

VOLUME 7 ISSUE 1

# PERSPECTIVES

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

## THE PATH *of* LONGEVITY

*Why the time is now to turn a focus to senior health realities and planning ahead for later life*

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### **IS YOUR FAMILY PREPARED FOR FUTURE POST-SECONDARY?**

*Taking the right steps to grow education dollars with Registered Education Savings Plans*

### **IT'S ABOUT TIME**

*Getting a head-start with your savings and the benefits of starting early*



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**Wealth  
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From the desk of

# DAVID AGNEW

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Over a lifetime, you will experience certain milestones and life-changing events, both personally and professionally, that will impact your financial goals and plans for you and your family.

In this issue of *Perspectives*, we examine how different life stages may shape your wealth planning and how your goals may change over time. With the growing senior demographic in Canada and age-related health concerns, we also discuss in this issue the importance of planning ahead and the steps you and your family can take to be well-prepared and protected if disability or incapacity were to arise.

Time is an important aspect when working towards your financial goals, and with this in mind, the article “It’s about time” looks at the core financial literacy topics of saving and investing, and the value of starting early in building and growing your savings.

This issue also looks at the changing landscape of work—in Canada and globally—and the importance of preparing the next generation with the skills for jobs of the future. In “Is your family prepared for future post-secondary?,” we also discuss the financial realities of higher education in Canada and the benefits that Registered Education Savings Plans can offer when it comes to effectively growing a child’s future education dollars.

“The picture of giving in Canada” provides a snapshot of charitable giving among Canadians and how adopting a more structured approach to giving can create greater social impact and leave a meaningful legacy. Finally, for business owners, this issue includes an engaging case study that explores retirement planning options.

As always, I encourage you to speak with your RBC Wealth Management advisor to learn more about how RBC’s wealth management strategies can benefit you and your family throughout your life.



A handwritten signature in black ink that reads "David Agnew." The signature is fluid and cursive, with a period at the end.

David Agnew, CEO,  
RBC Wealth Management Canada

*feature*

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# FACTS+FIGURES

## PHYSICAL AND COGNITIVE HEALTH

According to the 2017 Canadian Survey on Disability, about one in five Canadians aged 15 or over has some form of physical or cognitive disability that limits their everyday activities.<sup>1</sup>



*The percentage of Canadian seniors aged 65 or over who have one or more disabilities.<sup>2</sup>*

### Did you know?

With a growing senior population in Canada, age-related health concerns and cases of dementia are on the rise. The Government of Canada reports there are over 400,000 Canadian seniors (those 65 or over) currently living with dementia—that number is expected to double by 2030.<sup>3</sup>

*Please read our **feature article** on page 10, which examines the realities of disability and the importance of planning ahead.*

## EDUCATION

A recent Ipsos poll showed that among parents saving for their child's or children's education, 36 percent wished they'd saved more each month and 30 percent wished they'd started saving for post-secondary education when their child or children were younger.<sup>8</sup>

16%

47%

*In 1999, only 16 percent of Canadian households with children had a Registered Education*

*Savings Plan (RESP); by 2012, that share had jumped to 47 percent.*

*Want to learn more about saving in an RESP? Please see page 22.*

**B**ased on data from the Government of Canada, by the end of 2016, about 51 percent of Canadian children (aged 0–17) had received the Canada Education Savings Grant (CESG), an incentive offered by the government based on contributions made to an RESP for an eligible beneficiary. What this means, however, is there is still almost half of eligible individuals who may not be benefitting from

RESP contributions.<sup>9</sup>

When it comes to RESPs, interesting data indicates there's a relationship between RESP savings and post-secondary enrolment. Specifically, youth from families who had opened and contributed to an RESP account were more likely to pursue post-secondary education than those whose families had not opened or contributed to an RESP.<sup>10</sup>

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1. Canadian Survey on Disability, 2017 Statistics Canada website, released November 28, 2018. [www150.statcan.gc.ca/n1/daily-quotidien/181128/dq181128a-eng.htm](http://www150.statcan.gc.ca/n1/daily-quotidien/181128/dq181128a-eng.htm)
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website, last modified January 2, 2019. [www.canada.ca/en/public-health/news/2019/01/alzheimers-awareness-month--january-2019.html](http://www.canada.ca/en/public-health/news/2019/01/alzheimers-awareness-month--january-2019.html)

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# YOUTH AND THE WORKPLACE

Interested in reading more on this topic?  
Check out the article “Our changing labour  
landscape” on page 28.

## 4 million

The number of Canadian youth who will be entering the workforce over the next decade.<sup>4</sup>

According to a recent RBC research paper, “Humans Wanted: How Canadian youth can thrive in an age of disruption,” more than 25 percent of Canadian jobs will be heavily disrupted by automation over the next 10 years, and 50 percent will go through a

significant overhaul of the skills required. Findings from this study show there will be an increasing demand for foundational skills in the workplace, including critical thinking, co-ordination, social perceptiveness, active listening and complex problem solving.<sup>5</sup>

It's estimated that by 2025, Millennials (those born roughly between 1980 and 1993) will account for 75 percent of the global workforce.<sup>6</sup>

Based on survey findings published by Universities Canada, more than 80 percent of employers that hire recruits with cross-cultural understanding and knowledge of the global marketplace say these employees enhance their company's competitiveness. In a similar survey, more than half of today's undergraduates

benefit from experiential learning (e.g. co-ops, internships and service learning) as part of their university education, and four out of five employers surveyed say co-op and internship students are a source of new talent and potential future employees.<sup>7</sup>

A donut chart with a green segment representing 75% and a grey segment representing the remaining 25%.

# GIVING AND LEGACY

When it comes to giving, there's a growing trend among individuals, especially younger individuals, to give to causes that address social, health or environmental problems and causes where the results of their giving are measurable. Specifically in relation to legacy, as key drivers of this changing definition, 66 percent of younger Canadians think societal causes have become more important in defining a legacy than wealth accumulation.<sup>11</sup>

To find out more about giving trends in Canada, turn to page 46.

The percentage of Canadian men and women surveyed by The Economist Intelligence Unit who say the legacy they want to leave differs from their parents' views on legacy.<sup>12</sup>

A donut chart with an orange segment representing 68% and a grey segment representing the remaining 32%.

5. *Ibid.*

6. “Global Generations: A global study on work-life challenges across generations,” survey by EY, a global leader in assurance, tax, transaction and advisory services, 2015. [www.ey.com/Publication/vwLUAssets/EY-global-generations-a-global-study-on-work-life-challenges-across-generations/\\$FILE/EY-global-generations-a-global-study-on-work-life-challenges-across-generations.pdf](http://www.ey.com/Publication/vwLUAssets/EY-global-generations-a-global-study-on-work-life-challenges-across-generations/$FILE/EY-global-generations-a-global-study-on-work-life-challenges-across-generations.pdf)

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12. *Ibid.*

## CAN YOUR COTTAGE QUALIFY AS A PRINCIPAL RESIDENCE?

*An overview of the principal residence exemption and how it may apply to Canadian secondary or vacation properties.*

**YOUR HOME.** For many, it likely stands out as the largest purchase you've made as an individual or a family. And for some, depending on your circumstances, that may be followed by the purchase of a cottage or other type of Canadian vacation property.

When it comes to home or cottage ownership, the mindset is often buy it, enjoy it, maintain it (and potentially upgrade it over time), and then sell it or transfer it to the next generation. But what's important to remember is that these properties may significantly increase in value over time, which can create a large tax liability when they get sold or passed down. This is where it may be very helpful to understand how the principal residence exemption (PRE) works, when it applies and how to effectively use it, especially when you own more than one property in Canada.

***Note:** The following information is an overview of considerations and strategies and may not necessarily apply to your particular financial circumstances. To ensure that your own situation has been properly considered and that action is taken based on the latest information available, you should consult with your qualified tax and legal advisors.*

### Principal residence: What qualifies?

A principal residence can include your house, apartment, condominium, cottage, chalet, cabin, mobile home, trailer, houseboat or shares in a cooperative building.

For a property to qualify, you have to own it (solely or jointly with one or more individuals), and you or your spouse, former spouse or child must have "ordinarily inhabited" the residence during some part of the year. When it comes to what constitutes "ordinarily inhabited," the Canada Revenue Agency (CRA) has stated

that the requirements can be met even where the owner, the spouse or the children live in the property only for a short period of time. Specifically for cottage or seasonal property owners, this means if you stay there even for a brief vacation, it may be considered ordinarily inhabited for the year.

### Capital gains tax

Any principal residence, because it's owned primarily for your or your family's use or enjoyment, is considered a personal-use property. When you sell or are deemed to dispose of the property (e.g. when an individual passes away), if the property has increased in value during the time you've owned it, you'll realize a capital gain. **Note:** *The capital gain will be equal to your sale proceeds minus the adjusted cost base (ACB) of the property. The ACB is normally the purchase price*

### Basic PRE calculations:

When you sell (or are deemed to dispose of) your principal residence and there's a capital gain, this is the formula used to determine the exemption amount:

$$\frac{1 + \text{Number of years property is designated as principal residence}^*}{\text{Number of years property is owned after 1971}} \times \text{Capital gain} = \text{Tax-exempt capital gain}$$

\*You must have been resident in Canada during these years to qualify.

**Note:** *The "1" in the formula represents one additional taxation year of exemption room (called the "one-plus rule"). This accounts for the fact that in some cases, you may dispose of a principal residence in one year and acquire a replacement residence in the same year, and you wouldn't otherwise be allowed to designate both properties as a principal residence for that year.*

### What about rental properties?

Do you rent your cottage or other secondary property over the course of the year? If so, this may impact whether it qualifies as a principal residence. In general, property you purchase that's used mainly for earning income is not considered "ordinarily inhabited," even if you stay in the property for some period of time. However, it is possible to earn incidental income (e.g. rental income) from a property and still claim it as your principal residence.

plus any expenses to acquire it (e.g. commissions, legal fees). The ACB also includes capital expenditures, such as the cost of additions and improvements to the property.

In general, you're required to pay tax on the capital gain resulting from the sale (or deemed disposition) of a personal-use property, unless there's a specific exemption. That's where the PRE comes into play, because it can reduce or eliminate this capital gain.

### The importance of 1981

When designating your principal residence for tax purposes, for years up to and including 1981, it is possible for each family member to designate a different property, and therefore you can make use of the exemption for each property. For ownership years from 1982 and onward, however, you can only designate one principal residence per family unit (spouses and minor children) in a particular year.

### Another important year: 1994

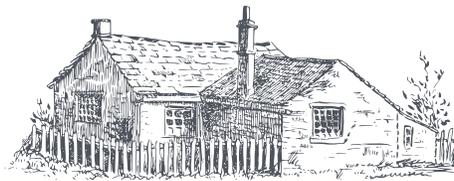
In 1994, the government removed the then \$100,000 capital gains exemption, but allowed you to file a special one-time election on your 1994 tax return to claim this exemption against capital gains accrued to that date. If you made this election and still own that property today, make sure the revised cost base is taken into consideration when you sell (or dispose of) it.

### Applying the exemption

If your primary house and secondary property in Canada both qualify

as principal residences, then for any period after 1981 where you owned both properties, you should determine which property, on average, has the largest annual increase in value.

You may be able to maximize the PRE if you designate this property as the family's principal residence for the maximum number of years. And remember, the maximum number of years a property needs to be designated is the number



### Did you know?

Before the year 1972, capital gains weren't taxed in Canada. So, if you've owned your home or vacation property since before 1972, only the increase in value since December 31, 1971, will be used to calculate the gain.

of years of ownership, minus one (because of the one-plus rule) to fully exempt the gain.

### An example

Mrs. Jackson acquired a city home 23 years ago for \$70,000 and its fair market value today is \$325,000. She also purchased a cottage 18 years ago for \$90,000, which her family uses during the summer, and its current fair market value is \$260,000. Mrs. Jackson is thinking of selling both properties this year. Since the city home was the only residence Mrs. Jackson owned for the five years prior to purchasing the cottage, she can only designate the city home as her principal

residence for these five years.

To figure out the best option for the time period where she can designate either the city home or the cottage as her principal residence, she calculates the average annual increase in value for each home:

- The city home value increased by approximately \$10,625 per year:  $(\$325,000 - \$70,000) \div 24$  years (total years of ownership including the year of sale).
- The cottage value increased by roughly \$8,947 per year:  $(\$260,000 - \$90,000) \div 19$  years (total years of ownership including the year of sale).

To maximize the PRE, Mrs. Jackson should designate the city home as her principal residence for 18 out of the 19 years she owned both properties. (She doesn't need to designate it for the entire 19-year period because of the

one-plus rule.) For the cottage, Mrs. Jackson can designate it as her principal residence for one year and the one-plus rule will allow her to exempt a total of two years' worth of gains. In other words, the PRE shields the entire capital gain on the city house of \$255,000 from taxes and potentially \$17,894 of capital gains on the cottage.

### How to designate a principal residence

When you sell your principal residence (or are deemed to dispose of it), you have to report the disposition and make the principal residence designation on your income tax return for the year. 

# THE PATH OF

# Lantern

Why the time is now to open up conversations about senior health realities and to plan ahead.

**A**ging can be a difficult topic to talk about—period. While it's a natural part of life and it's a process that we all go through as human beings, the thought of physical or cognitive decline can be hard to accept, and not knowing if or when something may happen can leave many feeling uncomfortable. When this is the case, putting plans in place to account for potential age-related health concerns is something many individuals put off or avoid.

With Canadians generally living longer and with more and more Baby Boomers shifting into their retirement years, senior and later life health realities are something that an increasing number of families are facing. However, many families are trying to navigate these often difficult and emotional situations without any guidance on what their loved ones want, without knowledge of their intentions or without plans that outline financial or care decisions.

With this in mind, the importance of planning for potential health issues as much in advance as possible can't be understated—for the protection and assurance it can provide when it comes to personal finances, and for the peace of mind it offers individuals and loved ones.



### Putting awareness of senior health realities into action

According to the Alzheimer Society of Canada, almost 40 percent of those over age 65 experience some form of memory loss. While some forms are considered part of the normal aging process, there are increasing cases of Alzheimer's disease and other forms of dementia among Canadian seniors, and those numbers are only expected to grow over the next decade.<sup>1</sup> And when it comes to all types of disabilities—physical and cognitive—seniors are almost twice as likely than working-age (25 to 64) Canadians to have at least one condition that limits their everyday activities.<sup>2</sup>

“There definitely seems to be an increasing awareness these days around senior health concerns and the potential for a situation of disability or incapacity to occur, but there's still a gap in how that translates into proactive planning among many Canadians,” explains Leanne Kaufman, Head of RBC Royal Trust. “Individuals are gaining a better understanding of the issues and the possibility of something happening, but many don't understand the implications of not having the right—or any—plans in place and the heartache that can come along with that.”

While this aspect of estate planning is one that many individuals recognize they need to do, there's a common mindset that it's something that can be pushed off as a decision for down the road. The shortfall,

## POWER OF ATTORNEY – AN OVERVIEW

A Power of Attorney (or Protection Mandate in Quebec) is a document(s) that legally authorizes another party to act on your behalf, and there are two basic types: a Power of Attorney for Property and a Power of Attorney for Personal Care. Depending on the province or territory where you live, these may be one document or separate documents that outline the authority of an individual or individuals (generally referred to as the “attorney” or “mandatary” in Quebec) to make personal care and/or financial and property decisions on your behalf.

A standard Power of Attorney for Property enables another party to legally make decisions about your finances and property (e.g. banking, paying bills, managing investments). A Power of Attorney for Personal Care authorizes a party to make decisions about your personal care (healthcare, medical treatment or housing).

**Note:** *Given provincial and territorial differences in how these documents are created and signed, it’s imperative you consult with a qualified legal advisor to ensure accuracy in the wording and the signing of the documents.*

For more information on Powers of Attorney and choosing someone to act, please read the Spring 2018 *Perspectives* article, “The power of choice” at [www.rbcwealthmanagement.com/ca/en/research-insights/the-power-of-choice/detail/](http://www.rbcwealthmanagement.com/ca/en/research-insights/the-power-of-choice/detail/) or have a look at the Power of Attorney videos and other helpful resources from RBC Royal Trust at [royaltrust.rbcwealthmanagement.com/en/resource-centre/power-of-attorney-resources](http://royaltrust.rbcwealthmanagement.com/en/resource-centre/power-of-attorney-resources).

however, as Kaufman notes, is that “if something unexpected happens or, as some individuals start to experience age-related health issues, if there’s a situation of incapacity, whether temporary or permanent, there is no one who has the legal authority to step into your shoes and act on your behalf unless you have a Power of Attorney. It can be a very simple document, but it saves so much stress and time.”

### Challenges for caregivers and family members

According to recent statistics, there are approximately 1.1 million

Canadians who are affected either directly or indirectly by dementia, and one in five Canadians has experienced caring for someone living with a form of dementia.<sup>3</sup> A related report also found that among caregivers, 87 percent wish that more people understood the realities of caring for someone with dementia, two-thirds find caregiving to be isolating and many have difficulty accessing appropriate supports and services.<sup>4</sup> In other words, caring for a loved one can take a significant toll, emotionally and financially.

“When individuals don’t have plans in place or haven’t had those important conversations with loved ones—or both—it adds another layer of stress that may often become overwhelming for loved ones, especially if the care and financial decisions fall to one family member,” Kaufman explains. “It’s also important to consider how challenging it might be for someone who’s trying to manage the financial responsibilities for a loved one while at the same time spending a great deal of time at the hospital or a care facility.”

Depending on your circumstances, family dynamics may also be a significant factor in how a situation of disability or incapacity may be handled and navigated. As such, careful thought needs to be given to your own family, potential complexities and options or approaches to senior care and estate planning to help alleviate stress and decrease the likelihood of conflict.

### Moving past stigmas and discomfort with the unknown

Surveys indicate that more than half of Canadians are concerned about being affected by Alzheimer’s disease or dementia, and the greatest concern for many is being a burden on others.<sup>5</sup> Added to these concerns, 46 percent say they would feel uncomfortable disclosing their dementia even to family members.<sup>6</sup> When these types of concerns or stigmas of dementia run deep, this may function as a major roadblock to estate and incapacity planning and to having those crucial conversations with family members. To help overcome these

barriers, it's important to look at how the right planning can actually alleviate some of those worries and concerns.

“What people need to realize is that if you don't have a Power of Attorney, if you haven't given careful consideration to who would be the best choice to act, if you haven't communicated your wishes and preferences to loved ones, *that's* where the burden comes in,” Kaufman emphasizes. “If a situation of incapacity arises and any of these aspects are missing, family members then have to potentially navigate the court system and make decisions without information or direction as to your financial situation and what you may have wanted from a care standpoint. So it's actually a lack of planning and leaving loved ones in the dark that really leaves the burden to the people surrounding the incapable person.”

### Taking proactive steps

If you're someone who's currently facing emotional roadblocks to planning or if you're perhaps assuming this type of planning is something you'll take care of down the road, a good starting point may be to simply walk through a “what-if” scenario and consider the impacts, personal, financial and within your family—and this is something that can be done individually, with your spouse or another loved one or with an estate planning specialist or a qualified legal advisor. Some may also find it helpful to carry out research on the types of supports, resources and care options that are available.

At a high level, this type of

exploratory exercise may be effective in helping you define your wishes and intentions and what matters most to you. For some, it may also function as a strong driver for conversations with loved ones, which ultimately may help boost your peace of mind, knowing your loved ones won't be left with any unnecessary burdens or unanswered questions during what can be a very emotionally charged and stressful time, especially if these family members are acting as caregivers.

Another important consideration is the potential benefits third-party options may offer when it comes to your Power of Attorney (for finances). Whether acting as attorney to manage the assets or giving assistance to someone who's been named as attorney, qualified and experienced experts such as those within RBC Royal Trust provide a customized approach and can step in to take on as little or as many of the administrative duties as needed.

And as for timing, Kaufman reinforces an important message: “When talking about planning for potential incapacity, a question I often get asked is: ‘When's the best time to make these plans?’ My answer is always ‘Yesterday,’ regardless of your age. Incapacity can happen at any age, not just in your senior years, so it's never too early to start the conversations and to start the planning. Then, as life events occur, go back and revisit and talk about it again.”

To learn more about RBC Royal Trust, please visit [royaltrust.rbcwealthmanagement.com/en/solutions/incapacity-solutions](https://royaltrust.rbcwealthmanagement.com/en/solutions/incapacity-solutions). 

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4. *Ibid.*
5. *Ibid.*
6. *Ibid.*



# 5 key questions to consider in choosing an attorney under a Power of Attorney

*This list is not exhaustive and is for information purposes only. To ensure that your individual circumstances have been properly accounted for and that action is taken based on the latest information available, it's crucial you consult with your qualified legal advisor.*



## 1. Do you want more than one person to act, and how?

- + There are a variety of choices if you want to consider appointing more than one attorney. You can require your attorneys to act together (“jointly”) or give them flexibility to carry out duties separately or together (“jointly and severally”<sup>\*</sup>).
- + The tasks the attorney or attorneys can carry out also depend on the power given to them in the document. For example, you can do a general Power of Attorney for Property that covers all property and financial affairs or a more specific one for only some affairs. It's also possible to grant independent decision-making power to separate individuals for different tasks.

*Note: For these scenarios, it's crucial to consult with your qualified legal advisor to ensure a clear understanding of what each attorney can do on your behalf alone, what actions must be taken jointly and how to deal with conflicting instructions.*

*\* In Saskatchewan, there is also the option to appoint attorneys “successively”.*

## 2. Does the individual live in the area or have the flexibility to travel?

- + If you appoint someone who lives a fair distance away, the demands may create logistical challenges for the individual.
- + If the appointed attorney lives in a different jurisdiction, there may be additional challenges because of legal and administrative complexities related to managing your affairs from afar. (Keep in mind that this may be further complicated if you own property in different geographic locations and divide your time between those homes, for example, as you may require Power of Attorney documents that are effective in each jurisdiction.)

## 3. Could the individual be in a busy stage of life or unavailable if/when the time comes to act?

- + If the person has young children, a busy schedule or career, or travels often, fulfilling the duties of an attorney may be challenging.
- + Even though a family member may seem like a logical choice, consider the value of spending that time with your loved ones without the pressures of them being tasked with the attorney's duties.
- + Depending on circumstances, the duties may span a number of years and may increase over time.
- + It's important to name an alternate, in case the person appointed isn't able to act if/when the time comes.

## 4. Does the person have strong financial knowledge and organizational skills?

- + The attorney may have to take on a wide range of responsibilities, from safeguarding assets and prioritizing expenditures to doing taxes and record-keeping. This may be overwhelming or stressful for someone who doesn't have experience with the level of organization required or with managing finances.

## 5. Will the person be able to remain emotionally neutral?

- + In a situation of incapacity, emotions can run high, and depending on the circumstances, some families may be more prone to conflict. It's important to choose someone who will uphold your wishes, even if conflict arises. Attorneys are also required to act with impartiality, and some family members may become emotionally vulnerable in this type of situation.

To learn more about the range of responsibilities that an attorney may have to take on, please consult the RBC Royal Trust “Attorney for property duties checklist” at [royaltrust.rbcwealthmanagement.com/static/documents/attorney-for-property-duties-checklist.pdf](https://royaltrust.rbcwealthmanagement.com/static/documents/attorney-for-property-duties-checklist.pdf).

# Senior care and incapacity planning considerations for individuals and families



Some individuals may find it helpful to view this area of planning not only as a documentation of choices and intentions, but more broadly as a process that includes reflection, choices and conversations. In considering the following questions and points, keep in mind the importance of answering them for yourself, as well as the importance of making the people around you aware of your choices and why you've made them. Your appointed attorney should also be kept up to date on your choices and preferences, and needs to know the location of your Power of Attorney document(s), other important documents and the contact information of individuals such as your accountant, lawyer, investment professional, banker and physician.

## Power of Attorney

- + Do you have the appropriate document(s) in place for a Power of Attorney for Property and Personal Care, and is it (are they) up to date? Have there been any life changes within your family recently that may impact your choices?
- + In putting together a Power of Attorney, have you given careful thought to who you've chosen to act as attorney to make sure they are the right choice? Have you ensured this person is willing to act, and do they have all of the information they need to act, should the time come?

## Financial information

- + If something unexpected were to happen, would it be difficult for your attorney to locate your pertinent financial details? (It's also important to give thought to your digital footprint in this regard, including user IDs, passwords and online accounts.)

Consider putting together an inventory document that provides a comprehensive overview of your financial picture. RBC Wealth Management (RBC WM) offers The Family Inventory as a useful guidebook for this purpose, which can be accessed at [www.rbcwealthmanagement.com/ca/static/documents/the-family-inventory.pdf](http://www.rbcwealthmanagement.com/ca/static/documents/the-family-inventory.pdf).

*This list is not exhaustive and provides only general guidelines on giving thought to this area of estate planning and discussing it with family members. To ensure that your individual circumstances have been properly accounted for and that plans accurately reflect your wishes and intentions, it's crucial you consult with your qualified legal advisor.*

For more information on eldercare and planning financially for it, please read the Spring 2018 *Perspectives* article "Is age but a number?" at [www.rbcwealthmanagement.com/ca/en/research-insights/is-age-but-a-number/detail/](http://www.rbcwealthmanagement.com/ca/en/research-insights/is-age-but-a-number/detail/).

## Healthcare and personal preferences

- + What senior care resources and supports are available in your area or region?
- + If you had the choice, would you prefer to stay in your home for as long as possible or to move to an assisted living or other type of care facility? (It may also be helpful to do some research on the costs associated with various types of care.)
- + If you were in a care facility, would you prefer a single room or a double/shared room? Would that be your choice at any cost?
- + Are there aspects of your current lifestyle or personal routine that you would want maintained in a situation of incapacity? (E.g. Having specific items from your home with you, getting a routine haircut or experiencing the outdoors regularly.)

## Gifts and giving

- + Do you intend to give financial gifts to family members? Has this been documented?
- + What are your philanthropic intentions, if any? Are there charities you want to continue to support? A Power of Attorney provides an effective means to document these intentions and to include instructions on giving certain gifts or donations.

## RECIPE

# Spring asparagus lasagna



**Prep time:** 45 minutes

**Cook time:** 1 hour, 5 minutes

**Serves:** 8 to 12

## Ingredients

|         |   |
|---------|---|
| 2¼ lbs. | asparagus, trimmed and cut into pieces            |
| 1       | egg, beaten                                       |
| 1 lb.   | light or regular Canadian ricotta cheese          |
| ¼ cup   | fresh basil or fresh parsley, chopped             |
|         | Salt and pepper, to taste                         |
| ¼ cup   | all-purpose flour                                 |
| 2 cups  | 10% cream   |
| 1½ cups | water   |
| 2 cups  | tomato pasta sauce                                |
| ½ cup   | grated Canadian Parmesan cheese                   |
| 16      | oven-ready lasagna noodles                        |
| 1 cup   | Canadian mozzarella or provolone cheese, shredded |

## Nutritional breakdown (per serving)

**Calories:** 305

Protein: 16 g

Carbohydrates: 33 g

Fats: 12 g

Fibre: 3.4 g

## Directions

1. In a large pot of boiling water, blanch asparagus for 3 minutes. Drain and rinse under cold water. Drain well and set aside.
2. Preheat oven to 375°F. Butter a 13 x 9-inch glass baking dish.
3. In a bowl, combine egg, ricotta, basil and a pinch of salt and pepper. Set aside.
4. In a saucepan, combine cream and water; whisk in flour, ½ tsp. salt and ¼ tsp. pepper. Cook over medium heat, whisking frequently, for 10 to 15 minutes or until bubbling and thickened. Remove from heat; whisk in pasta sauce and half of Parmesan.
5. Spread 1 cup of sauce in bottom of baking dish. Top with 4 pasta noodles, trimming to fit. Spread with 1/3 of sauce, then 1/3 of asparagus. Top with another 4 noodles. Spread with ricotta mixture. Repeat layers with remaining pasta, sauce and asparagus.
6. Cover with foil and bake for 45 minutes or until sauce is bubbling. Remove from oven, carefully uncover, and sprinkle with mozzarella and remaining Parmesan. Bake for 20 minutes or until noodles are tender and top is golden. Let stand for 10 minutes before serving.

### Tip

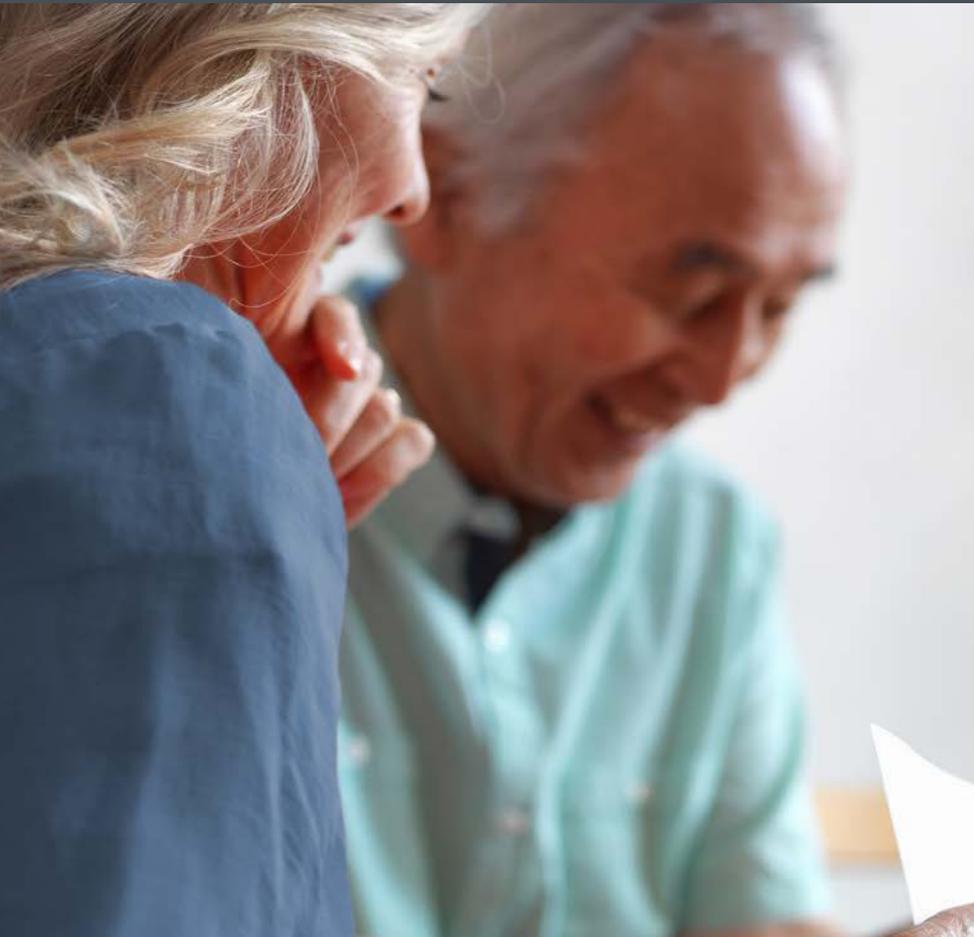
This lasagna can be baked, cooled, covered and refrigerated for up to two days. Simply reheat, covered, in a 350°F oven for about an hour, uncovering for the last 10 minutes.

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Additional recipes can be found at [www.dairygoodness.ca](http://www.dairygoodness.ca).



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## CANADA'S FIRST UNIVERSITY NORTH OF 60

*Looking back and looking ahead—the journey for Yukon University.*

**C**ANADA is home to just under 100 different universities.<sup>1</sup> The list of these post-secondary institutions is robust and broad, with an incredibly vast offering of programs, disciplines and areas of study. Early next year, there's going to be a historical addition to this list with the establishment of Yukon University—Canada's very first university north of 60.

Eight years so far in the making—and grounded in a half-century of popular support for a university in Canada's north—the visions for Yukon University (YukonU) are

well on their way to becoming a full reality in the spring of 2020. The school's model hinges on providing a flexible post-secondary institution that includes options for every learner, and its mission is to provide greater opportunities for students—locally, from across Canada and internationally—to be immersed in research and education that's relevant and unique to the North.<sup>2</sup>

### The roots of change

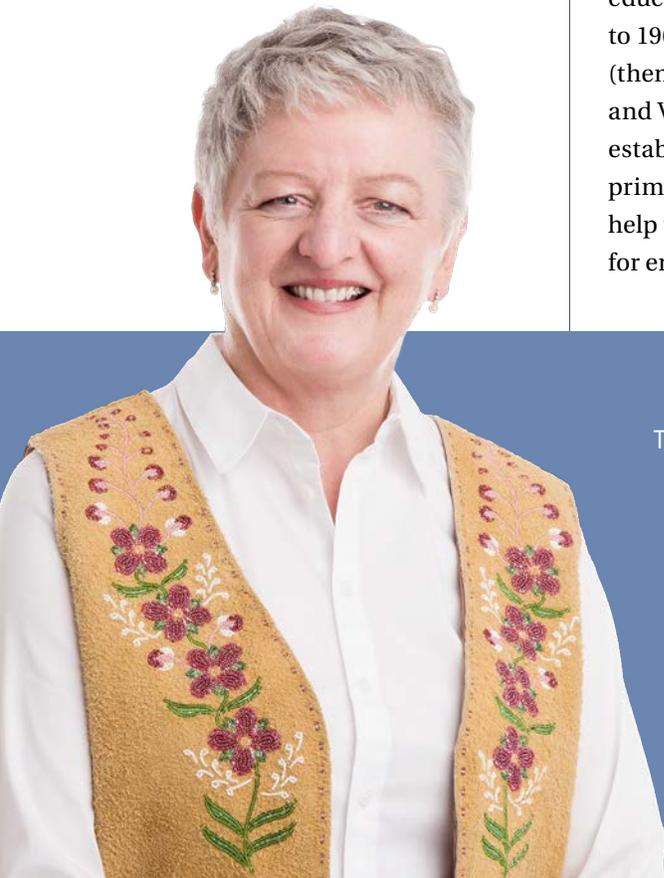
The history of post-secondary education in the Yukon goes back to 1963, when Yukon College (then called the Yukon Training and Vocation Centre) was first established in Whitehorse, primarily as a vocational school to help those in the territory prepare for employment. Over the '60s and

'70s, conversations began about making it more than just vocational programming, and talks about partnership degrees with other universities began in the '80s. (Since then, the college has added three partner degrees that focus on northern education, social work and northern environmental and conservation sciences, as well as two made-in-Yukon degrees that focus on Indigenous governance and business administration.)

“What's also really important to recognize is that Yukon is unique

*“I can't say it enough—the potential of the North is truly unbelievable.”*

because of First Nations and the relationship there,” notes Dr. Barnes. In 1973, Yukon First Nations leaders approached the Canadian government to begin negotiating land claims and self-government agreements on behalf of all Yukon First Nations people, and over the next 20 years, the framework was established for the negotiations and agreements to take place. Since



The *Perspectives* team recently spoke with Dr. Karen Barnes, president and vice-chancellor of Yukon College, to learn more about the story of YukonU and its vision for the future. Dr. Barnes has been president of the college since 2011 and currently chairs the governing committees for the Yukon Research Centre and the Northern Institute of Social Justice. She has also co-chaired the Colleges and Institutes Canada committee that developed the Indigenous Protocol for Canadian colleges and institutes. She currently works with other college and university presidents in Canada to raise the profile of colleges serving rural and remote communities.

that time, 11 of the 14 First Nations have become self-governing, and Yukon is considered to be at the forefront of Aboriginal land claims and self-government in Canada.<sup>3</sup> “This relationship is quite distinctive and strong, and as an institution, we have been shaped by that relationship—self-governing First Nations play an integral role at our board, advisory and faculty levels,” shares Dr. Barnes. “This is a key piece of why this university is so important, and they have been very much engaged in the vision for YukonU and what it’s ultimately going to be and represent.”

### Stepping stones of transition

It was back in 2011 when the proposal for YukonU was first introduced and when initial planning began with the Government of Yukon to transition from a college to a university.

“It’s been an intricate and evolving process, but right from the get-go in defining the vision for YukonU, offering as much flexibility as possible has been a top priority, as well as building on the college’s existing strengths,” notes Dr. Barnes. “As part of the transition from the current college, we also wanted to ensure we provide a continuum of education that meets the needs of every type of student. With these aspects in mind, the development plan from early on has been for YukonU to exist as a ‘hybrid’ university.”

Funding partnerships have also played a key role in bringing the university’s visions to life. As



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Dr. Barnes explains, “With these partnerships, we were afforded opportunities to develop innovative programs and initiatives and to develop a master land plan. That really sparked a focus on how we wanted to bring traditional knowledge to the campus and to

coming together of all governments within the Yukon to collectively mobilize the vision. “We really want to highlight what this university can do for the community and for the country as well. Everyone involved really wants to help people recognize that this is not just Yukon’s university, but Canada’s university of the North.”



encompass the environment, the outdoors and the uniqueness of the land.”

Along this lengthy journey towards the transition, there have been many milestones, and one that really stands out for Dr. Barnes is the

### Program areas and focus

As a hybrid university, YukonU will preserve the programs that currently exist at Yukon College, and students will be able to access everything from academic upgrading to diplomas and degrees. Expanding on Yukon College’s solid foundation of research and education, YukonU will zero in on three niche areas of programming: climate

change and the environment; Indigenous self-determination and self-governance; and sustainable resource development, technology and innovation.

With these focus areas, Dr. Barnes explains the aim is to

provide programming that addresses northern issues and that applies to northerners, and at the same time offers education and research that's relevant and valuable to the rest of Canada and other parts of the world.

As she explains, "When it comes to climate change, for example, right from the beginning we've looked at things like permafrost—the impact on infrastructure, land and animals—and adaptation measures for communities, and we hope to become a centre of excellence in that area. The North is warming faster than the South and the impacts of climate change could be devastating. There are solutions in research that are needed now, across Canada and internationally. Someone needs to be studying it and innovating, and the Yukon is a prime place for that to happen. Through our programming, facilities and technology, and academic expertise, YukonU could be a leading institution and a trailblazer in that regard."

The thinking is similar for sustainable resource development. For quite some time already, Yukon College has supported research and delivered programs on sustainable development and stewardship of the territory's resources. Going forward for YukonU, the goal is to expand training opportunities and to combine training and research as a way to further emphasize sustainable practices and to drive innovation in areas like alternative energy, bioremediation and mine remediation.

According to Dr. Barnes, Indigenous self-determination and

governance has been an incredible success story in the Yukon; because of that, she believes they are well-positioned to offer education and expertise and knowledge to others. "Our Bachelor of Arts in Indigenous Governance was launched in 2018, and the hope is that by attracting students and researchers across the nation and training them to work in those governments, they can help in bringing self-governance agreements to life in other areas too."

For all three niche areas of programming, Dr. Barnes reinforces that the mentality has

largely been: "What can we learn and what can we teach other parts of Canada and the world?"

### Finding its place

In the early stages of talking about the university and talking to people outside the Yukon about it, those involved quickly realized a main challenge was a prominent perception that the North is homogenous, as well as a lack of understanding of the differences in the people who live there, of self-government and of First Nations and their differing needs. As Dr. Barnes



explains, “The task then became figuring out the right balance: how to make sure people understand the uniqueness of the Yukon and its people and at the same time recognize the shared commonalities that exist with other parts of the North and with Canada as well.”

“Throughout the process, we’ve also been very conscious and mindful of the fact that each of the other territories in Canada also has aspirations for higher education opportunities. Being the first university to become established north of 60 is a huge achievement

and we’re extremely proud of that. At the same time, we recognize the significance and importance of growth and transitions like this in other parts of the North too.”

#### Driving impact locally, nationally and beyond

“For Canadians, I think it’s really important to understand that northerners have had to go south to get certain education, even when it comes to studying issues of the North,” Dr. Barnes explains. “With YukonU, now they can learn about their own areas while still being

immersed in the community; the university and the opportunities it provides will help to give northerners the chance to define what the Yukon will look like in the future and will help the North grow and thrive.”

In summarizing what this university means locally and broadly, Dr. Barnes has an impactful message: “When you think about it, all great cities in the world have great universities, and universities help to drive growth and business and infrastructure through education. With education also comes economic and social development, and I believe YukonU will bring more people to the Yukon and other parts of the North as well.”

“Canada’s north is attractive and there are so many features that attract learners, not only for programs that are relevant here, but experiences and learning that can also be taken away and applied all over Canada and beyond. I can’t say it enough—the potential of the North is truly unbelievable.”

For more information on Yukon College and Yukon University, please visit [www.yukoncollege.yk.ca](http://www.yukoncollege.yk.ca) or [yukonuniversity.ca](http://yukonuniversity.ca). 

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# IS YOUR FAMILY PREPARED *Post-* FOR FUTURE SECONDARY?

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Registered Education Savings Plans.*

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## 2.05 MILLION.

That's the approximate number of students who were enrolled in post-secondary education across Canada during the 2017–2018 school year.<sup>1</sup> For current students, tuition fees alone for most schools can range anywhere from about \$2,500 all the way to over \$8,000 per year, depending on the type of program and institution (not to mention the costs of books and supplementary materials, housing and meals).<sup>2</sup> All in, the total really adds up—and these are today's costs.

So why is it that despite an ongoing trend of more individuals pursuing post-secondary education and despite education costs being on a steady incline over the years, still only about half of Canadian families are contributing to a Registered Education Savings Plan (RESP) and receiving the Canada Education Savings Grant (CESG) for a child who's 17 or under?<sup>3</sup>

When it comes to saving overall, it seems many Canadians put a

heightened focus on saving for retirement, and data indicates there's a larger percentage of individuals who contribute to Registered Retirement Savings Plans (RRSP), Tax-Free Savings Accounts (TFSA) or Registered Pension Plans (RPP) than those who contribute to an RESP.<sup>4</sup> With savings focus turned elsewhere, some may also simply not be aware of the specific benefits and value an RESP offers.

Whether you're a current or a soon-to-be parent, a grandparent

or another family member, the current costs of post-secondary education—and what those costs may end up being in 5, 10 or 15 years—may be reason enough to put greater attention on an RESP as a savings option. And beyond the value of simply establishing an RESP, understanding how it works, how to choose the right one and how to use it effectively can go a long way in helping to grow and maximize a child's education dollars.

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*An RESP is a tax-deferred savings plan specifically designed to help families reach education savings goals.*

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**RESPs—the basics**

**A**n RESP is a tax-deferred savings plan specifically designed to help families reach education savings goals. In general, it's most common for parents and grandparents to open an RESP (i.e. to be the subscriber), naming a child or grandchild as beneficiary.

There are two main types of plans: individual and family. With an individual plan, you can name only one beneficiary, and the beneficiary may or may not be related to the subscriber. With a family plan, you can name multiple beneficiaries, but each beneficiary must be related by blood or adoption to the subscriber.

In general, a beneficiary can be any Canadian resident who has a Social Insurance Number (SIN). For family plans established after 1998, each beneficiary must be younger than 21 years old at the time they're named as a beneficiary. However, if one family plan is transferred to another, a beneficiary who's 21 or older can still be named as a beneficiary of the new RESP. There are no age restrictions for beneficiaries of individual plans.

**Determining the right plan for your family**

**T**he choice between an individual and a family plan will be specific to each family and may depend on a number of factors. If your family includes multiple children who are fairly close in age, the easier choice from an administrative standpoint may be a family plan. If, however, there's a significant age gap between your children, you may want to consider

## 5 KEY RESP DETAILS

- + The lifetime contribution limit per RESP beneficiary is \$50,000. There's no annual limit, but keep in mind that only a portion of the contribution may be eligible for the Canada Education Savings Grant (CESG).
- + Contributions are not tax-deductible, but they can be withdrawn tax-free from the plan at any time.
- + The tax on income, gains and government incentives that accumulate within the plan—including the CESG, Canada Learning Bond (CLB, which is a government grant for children of lower-income families) and some provincial incentive plans—can grow tax-free and is deferred until funds are paid out.
- + The RESP has to be wound down by the end of the calendar year that marks the 35<sup>th</sup> anniversary of the plan opening date (or that marks the 40<sup>th</sup> anniversary for a plan with a beneficiary who has a disability).
- + There are flexible investment options permitted within the plan; for example, investments that are eligible for a Registered Retirement Savings Plan (RRSP) are also eligible for an RESP.

Please visit the Government of Canada website for further details: [www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp.html](http://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp.html).

individual plans or additional family plans because of the time requirements for winding down RESPs (i.e. by December 31 in the year of the 35<sup>th</sup> anniversary of the plan). For example, if you established a plan 15 years ago, it would have to be wound down in 20 years. If you were to add a newborn child to that plan, the child would only be 20 when the plan would have to be wound down and they may not have completed post-secondary education yet.

For family RESPs, another key benefit is that the plan funds don't have to be paid equally to each beneficiary. So if one of your children doesn't end up pursuing post-secondary education or if each child has different educational

costs, there's flexibility in the amounts that can be paid out to each beneficiary.

This same type of flexibility isn't available with an individual plan, so it may create an issue if the beneficiary doesn't go to post-secondary school or doesn't use all of the funds in the plan, because the income earned in the plan has to be paid to the named beneficiary.

**Taking advantage of the Canada Education Savings Grant (CESG)**

**O**ne of the main benefits of RESPs is a federal government program called the Canada Education Savings Grant. If you save in an RESP for a child who's 15 years old or younger (specific rules exist for children who are 16 and 17 years old), the federal

government will automatically contribute to the RESP via a grant.

Each year, the government will match 20 percent of your contribution, up to an annual maximum of \$500 (for a \$2,500 contribution), for each beneficiary. If the beneficiary has unused grant room from a previous year, the annual maximum payable is \$1,000. The lifetime limit for the grant is \$7,200 for each child.

Within a family plan, another benefit is that accumulated CESG contributions may be shared and don't have to be paid equally among beneficiaries. So if one of your children goes to a school that's much more expensive than the other child's, for example, there's no requirement that the CESG payouts have to be equal for each child.

**Note:** *In order to accumulate grant room for any given year, a beneficiary must be a resident of Canada. And,*

*if your child ultimately doesn't continue their education after high school, this grant money has to be returned to the government.*

Please visit the Government of Canada website for further information and details.

#### **RESPs as a wealth transfer option**

**H**elping grandchildren or other young family members may be a financial priority for some grandparents or others in their senior years. If you're someone who feels strongly about passing down wealth during your lifetime and if higher education is a value within your family, contributing to an RESP may be a meaningful and effective way to transfer wealth as part of your estate planning goals.

In general, there are two ways for you to contribute to an RESP as a grandparent: as the subscriber or by gifting funds to your son or daughter to put in an RESP they've

established for your grandchildren.

For those who prefer to be the subscriber, there are certain advantages to establishing multiple-beneficiary plans. For example, a grandparent can include all of his or her grandchildren from each child in one family RESP.

If you prefer the gifting approach, a main benefit is that the subscriber (the grandparent's child) is likely age 71 or younger and can transfer the earnings from the RESP to their own RRSP, with certain limits, if one of the beneficiaries does not pursue post-secondary education (if the subscriber is over 71, this option is not available). Keep in mind, however, that the disadvantage is that you, the grandparent, have no control over the funds; in gifting the funds, your son or daughter will control how they're used, and as the RESP subscribers, they will be able to withdraw the contributions.



**Planning for withdrawals**

Once enrolled in a post-secondary program, when your child, children or other younger family members who are RESP beneficiaries start needing the funds, the main priority should be structuring the withdrawals in a tax-efficient way.

The income, gains and government

incentives that accumulate within the plan—including the CESG, CLB and some provincial incentive plans—can be grouped together and withdrawn as Education Assistance Payments (EAPs). It’s generally advisable for beneficiaries to receive EAPs first, rather than a refund of contributions. While EAPs are taxable in the hands of the

beneficiaries, the taxes are usually minimal—or nil if they’re spread out properly. Another reason to start drawing EAPs early is that if the CESG and income portions remain in the RESP after a beneficiary has completed school, there may be negative consequences when these funds are withdrawn from the plan. 

**In general, there are four main types of withdrawals:**

| EAPs:   | REFUND OF CONTRIBUTIONS:  |
|---|---|
| <ul style="list-style-type: none"> <li>+ Consist of accumulated income, CESG, CLB and provincial benefits</li> <li>+ Are payable for up to six months after the beneficiary ceases enrolment in an educational program</li> <li>+ Include a \$5,000 withdrawal limit in the first 13 weeks of a post-secondary program</li> <li>+ Are fully taxable to the beneficiary</li> <li>+ Beneficiary pays very little tax, if any, since they’re entitled to the tuition tax credit in addition to their basic personal exemption</li> </ul> | <ul style="list-style-type: none"> <li>+ Contributions (principal) can be returned to you, the subscriber, or to your beneficiary at any time</li> <li>+ A portion of the CESG may be repayable to the government</li> <li>+ Not taxable</li> </ul> |

*If the RESP continues after the beneficiary leaves post-secondary education, or the beneficiary never ends up attending, the remaining income can be withdrawn as follows:*

| ACCUMULATED INCOME PAYMENTS (AIPs):   | PAYMENT TO A DESIGNATED EDUCATIONAL INSTITUTION (DEI) IN CANADA:   |
|---|--|
| <ul style="list-style-type: none"> <li>+ May be paid out if there’s income earned within the RESP that hasn’t been used by a beneficiary and specific conditions are met</li> <li>+ Are fully taxable to the subscriber</li> <li>+ The amount subject to tax can be reduced if you transfer up to \$50,000 to your RRSP, if you have contribution room</li> <li>+ Are subject to an additional 20 percent tax for any portion not transferred to the subscriber’s RRSP or spousal RRSP</li> </ul> | <ul style="list-style-type: none"> <li>+ A payment made if the RESP has to be collapsed while investment income remains in the plan and the plan doesn’t qualify for an AIP</li> <li>+ Not taxable income to you or your beneficiary</li> <li>+ Not eligible for a charitable donation tax credit</li> </ul> |

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## OUR CHANGING LABOUR LANDSCAPE

*Examining the shifts in jobs and skills and helping younger generations prepare.*

**T**HE world of work is changing in Canada—and across the globe. If you've been part of Canada's workforce for quite some time, odds are you've likely witnessed some noticeable changes in both the "who" and "how" of work throughout the years. And depending on the industry or type of job, those shifts may have been even more pronounced over the last decade in particular, with transitioning population demographics and fast-paced

technology and automation have been—and continue to be—main drivers of change, creating unprecedented impacts, not only on the types and numbers of jobs that exist, but even more so on the skills needed to successfully carry out those roles.

The more recent and current pace of technological and digital progress is showing no signs of slowing, and the path ahead may be one of major overhaul across the Canadian job market. This is

to dig deeper and examine the impacts that technology and digital advancements, as well as social and economic change, may have on those jobs and the associated skills they require.

To gain better insight into these aspects, and to determine how to better assist younger generations as they step into the jobs of tomorrow, RBC recently conducted one of the largest-ever labour force data projects in Canada, and from that developed an eye-opening report, *Humans Wanted: How Canadian youth can thrive in the age of disruption*. As part of this year-long project, researchers spoke with students, early stage workers, educators, policymakers and employers in every sector across the country. They also conducted

in-depth assessments of more than 300 occupations and 20,000 skills, and of the expected 2.4 million job openings in the coming years, to determine the impacts technology and other disruptors

may have and the solutions that may exist.

### The impacts of automation

One of the main findings highlighted in the *Humans Wanted* report was that over the course of the next decade, half of all jobs will be disrupted to some degree by technology and automation, with some facing significant changes or requiring a new mix of skills, and some being eliminated altogether.

While for quite some time, technology has impacted certain jobs and how they are performed—

To learn more about the Government of Canada's range of services and initiatives for young Canadians, including learning opportunities, work training, finding a job, managing money and contributing to your community, please visit [www.canada.ca/en/services/youth.html](http://www.canada.ca/en/services/youth.html).

advancements in technology.

From a sheer numbers standpoint, Millennials (those born between approximately 1980 and 1993) became the largest generation in the workforce in 2014, according to Statistics Canada. Since then, the labour representation of this age group has consistently increased year over year.<sup>1,2</sup> While this significant population shift is a key part of the equation when it comes to transformations in Canada's labour market (as are economic fluctuations), advancements in

leaving many wondering what can be done to better prepare younger generations for these shifts and how best to equip children, teens and young adults with the skills they need for the future of work.

### Understanding the transforming labour market

According to a forecast published by Employment and Social Development Canada (ESDC), an estimated 2.4 million new jobs will be created between 2018 and 2021.<sup>3</sup> While, holistically, that's a promising number, it's important



think of manufacturing or assembly line work, for example—today’s technology advancements and the implementation of artificial intelligence are creating widespread change across sectors and industries at a level never experienced, and which many aren’t prepared for.

The speed of change is also making it difficult to predict what jobs will look like in future decades. Within the *Humans Wanted* report, findings suggest that because of this unpredictability, there needs to be a shift in job requirements and how they’re viewed, as well as how students prepare for their working years. In other words, instead of traditional job-specific requirements and training, the focus should instead be on developing human skills, notably critical thinking, communication, collaboration, social perceptiveness, problem solving and decision making. With more of a skills-based structure and focus as part of the educational and employment training frameworks, young people will then be better able to successfully move across sectors and between careers as needs, technology and job demands change.

### **Education, job specifics and skill building**

When it comes to the connection between education and work, statistics show educational attainment plays an important role in securing future employment, as the employment rate for those between the ages of 25 and 44 who hold a post-secondary diploma or university degree is almost 90 percent (the employment rate for high-school graduates is just under 75 percent).<sup>4</sup>

At the same time, however, it’s important to recognize that amid a shifting labour market, many younger individuals are facing increasing challenges in finding meaningful employment, regardless of their level of education. Among all age groups, the unemployment rate remains the highest for those aged 15 to 24, and statistics also indicate that many of today’s graduates are underemployed.<sup>5</sup> In fact, Statistics Canada says that one-quarter of post-secondary graduates end up in jobs they’re overqualified for, and they project that 15 percent of those who recently completed school will go into retail sales or food and beverage work, which accounts for only 8 percent of the job market and

are more likely to be impacted by automation.<sup>6</sup>

According to the report data, across occupations (even those in different fields), there are connections in the foundational skills required. In making more of a shift towards skills-based learning and training, it stands to reason that younger individuals and those in the early stages of their careers will be better equipped to successfully fulfill a broader range of roles and to be flexible in their work trajectory, no matter what the labour market looks like.

What it comes down to then is finding ways to ensure that students and younger individuals have the tools and resources they need, from education systems, business organizations and government programs, to adapt and be properly prepared for this new era.

### **Perspectives of younger generations**

In early 2018, the Government of Canada launched a national dialogue, as part of a consultation initiative that included over 10,000 Canadian youth, to start shaping the nation’s first-ever youth policy. They compiled the feedback and findings from those consultations in the *What We Heard* report, and

# RBC FUTURE LAUNCH

Recognizing the need to unlock and boost the potential of young people in Canada in a time of rapid change, in 2017 RBC initiated its largest-ever commitment to a social issue with RBC Future Launch, a 10-year, \$500 million investment to help prepare youth for the jobs of tomorrow.

RBC Future Launch aims to address three critical barriers that young Canadians are currently facing: a lack of experience, a lack of relevant skills and a lack of professional networks. To help dismantle these barriers, RBC Future Launch actively seeks partnerships with companies and organizations and collaborates with government and educational institutions to increase access to work-integrated learning experiences, develop flexible skill sets and help youth grow their networks.

As an organization, RBC strives to help clients thrive and communities prosper. RBC Future Launch is an extension of this core purpose and creates an avenue for meaningful, positive change by working collaboratively with young people and youth-focused partners.

For more on RBC Future Launch, please visit

[www.rbc.com/futurelaunch](http://www.rbc.com/futurelaunch).

notably, education and employment are two of youths' top priorities across Canada. The report also notes, "Participants express a significant amount of anxiety and pessimism about the amount of economic opportunity for young people. From a quantitative standpoint, they worry about the number of jobs available to them. The quality of jobs is equally troubling, with many describing current or anticipated struggles with meeting expenses, such as rent and student loans re-payment, while working in Canada's expanding and precarious 'gig economy.'" (The gig economy is characterized as having more freelance, contract and temporary work rather than traditional full-time roles.)

This report goes on to note, "Some also believe that students would benefit from a closer 'alignment' between curricula and labour market needs, for example, through expanded opportunities for experiential learning (e.g. co-ops, internships, apprenticeships, work placements, summer job programs, business/entrepreneurial mentorships)."<sup>7</sup>

To find out more about the *What We Heard* report or the Government of Canada's youth policy, please visit [www.canada.ca/en/youth/programs/policy.html](http://www.canada.ca/en/youth/programs/policy.html).

## Actively preparing for the future of work

To support and equip younger individuals in this changing world of work, a number of Canadian educational institutions are making moves to bridge the current gaps that exist with more co-op and work-integrated learning



opportunities, for example. Some are also looking to innovate in the programs that are currently available. As the *Humans Wanted* report summarizes, however, there's still a great deal to do to help students adequately prepare for a skills-based economy and to help them understand their skills and how and where they may apply across tomorrow's work landscape.

The Government of Canada has also recently launched Future Skills, which is an initiative that includes an investment of \$225 million over four years and \$75 million thereafter to accomplish the following mandates:

- Examine major trends that will impact national and regional economies and workers
- Identify emerging skills that are now and will be in demand in the future
- Develop, test and evaluate new approaches to skills development

- Share results and best practices across the public, private and not-for-profit sectors to support broader use of innovative approaches in Canada<sup>8</sup>

the awareness piece is so important, and this is where parents, grandparents and other loved ones can also play a crucial role. If you have younger family members, consider taking proactive steps to help them learn about what resources and supports are available by researching the types of education or work-integrated learning programs that exist for careers they might pursue, or international learning opportunities to help them build globally competitive skills.

At the local, regional and national levels, Canada is showing many examples of crucial steps in the right direction. That focus now needs to remain on ensuring they take place at a fast-enough pace and that the need for education and career development is met, so younger Canadians gain the skills and flexibility to successfully navigate the shifting landscape of work, now and in the future. 📦

*The speed of change is also making it difficult to predict what jobs will look like in future decades.*

This overall plan includes a Future Skills Council and a Future Skills Centre, and it was just announced in February of this year that Ryerson University in Toronto, Ontario, has been selected to spearhead projects for this initiative.

For more information on Future Skills, please visit [www.canada.ca/en/employment-social-development/campaigns/future-skills.html](http://www.canada.ca/en/employment-social-development/campaigns/future-skills.html).

#### Taking action

For students and young Canadians,

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# IT'S ABOUT TIME

Getting a head-start with your savings, and the benefits of starting early.



## “SAVING FOR THE FUTURE”

is a phrase that can mean a number of things to different people, and how you interpret or apply it may depend on aspects such as your stage of life, family, personal goals or lifestyle. But despite the various meanings that may be attached to it, one thing is for certain—when it comes to saving, *the earlier you start, the better.*

For younger Canadians in their late teens or early to mid-20s who may either be in school or just starting a career, or young adults who may be getting married and potentially starting a family, long-term savings or retirement goals are often low on the list of financial priorities. In the grand scheme of things, while many do recognize

that building savings is important, it can easily take a backseat to more immediate financial goals and needs.

Throughout this phase of life—when most are taking on greater or full financial independence—there can often be a number of expenses and purchases that impact an overall budget, and for some, it may seem difficult to set any additional funds aside. In fact, when it comes to saving via registered plans, findings from the most recent Census show that among Canadians aged 15 to 24, only about 14 percent contributed to a Registered Retirement Savings Plan (RRSP) and 33 percent contributed to a Tax-Free Savings Account (TFSA). Among those aged 25 to 34, those percentages increase slightly to about 37 percent for RRSPs and

43 percent for TFSAs.<sup>1</sup>

But when it comes to your long-term financial goals and helping to secure your financial future, it's important to make the connection between an early start to saving and the positive impacts it may have down the road.

## Build savings by paying yourself first

For some, a main challenge of saving may be taking the initial steps to set money aside. (You may even be wondering, *Where do I get that extra bit of money to save and invest?*) While surplus or additional funds may not seem readily available for this purpose, it often just takes a shift in mindset when it comes to your spending, expenses and overall approach to budgeting to get on the right track.



Consider the two following budget formulas:

$$\text{Income} - \text{Expenses}$$

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$$= \text{Savings}$$

$$\text{Income} - \text{Savings}$$

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$$= \text{Expenses}$$

The first formula is the most commonly used, as many have a tendency to look at budgeting simply as cash in versus cash out. By using this type of formula, however, and without proactively thinking about

and deciding where your money will go, it's likely that any remaining amounts (after your expenses are paid) will be spent rather than saved.

To help achieve financial success, the second formula becomes very important, as it hinges on the concept of paying yourself first. Instead of savings being an afterthought, with this formula, it's the first amount to be subtracted from your income. Then, the remainder is the amount that gets put towards your expenses. This type of budget formula has two main benefits: it helps make your savings goals a priority, and it encourages you to be more conscious of what you spend your money on.

#### The importance of interest

Once savings are structured in an overall budget, the next step is determining how to invest and build

your savings in the most effective way, and this where it becomes quite valuable to understand how interest

works. In general, when it comes to your investments—whether they're in an RRSP or a TFSA, for example—there are two main types of interest that can be earned: simple and compound. Each is significantly different in how it's calculated and how it may impact your investments over time.

Simple interest is when only the original investment amount (called the principal amount) earns interest, and it's paid periodically (e.g. annually, semi-annually) over the investment term, which is the full time period the money is invested for. For example, if you make an initial investment of \$1,000 in an account that earns 2 percent interest each year for three years, the interest payments each year will be \$20, for a total of \$60 of simple interest at the end of the three-year term.

Compound interest, on the other hand, is when the investment earns interest not only on the principal amount, but also on the interest that gets accumulated along the way. The only caveat is that the interest cannot be withdrawn during the investment term—in

For a more detailed discussion of financial considerations and options for young adults, please read "Six financial planning tips for Millennials," featured in the Spring 2017 edition of *Perspectives* at [www.rbcwealthmanagement.com/ca/en/research-insights/financial-planning-tips-for-millennials/detail/](http://www.rbcwealthmanagement.com/ca/en/research-insights/financial-planning-tips-for-millennials/detail/).

other words, you choose to receive the interest at the end of the investment period, so the periodic interest payments get reinvested over the course of the entire term. When this happens, the interest gets added to the principal amount, and it's then able to grow period over period.



With compound interest, using the same example of a \$1,000 investment that earns 2 percent interest each year for three years, the following would happen:

- In year one, you'd earn the same \$20 as you would in the simple interest scenario.
- In year two, because the interest from year one (\$20) would be reinvested and added to your original

investment amount, you would earn more interest because the starting value would be higher (\$1,020).

- In year three, interest from years one and two would be added to the original amount, so the interest for year three would be calculated based on an even larger value.

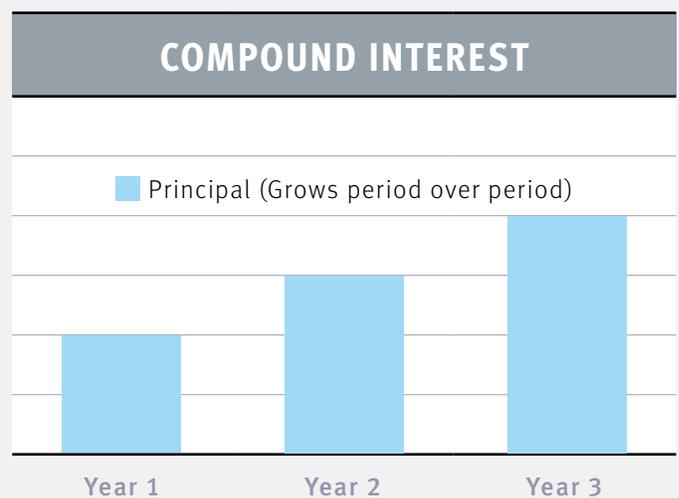
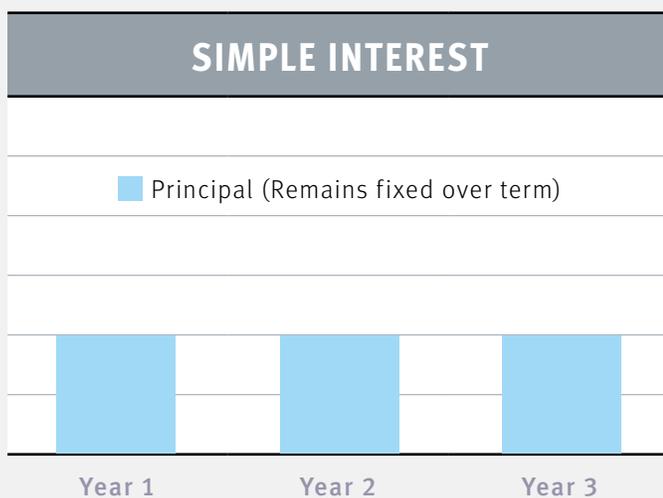


## TIP

An easy way to make your savings a priority is to set up an automatic savings plan directly from your bank account. As a general rule of thumb, aim to set aside about 10 percent of your income as a starting point each time it comes in, and then revisit this percentage and adjust it as your income increases over time. Consider speaking with your banking institution to find out what options may be available or for help in setting up scheduled savings.

### Simple vs. compound interest

The following graph illustrates the differences in what happens to the principal, or original investment amount, when simple or compound interest is applied. With simple interest, the principal flat-lines because it remains fixed over the term. With compound interest, the principal increases year over year (or period over period) as the new interest value gained is added, creating a valuable compounding investment return that grows over time.



For help estimating what your savings may be worth down the road with the impact of compound interest, RBC offers an RRSP Compound Interest Calculator, available at [www.rbcroyalbank.com/cgi-bin/retirement/compoundinterest/start.cgi/start](http://www.rbcroyalbank.com/cgi-bin/retirement/compoundinterest/start.cgi/start).

### The impact of time

When investments are earning compound interest, because of the compounding effect, the longer the money remains in this form of savings, the faster the savings will grow. From a timing standpoint, that means the earlier you get started with this type of saving and investing, the more time the funds will have to grow and compound.

### Leveraging the power of compound interest

It was the famous physicist Albert Einstein who once said, “Compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn’t, pays it.” The message he was trying to convey is that if you take the time to understand how compounding works and then put it to use properly as part of your investment strategy, there’s real power in how your overall savings can grow over time. Even if it’s a smaller amount invested early on, the effects of compounding can have an exponential impact on the long-term growth of your savings.

Given the nature of compounding, time becomes a very important element to consider as part of your savings and investment approach, as its value becomes increasingly evident over longer time periods. In other words, by starting early, you have time on your side to maximize your savings and the faster you may be able to achieve your long-term financial goals.

### The benefits of investing early—a case study

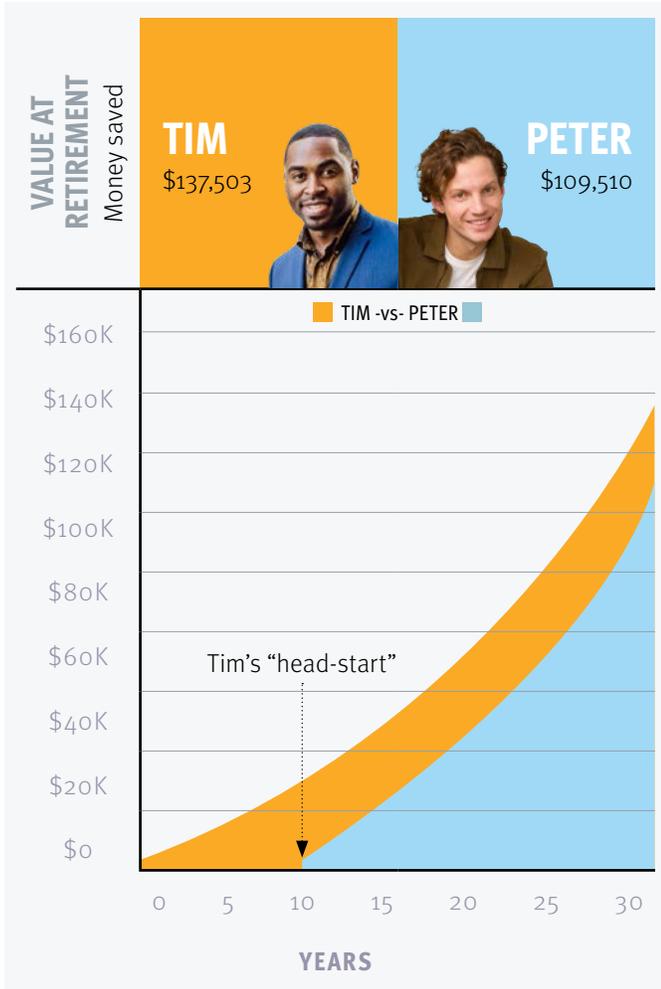
To illustrate the value of starting early and the positive effect that compounding can have on investments, consider the different approaches of Tim and Peter. Tim and Peter are both 30 years old and have a longer-term



goal of saving for their retirement. Tim is keen to start saving for retirement this year. Peter is more focused on his current lifestyle needs and wants, so he decides he’ll start saving 10 years from now; he figures he’ll still have time to catch up with his savings if he contributes more over a shorter period.

| Details                            | Tim             | Peter           |
|------------------------------------|-----------------|-----------------|
| Start date                         | Immediately     | In 10 years     |
| Starting age                       | 30              | 40              |
| Retirement age                     | 60              | 60              |
| Total term                         | 30 years        | 20 years        |
| Investment amount and frequency    | \$200/month     | \$300/month     |
| Compound interest rate             | 4% per year     | 4% per year     |
| <b>Total contributed over term</b> | <b>\$72,000</b> | <b>\$72,000</b> |

The only aspects that differ between Tim’s and Peter’s savings approaches are the time period and the investment amount. Here’s how these approaches unfold over time.



**Note:** For illustration purposes only; not reflective of current interest rates and market conditions.

### End result

At age 60, Tim will have almost \$30,000 more than Peter saved for retirement. Even though he contributed a smaller amount each month, he will be substantially ahead of Peter because he started earlier and capitalized on the power of compound interest. With more time to earn compound interest, his money will grow more over time. 📈

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# BUILDING SOUND FINANCIAL MANAGEMENT SKILLS WITH THE RBC WEALTH MANAGEMENT FINANCIAL LITERACY PROGRAM

The core concepts of saving and budgeting, as well as what interest is and how it works, are important components of financial literacy, and building knowledge in these areas helps to develop confidence when it comes to making informed financial decisions.

RBC WM understands the value of financial literacy for all age groups, and at the same time recognizes the heightened importance of helping to ensure younger generations and young adults have the tools and resources they need to take on financial independence.

With this in mind and to help bridge the current gap in financial education, RBC WM has launched the RBC WM Financial Literacy program, offering an RBC advisor-led comprehensive approach to building sound financial management skills for those who are 16 years of age or over.

To find out more, please read the Fall 2017 *Perspectives* article, “Introducing the RBC WM Financial Literacy program” at:

[www.rbcwealthmanagement.com/ca/en/research-insights/introducing-the-rbc-wealth-management-financial-literacy-program/detail/](http://www.rbcwealthmanagement.com/ca/en/research-insights/introducing-the-rbc-wealth-management-financial-literacy-program/detail/)

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## SETTING CLEAR SIGHTS ON RETIREMENT

*How target-date planning can help in tracking towards and realizing your retirement goals.*

**A** **MIDST** busy lives and schedules, the feeling of being short on time is a common one for many. And with many more immediate responsibilities to focus on, maximizing your savings and actively planning for your financial future can fall by the wayside.

While the majority of Canadians have good intentions to save early and to build their retirement savings—and 2016 Census data shows that about 65 percent of people are saving for retirement to some degree<sup>1</sup>—many don't have a clear idea of the types of investments to consider. Studies also indicate that almost one-third of Canadians over age 50 feel they aren't adequately prepared financially for retirement,<sup>2</sup> and a recent RBC survey found that among Canadians nearing or in retirement, 62 percent are worried about outliving their retirement savings and almost half are concerned they can't afford the retirement lifestyle they want.<sup>3</sup>

From these statistics, there are two important takeaway messages:

- Starting early and turning a dedicated focus to retirement savings can be very beneficial in helping to ensure you have the appropriate financial resources when the time comes, which

is critically important given factors such as the rising costs of healthcare and longer life expectancies in Canada.

- Finding the right investment approach for yourself is crucial, not only to help maximize your savings, but also because it can offer greater peace of mind in investing for the future.

### Choosing the right investment approach

When it comes to investing and the investing process as a whole, it should always start with determining your investor profile. Once you know what kind of investor you are, it's just as important to think about the amount of time you have or are willing to actively spend on this area of wealth planning.

Depending on personal circumstances, a challenge may be the time-consuming nature of continually trying to strike the right balance between risk and growth potential in your investments in the most effective and time-efficient way.

In considering your investment approach as part of your overall retirement savings plan, target-date funds may be a convenient and beneficial solution to consider, as they're designed to offer a high level of convenience.

### What are "target-date" funds?

Target-date funds are managed to a specific time horizon. What makes them an appealing option is that you only have to choose the fund with the target-date that best aligns with your approximate or projected retirement year, and the asset mix changes over time to help take you to, and through, your retirement goals.

"In general, target-date solutions have a positive effect on people's relationship with their retirement savings," notes Robin Quelhas, VP, Retirement Strategy & Portfolio Solutions, RBC Global Asset Management. "Because an investor's retirement date is a focal point in the decision-making process, individuals are typically more comfortable with the long-term nature of these investments and it can help some in overcoming the uncertainty that can arise with market volatility."

### Three key features of this type of retirement savings solution:

- + Diversifies your investment holdings
- + Simplifies your choices
- + Better manages volatility risk

The structure and design of this type of retirement solution also means that the funds are rebalanced on an ongoing basis, with a focus on reducing risk as the target-date approaches. This can effectively decrease the need to monitor your portfolio and to make timing or risk reduction decisions yourself. As Quelhas

explains, “When you commit to the established time horizon, you gain the incremental peace of mind that comes from knowing that your portfolio is always tracking towards your retirement goals.”

### Customizing for your timeline

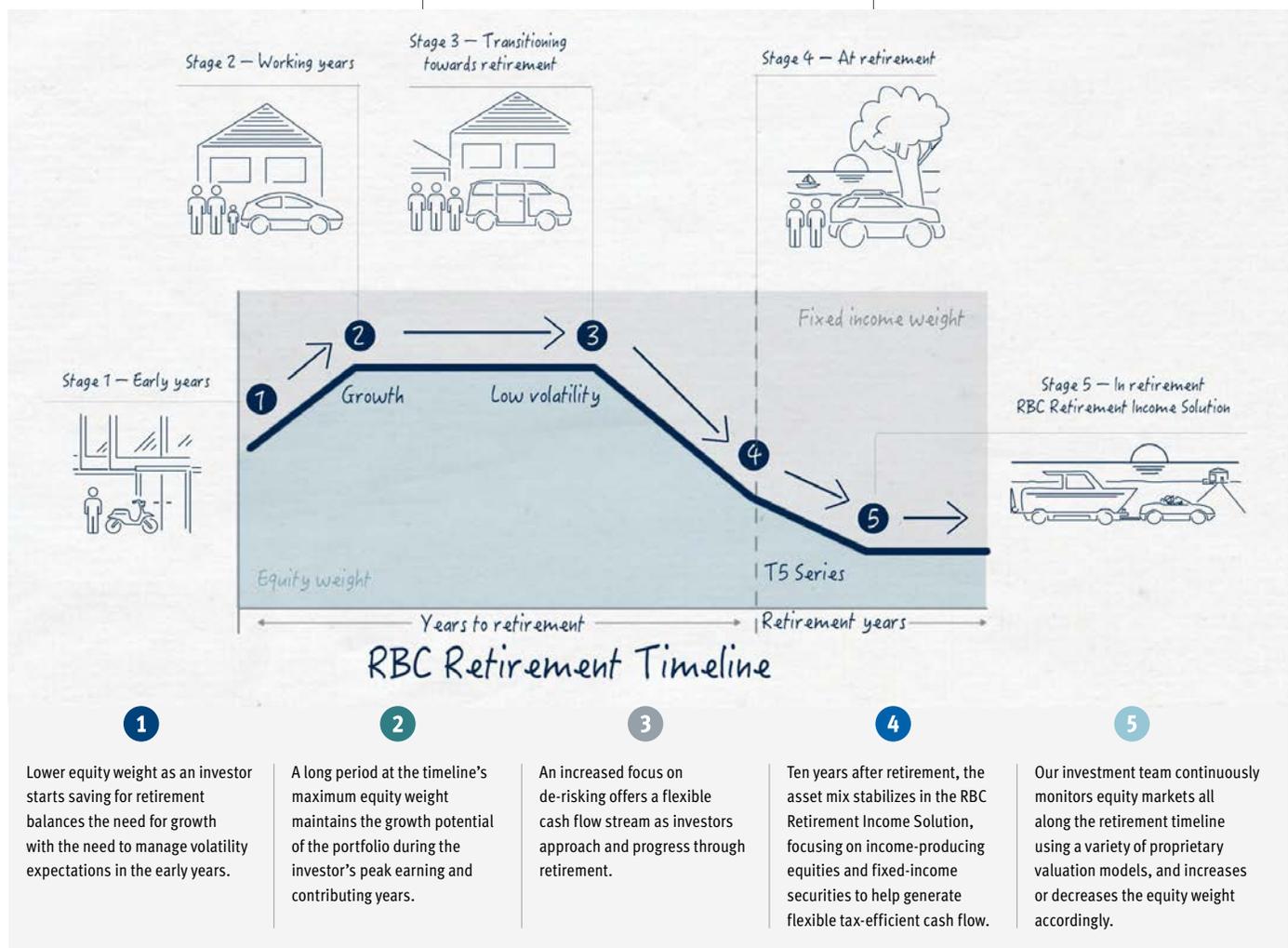
As a specific target-date retirement solution, the RBC Retirement Portfolios have been designed based on the premise that the potential for capital growth is important along the entire retirement timeline. There are currently seven different retirement portfolios to choose from, based

on varying time horizons, to meet the needs of individuals at different life stages over the course of their investing lifetime. (There’s also the RBC Retirement Income Solution for those who are approaching or already in retirement.)

For each portfolio, as it tracks along the timeline towards the target maturity date, the fund gradually shifts its asset mix, starting with an initial phase of slowly increasing equity exposure, then for the bulk of an individual’s working years, up to about 10 years before retirement, the primary focus is on equities. Then, it gradually

shifts from an emphasis on equity funds to more weight on fixed-income funds to preserve capital into and through retirement.

“This retirement solution draws on both our 30-plus years of asset allocation experience and investor behaviour research that we think will benefit investors, particularly in the early years,” notes Quelhas. “One significant difference between the RBC Retirement Portfolios and other target programs is that in the early days of the retirement savings timeline, the equity weight is relatively low. The first few years of retirement savings are typically



\*For illustrative purposes only. Target allocation of the Fund may vary in accordance with the targets outlined in the prospectus.

when investors are at their most vulnerable, confidence-wise. This approach can help individuals learn their way into the market and build comfort with volatility, especially if they happen to enter the market at a volatile time.”

Another key feature is that this type of retirement solution takes you not only up to that retirement date, but through your retirement as well. As Quelhas explains, “The first 10 years of retirement are typically the most uncertain ones as individuals make the transition, and they often need to make adjustments to their initial plans or the amount of cash flow they need. By taking the first 10 years of retirement to slowly continue on the path to risk reduction, investors benefit from the slightly higher growth potential of the funds as they make the transition from saving to generating cash flow from their investments.”

### Removing investment guesswork

With a target-date fund such as one of the RBC Retirement Portfolios, individuals select the date, and then from there, an experienced portfolio management team continually works at optimizing the portfolio on an ongoing basis.

“Beyond the gradual reduction in equity exposure after that initial five-year period, the composition of the portfolio is changing below the surface. While the equity weight may be constant for a number of years, there is a gradual migration from more growth-oriented equities to more income-focused and low-volatility solutions. The same can be said for the fixed-income component, as the allocation shifts

from more global and high-yield underlying funds to a higher portion of domestic and shorter-term solutions.” Quelhas notes.

### Giving thought to your time horizon

Regardless of whether your time horizon to retirement is longer or shorter overall, identifying a target year or general estimate as to when you envision yourself retiring is an important first step. Once that aspect is more clearly outlined, the next focus should be determining the most ideal type of investment approach or solution based on that timeline. “People often make a decision about when to retire in their minds but don’t connect that to their investments in a practical way, and committing to that time horizon can be a key piece of their retirement puzzle,” shares Quelhas.

Over the years, as your individual retirement journey potentially shifts or your circumstances or objectives change with shifting financial priorities, it can sometimes be difficult to manage progress towards your retirement goals. Solutions such as target-date funds may help in ensuring you’re optimally invested for growing your savings and for spending in retirement, at the same time **saving you time** in your overall planning.

To find out more, check out The Road to Retirement video on the RBC Global Asset Management

website at [funds.rbcgam.com/investment-solutions/portfolio-solutions/rbc-retirement-portfolios.html](https://funds.rbcgam.com/investment-solutions/portfolio-solutions/rbc-retirement-portfolios.html) or visit [funds.rbcgam.com/investment-solutions/portfolio-solutions/index.html](https://funds.rbcgam.com/investment-solutions/portfolio-solutions/index.html). 

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# *the* WEALTH ALPHA *potential of* individual pension plans

A comparison of retirement saving approaches for business owners.

**F**OR individuals and business owners alike, finding the most suitable approach to saving for retirement is a key aspect in overall wealth planning, and, depending on your circumstances, there may be a range of options to consider in helping to build and maximize your retirement nest egg.

For business owners in particular, this area of planning may take on even more significance, as it's fairly common for much of an owner's net worth to be tied up in the business, which means they may not be as well-diversified, and many may not be a member of a registered pension plan.

Also, when the business and its growth or success is the priority

(which is often the case, especially for owners who've poured a great deal of time and resources into their business over the years), looking ahead to retirement—and actively planning for it—is something that some entrepreneurs may find challenging, or that simply may not be top of mind.

In conceptualizing retirement and mapping out how that may take place, some owners may assume they'll be able to sell their business and then use the sale proceeds to secure their finances in retirement. Others may envision transferring the business to the next generation or to management. In either case, there are a number of things



that could happen to throw these intentions off course, and relying solely on the business for future retirement income may leave too much open to chance.

While it's good to have the best intentions and hopes when it comes to your ultimate exit from your business and transitioning into retirement, it's also crucial to have the safety net of a defined strategy with respect to your financial health at retirement, so you remain financially secure, no matter what ultimately happens with your business.

### Retirement planning options for business owners

As a business owner, finding ways to reduce risk is important, and holding some of your savings outside the business may be effective in this regard.

In general, withdrawing profits and paying yourself a salary (in addition to or instead of taking dividends) may offer two key benefits:

- It may protect profits from future potential business losses.
- It generates Registered Retirement Savings Plan (RRSP) contribution room or Individual Pension Plan (IPP) pensionable service.

Specifically in relation to the second point, the next step then becomes determining which savings vehicle (RRSP or IPP) will most likely offer the greatest value and benefits for your particular situation.

### Key features of IPPs

An IPP is a registered defined benefit pension plan established by a corporation that helps to enhance the retirement income of

an incorporated business owner, incorporated professional or key employee (it can also be extended to the business owner's spouse and/or children if they're employed by the company too). While an IPP usually has only one individual member, it can include up to three members, and there's no limit on the number of IPPs a corporation can sponsor.

In general, an IPP allows higher contributions than an RRSP, and it can be thought of as a replacement for your RRSP. The business makes annual contributions to the IPP over time and receives a tax deduction. And much like an RRSP, contribution room is earned if you earn employment income from your corporation, and funds in the IPP grow on a tax-deferred basis. This plan is also designed to pay out a steady stream of income at retirement that's determined by a benefit formula.

When it comes to funding the IPP, the sponsoring corporation is responsible for funding it and maintaining sufficient assets in the plan to provide the required benefit. And the funding phase mainly happens when a member is working and accumulating service years.

Beyond annual contributions, your business may potentially be able to make a large contribution when the plan is initially set up, to cover your years of service before the IPP was established—this can go all the way back to 1991.

IPPs may also offer increased

creditor protection, beyond what RRSPs offer, because they're considered a pension, which is protected under federal or provincial legislation, whereas RRSP assets are generally only protected from creditors in the case of personal bankruptcy.

In general, an IPP allows higher contributions than an RRSP, and it can be thought of as a replacement for your RRSP.

***Note:** It's always crucial to consult with a qualified legal advisor about available asset protection options.*

### The concept of "wealth alpha" and applying it to IPPs

When thinking of "alpha" specifically in terms of your investments, it can generally be defined as the return on or outperformance of an investment. But "alpha" can also be more broadly applied to various aspects of overall wealth planning, and in this case it becomes the incremental benefit or value that's added to your financial situation when certain strategies are implemented.

When considering different approaches for building retirement savings, further to consulting with your qualified advisors to ensure the options are appropriate for your particular circumstances, you should also look at how each one will pan out over time, as this may help to indicate the most effective long-term strategy.

With this in mind, let's consider a sample scenario to see both an RRSP and an IPP strategy in action and to better understand which creates the most "wealth alpha" potential.

# IPP vs. DIVIDENDS + RRSP a case study

Tanya is a 55-year-old owner of an established business with a longstanding track record of success. She's currently paying herself a salary of \$200,000 to maximize her RRSP contribution room, as well as dividends as a means to cover her lifestyle expenses. Tanya is wondering whether her current approach is the most effective for maximizing her retirement savings or whether she'd stand to benefit from implementing an IPP.

With the help of her qualified advisor, Tanya explores the following options:

- + Continue investing the surplus funds from her business in her holding company, while paying out a salary and dividends to maximize her RRSP contributions and to fund her personal lifestyle needs and costs.
- + Create an IPP that will be funded by her incorporated business.

## Calculation assumptions for this case study:

- + A 7.5% rate of return (ROR) inside the registered plans.
- + Tanya plans to retire at age 70.
- + All amounts are in after-tax dollars (please refer to specific tax rate notes in each illustration).

## Here's a look at how these two different options unfold over time:

### Option 1

In Tanya's situation, because she's able to contribute more funds to an IPP than to an RRSP, she invests the additional funds (the difference between her contributions to the two plans) in her holding company. When she retires, she withdraws those investments as dividends to supplement her income.

| Age | Dividends + RRSP |
|-----|------------------|
| 55  | \$687,447        |
| 56  | \$761,453        |
| 57  | \$842,299        |
| 58  | \$930,577        |
| 59  | \$1,026,935      |
| 60  | \$1,132,075      |

**Note:** Tax assumptions include a small business tax rate of 26.50% and an average tax rate of 32.92% at the time of withdrawal.

| Age | Dividends + RRSP |
|-----|------------------|
| 65  | \$1,816,974      |
| 66  | \$1,990,162      |
| 67  | \$2,177,163      |
| 68  | \$2,379,001      |
| 69  | \$2,596,784      |
| 70  | \$2,831,684      |

### Option 2

Here, Tanya instead focuses on maximizing the allowable contributions to her IPP. She still has a small amount of RRSP contribution room, so she continues to maximize that as well.

| Age | IPP + RRSP  |
|-----|-------------|
| 55  | \$724,937   |
| 56  | \$805,268   |
| 57  | \$893,546   |
| 58  | \$990,507   |
| 59  | \$1,096,955 |
| 60  | \$1,213,770 |

**Note:** Tax assumptions include an average tax rate of 39.24% at the time of withdrawal. The tax rate takes into account her retirement age, pension income and RRSP withdrawals. The actual tax rate may vary depending on individual circumstances at the time of withdrawal.

| Age | IPP + RRSP  |
|-----|-------------|
| 65  | \$1,987,738 |
| 66  | \$2,185,484 |
| 67  | \$2,399,536 |
| 68  | \$2,631,112 |
| 69  | \$2,881,532 |
| 70  | \$3,152,188 |

### The "wealth alpha" difference

After tax, with Option 1, when she reaches age 70, Tanya will have slightly over \$2.83 million accumulated for her retirement. With Option 2, she will have an after-tax accumulation of just over \$3.15 million when she retires at age 70. That translates to more than \$320,000 in additional funds—or the "wealth alpha"—for her retirement years.

It's also worthwhile to note that for each year Tanya pursues the IPP + RRSP strategy, its advantage on a percentage basis increases incrementally. For example, at age 55, the advantage of Option 2 after taxes will be 5.5%, and by age 70, that advantage will have grown to 11.3%.

For more information on this and other business owner planning topics, please read the *Perspectives*

**Business Owner Special Edition** at [www.rbcwealthmanagement.com/ca/en/perspectives/perspectives-vol-6-issue-2](http://www.rbcwealthmanagement.com/ca/en/perspectives/perspectives-vol-6-issue-2).

#### NOTE:

The information in this article is a selection of potential options to consider as part of overall planning. In all situations, it's crucial to consult with your qualified tax and legal advisors to determine whether these, or other, strategies may be suitable and to ensure your personal circumstances are properly accounted for.

## RECIPE

# Chicken, cheddar and cucumber remoulade salad

**Prep time:** 20 minutes

**Cook time:** 5 to 10 minutes

**Serves:** 4



### Ingredients

|         |  |
|---------|--|
| 3 tbsp. | Canadian cream cheese, softened                                |
| 1 tbsp. | lemon juice  |
| 1 tsp.  | lemon zest   |
|         | Salt and freshly ground pepper                                 |
| 1       | English cucumber, seeded and julienned (or grated and drained) |
| 1 lb.   | chicken breasts, cut into thin strips                          |
| 1 tsp.  | paprika  |
| ½ tsp.  | garlic powder  |
| ½ tsp.  | cinnamon   |
| 2 tsp.  | butter   |
| 6 cups  | baby spinach   |
| 4 oz.   | Canadian medium cheddar, grated                                |

### Directions

1. In a bowl, mix cream cheese with lemon juice and zest. Season with salt and pepper, and add cucumber. Stir and reserve.
2. Season chicken with spices.
3. In a saucepan, melt butter on high heat and brown chicken for 5 to 10 minutes or until thoroughly cooked.
4. Arrange spinach on four plates. Top with chicken, sprinkle with cheese and use the remoulade as the salad dressing.

### Nutritional breakdown (per serving)

**Calories:** 330

Protein: 34 g

Carbohydrates: 6 g

Fats: 19 g

Fibre: 2 g

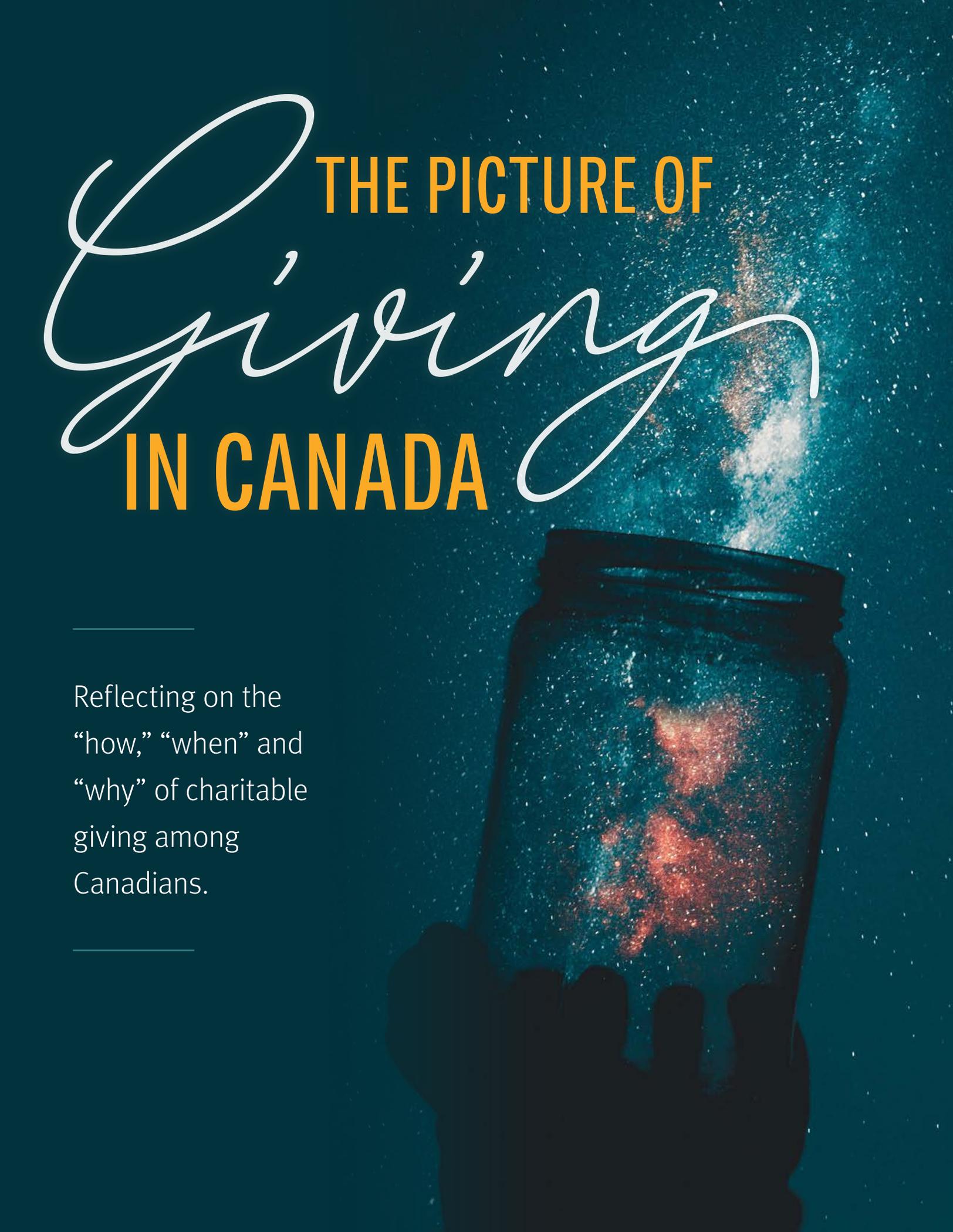
### Tip

For a slightly different flavour profile, try swapping the cheddar cheese for Swiss or Gouda.

Recipe and image reprinted with permission from Dairy Farmers of Canada [www.dairyfarmers.ca](http://www.dairyfarmers.ca).

Additional recipes can be found at [www.dairygoodness.ca](http://www.dairygoodness.ca).



The background is a dark teal color with a subtle, starry pattern. In the lower right, a hand is shown in silhouette, holding a glass jar. Inside the jar, there is a vibrant, multi-colored starry pattern, resembling a galaxy or a nebula, with shades of orange, red, and white against a dark blue background. The overall aesthetic is cosmic and inspirational.

# THE PICTURE OF *Giving* IN CANADA

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Reflecting on the  
“how,” “when” and  
“why” of charitable  
giving among  
Canadians.

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**W**ITH approximately 86,000 registered charities across Canada, and with so many different types and methods of giving, there's no shortage of options for Canadians when it comes to charitable endeavours.<sup>1</sup> And regardless of where, through what means or how much individuals give, the majority of Canadians do have charitable values and do give in some way. In fact, one public opinion poll notes that 82 percent of Canadians believe charities are important, and a 2018 Ipsos poll also notes that seven out of ten Canadians have given to charity over the past year.<sup>2,3</sup>

From a financial impact standpoint, what that translates to, according to Statistics Canada data from 2017, is \$9.6 billion in total donations reported by Canadian tax filers, which is up from \$8.9 billion in 2016. But interestingly, while the total amount of charitable donations increased that year, the number of individuals making those donations dropped slightly—and this is a trend that's been ongoing since 2011.<sup>4</sup> Similar findings are mirrored in *The Giving Report* (2018), which states that while Canada experienced growth in population per year from 2006 to 2016, and while Canadians donated more total dollars to charity during that time frame, individuals on average are progressively giving less (at least in regard to what's being reported by tax filers—statistics

such as these may also indicate that fewer people are claiming their donations on tax returns or they're giving in different ways).<sup>5</sup>

### Trends in giving

In general, Canadians tend to be more spontaneous with their giving, with the majority of individuals making donations in response to a request (whether that's a mail or online campaign or an appeal following a tragedy



## What is crowdfunding?

It's a practice of funding a project, initiative or need by raising funds from a large number of people, and this typically takes place online. Keep in mind that unless you're donating to a crowdfunding campaign set up by a Canadian registered charity, you won't receive a charitable donation tax receipt. Also, given the structure of crowdfunding, there's generally no accountability for where or how the funds get used or reported back to you as the donor.

or natural disaster, for example) or to support an event, activity or cause (such as attending a charity dinner, a contribution in memory of someone, a donation at work or via canvassers in a public place).<sup>6</sup> There's also a sharp increase in giving around the holiday season, with approximately 30 percent of donations taking place in December.<sup>7</sup>

And when it comes to the "who" of giving from a demographics standpoint, those aged 65 or over represent the largest donor base and account for over 40 percent

of total donations, and also have the highest average donation amount—\$2,500, compared to the national average of just over \$750.<sup>8</sup>

Within Canada's charitable sector, one of the most notable trends in recent years is the growing shift towards online donations, especially among younger generations. Of all methods of giving, Millennial and Gen X Canadians (those born roughly from 1980 to 1993 and 1960 to 1979, respectively) prefer more non-traditional forms (such as online donations) and are more likely to participate in crowdfunding.<sup>9</sup>

Digital giving has also expanded through a number of different avenues such as consumer or shopping websites, including donation requests or options as an add-on to a purchase, and crowdfunding websites, which are growing in popularity.

Social media has been another strong driver of digital donation trends, as it can offer an easy and quick environment to generate support and to connect with those who may share the same beliefs in and commitment towards a cause. When it comes to donating via social media, according to a recent Ipsos poll, approximately two in ten Canadians have donated to a charity in response to a request that came through their social media account, and again here, younger generations are the most likely to have made this type of donation.<sup>10</sup>



What's also important to recognize is the noticeable impact that the rise of crowdfunding and social media charitable requests has had on some charitable organizations, as many donations those charities may have otherwise received are now going to these new types of sources instead (which may not be qualified charities).

#### Where Canadians focus their giving

Among Canadians, the top five areas or causes that individuals give to are social services, health, public benefit, religion and education, and *The Giving Report* (2018) notes that when it comes to where Canadians donate, there's quite a bit of divergence, as these five categories each received over 19 percent of the number of donations, whereas the bottom five categories each received 10 percent or less (the total exceeds 100 percent, mainly because certain gifts can apply to more than one category; for example, a donation for education in the field of health).<sup>11</sup>

Research also indicates that donors tend to spread their giving out to various causes, as more than three-quarters of donors give to more than one cause, and almost one-quarter support four to five charities.<sup>12</sup> While

some may view this as an effective way to support multiple charities or causes they care about, another important consideration with this approach is whether it dilutes the impact their giving may have.

#### Drivers of giving

When you drill down to the “why” behind giving, the main motivations Canadians note include a compassion towards those in need, a personal belief in the cause, wanting to make a contribution to the community or being personally affected by a cause.<sup>13</sup>

In general, giving—in all of its forms—is something that most Canadians feel provides a sense of fulfillment or that helps them and their families make a difference by contributing to causes they care about.

Regardless of where you and your family may fit in terms of the trends, levels or types of giving, the “why” is an important aspect to zero in on. Giving thought to your charitable motivations and

potential philanthropic intentions may help you better define your beliefs and values, which may then be incorporated into more structured forms of giving that enable you to strengthen those values and to create a more meaningful difference over time.

#### Building a more meaningful approach

If you're someone who has philanthropic intentions, or if you're interested in finding ways to pursue philanthropy or to create a lasting impact, there may be a number of benefits that a more structured approach offers, depending on your goals and objectives.

First, it's important to understand some of the key differences between charitable giving and philanthropy and then to determine the right balance with your approach to giving. Where charitable giving is more immediate and reactive in nature, philanthropy is a more structured and targeted approach. Philanthropy is about developing a long-term vision for your giving and

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As part of your philanthropic exploration and planning, the Imagine Canada Guide to Giving may be a helpful resource to consider. It can be found at [www.imaginecanada.ca/guide-to-giving](http://www.imaginecanada.ca/guide-to-giving).

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enables you and your family to be more proactive with it. Additionally, building structure into your giving enables you to organize and map out how and when you will give, providing the means to better reflect your values and to ensure you leave a lasting legacy, if that's something you feel strongly about.

### Options for giving

As part of a philanthropic approach, there are a wide range of options to consider, including giving directly to a charity (with cash, securities, possibly non-cash gifts or even life insurance policies) or indirectly through a private or public foundation, for example. Giving can also be incorporated into your estate plans and in transferring wealth to the next generation. This may take place directly through charitable bequests in your Will, including legacy planning by making a bequest to a donor-advised fund or private foundation. Using a foundation may also allow the next generation to be involved and carry on your legacy after your lifetime. Personally or within your family, it's about finding the right level and approach that aligns with

your philanthropic objectives.

***Note:** When it comes to the type and timing of the giving strategy you want to pursue, it's important to consult with your qualified tax advisor to ensure that potential restrictions, taxes and potential advantages or drawbacks are properly accounted for.*

### Defining your philanthropic “big picture”

When determining if a structured approach to giving may be something you want to pursue or in deciding how you may want to pursue it, take some time to really reflect on your current giving and what goals you have. In doing so, consider your personal and family motivations for giving, now and in the future, as well as how much time and involvement you want to devote to philanthropic

endeavours. Depending on your personal situation and family dynamics, you may also want to start having a dialogue and conversations with family members to establish some initial goals and parameters. It's also crucial to consult with your qualified advisors in mapping out or implementing any giving strategy.

As you engage in this process, keep in mind that philanthropy is individual to each person and family, and it's a journey that may follow different paths as your goals and objectives shift over time.

For more information on giving and philanthropy, please read the Spring 2018 *Perspectives* article, “Creating a lasting impact,” at [www.rbcwealthmanagement.com/ca/en/research-insights/creating-a-lasting-impact/detail/](http://www.rbcwealthmanagement.com/ca/en/research-insights/creating-a-lasting-impact/detail/). 

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## RBC Future Launch

Empowering the youth of today for the jobs of tomorrow.



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