENTS FOR YOUR PLAN

At the core of your retirement plan is your investment portfolio, whether you choose investments for their long-term growth potential over time or for more security as you approach retirement.

Once upon a time, in different market conditions, you could buy a five-year Guaranteed Investment Certificate (GIC) that paid a 10% interest rate, and forget about it. But in a lower interest rate environment, meagre returns offered by GICs and other "safe" investments could be easily erased by rising inflation over time. For most people, investing for retirement, and for retirement income, some exposure to equities and bond markets in some combination can be part of a more balanced approach aiming for higher returns. Recently, comprehensive investment products specifically designed for retirement savings have been introduced. By working with an advisor, you can more easily narrow your search for the right investments for your portfolio (based on your risk tolerance, goals and time frame) to keep up with the sometimes overwhelming choice of what is available and understand the conditions of each type of investment.

Popular investment choices for retirement-oriented portfolios

This table illustrates a range of popular investments available for a retirement-oriented portfolio. Your financial advisor can help you learn more about today's choices as well as build and manage an investment portfolio that is right for you.

Investment category	Advantage	Example portfolios
"All-in-one" portfolio solutions	Blends fixed income with equity, automatically rebalances	Symmetry One portfolios, Mackenzie Private Client Program
Balanced funds	Manager blends fixed income with equity	Mackenzie Sentinel Strategic Income Class, Mackenzie Saxon Balanced Fund
Equity funds	Growth potential	Mackenzie Saxon Stock Fund, Mackenzie Cundill Value Fund, Mackenzie Ivy Foreign Equity Fund
Bond funds	Range of types, offer some growth and more steady returns than equity	Mackenzie Sentinel Bond Fund, Mackenzie Sentinel Short Term Income Fund
Segregated funds with guaranteed income benefit	Guaranteed income for life with potential for growth	Canada Life Segregated Funds with Lifetime Income Benefit option

"Always plan ahead. It wasn't raining when Noah built the ark."

– Richard C. Cushing

YOUR WILL AND ESTATE PLANNING BASICS

You have worked hard and accumulated a significant amount of assets. This section provides an opportunity for you to take stock of your net worth and to better understand the purpose and advantages of a will and other key estate planning tools.

Where there's a will:

A will is a legal document that can help assure that your assets will be directed to the people you want to receive them in a timely and tax-efficient way.

Powers of Attorney for Property and for Personal Care (or mandate in Quebec):

These are important designations to protect your interests if you become ill or incapacitated. You name a person (or persons) permitted, by law, to make financial decisions and manage your affairs on your behalf. In the second case, you designate a healthcare proxy to convey your wishes when it comes to your personal care.

Testamentary trust:

A testamentary trust is established on the death of the individual who wishes to establish it and provides control over distribution of estate assets after death (as opposed to leaving lump sums directly to beneficiaries, which you may not want to do for reasons like their age or their lack of financial savvy). The testator can specify periodic distributions. Testamentary trusts may also provide income-splitting opportunities if beneficiaries of the trust are subject to tax at top rates.

Will	No will
Your assets will be distributed as you wish	Assets distributed according to government formula
You select your executor	The court appoints an administrator
Your estate can be settled quickly	Heirs could end up paying taxes that could have been reduced or deferred
	Your estate may be left in a legal tangle

WORKSHEET 110

Do you have a will? ❑ yes ❑ no
Does your spouse or partner have a will? ❑ yes ❑ no
When was your will(s) last updated? ____________ years ago
Has anything materially changed since then?

____

____

____

____

See Appendix on page 72 to help summarize and record your information.

Do you have a power of attorney, or a mandate in Quebec? ❑ yes ❑ no

DID YOU KNOW?

Life insurance death benefits generally bypass your estate and go directly to beneficiaries named on the policy. This avoids delays associated with probating a will and can be extremely advantageous in addressing income tax matters that may arise from a death. Life insurance can play an important role in estate planning, depending on your circumstances.

TIP

On track to reach your goal? Obtain a "ballpark" estimate working with your financial advisor.

The key is to understand if a gap exists and discuss solutions.

WORKSHEET 111

Summary of your net worth

The following is valuable exercise for estate planning and retirement planning purposes to summarize what you own and what you owe. If you're not sure of a number, take your best guess, as an estimate will suffice for an initial review with your advisor.

Assets	Self ($)	Spouse/partner ($)	Total ($)
Savings and chequing accounts			
Investments (stocks, bonds, mutual funds, GICs)			
RRSPs			
Pension holdings			
Life insurance proceeds			
Business interests			
House			
Furniture			
Collectibles			
Automobiles			
Cottage			
Other			
Total assets			
Liabilities			
Mortgage(s)			
Line(s) of credit			
Unpaid bills			
Taxes owing			
Other loans and debts			
Total liabilities			
Net worth (assets minus liabilities)			

101

KNOW WHERE YOU STAND

Summary and checklist

The following provides an action-oriented summary of this section and a checklist to help you take the right steps to ensure a successful retirement. Use this as a guide as you put together elements of your plan in collaboration with your financial advisor.

- ❑ Take your time to envision your retirement lifestyle and create a detailed budget projection.
- ❑ Now look at the flip side — create a detailed projection of your future income sources.
- ❑ Focus on how you can save more for your retirement, and where you might potentially reduce spending.
- ❑ Take a closer look at your liabilities. Can you pay off debts by your retirement date?
- ❑ Start to create a comprehensive retirement plan identifying any gaps and contingency plans to help you reach your goal within your time frame.
- ❑ Review your investments with your financial advisor. Your portfolio should protect against market downturns yet have proper exposure to equity growth potential.
- ❑ Consider all retirement-oriented investment options.
- ❑ Discuss your plans with your immediate family. Update and address estate matters.
- ❑ Try to keep things simple where possible. Consolidating multiple investment accounts, for example, can help to ensure all resources are working together.

Do your homework first, but depend on the knowledge and expertise of your financial advisor.

Notes and questions to discuss with your advisor:

Keep tabs on your future!

Next step: Revisit your 101 planning whenever things change.

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RETIREMENT UNIVERSITY 201: RETIREMENT IN SIGHT

PLANNING YOUR LIFESTYLE TRANSITION

YOUR TIME LINE: 1-3 YEARS AWAY FROM RETIREMENT

If you're within a few years of your planned retirement date, now may be the ideal time to shift gears to ensure you are well positioned to achieve your goals.

ARE YOU READY TO LIVE IT?

With just a few months or years to go, this can also be a good time to assess your retirement readiness from a lifestyle perspective. Big changes to your daily life, routines and social network are soon to happen. A bit of preparation can ensure you're ready, financially and emotionally.

SHIFTING GEARS: FROM ACCUMULATING TO DRAWING DOWN

For most of your working life, financial planning has likely focused on saving and investing to accumulate enough assets to support you through retirement. As you approach this milestone, you and your advisor can begin to develop strategies for a different kind of plan: your income withdrawal plan — creating, in essence, your new retirement paycheque. This helps determine the most effective way to draw from your retirement savings portfolio and other sources to provide reliable cash flow through the years ahead, while allowing for any investment growth you need.

This section will help you envision your lifestyle, understand the basics of developing an income withdrawal plan with your advisor, and create your own checklists to prepare for what's in store.

Use this section to:

- ❏ Think of how you'll use your time
- ❏ Review future sources of income
- ❏ Consider an income withdrawal plan
- ❏ Prepare to shift investment strategy
- ❏ Use time line checklists to get organized

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Be prudent in your plans, but whatever you do today can help you avoid saying 'I wish I would have ________________ when I had that chance' later on.

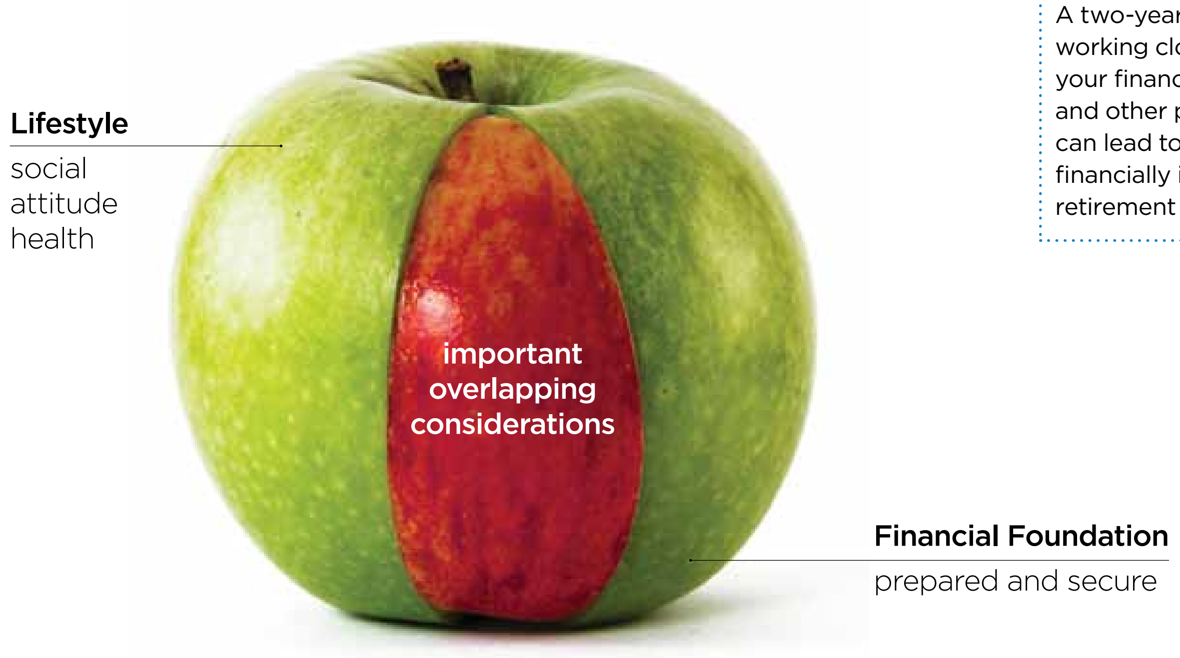
YOUR RETIREMENT READINESS . . .

When lifestyle goals and financial security are in perfect harmony

If you've been working closely with your financial advisor, with a formal plan in place, you are likely well along the way of establishing the financial foundation for a secure retirement.

This leads us to the "lifestyle" side of retirement planning. What you will experience, feel and enjoy: the fruits of your lifelong work and planning.

This section will help you review some of the lifestyle considerations in retirement planning which may closely overlap the financial elements of your plans — things such as your housing choices and whether or not you plan to continue to work part time.



TIP

A two-year period of working closely with your financial advisor and other professionals can lead to the financially independent retirement you deserve.

"Confidence comes from being prepared."

– Coach John Wooden

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WORKSHEET 201

How will you spend an extra 2,000 hours of freedom?

If you're used to working a 40-hour week for most of your life, retirement will dramatically change how you spend your time: some 2,000 hours of extra free time each year. Sounds like a lot, but it's common to hear recent retirees say: *"We're now busier than ever!"*

Prepare for this time shift by anticipating which of your routines and priorities will change or be replaced when you retire. Consider these lifestyle factors which, together, will contribute to your overall well-being and attitude in retirement.

Social activities: What type of activities do you expect to spend more time on?

Travel ______________________________

Sports ______________________________

Cultural events ______________________________

Time with family ______________________________

Hobbies ______________________________

Other ______________________________

Social network: Who will you be enjoying these activities with?

____

____

New direction: What have you always wanted to do, if you only had the time?

Volunteer ______________________________

Enroll in a course ______________________________

Take up a sport ______________________________

Start a hobby ______________________________

Other wishes ______________________________

What do you want to be doing less of, or stop doing altogether?

____

Health matters: activities for vitality of mind and body

____

TIP

If you haven't given much thought about your lifestyle in retirement, many sources can help you consider options, including your HR department or employee assistance program, area community centres, lifestyle publications and talking to family and friends.

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LIFESTYLE AND FINANCES: OVERLAPPING CHOICES

Two future lifestyle choices that can most greatly impact financial decisions for retirement are where you choose to live, and whether you plan to continue to work part time. These two considerations overlap both lifestyle and financial factors and deserve special attention.

1. Housing: Stay, move, or dip into your equity?

Where to live may be the single biggest decision pre-retirees or recently retired people contemplate. Any move deserves lots of consideration, learning from others' experiences as well as the recommendation of your financial advisor to achieve the greatest benefit in your retirement planning.

Popular options

The choice is very personal, but if a move is seriously contemplated it is generally to downsize, get a desired change of scenery and/or capitalize on existing home's value.

- ❑ Stay in your home
- ❑ Downsize but stay in your neighbourhood
- ❑ Move to a location that better meets your interests, activities and people you want to be close to in your retirement
- ❑ Downsize to a condominium or apartment
- ❑ Consider a retirement community
- ❑ Move to cottage/vacation property or relocate to a warmer climate

Financially driven options

A house is no replacement for a retirement plan, but your home equity may offer additional financial security at some point during your retirement. Consult your advisor well ahead of time to also discuss the pros and cons of:

- ❑ Reverse mortgages*
- ❑ Home equity line of credit*
- ❑ Sale of existing house to opt for a rental
- ❑ Earning additional income by renting out extra space in your current house

TIP

Try a test run: Considering a move to a new area? Rent short-term for a trial run. Make it more than a vacation — live your daily routine to see if the location meets your needs and wishes.

* Know the facts, and understand the terms and fine print of home equity loans or reverse mortgages from an income and asset perspective, as well as potential financial implications over time and in different market conditions. Talk with your advisor to review your scenarios.

2. Employment: Opting to work part time on your terms

Whether it's for love or money, working in retirement can often be done on your terms, for a change. You may work to add an extra buffer of income, help reduce or eliminate any shortfall in your retirement plan, or simply to maintain ties with an important social network.

Popular options

- ❑ Continue with your current employer on a part-time basis
- ❑ Leverage your expertise as a consultant (working as much or as little as you want)
- ❑ Do what you're interested in and get paid. You may have a personal interest that you can turn into that "perfect" part-time job. Employers are always interested in people who share their enthusiasm and knowledge.
- ❑ Do your own thing as an entrepreneur. Start your own small business or consider the potential of a franchise. Be sure to talk to your financial and tax advisors as part of your business planning process.

TIP

Plant a workplace seed. During your last year prior to a planned retirement, consider talking to your employer about the possibility of part-time work or consulting, if you're interested. The earlier you plant this seed, the greater its likelihood to grow. But find out if and how this would affect your benefits.

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YOUR INCOME WITHDRAWAL PLAN

CREATING YOUR NEW PAYCHEQUE

Creating a plan to draw income from all your financial resources when you retire is, in many ways, a culmination of all the topics covered from the beginning of this retirement planning guidebook. It's also the payoff from all your hard work to prudently save for the next exciting chapter in your life.

Drawing from information reviewed in section 101 (on advance planning), this section helps bring together the main elements that will contribute to your paycheque in retirement.

As you approach retirement, what you now think of as your *savings and investment plan* will be converted to your *income and investment plan*, managed to provide cash flow and distribute investment income to reflect your specific needs and circumstances.

Knowing the fundamentals, popular strategies and investment options associated with income withdrawal will prepare you to meet with your financial advisor to develop your custom-built plan.

ELEMENTS OF YOUR PLAN

▷ Government benefits (OAS & CPP/QPP)

▷ Employer sponsored plans

▷ Converting your RRSPs into retirement income

▷ Turning your non-registered investments into retirement income

Your advisor can help you:

❑ Create a comprehensive income withdrawal plan tailored to your needs

❑ Keep focused on your investment plans and manage your cash flow

❑ Actively monitor investments to ensure that they continue to meet your needs

❑ Stay informed about tax rules and implications on income distributions

❑ Ensure that your portfolio maintains any growth potential you may need

START BY: UNDERSTANDING THE BIG PICTURE

To anticipate your financial security in retirement, it can be helpful to look at the big picture of your expected expenses and sources of income.

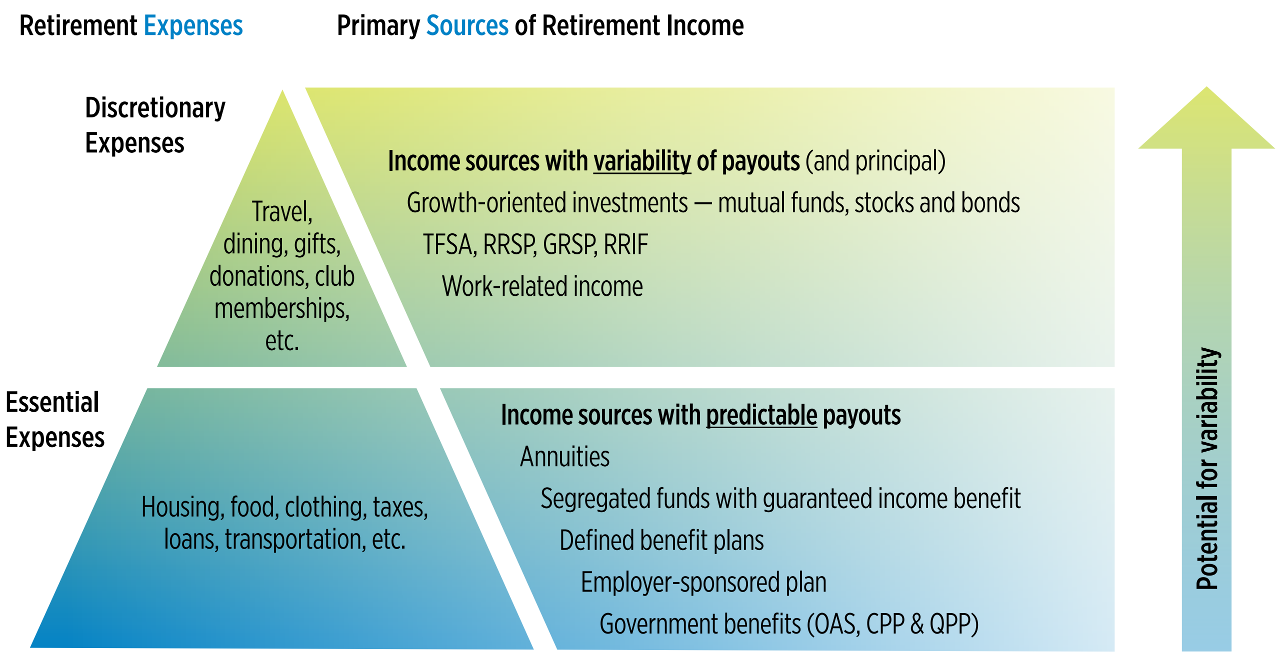
Covering costs

The illustration below helps map expenses to typical income sources in retirement. It builds from the bottom-up, ranking expenses to provide a greater degree of confidence that essentials will be covered.

For example, food and shelter costs can be aligned with income sources that are guaranteed or have a high predictability of payment — this could be money from an employer pension or government sources or from a Life Income Benefit or annuity.

Value of advice

This big picture also draws attention to the importance of a well-designed investment portfolio to get the most from all your income sources, in unison. With this full view in mind, your advisor can make personalized recommendations on your investment portfolios and the type of cash management strategy that can help secure cash flow.



Rule #1: "Ensure your 'essential' expenses will always be covered."

Rule #2: "Never forget Rule #1."

Source: Retirement Insight & Research (illustration and quote)

BUILDING YOUR INCOME PLAN

A comprehensive plan incorporates all future sources of income that will combine to provide cash flow to cover future expenses. It also considers the potential tax treatment on income, to try to plan your withdrawals most tax-effectively. Behind the scenes, in collaboration with your advisor, your investment portfolio can be managed to support these requirements, based on your needs and risk tolerance through each phase of retirement. The plan may include strategies to continue to protect your investments, while still seeking to generate growth for longer-term needs.

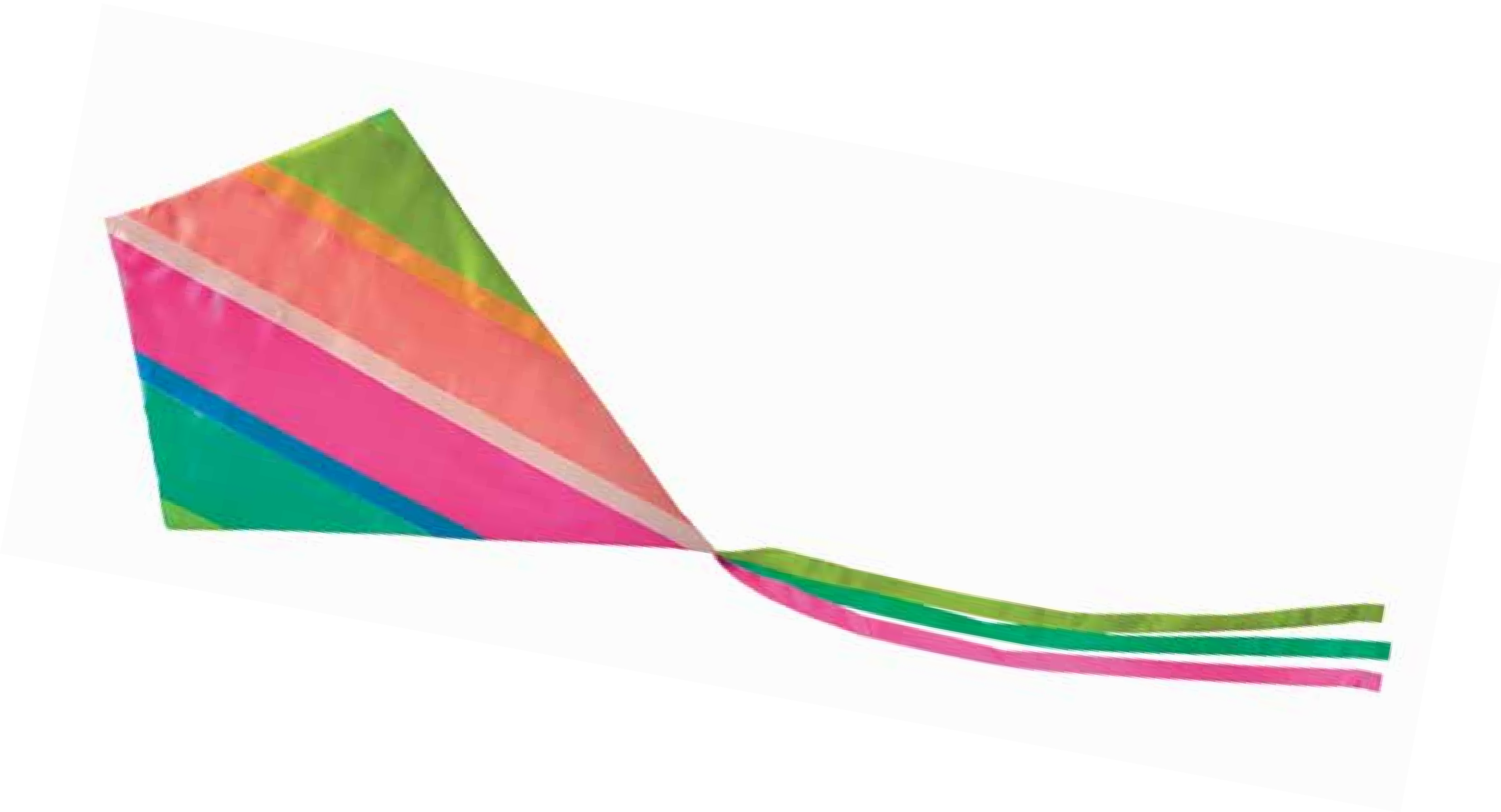
1. A foundation layer: Government benefits and employer pensions

Before you can determine the amount of monthly income you will have to rely on from your own savings and investments, you first need to know what your base income might be from government and employer pension plan benefits. Although these two sources of income are not direct components of your income withdrawal plan, they influence the size of your future paycheque and, in turn, your investment strategy and the types of investments to hold.

Security of regular monthly income

Two primary income sources that provide the security of regular monthly income are government pension benefits (Old Age Security and Canada Pension Plan/Quebec Pension Plan) and an employer-sponsored defined benefit pension plan, if you were a member of one through your working years.

You can find more in-depth background on government pension benefits and employer-sponsored defined benefit pension plans in section 101 of this guide. Here we cover the key steps to put into practice in the two years or so prior to retirement.



Plan ahead

- **Familiarize yourself with programs.** This guidebook provides an overview and tips to get started, but take time to get to know and understand all your pension entitlements. For government programs, browse the OAS and CPP/QPP websites for local resources, or flip back to page 14 of this guidebook for more general information. Ask your employer's HR department and/or pension plan sponsor any questions you may have about employee pensions.
- **Review application forms well ahead of time and apply early.** It's not too early to start. A six-month prior-to-retiring time frame has been highlighted several times throughout this guidebook as an important period for several applications. Look for more planning checklists starting on page 63 as a helpful reminder.

KNOW YOUR NUMBERS?

Have you determined the amount of government and employer pension payments you will receive? If not, speak with your advisor for help. Estimating this future income level is the starting point for your income withdrawal plan.

2. Your savings: The role of non-registered investments

Many people accumulate at least some portion of their retirement nest egg in regular savings accounts and investment accounts, outside of tax-sheltered programs such as Registered Retirement Savings Plans (RRSPs). This can be particularly true for high-income earners or those who max out their RRSP contribution limits. In retirement, the interplay between income from registered and non-registered savings can be complex from a tax perspective, and an advisor's expertise is very valuable.

What to consider

As you look at your non-registered savings, consider a couple of key things you can address at this stage to support your future income withdrawal plan: asset allocation and tax efficiency.

Asset allocation and rebalancing. If your retirement savings consist of both non-registered and registered investment accounts, it can be wise to review the investment mix of these two "buckets" in combination, and how assets are allocated between them.

If you have worked closely with an advisor, you may have already addressed this concern in the strategy and management of your overall investment portfolio. However, if you have accumulated multiple savings or registered plans in different financial institutions over time, your advisor may not have seen the full picture of your investment portfolio.

See page 30 for your asset-mix check-up if you did not complete this exercise yet.

As your retirement date approaches, this may be a time to consider consolidating your financial assets. The goal is to optimize your income withdrawal plan, and that includes the asset allocation decisions for your investments. Your advisor can help make this investment consolidation process easier.

Tax efficiency of future income streams. Minimizing tax is fundamental to building and keeping wealth. Consider using after-tax dollars in non-registered investments as a source of retirement income first, allowing registered investments to continue growing in a tax-sheltered plan. And know how tax implications may also carry over to estate planning: Different income sources may be taxed differently in the hands of your estate or beneficiaries, or may be transferred in more tax-efficient ways. Your financial advisor can help you determine the optimal mix for receiving income from non-registered and registered assets.

3. Converting RRSPs into retirement income

At the core of most retirement income withdrawal plans may be the assets held in your Registered Retirement Savings Plans. You may continue to hold and invest your savings within an RRSP until the end of the year in which you reach the age of 71, when you must convert the RRSP into one of the retirement income options available to you anytime:

- Transfer your RRSP funds into a RRIF (Registered Retirement Income Fund)
- Purchase an annuity with the RRSP funds
- Withdraw the funds as cash
- A combination of the above

Three basic options

Your option	Description	Advantages	Disadvantages
Convert to a RRIF	Convert RRSP to RRIF on a tax-free basis	Tax-deferred growth; flexibility and control over assets; no maximum withdrawal limit	Subject to minimum withdrawal requirements based on year-end plan value and your age, and recalculated every year
Buy an annuity	An annuity gives you a guaranteed income stream for life, or for a fixed term	A good strategy when interest rates are high	Locked into interest rate at the time of purchase; you lose flexibility and control over your assets
Cash it in	Withdraw entire amount from RRSP and hold it in a bank account	Complete control over how much you withdraw and when you use it	Fully taxable income; little chance for growth

The role of a RRIF in an income plan

Today, most retirees opt to "roll over" or convert their RRSPs into a RRIF to provide income. A RRIF has several unique advantages, including continued tax-deferred investment growth, a wide range of investment options and the flexibility of income withdrawals — a natural evolution of your RRSP.

What you need to know about a RRIF

- A RRIF is a registered plan used to convert RRSP savings into retirement income. As you normally withdraw only a portion of the plan's assets for income each year, the remaining investments inside the plan continue to grow, tax deferred, just as within an RRSP.
- A RRIF is like an RRSP in reverse. Instead of making contributions, you must make withdrawals. But instead of getting a tax deduction for your contributions, your withdrawals are taxed as income, like a salary.
- Investments inside a RRIF continue to grow on a tax-deferred basis. Any interest, capital gains or dividends earned are not taxed until withdrawn.
- You can open a RRIF at any time (there is no minimum age), so you can convert an RRSP to a RRIF as soon as you need retirement income.
- The plan is subject to a minimum payout each year based on a formula set by the government.

RRIF WITHDRAWAL MINIMUMS

There's no limit to how much you can take out of a RRIF, so you can determine the payout you need. However, the government has established some minimum amounts you must withdraw from your RRIF each year. For instance, if you are 72 years old, you must withdraw 7.48% of the fair market value of your RRIF on January 1 by the end of the year.

Age	Non-Qualifying RRIFs	Qualifying RRIFs*
71	7.38%	5.26%
72	7.48%	5.56%
73	7.59%	5.88%
74	7.71%	6.25%
75	7.85%	6.67%
76	7.99%	7.14%
77	8.15%	7.69%
78	8.33%	8.33%
79	8.53%	8.53%
80	8.75%	8.75%
81	8.99%	8.99%
82	9.27%	9.27%
83	9.58%	9.58%
84	9.93%	9.93%
85	10.33%	10.33%
86	10.79%	10.79%
87	11.33%	11.33%
88	11.96%	11.96%
89	12.71%	12.71%
90	13.62%	13.62%
91	14.73%	14.73%
92	16.12%	16.12%
93	17.92%	17.92%
94	20.00%	20.00%

* A Qualifying RRIF is a RRIF that was opened before 1993 and has not accepted any funds after 1992; or, after 1992, has only had funds transferred from another Qualifying RRIF.

KEY BENEFITS OF A RRIF:

- Investments compound tax-free within the plan
- Can hold full range of investment options
- Flexibility and control over your payout (above a set annual minimum)
- Can provide inflation protection based on the type of investments held
- You can leave remaining RRIF assets to your heirs — an estate benefit

TIPS on RRIF income:

- ❑ Income splitting: You can split your RRIF income with your spouse, if you are at least 65 years of age, and potentially reduce the taxes payable by your household.
- ❑ Don't need minimum RRIF payments? Consider reducing your minimum if you have a younger spouse: If your age is used to calculate the withdrawal amount, consider transferring your RRIF to a new RRIF based on your spouse's age for reduced minimum payouts.
- ❑ Contribute to your spouse's RRSP: If your spouse is 71 years or younger, and you still have RRSP deduction room, you can contribute your RRIF income to your spouse's RRSP and claim the deduction on your tax return.
- ❑ Reinvest any extra income from payments into a TFSA: If you don't require the income from your minimum RRIF payments, direct the payments into a Tax-Free Savings Account, where your funds can continue to grow and can be withdrawn anytime on a tax-free basis. Note, TFSA contribution room would be required.
- ❑ Name beneficiaries on your RRIF application: Beneficiaries named on an RRSP application do not automatically carry over to a RRIF (rules differ in Quebec, where RRIF assets should be distributed through a will.)

TIP

Before you convert to a RRIF: A last chance for RRSP
If you plan to convert your RRSP to a RRIF anytime prior to age 71 and expect to have RRSP contribution room for the following year, consider making one last RRSP contribution (or even an "overcontribution" if you don't have sufficient room for the current year). You can deduct your contribution in future years to reduce tax payable for those years. Penalty taxes may apply where overcontributions are made, but opportunities exist to minimize this tax. Speak with your advisor to see how this strategy might work for you.

Income from locked-in RRSPs: LIF, LRIF and PRIFs

When company pension or locked-in RRSPs mature, they can be converted to a Life Income Fund (LIF), Locked-in Retirement Income Fund (LRIF) or Prescribed Retirement Income Fund (PRIF).

A LIF, LRIF or PRIF is like a RRIF for tax purposes except that they are subject to additional restrictions on how much can be withdrawn and when. Previously, some provinces required the balance in a LIF to be converted to an annuity by the end of the year in which the annuitant turned 80. In recent years, many provinces have updated their pension legislation to allow annuitants to maintain their LIF for life.

LIF	LRIF	PRIF
Available in all provinces except Prince Edward Island	Available in Manitoba and Newfoundland; no new LRIFs in Ontario after Dec. 31, 2008	Available in Manitoba and Saskatchewan

The role of an annuity in an income plan

An annuity is a type of insurance contract that can guarantee steady income. At retirement, you could pay a lump sum in exchange for a stream of regular payments over the term of the contract. Depending on the type of annuity, the payment may be over a fixed term or guaranteed for a lifetime.

You may be able to purchase additional options, such as benefits for survivors or payments indexed to the inflation rate.

What to know about annuities

- Security. Regular monthly income payments are guaranteed.
- Risk-free. No exposure to the stock markets.
- Payments for life. With a life annuity, you have no risk of outliving your savings.
- Typically, there is no estate benefit left for heirs upon your death. The insurance company may retain all assets.
- Annuities are generally illiquid and irreversible.
- No upside from the markets. The interest rate at purchase affects the size of the payment for life
- Generally, payments are subject to tax at the highest rate, as interest income.

TIPS on annuity income:

- ❑ In a low interest rate environment, which make annuity payments look less attractive, the deciding factor on whether or not to purchase an annuity may come down to your need for security of regular monthly payments to cover essential expenses.
- ❑ In general, it can be prudent to consider "annuitizing" only a portion of a total portfolio, since an annuity is illiquid and irreversible.
- ❑ Discussing your situation and concerns with your advisor at this pre-retirement stage can help you determine if an annuity is right for you. Together, you can investigate your options and alternatives.

Annuities suit investors who:

Are seeking capital preservation with guaranteed income

Do not want to participate in stock markets — risk averse

Do not require annuity assets to fund emergencies

Do not wish to leave an inheritance for heirs
(or will do so with other assets)

Your building blocks are stacked.

Next step: A portfolio designed for the future.

MATCH INCOME NEEDS WITH INVESTMENT PLAN

You stuck to a plan all those years to save for retirement; now it's finally time to plan for how you will use those investments to draw income in the years ahead.

Here, we'll take a look at two popular portfolio approaches often used in retirement, plus a key underlying strategy to save taxes. Professional advice can help fine-tune your investment portfolio to help match your income needs and personal goals as closely as possible.

Two approaches to investing for your future income

While your income withdrawal plan can be personally customized with the help of an advisor, three goals are common to almost everyone in retirement: to protect against the possibility of outliving your savings, avoid losses from market cycles, and defend against inflation that may erode future purchasing power.

To provide income in retirement, two general approaches most often guide the shape of a portfolio.

1. Income-generating approach

   One method to derive income from retirement savings is to focus on investments that can generate some kind of predictable income, at little risk to the nest egg. These can include GICs, bonds, equities that pay dividends, income trusts and annuities, to name a few.

   With this kind of strategy in retirement, the idea is to try to live off of income generated from your portfolio and avoid dipping into the principal.

   While this can be an effective method to draw income with predictability, this investment approach has limitations. It may be hard to generate enough income in times when interest rates are low. Interest income is taxed at a higher rate than income from capital gains, leaving less in your pocket. Plus, a lack of diversification in a portfolio may curb any potential for capital growth. In a worst-case scenario, you might not even be able to generate enough income to keep up with inflation.

TIP

Consider holding return of capital (ROC) series or Series T mutual funds in non-registered accounts. Payouts that are wholly, or in part, return of capital are not immediately taxable. For more information, talk to your financial advisor.

2. Total-return portfolio approach

As an investment strategy, a total-return portfolio approach addresses many of the shortfalls of a strictly income-focused strategy. This approach maintains a balanced and diversified portfolio to meet current income needs while staying open to opportunities for potential capital growth over time.

While this can be a more complex way to invest a portfolio, the benefits can be substantial. Investment choices may offer more tax-efficient payouts, for example, so you have more in your hand day to day. Holding a diverse range of investments can also increase potential for long-term growth in your portfolio, which can help safeguard against inflation or outliving your savings.

Variety of ways to achieve each approach

Whichever investment strategy best fits — or perhaps a combination of both — an advisor may recommend different ways to execute an income withdrawal plan, based on your preferences. Some investors prefer a customized portfolio, keeping an active role in investment selection and activity. Others may prefer a comprehensive all-in-one portfolio fund that takes care of the investment selection, asset allocation and rebalancing. What's important is to have a good understanding of the basics and be prepared to ask questions to ensure the recommended portfolio approach is right for your needs.

A UNIVERSAL STRATEGY: MINIMIZE INCOME TAX

To minimize your tax hit when drawing income from investments, consider these two key points:

1. If income is first drawn from non-registered investments, assets held in registered accounts such as RRSPs or RRIFs can continue to grow and compound tax-free until withdrawn.
2. Where you have both registered and non-registered plans, it generally makes sense to hold interest-earning investments, which produce income subject to tax at a higher rate, in the registered plans. Investment earnings taxed at a lower rate, as capital gains, may be best held in the non-registered account.

Range of retirement income investments

There are no lack of investment options to consider in developing an income withdrawal plan. A well-planned portfolio also factors in the correlation between investments to enhance the portfolio's diversification benefit.

It can be a challenge to keep track of the many choices available and which ones may be suitable based on investment objectives — a good reason to rely on the expertise of an advisor. To help you become more familiar with the options available, the following table outlines a variety of different types of investments and provides context to better compare them.

Personal savings: Assessing popular options for drawing retirement income

	Guaranteed lifetime income	Flexible access to cash	Control over investments	Tax efficiency (non-registered)	Availability of inheritance
Annuity Purchased from an insurance company, an annuity is a life long or long-term contract that will guarantee you a set income.	✓			✓	
Segregated funds with Lifetime Income Benefit Products that provide guaranteed income and limit downside risk while allowing some market-linked growth	✓*	✓	✓	✓	✓
RRIF/LIF A bit like "reverse" RRSPs, Registered Retirement Income Funds and Life Income Funds can hold any type of investment, but may be subject to minimum withdrawals, taxed as income		✓	✓		✓
Series T Mutual Funds These feature a return of capital (ROC) option to pay regular monthly distributions that may be derived in whole or in part from the investment value		✓	✓	✓	✓
Systematic Withdrawal Plan (SWP) A service offered by mutual fund companies that allows you to receive the amount of income that best meets your needs from your non-registered savings, by systematically selling securities		✓	✓	✓	✓
Tax-Free Savings Account (TFSA) Income drawn from this account will never be subject to income tax. It can complement an RRSP and hold any type of investment		✓	✓	✓	✓

* Subject to excess withdrawals

How much to withdraw from my investments each month?

Once all your income sources are accounted for, your advisor will be able to recommend a monthly payout rate required from your investments. This is an area of retirement income you have direct control over.

Each individual situation is different, but there are two fundamentals to consider:

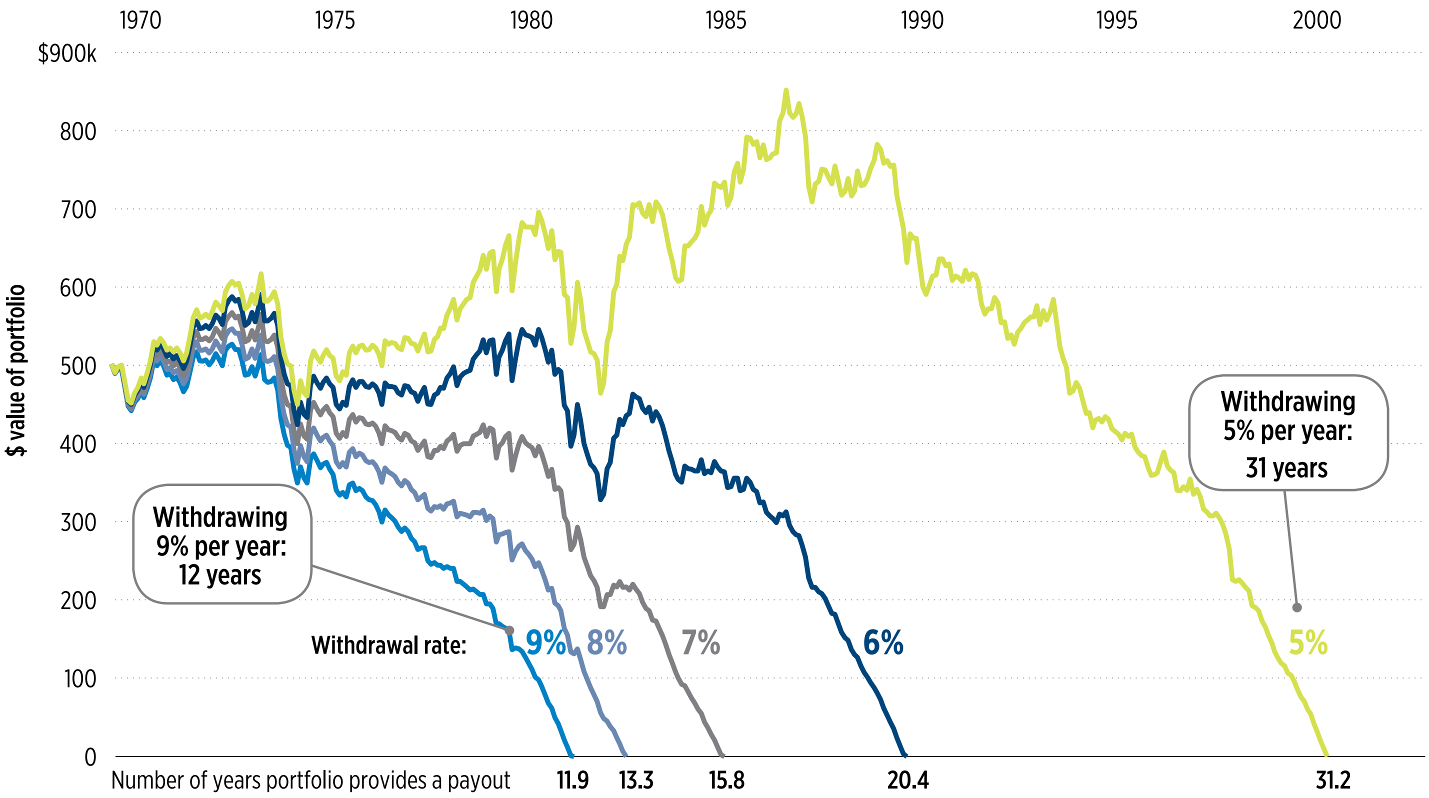
1. Withdrawal rate decision

Your withdrawal rate should be guided by striking a balance between living for today and the risk of outliving your income. Obviously, the higher your withdrawal rate, the faster you would deplete savings, and the less potential to capture growth in a portion of your investments over time.

The difference between a 5% withdrawal rate and a 9% withdrawal rate is demonstrated in this chart, which illustrates the risk associated with higher withdrawal rates. At the 5% level, using the assumptions below, this $500,000 portfolio would last for more than 31 years. However, when the withdrawal rate increases to 9%, payouts only last for about 12 years (or approximately one-third as long).

Potential shortfall: The risk of high withdrawal rates

Annual inflation-adjusted withdrawal as a % of initial portfolio wealth



All values are represented in CAD. Past performance is no guarantee of future results. Hypothetical value of $500,000 invested at the beginning of 1970. Portfolio: 50% stocks/50% bonds. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 9/1/2010

2. Withdrawal rates and asset allocation decisions

There are a number of factors that can impact whether a portfolio will last through retirement, including what kind of assets it holds and how likely it will continue to grow. The table below shows how the amount of withdrawal and various portfolio allocations can affect the chance of meeting income needs over a 25-year period. For example, a balanced portfolio (50% bonds, 50% stocks) with a 4% withdrawal rate has a 94% probability of meeting income needs over a 25-year retirement.

A comprehensive income withdrawal plan takes into consideration these and many other factors to help ensure you do not outlive your savings.

Probability of meeting income needs:
Various withdrawal rates and portfolio allocations over a 25-year retirement

Withdrawal rate	Probability				
4%	83%	94%	94%	91%	86%
5%	52%	69%	76%	75%	71%
6%	23%	35%	47%	53%	53%
7%	8%	12%	22%	32%	37%
8%	2%	3%	8%	17%	23%
	100% Bonds	75% Bonds 25% Stocks	50% Bonds 50% Stocks	25% Bonds 75% Stocks	100% Stocks

Portfolio allocations

IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 9/1/2010.

Managing your cash

In retirement, most people simply continue to use their existing chequing and saving accounts. But rather than receiving a salary, your retirement paycheque will be derived from a series of sources such as government pension payments, company pensions, investment income, rental income and part-time employment.

One thing to watch for in your retirement cash flow, particularly with automatic deposits, is the amount of income tax being "withheld at source" and prepaid to the government. Some new sources may deduct only the "minimum withholding amount" (such as a RRIF payment), or there may be no income tax deducted at all (as with government pension payments, rental income or the capital gain associated with a sale of a security). Plus, some income, such as Old Age Security Payments, may be subject to clawbacks based on your overall income.

In retirement, the responsibility lies with you to deduct the appropriate amount of income tax from each of your paycheques. Avoid worst-case scenarios by setting aside funds to pay the potential income tax, or request increased withholding tax from your payer.

CONSIDER INSURANCE FOR LIVING BENEFITS

Critical illness insurance: Provides a lump-sum payment if you are diagnosed with specified critical illnesses. Can ease financial strain and keep focus on recovery.

Long-term care insurance: Public healthcare system does not normally cover additional costs such as home care.

The role of your advisor

It can take some time to develop a comprehensive income withdrawal plan, and it's something that will take ongoing attention and monitoring in the years ahead. The benefit of working in partnership with a financial advisor is expertise and experience that puts your needs first.

An advisor can assist with everything from monitoring markets, economic events and your investments, to optimizing your financial position through portfolio rebalancing and tax and estate planning considerations.

With a plan in place, you'll enjoy greater confidence in your financial independence and the peace of mind to enjoy the retirement you have worked so hard for.

BUSINESS OWNERS: PENSION BENEFITS CAN SAVE CORPORATE TAXES

Incorporated businesses looking to add a benefit for their owners and top executives may want to examine a couple of tax-deferred retirement planning structures — an Individual Pension Plan (IPP) or a Retirement Compensation Arrangement (RCA). These structures can be useful when a business's taxable revenue begins to exceed the small business level of $500,000, at which time a higher corporate tax rate must be applied.

The establishment of an IPP or RCA can result in a tax deduction for the corporation, and defer taxes to the participant until he or she begins to take pension payments out of the plan. Due to the complexity of IPPs and RCAs, it is important to get financial, accounting and legal advice. Talk to your advisor about retirement planning strategies for business owners or entrepreneurs.

Taking inventory:

One to three years and counting

The three years prior to your planned retirement are prime time for final preparations to help you make a successful transition.

Use this checklist, in conjunction with the guidance of your financial advisor, to identify areas where you may have specific questions or concerns.

1-3 years to retirement (3 Ps: Preparation, Projections & Plans)

Time for detailed info and financial accuracy in your income projections

- ❑ Employer's pension benefits (and any details/conditions to be aware of)
- ❑ OAS/CPP/QPP entitlement and other government programs and features
- ❑ CPP/QPP: Anticipate financial impact of taking CPP early, at age 65, or deferring to age 70
- ❑ OAS "clawback": Know the rules and their impact on your financial situation
- ❑ Meet with HR to discuss the company's retirement process, pension plan, continuing benefits and options/features provided when retiring
- ❑ Talk to your employer about possible opportunities for part-time employment or contracting
- ❑ Is your financial projection indicating your retirement readiness up to date (within 6 months)?
- ❑ Begin talking about your future income withdrawal plan with your advisor
- ❑ Know/understand income options that could be part of this plan
- ❑ Discuss healthcare coverage needs with your financial advisor
- ❑ Still some investment loose ends? Think about consolidating your investments into one plan

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The home stretch

One year or less to retirement (3 D's: Details, Decisions & Doing)

This time is all about execution and attention to details. Plus, you can make the final touches on your retirement income plan.

- ❑ Prepare or update your income withdrawal plan with your financial advisor
- ❑ It could be timely to consider consolidating your investments into one plan
- ❑ Develop an estate plan to effectively preserve and transfer wealth
- ❑ Ensure your will is updated and that beneficiaries are included on all appropriate documents

12-month checklist:

- ❑ Have you informed HR of your time frame and discussed options and retirement benefits?
- ❑ Have you reviewed your insurance needs and healthcare/coverage needs for your next phase in life?

6-month checklist:

- ❑ Have you applied for CPP/QPP and OAS (and any other government programs) if applicable?
- ❑ Is your pension sponsor informed of your planned retirement?
- ❑ Have you created a budget for your first full year of retirement?
- ❑ Considering some extra income in retirement? Think about your options now before retiring

3-month checklist:

- ❑ Meet with HR to discuss the details of your departure (setting an actual date, sick/vacation day payout, deferring taxes on payouts)
- ❑ Double-check that above notifications/applications have been processed

If you are looking for answers, this is the time to ask. Count on the knowledge and expertise of professional advice.

Notes and questions to discuss with your advisor:

FOOD FOR THOUGHT:

Keeping up with the Joneses in retirement — don't even think of it… Keeping up with inflation — plan on it!

You're almost ready to "graduate"!

Next step: Brush up on your abilities to live life to the fullest.

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RETIREMENT UNIVERSITY 301: REVIEW

HOW'S IT GOING?

YOUR TIME LINE: RECENTLY RETIRED

YOUR 'POST-GRAD' STUDIES

Congratulations on your "graduation"! As you've likely witnessed, the transition into a retirement lifestyle can be gentle and gradual for some people or a quick and dramatic transformation for others. In either case, it's important to take stock of how things are going from time to time. That is, of course, assuming you can find time in your new and busy lifestyle.

GET USED TO THE CHANGE OF PACE

If you've completed previous sections of Retirement U, you'll already have learned the benefit of periodically revisiting your circumstances both from a lifestyle and a financial security perspective. While the pace might have changed, it's a good idea in early retirement to maintain your regular meetings with your financial advisor. This will help you monitor your overall financial state and adjust and fine-tune your plan and investments as you grow into your new lifestyle.

This section summarizes three common retirement lifestyle and financial considerations that typically need to be addressed early in your post-work years — normally within six months to a year of retirement. A detailed checklist follows, packed with timely points to discuss with your financial advisor.

Use this section to:

- ❑ Take a fresh look at your finances
- ❑ Review all your income sources
- ❑ Plan for the years ahead
- ❑ Evaluate growth needed from investments
- ❑ Go through early retirement checklists

THREE KEY QUESTIONS ABOUT YOUR LIFESTYLE

How do you spend your days now — and what do you like about it?

As a recent retiree, you've probably experienced some significant change to your daily routine. Take time to reflect on how you're using your time now, and what you've replaced previous activities with.

Time is a precious commodity that finds a way of being absorbed by matters at hand. Be sure that you and your spouse or partner are taking advantage of your new freedom as you had hoped to. That might even mean making an effort to take some true "time off" to just let yourselves relax and unwind for the first few months.

Housing: Are you good-to-stay or good-to-go?

Where you live, and who your neighbours are, are important contributors to your enjoyment of retirement. But, if you're watching your dollars, the expense of maintaining a larger home may eventually begin to add unexpected financial stress. At the same time, a home represents a significant asset that can be tapped into by downsizing. It's a personal decision, but one worth exploring proactively. Talk about the possibilities with your family and financial advisor, and investigate your options. And if you've already decided on a move in the future, begin planning and preparing well in advance.

Are you considering part-time work?

Earlier chapters of Retirement U helped you explore how earning additional income in retirement can be an important "buffer" to supplement an income plan and your existing savings. Plus, the working world can offer a dynamic social network and way to stay active, whatever job you may decide to do. If you're interested in part-time work in retirement, it can be a good idea to look into opportunities sooner, rather than later. For something like professional consulting, for example, you may have more leverage to land your first clients while your experience is current.

TOP TIPS FOR THE NEWLY RETIRED

Be ready to revisit the budget. For the first few months of drawing a retirement income, it's not uncommon for people to find that expenses are higher than anticipated, or to see unexpected bills become a regular occurrence. Set aside time to review your estimated budgets with "actuals." If you do have to revise your costs upwards, talk to your advisor to ensure your retirement savings portfolio is positioned for the growth potential you may need.

You don't have to stop "cold turkey." In fact, there's some suggestion that easing out of work can be good for your health. According to a study published in 2009 in the *Journal of Occupational Health Psychology*, retirees who transition from full-time work into a temporary or part-time job experience fewer major diseases and are able to function better day-to-day than people who stop working altogether.

Declutter before making a move. Professional move managers and organizers typically urge their clients not to pack "stuff" they no longer use or need, particularly if you're planning to downsize. Not only can this save money on moving costs, it also means saving on precious space. Avoid moving boxes of possessions you think you will get around to sorting through.

Say hello to your emotional side. Change of any kind can bring out emotions in people, and retirement can trigger a range, from delight to uncertainty to everything in between. Just being more aware of your moods and emotions can help you through this time and process of transition.

Reach out and touch someone. If you've long felt that work has gotten in the way of relationships and the people you care about, this is the time to reconnect with long-lost or neglected family members and old friends. Renew those hobbies and activities you like to do together. It's your time now — enjoy!

FOUR KEY QUESTIONS ABOUT YOUR FINANCES

Are your cheques and benefits being delivered?

One of the most important things to do in your first days or months of retirement is to ensure that all your new income sources have kicked in with their regular payments. Take inventory of all the government and pension benefits you are expecting, such as CPP/QPP and OAS, and review against your bank statements. If you are entitled to benefits like a retiree health insurance plan, check that you have received your policy documents, or ask your former employer. Mistakes in processing do happen and, in some cases, payments will not be retroactive if your application did not go through.

Are funds being withheld for income taxes?

While taxes may not seem among the obvious “first things” to check as a retiree who’s given up the working world, this question is worth your attention. It’s possible that certain sources of income you receive may only hold back a minimum amount of withholding tax, paid to the government. The extra cash in your hand can result in overspending in the current year. The shortfall on any taxes owing will have to come out of your following year’s budget, resulting in a shortfall for you for that year. Your financial advisor can review your situation quickly and provide helpful guidance.

Are financial and estate planning documents up to date and accessible?

There was probably a flurry of paperwork in the days and months leading up to your retirement date, while you were busy making plans and important choices in your finances. While much may have changed, it may have been difficult to stop and take the time to summarize and communicate your plans with family or advisors. If things have settled down, make it a priority to take stock of your important financial and estate planning details. For a quick and easy tool to summarize everything, turn to the document called “Keeping track: A quick reference,” found at the end of this guide.

Have you left room for growth in your savings?

This generation of retirees typically have an active retirement in mind and, thanks to trends toward health and longevity, more productive years to look forward to. By allowing at least a portion of your savings the opportunity to grow – through investments in equities and securities with higher growth potential – you can help finance income needs over a longer time frame. Your advisor can help you strike the appropriate risk-and-return balance as your needs evolve.

RECENTLY RETIRED

Priority items: 1 to 6 months after retirement

You've arrived! Enjoy. Be sure to book periodic planning "check-ups" into your busy schedule.

- ❑ Are you enjoying your time, and working towards some of the goals you had for your retirement years?
- ❑ Are all sources of income being delivered? Have you applied for all the benefits you are entitled to?
- ❑ Have you reviewed your current and future retirement expenses closely, to incorporate "actual" costs into your plans?
- ❑ Is the capital in your portfolio holding up to the plan?
- ❑ Does your plan need fine-tuning?
- ❑ Are you using estate planning tools effectively to preserve and transfer wealth?
- ❑ Are all your financial and estate matters well documented? Have you named a power of attorney (or mandate in Quebec) and assigned an executor?
- ❑ Is sufficient income tax being withheld to cover your tax obligations?
- ❑ Are you looking for additional income? Consider that "perfect" part-time job you talk about.
- ❑ Are any additional savings being invested tax-effectively, possibly using an RRSP (allowable up to age 71) and/or a Tax-Free Savings Account?
- ❑ Will you support charitable causes now or as part of your estate? Or perhaps a combination of each?
- ❑ Housing: Good-to-stay or good-to-go?
- ❑ Have you revisited your insurance and long-term care needs?
- ❑ Would it make sense to consolidate some of your savings and investments for ease and consistency?

KEEPING TRACK: A QUICK REFERENCE

It can be useful to keep a current reference of your most important personal and financial information. Use this summary to help gather key information to stay up to date on paperwork or keep family in the know about your arrangements.

Date of last revision: ______________________

EMERGENCY INFORMATION

Professional contacts

	Name	Company name	Phone number	E-mail
Financial advisor/ broker(s)				
Life insurance agent/broker(s)				
Lawyer				
Accountant				
Other professionals				

Key family and personal contacts

Name	Personal address	Phone number home/business	E-mail

Powers of attorney (or mandate in Quebec) designations

Name	Phone number	E-mail

Will and estate information

Location of will	Date of last will	Executor	Trustee (if applicable):

Funeral and cemetery arrangements

Pre-arranged ❑ yes ❑ no

Contact: ____________________

Safety deposit box

Location: ____________________

LEGAL DOCUMENTS/CERTIFICATES

Document	Location
Birth certificate	
Children's birth certificates	
Social Insurance card	
Marriage or cohabitation agreements	
Will	
Income tax returns	
Other legal documents:	

INSURANCE

Life insurance polices

Company	Policy number	Coverage	Contact

Extended healthcare, critical care and disability policies

Company	Policy number	Coverage	Contact

Property, auto and casualty insurance

Company	Policy number	Coverage	Contact

INVESTMENTS AND INCOME

Primary advisor contact(s)

Name	Company	Phone	E-mail

Investment accounts

Registered accounts	Account number	Value	Location/financial institution
RRSP			
TFSA			
RRIF			

Non-registered or other	Account number	Value	Location/financial institution

GICs and other savings

Type	Number	Maturity date	Location

Other income

Type	Value or monthly income	Source/institution
Annuities		
Pensions		
Mortgages/rent		

Other investments (real estate, collectibles, art, etc.)

Type	Value	Location

BANKING

Accounts

Type/purpose	Account number	Financial institution	Contact/location

CREDIT AND LOANS

Type	Account number	Balance	Financial institution	Contact
Mortgage(s)				
Loan(s)				
Line of credit				
Credit cards				

REAL ESTATE AND RESIDENCE

Home

Title held by: ____________________

Location of deed: ____________________

Lawyer/contact: ____________________

Vacation property

Title held by: ____________________

Location of deed: ____________________

Lawyer/property manager contact:

____

Other property

Title held by: ____________________

Location of deed: ____________________

Lawyer/property manager contact:

____

RETIREMENT U

TAP INTO YOUR POTENTIAL FOR LIFE LONG EARNING

Retirement lifestyles are shifting away from the full-stop, old-school end to working years. If you imagine greater possibilities in your future, a fresh spin on retirement planning can help you save more and invest wisely, while keeping growth in mind.

A well-managed portfolio of personal savings, with the appropriate mix of bonds, equity and cash, can continue to grow through each stage of retirement to become an important source of income for years to come. Potential growth from those savings could earn you the difference between simply retiring comfortably and pursuing the life of your dreams.

Professional advice can help you develop a one-of-a-kind plan, pairing your lifestyle goals with the financial, investment and tax strategies to get you there. Ask your advisor about more Retirement U resources and take the opportunity to discuss questions and possibilities raised in this guide.

GENERAL INQUIRIES

For all of your general inquiries and account information please call:

ENGLISH	1 800 387-0614 (416 922-3217)
BILINGUAL	1 800 387-0615
ASIAN INVESTOR SERVICES	1 888 465-1668
FAX	1 866 766-6623 (416 922-5660)
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