

RBC Dominion Securities Inc.

# THE RAE REPORT

A NEWSLETTER FOR THE FRIENDS AND CLIENTS OF ALAN RAE

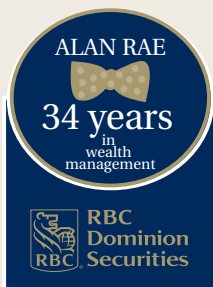
ALAN RAE WEALTH MANAGEMENT PROCESS: HELPING TO SIMPLIFY OUR CLIENTS' LIVES | MARCH 2013



ALAN RAE  
Vice President, Director  
& Investment Advisor  
Phone: 604-665-0666  
E-mail: alan.rae@rbc.com

Toll free: 1-877-718-3026  
Fax: 604-718-3050  
www.alanrae.com

RBC Dominion Securities Inc.  
#401-5811 Cooney Road  
Richmond, BC V6X 3M1



## QUESTIONS TO ANSWER AS YOU PLAN FOR RETIREMENT

Retirement isn't what it used to be. As a retiree today, you can expect to live much longer than previous generations – on average another 15-20 years after the traditional retirement age of 65. That's a whole new life stage that's just beginning; one that requires a whole new approach to planning your retirement finances and lifestyle.

But a longer retirement isn't the only difference. As a retiree today, you also face a new host of economic challenges, including persistently lower interest rates on guaranteed investments, which can put a big damper on your retirement income. Then there's the heightened financial market volatility that many are calling the "new normal." Not to mention the likelihood of continued high taxes – and uncertainty of government benefits – given our ever-increasing government debt burdens.

To get the conversation started, read on. We'll ask you several important questions that you should answer as you plan for your retirement.



RBC Wealth Management  
Dominion Securities

There's Wealth in Our Approach.™

**How much money will you need so you don't outlive your retirement savings?**

Some financial planners suggest you will need about 75% of your pre-retirement income every year, since expenses tend to go down during retirement (although there can be an initial spike in the first few years of your retirement as you check off items on your "bucket list"). Others suggest a nice, round \$1 million. In reality, most Canadian retirees get by on less by adjusting their lifestyle and relying on government benefits to augment their savings.

Ultimately, there's only one way to find out how much is enough for you: do a financial plan. A financial plan will include projections showing you how much you need to save to achieve a certain retirement income that is sufficient to meet your expected expenses for as long as you need. Depending on your lifestyle goals, your life expectancy, and other variables, you may or may not need to save a cool million.

If you have not already completed a financial plan with the Alan Rae Wealth Management Team, please contact Louise at [louise.fry@rbc.com](mailto:louise.fry@rbc.com) or 604-665-3102 to get started.

**What will you do during retirement?**

Just as important as the hard financial aspects of retirement planning are the softer emotional and social aspects. Think about how you can keep your mind, body and spirit active, stay connected to your community, and retain (or even surpass) the sense of purpose provided by your pre-retirement vocation.

Ideally, you should think about this before you actually retire, and start developing the connections and activities that will become a greater part of your life after retirement.

Consider easing into retirement, perhaps continuing to work part-time, moving into a consulting role or starting a "business of passion." All of this can help reduce the shock of retirement and acclimatize you to a new pace.

**How will you take care of your health care needs during retirement?**

Retirees are living longer due to healthier lifestyles, improved health-care and medical breakthroughs that make it much more likely to survive a serious medical condition. As a result, you may have greater health care needs than previous generations. Of course, it's important to have the right support, whether it's friends, family or professional caregivers, as well as convenient access to health care facilities. You may also need health insurance to provide benefits that may have been previously provided by your employer. In addition, you should ask our team about "living benefits" insurance such as critical illness, disability and long-term care insurance, which may be used to cover expenses such as private care or specialized medical procedures. These products can help ensure your financial stability in the event of an injury or illness that may otherwise deplete your retirement savings.

**Do you intend to pass along your retirement savings to your family?**

You can transfer your RRSP/RRIF to your spouse on a tax-free basis at death. However, when you (or your surviving spouse) pass on your RRSP/RRIF to any other beneficiaries other than financially dependent minor children/grandchildren or disabled children/grandchildren, it is fully taxable on your (or your spouse's) final tax return. Up to 50% of any remaining RRSP/RRIF balance may be payable in taxes. If you wish to preserve the value of your estate, ask us about "RRSP tax protector" insurance, which can cover these taxes.



## GETTING READY FOR TAX SEASON

The beginning of the year is a traditionally busy time for our business, as there is much preparation to be done leading up to the April 30 income tax filing deadline. Below is some information that may help you file your taxes this year.

### KEEP YOUR TAX SLIPS

Soon you will receive your tax slips and other related materials needed to file your income taxes. T5 income-related slips and materials will be mailed in mid-February. The mailing of all other tax slips is contingent on the release of tax information by external issuers. As soon as RBC Dominion Securities receives this information, we begin printing your tax slips.

You will most likely receive more than one package from RBC Dominion Securities with your tax slips. Your T5 package will include a list of your outstanding tax slips so that you can verify your materials as you receive them. We strongly advise you not to file your taxes until you receive all outstanding slips. Although income trust issuers are required to report by the end of February, there is still the possibility that you may receive T3 tax slips in early April due to late filings or amendments from external issuers.

### ADDITIONAL TAX HELP IS AVAILABLE

If you have questions about the tax materials you receive from RBC Dominion Securities, please consult our Tax Reporting Guide at [www.alanrae.com](http://www.alanrae.com).

As always, we are here to answer any questions related to your accounts. Please let us know if we can be of assistance to you during the upcoming tax reporting season.



### March Bow Tie Quiz

Congratulations to Benedict Fan for answering the February Bow Tie Quiz correctly.

The answers were:

- Two if by sea
- Seven colours in a rainbow
- Two peas in a pod

For this month's Bow Tie Quiz, please visit our website at [www.alanrae.com](http://www.alanrae.com). Look for the Bow Tie Quiz section on the right-hand side of the homepage and click on the "Submit Answer" button to send your answer to Louise.

For those of you who do not use the Internet, please give Louise a call directly at 604-665-3102 and we will gladly share our next Bow Tie Quiz with you.

Good luck!

# VACATION HOME PLANNING

Whether you already own a vacation home or you're just thinking about it, there are some key issues and planning ideas you need to consider.

## VACATION HOME PURCHASE STRATEGIES

Before committing a large amount of money to purchasing a second property, consider renting in a few desirable areas for a period of time to test the location and neighbourhood. Once you are comfortable with the location and have selected an appropriate property to purchase or build on, the next major decision is how the property should be financed.

If you require a mortgage, the mortgage interest will not be deductible if the property is used strictly for personal purposes. In order to make the loan interest deductible, consider the following two-step strategy:

1. Use existing cash or investable assets to purchase the property
2. Take out a line of credit to purchase income-producing investments

In the case of #2, since the loan was used directly to purchase income-producing investments and not the personal property, the interest on the loan is potentially deductible.

## SUCCESSION PLANNING

In straightforward situations, a person often acquires ownership in a vacation property either solely or jointly with their spouse for control and simplicity reasons. As people get older and no longer actively use the vacation home, people sometimes decide to transfer the property to their children. However, if the transfer of the property is not structured correctly, disharmony amongst family members can occur. Here are some succession planning strategies to consider related to a family vacation home:

- If your children will inherit the property and you expect it to significantly appreciate in value, consider gifting the property to the children today either directly or through

an inter-vivos family trust if you wish to maintain control. Although this results in a disposition at market value, triggering accrued capital gains to you today, you will defer future capital gains tax and probate taxes are avoided. If the property is sold to the children, your capital gain can be spread over five years in some cases.

- If the property value is high and you are over age 65, consider the cost/benefit of rolling it into an alter-ego or joint-partner trust today in order to avoid probate taxes related to the property at death (particularly in provinces with high probate taxes).
- You may leave the vacation home to one or more family member under the terms of your Will. Some of your options include granting one or more children the option to purchase the property, allowing a child to take the property as part of their share in the estate or creating a testamentary trust to hold the vacation home under the terms of your Will. If the vacation home is transferred to a testamentary spousal trust the capital gains taxes can be payable upon the death of the last spouse.
- Life insurance can be used to pay any capital gains taxes triggered by the disposition of the property when your estate is settled. It also creates a pool of funds to pay children who are not interested in inheriting the property. In addition, life insurance can be used to provide the children with the money necessary to pay for the maintenance and expenses related to the property.
- If more than one child will own the property, they can enter into a co-ownership agreement to determine when and how they can use it, as well as how expenses will be paid.

To find out more, please contact Alan at [alan.rae@rbc.com](mailto:alan.rae@rbc.com) or 604-665-0666, or Louise at [louise.fry@rbc.com](mailto:louise.fry@rbc.com) or 604-665-3102.

---

This publication is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. © RBC Dominion Securities Inc. 2013. All rights reserved.