



FOUR WAYS CONSOLIDATION CAN ENHANCE YOUR RETIREMENT INCOME

Consolidation is a known way to reduce costs and simplify your finances. But it also offers other advantages you should know about – especially if you want to enhance your retirement income.

With consolidation, you bring together all your investment accounts with one advisor, eliminating any unnecessary duplication, which reduces account fees and makes it much easier to keep track of your investments.

For the convenience alone, consolidation is a strategy worth considering. But it also enables you to manage your investments more effectively, helping you structure your investments to generate the retirement income you need.

Following are four key advantages offered by consolidation:

1. PROPERLY COORDINATE YOUR RETIREMENT INCOME SOURCES

It can be difficult to properly coordinate your various sources of income to ensure you're utilizing them in the most effective way possible – not to mention receiving everything you're

entitled to. It gets even more confusing if you have more than one RRIF or non-registered investment account.

By bringing everything together with one advisor, you can ensure that all your various income sources are accounted for, and structured to provide the income you need.

2. MAKE THE MOST OF YOUR REGISTERED PLANS

Having more than one registered plan not only adds to the confusion – it could also mean missing out on some important tax advantages.

Within registered plans like your Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF), your assets generally grow more quickly than they do outside a registered plan because assets within a registered plan grow on a tax-deferred basis. Any income generated by those assets is not taxed until you start making withdrawals from your registered plan. At that point, they are taxed as part of your regular income at your marginal rate.

Consolidation can help you coordinate various income sources:

- Registered Retirement Income Fund (RRIF)
- Personal investment accounts
- Government savings bonds
- Guaranteed Investment Certificates (GICs)
- Locked-in retirement plans (from employer pensions)
- Annuities
- Canada Pension Plan / Quebec Pension Plan (CPP / QPP)
- Old Age Security (OAS)
- Income-generating assets (such as rental property)
- Employer pension
- Part-time employment and consulting income



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To take full advantage of the tax-deferred growth, it makes sense to delay making withdrawals for as long as you can. If possible, delay converting your RRSP into a RRIF until the end of the year in which you turn 71. Once you have converted your RRSP into a RRIF, you have to start making withdrawals, but consider withdrawing only the minimum amount that is required. Then, draw the rest of the income you need from other sources. That way, you leave more assets within your RRIF to continue growing on a tax-deferred basis, enhancing your future income.

Consolidation helps you take advantage of this strategy in two important ways. First, it makes it easier for you and your advisor to determine if you have sufficient income from other sources. It also greatly simplifies your RRIF payment calculations, which can get very complicated when you own multiple RRIF accounts.

3. GENERATE TAX-EFFICIENT INCOME

With consolidation, you're better able to properly allocate your assets to provide tax-efficient income. Because different types of income are taxed in different ways, how you structure your assets has a big impact on your after-tax income.

- Interest income is fully taxable at your marginal rate
- Eligible dividends from Canadian corporations are effectively taxed at a lower rate due to the Dividend Tax Credit – in fact, you can generally earn between \$30,000 – \$40,000 in tax-free dividends if you have no other income (varies by province)
- Capital gains receive the most preferential tax treatment for high-income earners, with just 50% of any capital gain taxable at your marginal rate

Traditionally, most people have relied on interest-bearing investments like bonds and GICs for their retirement income. While safe, these investments typically offer lower after-tax returns, due to a combination of low interest rates and high taxes.

Because of this, it can make sense to look at investments that offer higher after-tax income, like income trusts and dividend-paying stocks. While these investments don't offer the guarantees of a government bond, you can reduce the risk by diversifying. The key is to find the right balance – one that provides the tax-efficient income you need, while keeping risk at an acceptable level. Consolidation helps you find this balance by bringing everything together in one place.

4. GET THE ADVICE YOU NEED – WITHOUT CONFLICTING OPINIONS

With consolidation, you don't have to worry about different advisors with incomplete information working at odds with each other. Instead you work with one advisor who sees the big picture, understands your overall financial situation and provides the advice you need.

Here are some reasons to consider consolidating your investments with RBC Dominion Securities:

- Personal advice based on your individual situation
- “One-stop shopping” for all your investment needs, including the full range of global and Canadian investments
- Comprehensive wealth management services, including financial planning, Will & Estate consultations, enhanced retirement plans and charitable foundations
- Innovative wealth protection strategies
- Backed by the expertise of RBC, Canada's largest financial group