



# PLANNING FOR RETIREMENT.





Do you know how much retirement will cost? Have you considered how you'll pay for it? Do you know how to generate the retirement income you'll need? For many current and future retirees, these can be stressful questions often left unanswered for too long.

At PWM Private Wealth Counsel, iA Private Wealth, we will help you answer these fundamental questions and get you on track for retirement.

If you are interested in becoming a client and taking advantage of our renowned services, or if this guide simply provides you insights and clarity on investing and retirement planning, we're happy to help you reach your goals – and achieve the future you envision.

If you'd like to know more, please call us at 1-800-652-7472 or visit us online at [pwmprivatewealth.com](http://pwmprivatewealth.com) for a complimentary evaluation.\*

A handwritten signature in blue ink that reads "Kevin Hegedus".

Kevin Hegedus, CFP®, CIM®  
Portfolio Manager, iA Private Wealth

\*For qualified investors with \$250,000 or more in investable assets.

# WHAT ARE YOUR RETIREMENT GOALS?

Before you focus on anything else, it's important that you figure out what your goals are for retirement. In our experience, there's immense diversity in how our clients want to spend their retirement years. But from a financial perspective, most aim to achieve one or more of the following four goals.

## 1) ENSURE SUFFICIENT SAVINGS

For many, this is their number one goal – and protection against their number one retirement fear. Being forced to turn to your children, or go back to work, is a source of anxiety for many current and future retirees.

## 2) MAINTAIN OR IMPROVE LIFESTYLE

Most people have worked hard for their retirement and want to enjoy it. And many expect to maintain – or better yet, improve – their lifestyle during retirement. The key is to preserve or increase purchasing power over time through income growth that offsets the negative impact of inflation.

## 3) INCREASE WEALTH

There are a number of individuals who are able to enjoy the retirement lifestyle of their choosing with no fear of running out of money. For these people, the goal is often to grow their wealth over the long-term – typically for legacy, whether that's children, grandchildren or charity. It's not surprising that most individuals with this goal take a growth-oriented approach to their investments.

## 4) SPEND EVERY CENT

This isn't a typical goal for most people but there are some who think success is spending all of their money before they die. This is often a risky proposition as there is no way to know exactly how long one's retirement will last, and individuals who attempt this may find themselves out of money sooner than they think.

Your first step is deciding which of these goals are most important to you.  
You can't figure out how to get there if you don't know where you're going!



## WILL YOU HAVE ENOUGH MONEY IN RETIREMENT?

This is a basic but broad question that can lead to a few more: Are you going to be okay if tax rates go up? If there's another financial crisis and the market goes down, will this affect your retirement plan?

In the past, one approach to retirement planning was to take your nest egg and put it into a GIC or term deposit and live off the interest. This approach has not worked nearly as well in recent years because of low interest rates, but it can also be difficult to lock your money in a 3- or 5-year deposit to get a better rate for two reasons:

- If you plan on living off the income from your nest egg, you may need access to regular interest payments
- If you think rates will increase in the future, you may be disinclined to lock in your money for the long term

Another strategy for investors who don't like term deposit interest rates is to look at the bond market, which can offer higher rates of return to term deposits. However, while declining interest rates are good for bond holders, increasing interest rates are bad, and investors are left having to predict which way interest rates are headed.





## HOW TO RE-CREATE INCOME IN RETIREMENT

### **Identify your liquidity needs**

By this, we mean, what are the things you'll need money for in the immediate future. Are there big expenditures you foresee like a new vehicle or renovations in the next few years?

### **Establish a separate emergency fund**

Beware how much you allocate to this, however, because there is a liquidity trade-off: growth, your emergency fund will likely offer you very little in the way of interest.

### **Partner with a professional**

There are many advantages of working with a professional advisor as you plan and execute a retirement strategy that's right for you. Along the way, an advisor can help answer any number of questions, including: Where have you accumulated your wealth? Is it from an RSP or RIF account? How much is in a TFSA? What about non-registered accounts?

### **Evaluate all sources of income**

After you've determined all your income sources – including OAS, CPP, company pension and whether or not these are Defined Benefit or Defined Contribution plans – you'll need to determine how much these different income sources will pay you and what shortfalls there may be.

### **Generate income through savings**

Think of all your different investment accounts as “buckets” – your RRSP bucket, TFSA bucket, non-registered bucket, and maybe even a corporate bucket if you own a business. You've worked hard, saved well, spent a lifetime filling these buckets, and they're full. Now you're faced with trying to figure out how to start emptying them to generate income in retirement – a stressful process but one that can be made easier with the help of an accredited investment professional.

# THE ROLE OF RRSPS, TFSAS AND NON-REGISTERED ACCOUNTS

## Registered Retirement Savings Plans (RRSPs)

The overall tendency is to not touch RRSPs, especially if you've retired early and there are other funds to access. The belief is that RRSPs are a long-term account that should be deferred – as you will be taxed on withdrawals. Consider going against conventional thinking as it makes sense to use the RRSP first, for two simple reasons:

- You want to create as much income as possible in the lower tax brackets to take advantage of the low rates. Even if you do not need all of the income, it can make sense to withdraw RRSPs slowly over time, pay a lower rate of tax, and then redirect those proceeds into a more tax-efficient or tax-free account like a TFSA.
- Depending on your age, you could possibly split income with your spouse. For example, at age 65 you could shift up to 50% of your RRSP income to your spouse; if they are in a lower tax bracket, this is a great opportunity to get more money out at lower rates. This can also help avoid having your Old Age Security (OAS) clawed back and also reduce your estate tax.

If you wait too long to withdraw your RRSPs, there is a chance a spouse could pass away. If that happens, all the remaining RRSPs tend to flow to the surviving one. And when that spouse takes the money out, it drives up their income and he or she can start losing their OAS benefits.



### TAX TIP

Consider how your actions will affect taxation of your estate. When you pass away, as long as you name your spouse as a beneficiary, there isn't any immediate tax to pay – your account simply passes to your spouse. However, when that spouse passes, the government deems everything owned to have been sold the day before he or she died. That means, all RRSPs will come into income in that year, on top of any other income they may have. Depending on income and assets, your estate could lose over 40% of your RRSPs in taxes.

### **Tax-Free Savings Accounts (TFSAs)**

Since TFSAs became available in 2009, it has been a tremendous planning tool for advisors. However, its value is often misunderstood with many treating it more like a savings account than the wonderful tax-free growth account it is. Regarding retirement income, you will, in most situations, want to leave funds in your TFSA as long as possible so they continue to grow tax-free while you use up other higher-taxed assets like an RRSPs.

### **Non-Registered Accounts**

There are three ways to make money on your money – interest, dividends and capital gains. If you earn a dollar worth of interest, you pay tax on a dollar. If you earn a dollar worth of dividends, you pay tax on approximately 73 cents. For both of these forms of income, you pay tax in the year you earned the income. If you earn a dollar worth of capital gains, on the other hand, you only pay tax on 50 cents and only when you trigger the gain.

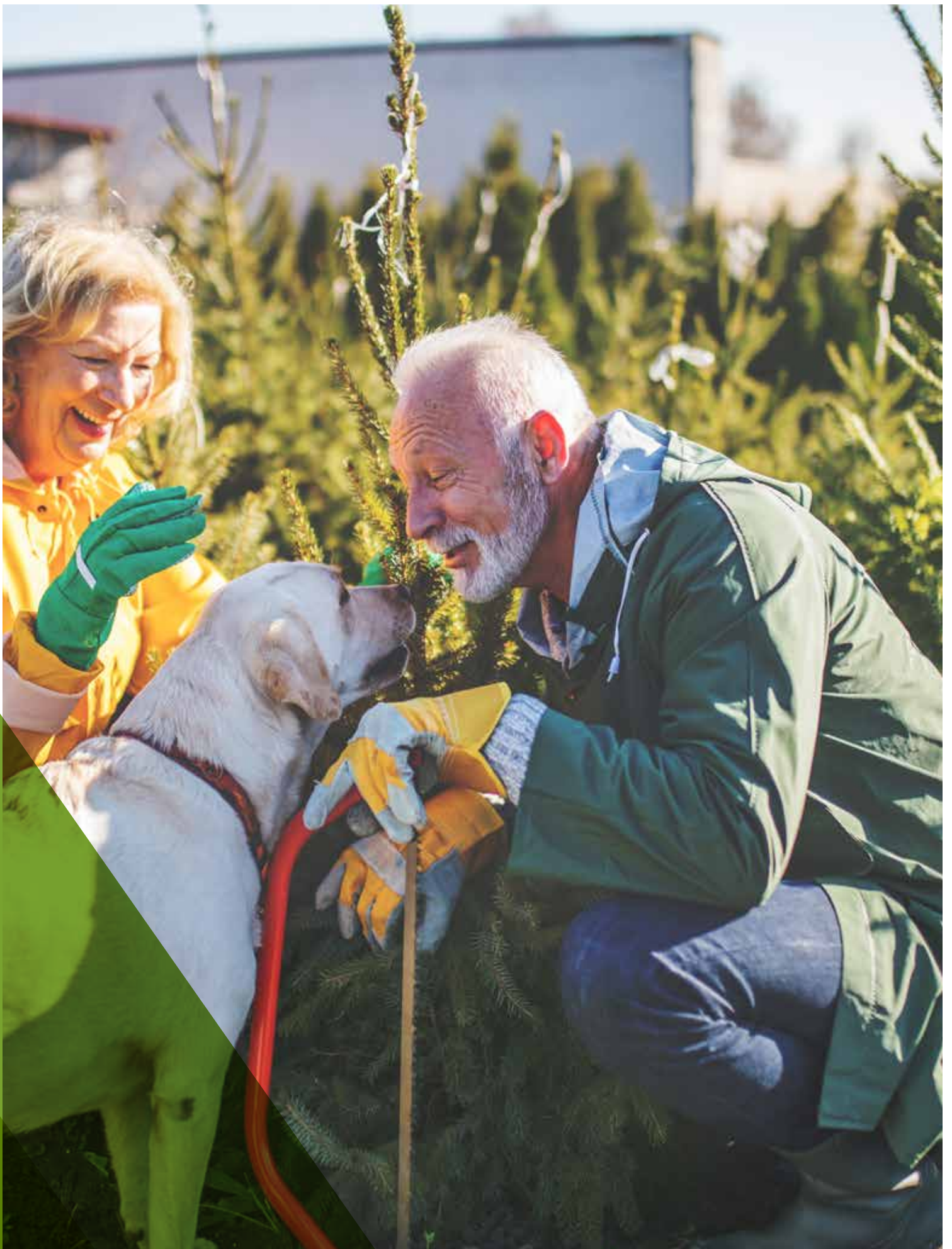


### **TAX TIP**

**The total allowable contributions to a TFSA since inception (assuming you were 18 or older in 2009) is currently \$81,500\*. All gains within the account are tax-free, when you take any funds out, they're tax free and if you pass away, all funds in your TFSA go to your beneficiaries tax free.**

\* As of January 2022

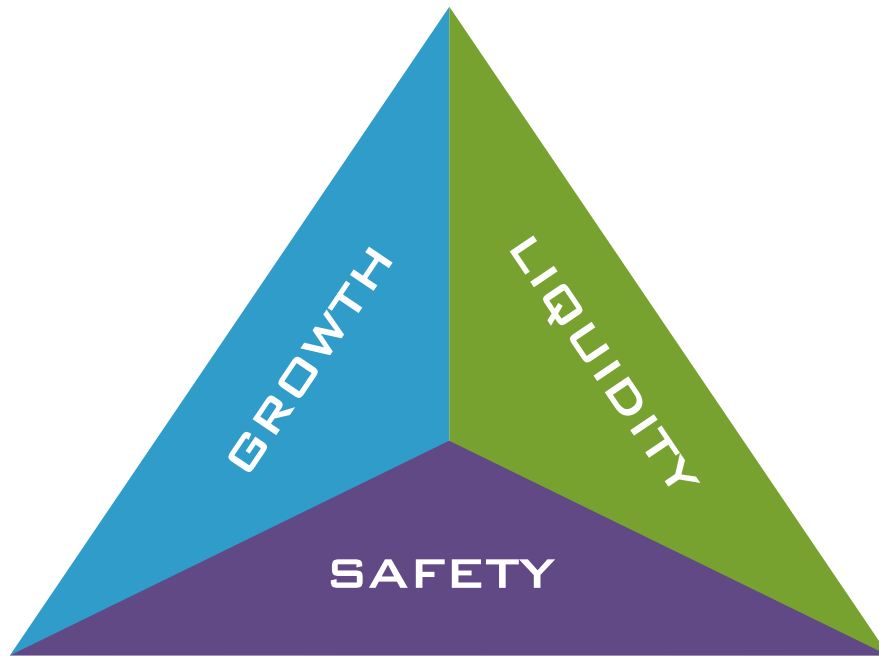






## STRUCTURING YOUR PORTFOLIO: THE INVESTMENT TRIANGLE

A well-defined financial plan balances the three sides of the investment triangle in a way that satisfies your goals – and helps you achieve lasting peace of mind.



When it comes to each of your investments, you will likely be faced with three competing desires – growth, liquidity and safety. For any given decision, you will have to relinquish at least one of these. We believe understanding this will help you become a better investor.

For example, if you want both growth and liquidity, you may choose to invest in an ETF or blue-chip stock, but safety will be your trade-off as a drop in the ETF or stock's value will risk your initial investment. If you want guaranteed safety, you'll likely choose a bank GIC. The trade-offs here are liquidity, meaning you'll need to lock up your money for a term, and growth which, in today's environment, will be low.

## HOW PWM PRIVATE WEALTH COUNSEL CAN HELP

PWM Private Wealth Counsel's expertise is in working with you to craft an appropriate portfolio strategy based around your cash-flow needs and goals – one that guides every investment and wealth management decision. Our team of in-house experts can help you hone your strategy in three key ways:

### 1) WEALTH MAXIMIZATION

This encompasses managing your overall wealth as well as risk.

### 2) TAX MINIMIZATION

This includes tax reduction and cash management strategies.

### 3) ESTATE PROTECTION

This focuses on estate and legacy planning and charitable giving.

## A SECOND SET OF EYES ON YOUR FINANCIAL FUTURE

For more information on how we can help you achieve your retirement goals and financial well-being, now and in the future, please call us at **1-800-652-7472** or visit **[pwmprivatewealth.com](http://pwmprivatewealth.com)**.

We look forward to hearing from you.







[pwmprivatewealth.com](http://pwmprivatewealth.com)

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