

WEALTH MANAGEMENT

Wealth and Money Management Strategies and Solutions



Financial Advisory Solutions Team

May 19, 2005

Retirement Checklist

Making Sure You Don't Leave Any Stone Unturned in Retirement

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If you are nearing retirement or are recently retired there are a number of financial planning "To Do's" that you need to check off in order to ensure your retirement years are happy and prosperous. The typical Canadian may encounter many retirement income challenges such as longer life expectancy, high standard of living expectations, rising health care costs, low interest rates, inflation, etc. This article provides a handy retirement checklist that you can go through to make sure that you have considered common strategies and tips for maximizing your retirement income and maximizing your estate for your family.

The following is a checklist (not exhaustive) that you can go through if you expect to retire within the next 10 years or are already retired. Some of the items below may not be applicable to you depending on your age and your situation.

Government Benefits

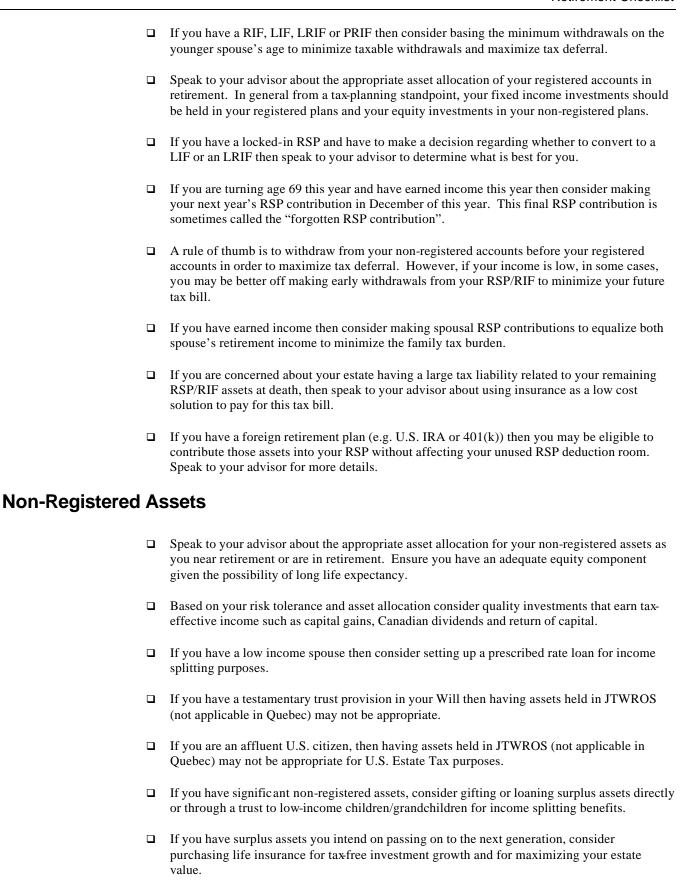
- ☐ To avoid any delays, ensure that your application for CPP/QPP retirement benefits and Old Age Security (OAS) is made at least six months before the eligibility date.
- □ For an estimate of your CPP retirement benefit contact 1-800-277-9914. For an estimate of your QPP retirement benefit contact 1-800-463-5185.
- □ Speak to your advisor whether you are better off taking a reduced CPP/QPP as early as age 60 or waiting until age 65 (or later) for a higher benefit.
- □ Consider splitting your CPP/QPP with a lower income spouse to reduce the family tax burden. CPP/QPP splitting is only available when the younger spouse is eligible to collect CPP/QPP.
- ☐ If you stayed at home caring for children under the age of seven during your working years, ensure that you apply for the Child Rearing Drop-Out provision so that you can increase your CPP/QPP benefit
- ☐ If you are at least age 65 and you expect your annual net income after 65 will be greater than \$60,806 in today's dollars (i.e. 2005 value) then strategies such as income splitting or deferring income may help to minimize your OAS clawback.
- ☐ If your family income is low and you are at least age 65, you or your spouse may be eligible for the Guaranteed Income Supplement (GIS) or the OAS Spouse's Allowance.

Employer Pension and Benefits

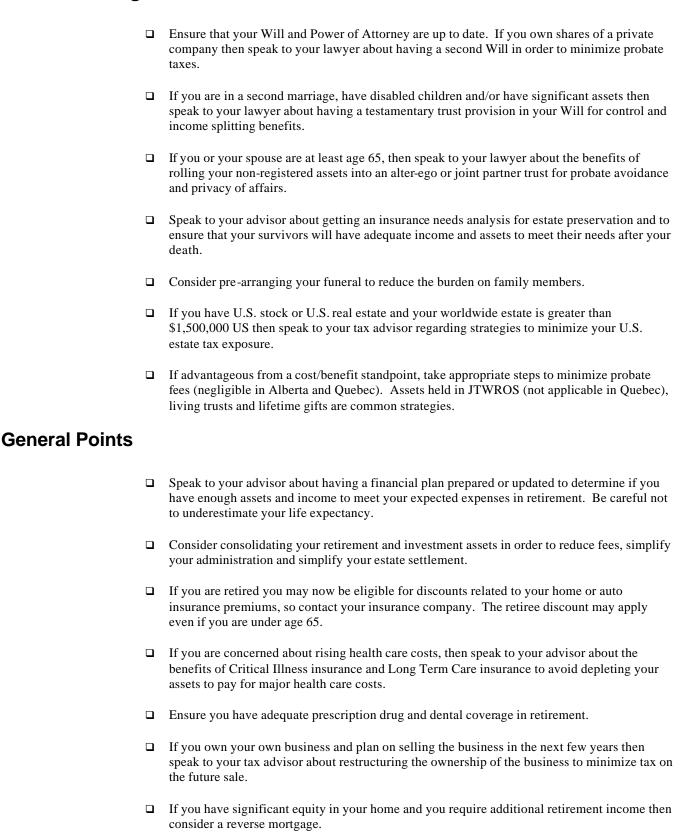
- □ Determine what options you have to receive your employer pension. You may be able to receive the pension as an annuity or transfer the commuted value to a locked-in RSP. Your advisor can analyze which option may be best for you.
- ☐ If you are able to transfer the commuted value of your pension to a locked-in RSP, some of the lump sum may be immediately taxable. Speak to your employer to determine if a portion of the commuted value is taxable on transfer.
- ☐ If you transfer out the commuted value of your pension plan, ask your employer if you are eligible for a Pension Adjustment Reversal (PAR). A PAR increases your unused RSP deduction room.
- □ Determine what post-retirement health benefits (drug, dental, etc) are available, if any, through your employer. Note that the decision you make regarding your pension option may affect the level of post-retirement health benefits you receive, so keep this in mind.
- ☐ If you leave your pension with your employer, ensure that you have designated your desired beneficiary. In many cases, you may be required by legislation to designate your spouse as the beneficiary.
- ☐ If you leave your pension with your employer, you may be required to choose the % of your pension that you want payable to your spouse after your death. Depending on your situation it may be better for you to choose a % that is more or less than the default 50-66%.
- ☐ If you leave your pension with your employer and you are under 65, is there is an option to receive a higher pension before age 65 and a lower pension after 65 (i.e. bridge)? If you are in your early fifties or younger and don't expect long life expectancy you may be better off taking the higher pension before age 65.

RSPs, RIFs and Locked-in Accounts

- ☐ Ensure that the named beneficiary on your registered plan (RSP, RIF, or locked in account) is correct. Probate tax (negligible in Alberta and Quebec) can be avoided by naming a beneficiary on the plan.
- ☐ If your Will states who should receive the assets in your registered plan, then ensure this designation is consistent with your beneficiary named directly on the plan to avoid any confusion.
- ☐ Be careful of naming a disabled child as the direct beneficiary on the plan. The receipt of RSP/RIF funds directly by a disabled child may potentially disentitle them to provincial disability benefits. Speak to your legal or tax advisor for strategies to avoid this clawback.
- □ To avoid a full deregistration of your registered assets, you must convert your RSPs and locked-in RSPs to income vehicles (RIF, LIF, LRIF, PRIF, annuity) before the end of the year you turn age 69.
- ☐ If you are at least 65, then you may be entitled to a \$1,000 pension income non-refundable tax credit on withdrawals from a RIF. This tax credit is worth about \$200 of annual tax savings.
- ☐ If you are a U.S. citizen living in Canada, then ensure you file IRS Form 8891 related to your Canadian registered plans.



Estate Planning



Retirement Checklist

If you are a snowbird in the U.S., speak to your advisor about RBC U.S. Banking packages. Also speak to your tax advisor about your U.S. tax filing obligations.
Ensure you have appropriate travel insurance when you are travelling in retirement.
Ensure you have an adequate emergency fund equal to 3-6 months of your living expenses. A line of credit can also serve as part of your emergency fund.
If you make annual donations, then consider donating shares in-kind instead of selling the shares and donating the cash in order to minimize tax on the capital gain.
If you have grandchildren age 17 or younger, consider making an RESP contribution.

Note: The above information is based on the current and proposed tax law in effect as of the date of this article. The article is for information purposes only and should not be construed as offering tax or legal advice. Individuals should consult with qualified tax and/or legal advisors before taking any action based upon the information contained in this article.

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