

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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Where Did The Year Go?

Do you find yourself asking this question? Year end is a great time to reflect on the prior year and plan for the next both personally and financially.

The first step to planning out a successful year is to write out what you plan to achieve. Are you looking to learn a new skill? Stay on budget? Meet a fitness objective? Have a get-away? Creating a Personal 'goals and objectives' plan may sound like something only a busy working person should be doing, but a retired person may actually have a greater need to time manage. Too easily days can blur into one another and then all of the sudden you might think... what happened to that book I was going to write or that garden project?

One simple idea: use one piece of paper to list out what you would like to do over the year and estimate how long you will need for each project and when you would like to accomplish it by. Use a different highlighter for each project, goal or special event and use the monthly wall calendar to highlight out the days you wish to work on that project. At the end of each month, note an assessment of your progress. This summary provides both a feeling of accomplishment and measures your success over the year.

Then comes January – New Years' Resolutions. The oldest joke is that the easiest resolutions to make are also the easiest to break. Why not change that tradition? Provide a copy of your 'to-do wish list' to your best friend, your adult child or your mentor – even me if you wish! Studies show that being accountable for your goals to another person greatly increases the likelihood of achieving them. <http://cdn.sidsavara.com/wp-content/uploads/2008/09/researchsummary2.pdf> is a summary of the '*Written Goal Study*' by Gail Matthews, from Dominican University.

For me and my staff, 2011 was very busy. In addition to regular client reviews, we hosted multiple client-focused Educational Events in both spring and fall of 2011. July, August and September offered market volatility that required more individual client attention than usual. October included a three-day conference to further my resources and education. I'd like to thank my long time clients for your continued support and loyalty, in addition to the 21 new families that chose to move their assets to me this year. I appreciate your confidence in my resources and our firm.

2012 will hold exciting things for all of us. We can't control markets or interest rates or politicians' decisions...so let us focus on the variables that are within our control and work out a plan for success! Happy New Year.

Lara D. Austin

Tax Free Savings Accounts (TFSA's) can help with Dividend Income too...

There are three types of passive investment income: interest income, dividend income and capital gains income.

Interest income is fully taxable, treated the same way your pension income, RRIF payments and income from CPP and OAS are treated. If you are a retiree in 2012 declaring total taxable income of \$42,000 your average tax on 'Other Income' is 15.1%. However at this income level, your marginal tax rate on the following passive investment incomes are:

Interest	22.7%
Canadian Dividends	0.0%
Capital Gains	11.4%

For most retiree's, using the tax shelters of RRSPs, RRIFs and TFSAs to protect your Interest Income should be a priority. However, at some point you should be tax sheltering dividend income too.

Why is this?

Dividends are paid out of after-tax corporate earnings, and so are taxed

in a much different way than interest. Canadian dividends are first 'grossed up' and that larger figure is included in the **net income** calculation. Federal tax payable is then reduced by a tax credit equal to a percentage of the grossed up amount. This allows for an integration of personal and corporate taxes in flowing the income out of the corporation to the shareholders.

So dividends can be a disadvantage if you are trying to keep your NET

INCOME low. For example, \$20,000 of dividend income earned in 2011 would have a gross up of \$8,200 and result in \$28,100 being used in the Net Income calculation for taxes. That increased income could erode things like the 'age amount' and OAS benefits and even move you into a higher tax bracket. Keeping your net income LOW means:

BETTER RESULTS from income tested benefits such as the GST/HST tax credit, social benefits such as co-insurance payments for provincial drug programs and per diems for long term care facilities.

Obviously, dividends can be a great form of income and is more than appropriate for many situations. If you are in a situation where you need to watch your **net income** figures, there are many different solutions that are designed to help tax protect your dividend income, but the easiest would be using your TFSA to shelter your dividends!



Did You Know?

Newly retired (or semi-retired) clients often move through a period that looks much like a form of depression. Prior to their retirement much of their time was orchestrated for them. Planning and going on a holiday felt like a holiday because it was a break from routine. This doesn't work so well when you are facing a 25 year, 9,125 day "holiday" – where's the break? It is human nature to thrive on routine.

Those within 5 years of retiring or have retired in the last few years may consider reading books such as '*Beyond Work*' by Bill Roiter or '*Make Today Count*' by John C. Maxwell. They give a good perspective on why retirement today is such a different experience to that of prior generations.



In the world today, investors have many options for how they wish to look after their money. Like all sectors, the financial industry has a broad spectrum of choices for advice and service. One end of the spectrum is complete 'self sufficiency' with online trading... the other end is full discretionary where every nuance is handed over to an advisor. Every year I have more clients turn to me for advice on financial matters that extend beyond that of portfolio choices. While not every client needs every service or resource, it's nice to know they are available to you or a friend or family member.

What a Professional Financial Advisor Does:

FINANCIAL PLANNING

1. Cares more about you and your money than anyone else who doesn't share your last name.
2. Asks questions in order to understand your needs and objectives.
3. Guides you to think about areas of your financial life you may not have considered.
4. Helps organize your financial situation.
5. Formalizes your goals and puts them in writing for you.
6. Helps you determine realistic goals.
7. Prepares a financial plan and/or an investment policy statement for you.
8. Makes a specific recommendation to help you meet your goals and implements that recommendation.
9. Reviews and recommends life insurance policies to protect your family.
10. Prepares a financial plan for you and assists in preparing an estate plan for you.
11. Persuades you to do the things you know you ought to do, even if you don't feel like doing them.

INVESTMENTS

12. Prepares an asset allocation for you so you can achieve the best rate of return for a given level of risk tolerance.

13. Conducts due diligence on money managers and mutual fund managers in order to make appropriate recommendations.

14. Stays up to date on changes in the investment world.

15. Monitors your investments.

16. Reviews and revises portfolios as conditions change.

17. Guides you through difficult periods in the stock market by sharing historical perspective.

18. Looks "inside" your mutual funds to compare how many of their holdings duplicate each other.

19. Converts your investments to lifetime income.

20. Helps you evaluate the differences in risk levels between various fixed-income investments such as government bonds and corporate bonds.

21. Helps you consolidate and simplify your investments.

22. Shows you how to access your statements and other information online.

PERSON TO PERSON

23. Monitors changes in your life and family situation.

24. Proactively keeps in touch with you.

25. Remains only a telephone call away to answer financial questions for you.

26. Makes sure that you receive excellent service at all times.

27. Provides referrals to other professionals, such as accountants and attorneys.

28. Listens and provides feedback in a way that a magazine or newsletter writer does not.

29. Helps educate your children and grandchildren about investments and financial concepts.

30. Holds seminars to discuss significant and/or new financial concepts.

31. Helps with the continuity of your family's financial plan through generations.

32. Keeps you on track.

33. Gives you someone you can trust and get advice from in all your financial matters.



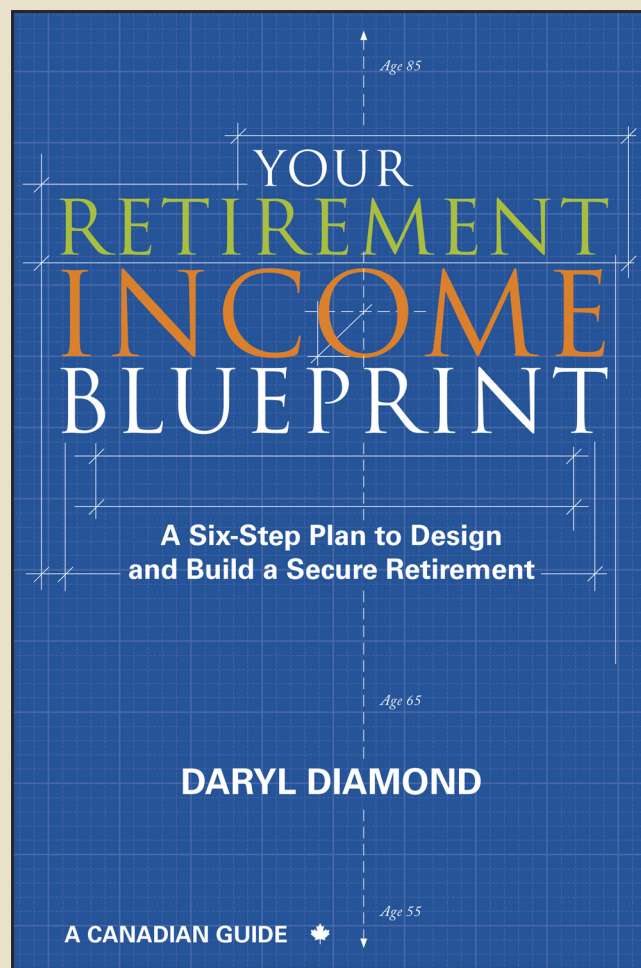
Book Review

Many clients request ideas for books they can read on the topic of Retirement Planning and Planning for Income. Unfortunately many are quite technical or 'boring' to read. I'd like to introduce **'Your Retirement Income Blueprint'** by Daryl Diamond.

ISBN: 978-1-118-08752-7

I have personally attended three educational sessions over the last two years including a day long workshop that Mr. Diamond presented at. He is a recognized leader in the financial services industry. Passionate about educating clients and advisors about how investment decisions and strategies change after the 'accumulation phase', Daryl works to use creative illustrations to help convey concepts that are not often expressed in this industry.

Too many investors look for solutions for their 'income for life' by product hunting; and worse, changing strategies as they hunt for the elusive 'silver bullet' solution. Daryl focuses on process. Understanding the nature of your different investment and savings pools and how to use them most effectively helps reduce the anxiety that comes with relying on your investments instead of a paycheque!



***Merry Christmas & Happy New Year
from Lara and her team
at RBC Dominion Securities***



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