Sandra Sparanese's

FINANCIAL FOCUS

Fall 2014

Views and opinions for the clients and friends of

SANDRA SPARANESE

FCSI, CFP

Investment Advisor

& Financial Planner

250-356-4859

sandra.sparanese@rbc.com

www.sandrasparanese.com

RBC Dominion Securities

5th Floor, 730 View Street

Victoria, BC V8W 3Y7

WELCOME TO SEPTEMBER,

What a fabulous summer we have had here in Victoria! It makes me appreciate where we live and how fortunate we are to call this paradise "home".

The summer proved to be volatile in the markets with swings in the value of equities in both directions. Geopolitical events between Ukraine and Russia, violence in the Gaza strip and Argentina going into default made the headlines. These events certainly contributed to the market volatility on a daily basis. Our RBC analysts feel that the balance of 2014 may continue to be volatile but the general direction of the market should still remain as positive. What this means for investors is continued re-balancing of portfolios when market conditions warrant taking action. Re-balancing is the disciplined strategy of maintaining a suitable asset mix based on your personal risk tolerance level which results in selling high or buying low, depending on the change in your asset mix compared to the recommended model.

A welcome change is coming to the investment industry which has been in discussion for a very long time involving the disclosing of fees and commission charges. Over the next 2 years, there will be full disclosure on investment statements with regards to what you are actually paying to have your investments managed. It will be broad reaching and involve every mutual fund dealer, wealth management firm and bank across Canada. I pride myself in already taking this on as part of my regular way of doing business with my clients. Mutual fund management fees are disclosed and analyzed to ensure you are getting value for what you are paying for, commission charges (if any) are disclosed in advance of any changes to accounts, and my clients are fully aware of fees that are imbedded that they may not be aware of. Investors need to know the details and the options so they feel educated and empowered to make decisions that are right for them. It's my job to provide that knowledge.

For readers who are not currently clients of mine, please know that a complimentary "Discovery Meeting" may reveal things about your current investments that you are not aware of. Please contact me if you would like to arrange a meeting.

Kind regards,

Sandra

RBC Wealth Management
Dominion Securities

PRE-RETIREMENT CHECKLIST

- Financial Considerations Before You Retire –

☑ ***YOUR RETIREMENT DATE***

Consider when it is to your maximum advantage to retire in the year. If you are employed by government, you can potentially retire in January and be paid out for your full year's holidays. Also, the benefit of a January 1st retirement date is a full year at the lower tax rate in retirement.

☑ ***PENSION ESTIMATES***

If you are a member of a company pension plan, you should ask your pension department for pension estimates based on a certain retirement date. This should be done 6 months prior to your planned retirement date. Some employers require 90 days notice for retirement pension to begin, so be sure you are receiving your pension estimates well in advance. Decisions around single life with certain guarantee periods vs. joint life and many other options exist. You should consult with your RBC financial planner for assistance in understanding these options for you to make an informed decision.

☑ ***CREDIT PLANNING***

While you are still working (and showing a higher income level) you should maximize your credit facilities that you have in place as a source of emergency funds in retirement. This doesn't mean going into debt, it just means increasing the limit of your credit card or credit line facility, just in case you ever need the higher amount available to you. Ensure you have a secured credit facility in place prior to retirement. This would be a secured credit line using your principal residence as security to obtain a lower interest rate than an unsecured credit line could offer. Having "Credit for Life" allows you to plan for the unexpected during your lower income retirement years.

☑ ***RRSP INVESTMENT PLANNING***

Be sure to stay in communication with your RBC Investment Advisor with regards to your plans to start drawing income from your RRSP. We can assist with projections and make recommendations for tax planning and RRSP income. If you see the need to start drawing from your RRSP as soon as you retire, we will want to make sure your investment strategy is more conservative and includes fixed income and liquid, guaranteed investments.

☑ ***MAXIMIZE YOUR RRSP CONTRIBUTIONS***

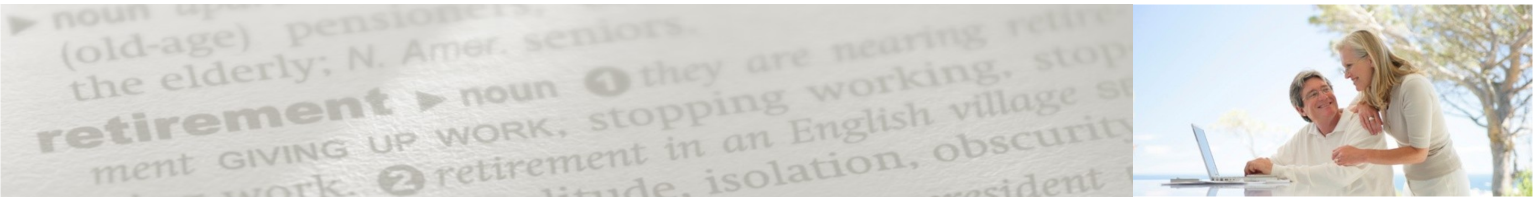
If you have unused RRSP contribution room, you may want to consider maximizing your RRSP contribution in your last higher income year before retirement. It could mean getting a tax deduction at the 35% rate, knowing you will be withdrawing from the RRSP at the lower 22% rate (which you can do as early as the next year).

☑ ***APPLYING FOR CPP AND OAS***

You should apply for CPP and OAS 3-4 months prior to when you are planning to start receiving the benefits. You can do this through any Service Canada office. We recommend that you have tax deducted from each payment to avoid owing income tax at the end of the year. We can assist you with the recommended rate of tax to request. Have your payments direct deposited to your bank account electronically. Be aware of the Old Age Security clawback level when deciding to redeem any RRSP funds during retirement. When your net income is higher than $71,000 per individual, you will start to lose your OAS benefit on a percentage basis. If your individual net income is over $115,000, you will lose 100% of your OAS benefit.

☑ ***PENSION INCOME SPLITTING***

CRA allows you to split these types of retirement income with your spouse: company pension, CPP pension, annuity income, and RRIF (converted from RRSP) income. Pension income splitting allows you to pay less tax overall and you can also avoid the OAS clawback if one spouse has higher pension income.



☑ *Maximize Your Employee Benefits*

You should look to maximize your unused benefits in the final 6 months while you are still working. That could include vision care (new glasses/contacts), prescriptions, and dental work. Look into what your options are for a continued benefit plan in retirement from your employer – expect the benefits to be lower than when you were working.

☑ *Option to Defer Property Taxes*

If you are over 55 and own at least 75% of the assessed value of your home, you can qualify to defer your property taxes. You can still have a secured credit line on your home, but just be sure the maximum limit is below 75% of the assessed value. Check the BC government website for more information on this option.

☑ *Large Expenses*

If you are planning to upgrade your vehicle or do some home renovations, be sure to complete them before you retire. You may find you have "spending anxiety" with larger purchases in retirement, so better to get them done while you are still working.

☑ *Estate Planning Check-up*

Be sure to double check your named beneficiaries on RRSPs and TFSAs. Review your Will, Power of Attorney and Health Care Directive.

☑ *Life Insurance*

If you are paying for a private life insurance policy, ask yourself whether you need to continue this expense or not. You may find that you no longer need to have a life insurance policy in place if you have no debt and have accumulated significant assets. Talk to your RBC Financial Planner first to ensure it makes sense in your particular situation.

GIC RATES

Did you know… every morning we survey 30 different banks, trust companies and credit unions across Canada to find the best GIC rates for you? It's our complimentary "rate shopping service" so you don't have to spend your time in search of the best offer.

GIC Rates as of September 8, 2014

1 Year 2.00 %

2 Year 2.10 %

3 Year 2.25 %

4 Year 2.35 %

5 Year 2.50 %

Rates are subject to change daily

The Facts About FATCA

The Internal Revenue Service (IRS) in the U.S. has been trying to crack down on American taxpayers using financial accounts held outside of the U.S. to evade taxes. In 2010, they introduced the Foreign Account Tax Compliance Act (FATCA), with the objective of identifying U.S. taxpayers evading taxes. The U.S. tax system treats all U.S. persons as U.S. residents for tax purposes, no matter where they live in the world, including Canada. To contrast this, Canadians are taxed based on residency, so if they moved abroad, they would not be required to file Canadian tax returns or pay taxes in Canada.

For the majority of Canadians, this is a non-issue. However, for the approximately one to two million people in Canada who would be deemed a U.S. person, it reinforces the need to have all of your tax filing up to date with both the IRS and the CRA. Earlier this year, Canada and the U.S. signed an Intergovernmental agreement regarding FATCA, in which Canada agreed to pass laws requiring that financial institutions provide annual reports to the CRA on accounts held in Canada by U.S. persons.

Who is a U.S. person? A U.S. citizen or dual citizen, persons born in the U.S., green card holders, persons who hold a U.S. Social Security Number or U.S. Tax Identification Number, and even any person who spends enough time in the U.S. to be considered a U.S. resident by the IRS. (Not everyone with a SSN or TIN is a U.S. person so you need to check the rules for your specific situation)

You should speak with a qualified cross-border tax professional if you are not sure if you would have a reporting obligation with the U.S. The IRS has a temporary program in place to allow many delinquent filers to get caught up without incurring penalties.

Information provided by

Steven Holden, C.A., Manager | **Grant Thornton LLP** | 300-888 Fort Street, Victoria BC | Phone: 250-995-3389

Choosing the Right Executor

Individuals should give serious thought to their choice of executor by carefully considering the obligations the role entails. Choosing someone you trust is only one part of the equation. Expertise, willingness, availability and, depending on the situation, independence and objectivity are equally valid considerations. You should ask a potential executor about their willingness and ability to assume the role. A Corporate Executor may be a consideration in one of these scenarios:

1. You have no family members conveniently located, they lack time or expertise to be an Executor
2. You have a child who is physically or mentally impaired, who needs support handling money or has a substance abuse, marital issue or other difficulty
3. You wish to exclude a family member from your Will
4. You have remaining family members where mediation may be necessary
5. You are in a subsequent relationship and you or your spouse/partner have children from a previous relationship

We can help with your questions about using RBC as a Corporate Executor:

Susan Benesch, Estate & Trust Advisor, RBC Wealth Management, Royal Trust
Phone: 250-391-4608 | E-mail: susan.benesch@rbc.com