

Lara Austin's

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Minding Money



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*For the friends and clients
of Lara Austin of
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Do I have excitement to share with you this year!

2012 marks my 15th anniversary with RBC Dominion Securities. I appreciate the chance that my first branch manager took in hiring me (a fresh grad from an agriculture university, The University of Guelph, holding a psychology degree!) Dave Rayner and his second in command, Isie Bowman from Kitchener took me under their wings and started me on the path to what I enjoy today. University was great in theory but practical tasks like using a fax machine still had to be learned. Even cleaning out the back storage room became a learning opportunity as I filtered through dusty prospectuses and outdated machinery. I *always* asked questions, pushed for more efficient or client friendly processes, and took every course and lunch and learn I could find. I thank you both for the patience you demonstrated with me! Enough reminiscing, we have an exciting year to start.

Learning opportunities. I have three events scheduled for March and April. The first two in March are geared to business owners, bookkeepers, accountants and HR and payroll management. On Page 4, I have included details on the topics and some background as to why I think these are important for every business owner in the Comox Valley to know about. The April presentation is great for all – young, old, avid investor and general knowledge seeker. I'm excited that with the support of RBC I can introduce you to a seasoned veteran of the Paralympic games and kick-start our hometown cheering for the 2012 London games. Mawer Investment Management is on a return visit. They have always been an enjoyable listen – mostly helping to connect the dots on why we are seeing the news headlines we are from around the world and how they impact the companies we invest in.

My clients tell me with regularity how risky the stock market feels. Clients with Guaranteed Investments complain bitterly about how low interest rates are – that after tax and inflation they earn negative returns. All investments (including real estate and non-traditional investments) include an element of risk. But have you ever considered the Non-Market Risks that may impact your retirement? In this issue I review the aspect of Longevity Risk and the nuances it entails. I suppose the solution could be to reduce the risk (live shorter?) but what kind of advice is that? I personally work with many clients in their 70s, 80s and 90s who surprise me regularly with announcements that they are learning cello or climbing Mt. Albert Edward and the Dolomites in Italy or using a computer (at age 92 no less!) I don't see late stage retirement as something to fear... the pace may change from early stage retirement; but it is no less rewarding and definitely not worth reducing 'longevity risk'. As always my aim is to help clients understand that their investment decisions do not happen in a bubble. We need to always be thinking of all aspects to a healthy financial future!

Lara D. Austin

Client TO DO Reminders - and answers to common questions

RRSP Deadline for 2012 is Wednesday Feb 29, 2012.

- You can contribute by dropping off or mailing a cheque. You can contribute 18% of your 2010 earned income up to a maximum of \$22,450, minus any Pension Adjustment. Check your latest Notice of Assessment from CRA.
- You can use your bank's ONLINE Bill Payment system to deposit directly to your RRSP account at RBC DS, ask us how.
- Tax receipts will be produced and mailed daily from the end of February through to March 2.
- We will follow up with you for investment instructions.
- If you need the figure of how much you have contributed at RBC DS during 2011 and beginning 2012, please call.

Tax Season is upon us.

- You can find our 'Guide to 2011 Tax reporting' at my website www.laraaustin.com
- Clients with e-statement service can download duplicates of certain tax receipts from their DS Online.
- If you have trouble sorting out what tax receipts you are missing or need duplicates, please call James or myself. Most receipts should be received by March 31.
- Travel in Spring? Your RBC DS Tax package can be duplicated and sent to your accountant directly. Please advise us if you have need of this service for the 2012 tax year.

TFSA – Where do I find my room?

- You don't receive a tax slip for deposits or withdrawals; but your room is being recorded with CCRA! If you have made a partial deposit in any prior years or withdrawn a partial amount in prior years; you can 'top up' your TFSA to its full potential in a subsequent year.
- TO FIND this amount, you can review your T1 Summary from Revenue Canada. The page where you reference your RRSP room, the paragraph at the top will contain your TFSA Room available.
- Consolidating your TFSAs with one institution can also help you keep track!

The Biggest Risk to your Retirement Plan – Longevity Risk

Dick and Jane are both 65. They have decided to retire and move to Vancouver Island. They like the weather (most days), the ability to fly south in winter or back East to visit family. Most things are less expensive, but they are finding some of their 'fun items' like golf and eating out are still costly. They each have some public pension income from CPP and OAS, Dick has an indexed private pension from work, and they have accumulated some savings in the form of RRSP's and Taxable Investments.

The common refrain of many new clients as they set out the following priorities for me... we'd like to spend while we are young and healthy, but be sure to have enough to see us through our later years....

"ah... if only the answers were so easy..."

CURRENT Projected Survival Rates for People aged 65

	Female	Male	Both	Either
Survive to age 80	80.05%	63.68%	50.97%	92.75%
Survive to age 90	44.52%	23.41%	10.42%	57.51%
Survive to age 100	8.82%	2.48%	0.22%	11.08%

YES, there is an 11% chance that one of these two clients will live to age 100!

2045 Projected Survival Rates for People aged 65

	Female	Male	Both	Either
Survive to age 80	87.26%	74.34%	64.88%	96.73%
Survive to age 90	59.36%	37.51%	22.27%	74.60%
Survive to age 100	20.43%	7.20%	1.47%	26.16%

PS – I will be retired by 2045, but I look forward to knowing more centenarians as my career continues!

Continued on page 3

The Biggest Risk to your Retirement Plan – Longevity Risk ...continued

Forecasted trends include:

- Reductions in mortality rates and increases in life spans will continue, however we do not know how rapid they will be.
- Women will continue to live longer than men, although difference by sex may narrow.
- Long periods of widowhood, which has been the rule for the past decades, will continue.
- Many people will enjoy good health in later life, but a significant number of people will have a period of ill health at end of life.
- Many people will need assistance at later life.



Possible Impacts of these trends:

- Working longer – In the United States, an AARP study, ‘staying ahead of the curve’, surveyed current workers aged 50 to 70. More than two-thirds said that they expected to work to some degree past age 65.
- Challenges for Defined Benefit Programs – a 2006 study in the UK noted that many defined Benefit Plans are underestimating how long their members will live. Each extra year of life for members of the plans adds between 3% and 4% to the plan’s liabilities.
- Pressures on Canada Pension Plans – In 1996 the Canadian Federal Government indicated that unless CPP program changed, the program would be depleted by 2015. As a result, the government introduced Bill C-2 – at the time, the total contribution rate was 5.85%. NOW the contribution rate is maxed at 9.9%. As of the 21st Actuarial report, CPP was deemed sustainable throughout a 75 year projection period. Given that the current payment level at 65 is maxed at \$960/m and the average actually received is \$504.50 – most Canadians will need other savings to fund their retirement.
- Defined Benefits plans – If a company is in good health, current and future pension liabilities will be met, however, if a company goes bankrupt – only existing assets are protected.
- Defined Contribution plans – the onus is on the employee to adequately prepare for retirement.
- Major Health Care Expenses: According to research, chronic age related illnesses usually begin around age 55. In 1996, DFLE (Disability Free Life Expectancy) was estimated at 68.6 years in Canada compared to 78.3 years life expectancy. This means that most people can expect to live almost a full decade with a significant physical or mental disability before they die. Alzheimer Society of Canada is warning that the number of Canadians living with Alzheimer’s disease or dementia is expected to swell to epidemic proportions within one generation.
- Many Canadians wish to ‘age in place’ or stay in their homes for as long as possible. 24-hour home care can escalate to \$15,000 a month. Canadians foolishly believe that Canada’s Health Care system is ‘free’ and ‘unlimited’. In fact, instead of a single national program, the Canada Health Act is a system of 13 interlocking provincial and territorial health plans sharing common features and basic standards of coverage. How the Act is interpreted is continually evolving. As a result, there has been great variety, both by jurisdiction and over time in how medication and services are accessed.
- Total health spending amounts to \$5,452 per person in 2009 – more than three times what was spent (after inflation is taken into account) in 1975.
- A poll in 2005 by Mercer Human Resources Consulting, Post-Retirement Trends 2005, asked 213 companies about their employee benefit packages. Nearly 25% planned on reducing their benefits programs offered to retired employee’s over the next three years.

The Result Of Our Discussions:

As you can see, the implications of Longevity – how long one lives, adds significant considerations to how one manages their spending in early retirement. There are a lot of unknowns to the situation. I work with clients to help them understand some of the realities they face, and do what we can to balance risks with desires. There are many tools available to us such as LONG TERM CARE Insurance, but unfortunately they are rarely used and best purchased when you are 45 to 55 and definitely before you are 60!

Presentations Spring 2012

CPP changes 2012 to 2016 – The Technical Side • March 14, 2012 • Presented by Sheila Butt, CCRA *Designed For Business Owners, Bookkeepers and Payroll and Human Resources Management*

Canada Pension Plan is introducing new rules this year. Employers with staff approaching age 60 will want to learn about how the new rules affect contributions and their employee's retirement decisions. A significant change to the CPP this year affects clients who wish to begin collecting benefits while they are still working. Previously, as part of the work-cessation clause within the CPP rules, retirees would have to stop work altogether or significantly reduce their earnings in order to receive CPP benefits. Starting in 2012, a client who is between the ages of 60 and 65 can continue to work full-time while collecting the CPP benefits for which he or she is eligible. The client and his or her employer must continue to make CPP contributions. The presentation will include tools that will help you assist your employee's with pension timing decisions.

Group RRSPs – Showing Employees you care • March 21, 2012 • Presented by Maria McInnis-Pettitt *For Those Interested in HOW your CPP Plan is doing go to <http://www.cppib.ca/Investments>*

The society need: The percentage of Canadian workers covered by a defined benefit plan has fallen to 30% from more than 45% only a decade ago. As a result a large majority of retiring baby boomers will not have guaranteed pension income. In order to control costs and future obligations, companies are opting for Defined Contribution Plans or Group RRSPs. Contributions can be from employee only, or a matching program from the employer. **The GOOD:** Investing choices are in the hands of the employee. **The BAD:** Investing choices are in the hands of the employee. **The individual's need:** There is a strong tendency towards inertia or what academics call status quo bias. In repeated studies the median number of asset allocation changes over the lifetime of a DC pension plan member was zero! In other words, more than half of the DC pension plan participants reached retirement with same allocation as the day they became eligible for the plan! RBC Group RRSPs are designed so EACH MEMBER gets the individualized attention they deserve!

Mawer Investment Management • April 26, 2012 • Presented by Aaron Potvin, CFA, Portfolio Manager, Institutional Management *Designed for ALL interested Investors*

Overview of Global Themes and Trends that are affecting us as Canadian citizens and investors. Founded in 1974, Mawer is a privately owned, independent investment counsellor. Mawer manages in excess of \$9.2 billion in assets for a broad range of individual and institutional investors across all major asset classes. The firm is one of Canada's most experienced investment counsellors. Mawer has safely and profitably navigated clients' portfolios through the high inflation environment of the 1970s, the oil shocks of 1979 and 1986, the high interest rate environment of the early 1980s, the market crash of 1987, the end of the Cold War, the Japanese market bubble of the late 1980s, the Gulf War, the Asian Crisis, two Quebec referenda, the Russian currency crisis and the demise of Long Term Capital of 1998, the Tech bubble of the late 1990s, the Terrorist attacks of 2001, and the Credit Crisis of 2008/2009. Throughout, we have provided consistent, steady portfolio management for clients based on a solid, proven investment philosophy and disciplined processes. Event Opening by Mikey Stilwell Paralympic Champion. Her Story:

At the age of 17, Michelle was rendered quadriplegic after falling from a friend's back while piggyback riding. Prior to her injury Michelle was involved in many sports. She excelled at track, basketball and ringette. Her injury has not put a stop to her enjoyment of these sports...just a few alterations. A gold medalist at the 2000 Paralympic Games in Wheelchair Basketball, Michelle Stilwell is no stranger to athletic success. In 2006 she won a Gold medal and set a new games record at the World Championships in the 200m and captured silver in the 100m. In 2007, 2009, and 2010 Michelle won the women's quad division at the Vancouver Sun Run 10k and the Victoria Times Colonist 10k but her specialty lies in sprints where she won numerous track and field competitions in the 100m, 200m, 400m and 800m events. Most recently Michelle brought home 3 Gold medals and a Silver from the IPC World Championships in New Zealand. An incredible comeback after major spine surgery just 5 months prior. She is an ambassador for ActNow BC and the Rick Hansen Foundation. Michelle looks forward to training in preparation for the 2012 Paralympic Games in London, England.



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