Retirement income illustration

Jennifer (Age 55)

Date

April 18th, 2023

Retirement Age

Jennifer (Age 63)

Selected Strategy

Registered Drawdown Strategy

After-tax retirement income

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Your advisory team

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Disclaimer

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Assumptions

Residency

We assume all income is earned within the province of Ontario in Canada for taxation purposes. Moreover, we assume any LIRA/LIF investments originated in Ontario and thus Ontario LIRA/LIF rules apply to them.

Pre-retirement and income leveling

When applicable, we will not calculate a level disposable income during a pre-retirement phase. Once the projection reaches the retirement phase, we produce a level disposable income throughout retirement under a variety of different strategies.

Investments

Once the default household asset allocation is selected, the rate of return associated to that allocation is used for all investment projections unless otherwise over-ridden at the account type level. Your selected default household asset allocation is: **Moderate 60% Fixed Income, 40% Equity with a 5% rate of return**

We assume all investment cash flows (either a contribution into or withdrawal out of an account) occur in their entirety at the beginning of the year. Annual account returns are applied to the market value after all cash flows have occurred. All capital gains are realized for tax purposes in the year that they occur.

The equity portion of taxable savings (non-registered savings) is assumed to have returns made up of 3 components: 50% realized capital gains, 25% eligible dividends, and 25% foreign dividends.

Corporate investments

Any corporate investments included will be withdrawn evenly over the selected period. Any corporate income or withdrawals do not have any bearing on the strategy comparison below as the corporate withdrawals are assumed to be the same under all three strategies for simplicity. When all personal assets are depleted and only corporate investments remain, corporate withdrawals are adjusted as part of the illustration to achieve the desired after-tax retirement income.

When making withdrawals from the corporation, we assume that tax-free capital dividends will be exhausted first, followed by eligible dividends, and lastly non-eligible dividends will be distributed to maximize tax deferral in retirement. These corporate withdrawals are added on top of personal income sources that you will receive in retirement.

When calculating the net estate value, this illustration assumes that any corporate investments will be liquidated at the end of the respective year and the corporation would be wound up within the following year. It also assumes that the capital losses incurred from the corporation windup will be carried back to the final tax return of the deceased to offset capital gains under the "164(6) loss carryback" strategy to minimize double taxation associated with corporate assets. The paid-up capital of the corporation's shares is assumed to be nominal (i.e. $1) so that the distribution of corporate dollars is treated as a dividend for tax purposes. Based on the corporation's notional account balances, a portion of the dividends may be designated as tax-free capital dividends, eligible dividends, and/or ineligible dividends to minimize taxation.

Life expectancy

All ages used for life expectancy were obtained from the Society of Actuaries Annuity 2000 Basic Table. All couples' projections assume both spouses will live until the end of the illustration.

Tax rates

This illustration determines all income taxes payable by using the most recent graduated tax brackets provided by the Canada Revenue Agency. Any probate taxes are determined in accordance with the information provided by the provincial jurisdiction.

Inflation

All income and savings are reported in today's dollars by taking a present value at 2% annual inflation. Inflation is applied to CPP/QPP, OAS, pensions*, annuities*, custom income sources*, income needs, tax bracket thresholds, tax credit amounts (personal, age), repayment or clawback thresholds (OAS and Age Credit clawbacks), annual TFSA contribution room, limit on annual RRSP contribution room gained. [*unless otherwise selected]

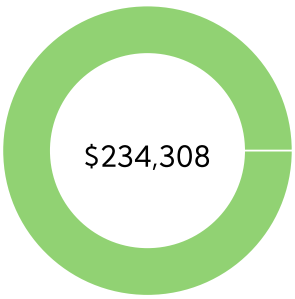
We've run a retirement income withdrawal plan three different ways to produce an after-tax annual retirement income of **$66,993**, changing the priority of withdrawal in each scenario and estimating the net estate value (after taxes and probate fees). For any corporate investments, the net estate value includes the after-tax dollars distributed to the estate upon liquidation and windup of the corporation.

Retirement income illustration

$66,993 is Jennifer's Maximum After-tax Retirement Income

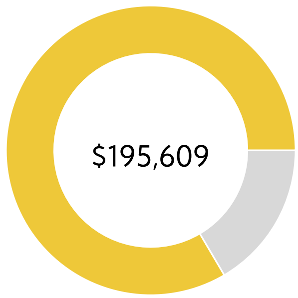
Difference of net estate at mortality (age 86)

Registered Drawdown Strategy



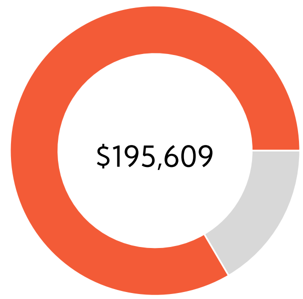
This strategy involves creating retirement income from registered funds first, reducing the risk of leaving highly taxable investment accounts to an estate. The second priority is given to taxable non-registered accounts, always leaving Tax Free Savings Accounts (TFSAs) last.

Hybrid Strategy



This strategy involves creating retirement income from non-registered funds first, deferring the income taxes payable on registered investments. The second priority is given to registered investments, leaving Tax Free Savings Accounts (TFSAs) last.

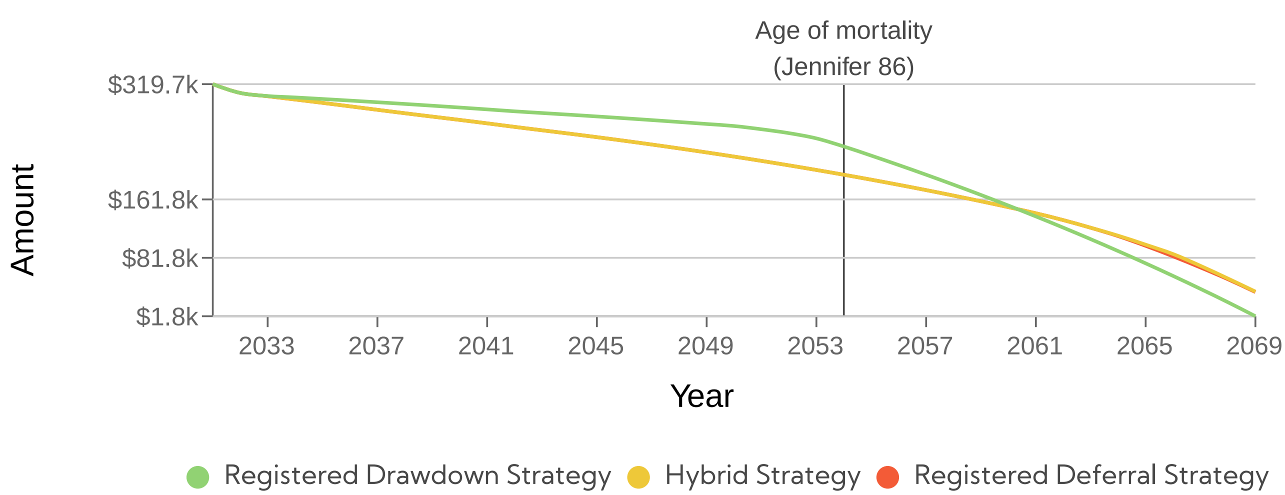
Registered Deferral Strategy



This strategy involves creating retirement income from non-registered funds first and postpones the use of registered funds as long as possible. The second priority is given to Tax Free Savings Accounts (TFSAs), always leaving registered funds last.

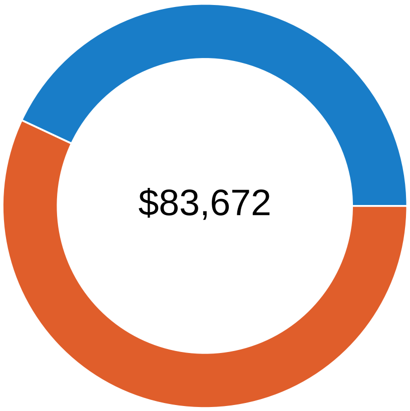
	Cum. Taxes	Gross Estate	Estate Fees + Tax	Net Estate	Difference
Registered Drawdown Strategy	$797,120	$244,923	$10,616	$234,308	$0
Hybrid Strategy	$730,895	$374,606	$178,997	$195,609	$38,698
Registered Deferral Strategy	$730,895	$374,606	$178,997	$195,609	$38,698

Net estate projection



Income snapshots (age 63)

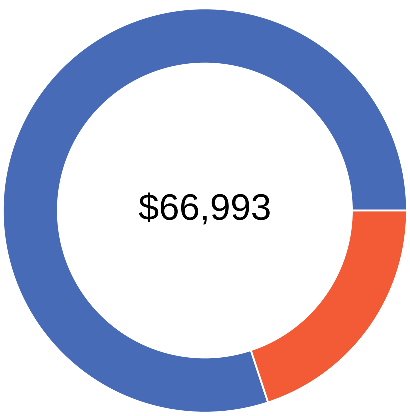
Gross income



DB Pension	$36,000
Registered Savings	$47,672

This gross income chart illustrates your total income from all sources, once you begin your long-term budget, at age 63, before applicable taxes, savings contributions, and clawbacks have been considered.

Disposable income



Disposable Income	$66,993
Taxes Payable	$16,680

This disposable income chart shows the total amount of money available for spending once you begin your long-term budget, at age 63, after savings contributions, income taxes, and clawbacks are considered.

Investable assets

	Jennifer
Registered Retirement Savings Plan (RRSP)	$500,000
Total	**$500,000**

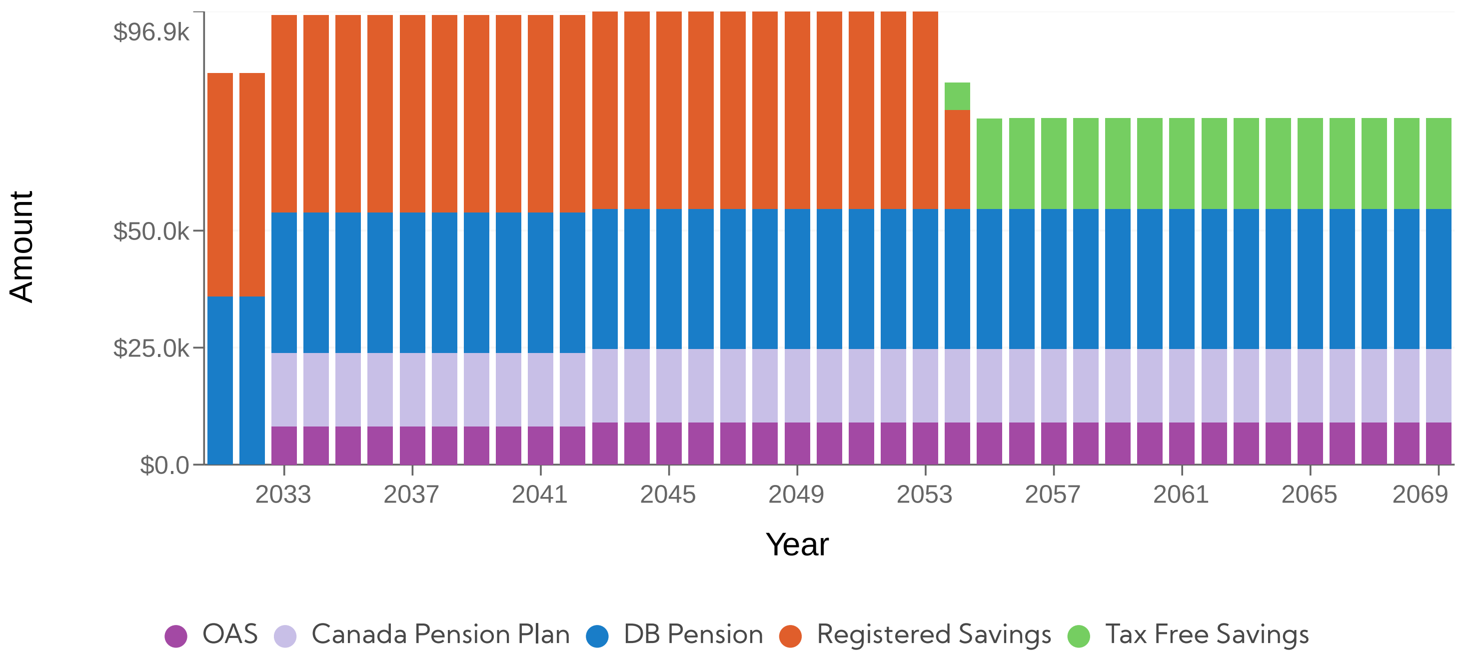
Future deposits

Recipient	Year	Amount

No deposits to show

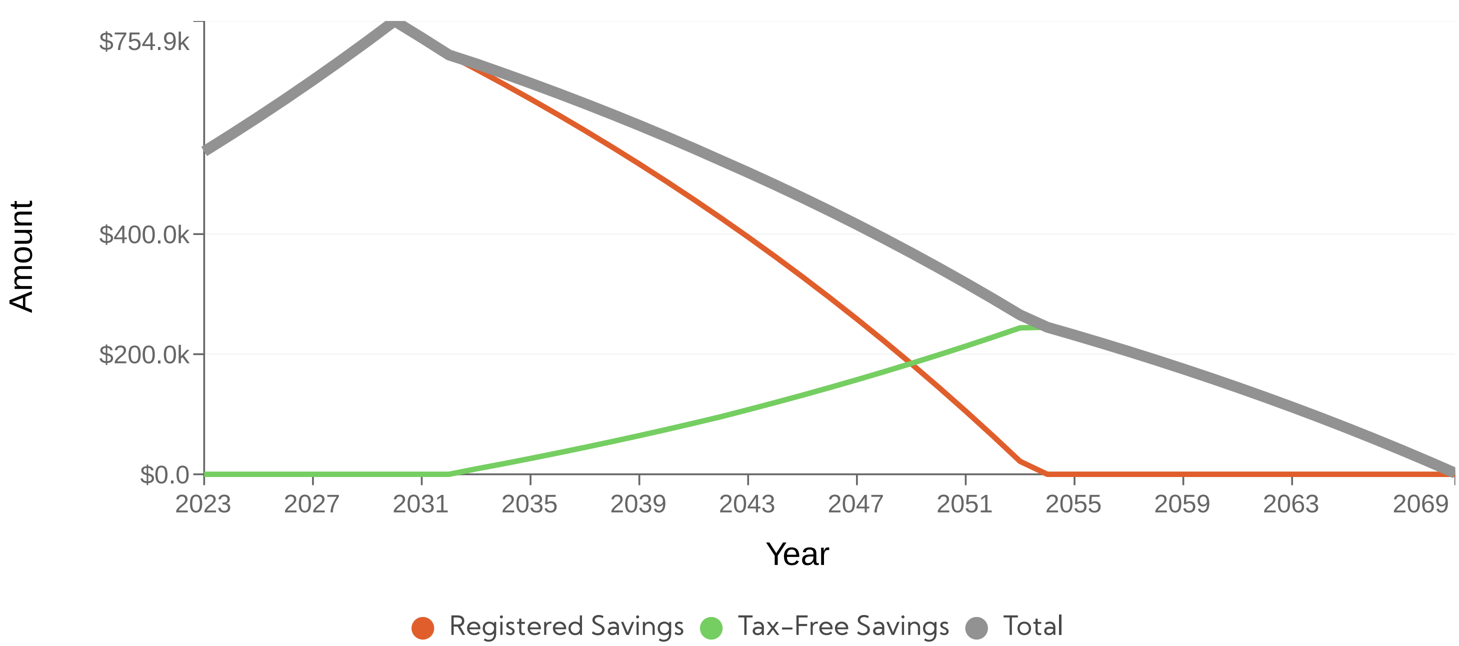
Income summary

The chart below provides a high-level overview of the various income sources that make up the household retirement income over time.



Investment projections

The chart below illustrates the market values of investable assets over time based on the selected strategy.



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5 year withdrawal summary

This table provides suggested monthly gross income sources and the estimated taxes for each income source to meet your desired after-tax income need over the next five years.

2031	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$0	$0	$3,000	$3,973	$0	$0	$0	$0	$0
Suggested Withholding Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0
Disposable Income	**$0**	**$0**	**$3,000**	**$3,973**	**$0**	**$0**	**$0**	**$0**	**$0**

2032	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$0	$0	$3,000	$3,973	$0	$0	$0	$0	$0
Suggested Withholding Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0
Disposable Income	**$0**	**$0**	**$3,000**	**$3,973**	**$0**	**$0**	**$0**	**$0**	**$0**

2033	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$0	$1,988	$2,500	$3,515	$0	$0	$0	$0	$715
Suggested Withholding Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0
Disposable Income	**$0**	**$1,988**	**$2,500**	**$3,515**	**$0**	**$0**	**$0**	**$0**	**$715**

2034	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$0	$1,897	$2,500	$3,515	$0	$0	$0	$0	$654
Suggested Withholding Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0
Disposable Income	**$0**	**$1,897**	**$2,500**	**$3,515**	**$0**	**$0**	**$0**	**$0**	**$654**

2035	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$0	$1,910	$2,500	$3,515	$0	$0	$0	$0	$663
Suggested Withholding Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0
Disposable Income	**$0**	**$1,910**	**$2,500**	**$3,515**	**$0**	**$0**	**$0**	**$0**	**$663**

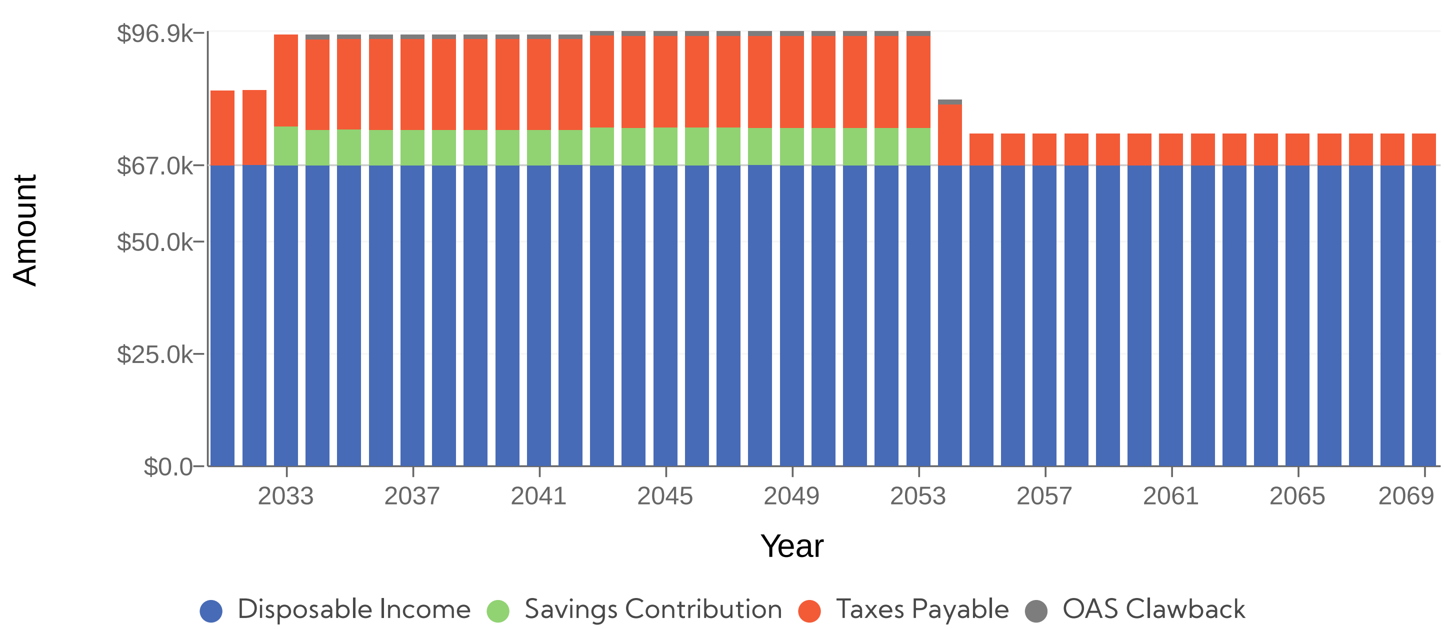
Income summary in milestone years

This table reports the gross amounts of income sources, and the corresponding tax payable, for the following years (if applicable): the year the projection starts, the year all registered accounts deplete, the year all non-registered accounts deplete, the year all TFSA accounts deplete, and the final year of the projection.

	2031 **Retirement Year** Age 63	2054 **Registered Ends** Age 86	2069 **Report Ends** Age 101
Employment Income	$0	$0	$0
Old Age Security	$0	$9,076	$9,076
Canada Pension Plan	$0	$15,600	$15,600
DB Pension	$36,000	$30,000	$30,000
Registered Savings	$47,672	$21,095	$0
Tax-Free Savings	$0	$5,834	$19,385
Non-Registered Savings	$0	$0	$0
Corporate Dividends	$0	$0	$0
Other Income	$0	$0	$0
Line of Credit	$0	$0	$0
Savings Contribution	$0	$0	$0
Taxes Payable	$16,680	$13,560	$7,068
OAS Clawback	$0	$1,053	$0
Disposable Income	**$66,993**	**$66,993**	**$66,993**

Disposable income breakdown

The chart below illustrates the amount of money that your household can spend over time, in today's dollars, after income taxes and savings have been deducted.



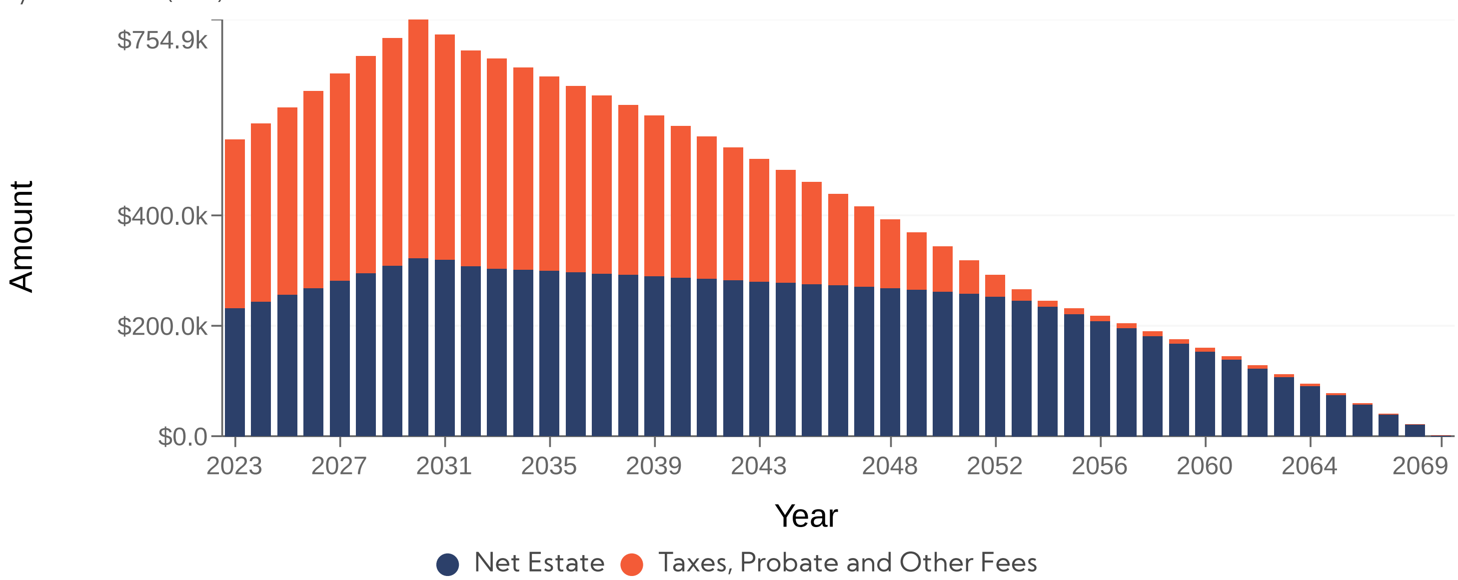
Investment & estate summary in milestone years

This table reports the investable asset market values, and a variety of estate taxes and fees for the following years (if applicable): the year the projection starts, the year all registered accounts deplete, the year all non-registered accounts deplete, the year all TFSA accounts deplete, and the final year of the projection.

	2031 **Retirement Year** Age 63	2054 **Registered Ends** Age 86	2069 **Report Ends** Age 101
Registered Savings	$727,064	$0	$0
Non-Registered Savings	$0	$0	$0
Tax-Free Savings Accounts	$0	$244,923	$1,883
Corporate Market Value	$0	$0	$0
Line of Credit	$0	$0	$0
Total	**$727,064**	**$244,923**	**$1,883**
Income Tax on Registered Savings	$375,261	$0	$0
Income Tax on Realized Capital Gains	$0	$0	$0
Income Tax on Corporate Windup	$0	$0	$0
Legal and Accounting Fees	$21,812	$7,348	$56
Probate Fees	$10,266	$3,268	$0
Net Estate	**$319,725**	**$234,308**	**$1,827**

Net estate projection

The chart below illustrates the gross estate in any one year, broken down by what is payable in tax and estate fees (Red), and the net estate retained by beneficiaries (Blue).



Key considerations

Consider deferring your CPP and/or OAS.

There may be an incentive to defer your Canada Pension Plan (CPP) and Old Age Security (OAS). You will receive 8.4% more every year when delaying your CPP payment beyond age 65. That's a 42% increase by age 70. For OAS, you receive 7.2% more for each year of deferral beyond age 65, that is a 36% increase if deferred to age 70.

Investing while withdrawing is different than investing while saving.

When withdrawing funds on a regular basis for retirement income, the order (or the "sequence") in which you receive your investment returns can make a significant difference in how long that income lasts. This concept is known as the Sequence of Returns Risk. Consider reviewing the proportion of fixed income that makes up your retirement income and the value that deferred/variable annuities (aka "segregated funds") may provide with their death benefit and maturity guarantees.

When do you convert your RRSP to a RRIF?

When you reach retirement, a registered retirement savings plan (RRSP) has the option of converting to a registered retirement income fund (RRIF). To provide a sustainable retirement income and minimize your income and estate taxes, we've calculated an average annual RRIF payment of $41,764 starting at age 63. At an assumed rate of return of 5%, this investment will deplete to $0 at age 86.

Be Aware of OAS Clawback.

Because of high taxable income levels, you may be required to re-pay some of your Old Age Security (OAS) benefit to the government, known informally as the "OAS Clawback." Consider reducing the amount of income taken from registered investments over other vehicles and consider drawing income from more tax efficient sources, such as Tax Free Savings Accounts (TFSAs).

Consider charitable donations.

Charitable donations in Canada are eligible for both federal and provincial donation tax credits, with combined incentives of up to 53% in some provinces. You can claim charitable gifts up to an annual limit of 75% of your net income during your lifetime, and up to 100% for gifts made in the year of death and the year preceding death. In addition, in-kind donations of publicly traded securities or mutual funds may be eligible for a 0% capital gains inclusion rate, thus eliminating income taxes on appreciated securities.

Disclaimers

The Retirement Income Illustration was based on the information provided by you in the Client Information Form and is intended to identify some options for creating tax efficient retirement income. Any changes to the information provided may impact the disclosure in this illustration.

This should not be construed as legal, tax or accounting advice. This material has been prepared for information purposes only. The tax information provided in this document is general in nature and each client should consult with their own tax advisor, accountant and lawyer before pursuing any strategy described herein as each client's individual circumstances are unique. We have endeavored to ensure the accuracy of the information provided at the time that it was written, however, should the information in this document be incorrect or incomplete or should the law or its interpretation change after the date of this document, the advice provided may be incorrect or inappropriate. There should be no expectation that the information will be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise. We are not responsible for errors contained in this document or to anyone who relies on the information contained in this document. Please consult your own legal and tax advisor.

Client information form

Client

Name	Year Of Birth	Sex	Province
Jennifer Wellington	1968	Female	Ontario

Section A: Employment details

Retired	Expected Retirement Age	Annual Gross Employment Income
No	63	$120,000

Section B: Defined benefits plan

DB Pension Amount	Projected Pension Start Age	Pension Payment Change	Pension Indexed To Inflation
$36,000	55	Yes	Yes

Section C: CPP/QPP details

Current Annual CPP Or QPP Amount	Projected Pension Start Age	Projected CPP/QPP Benefit
$0	65	$15,600

Section D: Old Age Security details

Annual OAS Benefit	Projected OAS Start Age	Client Has 40 Years Of Canadian Citizenship
$8,251	65	---

Section E: Investment assets summary

	Jennifer Wellington
Registered Retirement Savings Plan (RRSP)	$500,000
Annual Contributions	$12,000
Carry Forward Contribution Room	$50,000
Defined Contribution Pension Plan	$0
Locked-In Retirement Account (LIRA)	$0
Registered Retirement Income Fund (RRIF)	$0
Life Income Fund (LIF)	$0
Tax-Free Savings Account (TFSA)	$0
Carry Forward Contribution Room	$88,000
Non-Registered Savings	$0
Adjusted Cost Base	$0
Annual Contributions	$0
Joint Non-Registered Savings	$0
Adjusted Cost Base of Non-Reg Savings	$0
Total	**$500,000**

Section F: Corporate investment details

No Corporate Investments Have Been Entered For This Plan.

Section G: Additional information

One-Time Withdrawals Client Plans To Make In Retirement:

Custom Income Sources Used Towards Retirement Income: No

Client Have One-Time Deposits They Intend To Receive: No

Use Series T Funds For Jennifer's Non-Registered Account?

No

Inflation Assumption

2%

Longevity Buffer Years Past Life Expectancy

15

Income Levelling Begins

At Retirement

Desired After-Tax Retirement Income

N/A

Maximum After-Tax Retirement Income

$66,993

Client's Investment Risk Profile:

60% Fixed Income, 40% Equity with a 5% rate of return