

BMO NESBITT BURNS

# The RRSP Book



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## Invest in the life you want

The next few years will include some of the most exciting and challenging times of your life.

You'll have responsibilities, to be sure. Yet with the right planning, you'll also have the time and means to explore new opportunities. Whether it's starting your own business, upgrading your home, spending more time traveling, learning new skills, or devoting time to a passion you've dreamt about for years, you'll want to enjoy each new stage to the fullest.

The whole notion of retirement is changing. So is retirement planning. More than likely, you will work and save and move gradually between each new stage in your life. Nevertheless, there are some important questions you should think about today:

What will your retirement look like? Where will your retirement income come from? How much will you need? When will you need it? Will you be able to control your income during retirement?

At BMO Nesbitt Burns, we are committed to helping you reach your retirement objectives. We'll listen to what you want and work with you to develop a plan that helps you feel comfortable and secure.

The RRSP Book has been developed to answer your questions about RRSPs and the various planning opportunities available, so you can take maximum advantage of this tax deferred savings plan. If you have any further questions, your BMO Nesbitt Burns Investment Advisor will be pleased to answer them and help you develop your own personal retirement strategy.



## Thinking about retirement

Retiring in comfort is something most of us aspire to, yet few take the time to examine what it really means and, more importantly, what it will cost and where the money will come from.

There is some debate as to how much you'll need to retire comfortably. A standard rule-of-thumb suggests you'll need 70 percent of your pre-retirement income to maintain a comparable standard of living. But there is no "standard" retirement these days. Your plans and dreams will differ from others.

With a better understanding of the sources of your retirement income, especially those that offer the most flexibility, you'll be able to create an RRSP savings plan that meets your retirement income needs and enables you to pursue the life you want.

Your retirement income will come from three main sources: government pensions, company pension plans, and personal savings. However, it is increasingly apparent that the vast majority

of this income will need to come from personal savings such as RRSPs. Even if you do participate in a company pension plan for most of your career, it may not be sufficient to meet your needs.

### Government sources

If you turn 65 this year, and qualify for the maximum Canada Pension Plan (CPP) /Quebec Pension Plan (QPP) and Old Age Security (OAS) annual benefits, you will receive an amount each month as determined by the governing agency (approximately \$16,000 annualized for 2008). Depending on your annual earnings your entitlement to OAS may be reduced. In addition, collecting CPP/QPP earlier than age 65 will reduce your annual benefit. On the other hand, if you delay collecting until after age 65, your benefit is increased. Although CPP/QPP and OAS are indexed to inflation, your payments are fixed and paid monthly.

### Employer pension

If you are fortunate enough to be employed by a company that offers a generous defined benefit pension plan, you may be subject to

the maximum payout limits, depending on your salary level. If you are a member of a defined contribution plan, you are not guaranteed a specific annual pension. Instead, you will be required to determine the amount of your contributions and manage the investments, and your pension payment will be based on how well the plan has performed.

If government and employer pensions will not be sufficient for you to meet your lifestyle goals, personal savings, especially those that provide tax-deferred savings such as RRSPs should be your first investment priority.

## The RRSP solution

An RRSP is a tax-deferred plan designed to help you save for retirement. With an RRSP, your contribution is tax deductible and, once in the plan, continues to grow on a tax-deferred basis until the funds are withdrawn. Any funds removed from your RRSP are taxed in the year you withdraw them. At retirement, the funds may be rolled into any of the RRSP maturity options where they continue to be tax sheltered, except for the amount of money you take out as income each year.

As the following example shows, when it comes to saving for your retirement, you can't beat the combined tax benefits of an RRSP.

Bob and Sara both have \$10,000 to invest each year. Bob chooses to put his \$10,000 in an RRSP and Sara chooses a non-RRSP investment. We assume both are in the 46 per cent tax bracket and both investments earn eight per cent per year. After 25 years, Sara's non-registered investment account is worth just \$244,976 while Bob's RRSP has grown to \$789,544 – a difference of over \$544,000. The reason Bob's RRSP investment came out so much further ahead is because the income tax is deferred on both the capital invested and the income earned.

Unfortunately for Sara who chose to invest her \$10,000 outside an RRSP, the \$10,000 must be taxed before it can be invested. That leaves her with only \$5,400 to invest. In addition, all of the income her investment earns is taxed each year. Instead of earning eight per cent, she is actually earning only 4.32 per cent after tax.

Now let's assume that Bob and Sara are now both 65 and want to begin making withdrawals to supplement their retirement income. Now that they are retired, they are in a lower tax bracket of 33% and their investments will continue to earn eight per cent annually. While Bob's annual withdrawals will be taxed at 33%, Sara's will not as she has been paying tax on the contributions and income each year.

Sara's non-registered investment account will provide her with an income stream of \$16,216 annually for the next 25 years. However, Bob's RRSP (which he converts into a RRIF) will generate an annual after-tax income stream of \$49,555. That's \$33,339 more money each year just because Bob used an RRSP to save for his retirement. The added income generated by the RRSP will go a long way towards helping fund Bob's retirement dreams.

	<b>Sara</b>	<b>Bob</b>
Amount Invested Annually	\$5,400 after tax	\$10,000
Rate of return	4.32% after tax	8%
Plan balance at age 65	\$244,976	\$789,544
Annual after-tax withdrawals from age 65 to 90	\$16,216	\$49,555

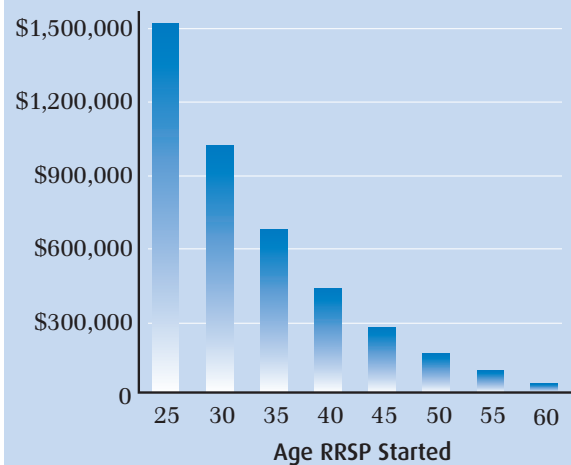


## Start early

Many people do not get serious about building their retirement assets until 10 or 15 years before they plan to retire. However, because of the tremendous impact that compound interest has on the growth of your RRSP, you should start your plan as early as possible, contributing as much and as often as you are able.

Let's compare the difference between starting your RRSP at age 30 and age 50. Assume that you contribute \$5,000 each year until age 65 and earn eight per cent annually. Starting at age 50, you would accumulate \$146,621 by the end of the year in which you turn 65. By starting at age 30, you would build an RRSP worth \$930,510 by age 65. Even though you would have contributed an additional \$100,000 by starting 20 years earlier, your RRSP would have grown by an additional \$683,889. That's a considerable advantage for starting early!

### RRSP accumulated by age 65 (\$5,000 annual investment at 8%)



### Maximize your contributions

The ability to save with an RRSP is affected by many things, including the annual deduction limit, your earned income and your pension adjustment. The easy way to find your RRSP deduction limit is to look it up on the Notice of Assessment that the Canada Revenue

Agency (CRA) sends back to you after you file your income tax return. Here's how to verify that figure for yourself:

### RRSP deduction limit:

#### Step 1

Unused RRSP deduction room from previous years	<b>plus the lesser of:</b>	18 per cent of your prior year's earned income <b>– or –</b> the annual RRSP dollar contribution limit
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#### Step 2 (if applicable)

Deduct your previous year's Pension Adjustment (PA) and net Past Service Pension Adjustment (PSPA)

### RRSP dollar contribution limits

Year	Lesser of:	
		18%
2007	\$19,000	or of prior
2008	\$20,000	year's
2009	\$21,000	earned
2010*	\$22,000	income

\* After 2010, RRSP deduction limit increases will be tied to the growth in average wages.

### Earned income

Earned income includes: net employment, self employment and business income; disability payments from CPP or QPP; royalties; net rental income; taxable alimony and separation allowances received; net research grants; employee profit-sharing plan allocations; and supplementary unemployment benefit plan payments. Earned income does not include: government Employment Insurance (EI) benefits; retiring allowances; pension benefits whether from a Registered Pension Plan (RPP), CPP, QPP or OAS, or a withdrawal from an RRSP or Deferred Profit Sharing Plan (DPSP).

In addition, if you deduct your alimony or maintenance payments in order to determine

your taxable income, then you must deduct them when calculating your earned income. If you have rental losses, those too are deducted from total earned income.

### Pension adjustments

The Pension Adjustment (PA) is an attempt to add an element of fairness to the total pension saving system. There should be no difference in your ability to save for retirement whether you are saving with an RRSP or through an employer sponsored pension plan. If you have a generous pension plan, your PA will be much higher than if you are in a less generous plan.

Relatively few taxpayers will have a Past Service Pension Adjustment (PSPA) unless their pension entitlement has been enhanced. If you are entitled to a PSPA, your company will provide you with complete information.

### Getting back your contribution room

Pension Adjustments are calculated assuming that you will remain with your employer until retirement. If you change jobs prior to retirement, you may find that the termination benefit from your pension plan is less than the amount of RRSP contribution room you lost due to the Pension Adjustment. If this happens, the Pension Adjustment Reversal (PAR) will restore your lost RRSP contribution room. Your pension plan administrator will calculate the amount of your PAR and notify both you and CRA. CRA will add the value of the PAR to your RRSP contribution room. Since the PAR restores RRSP room, there are no restrictions as to how or when the "new" room is used. You may use the extra RRSP room to make an RRSP contribution to your own plan, or a spousal plan. You may contribute now or carry the room forward and contribute later.

## Carry forward rules

If you do not take full advantage of the RRSP deduction room available to you this year, you may defer making use of it until a future year. For example, let's say that you have \$15,000 of RRSP contribution room, but can't make a contribution right now. Under the carry forward rules, you can carry part or all of the \$15,000 contribution room forward for use in some later year. The RRSP deduction limit indicated on your annual Notice of Assessment will already factor in any unused RRSP room from previous years.

## Tax deductibility carry forward

This carry forward provision allows you to make your RRSP contribution and then not claim the tax deduction until some future year when you decide it would be more advantageous from a tax perspective. This ability to carry forward the tax deduction can be very useful in a year when you have the financial ability to make a contribution, but in which the tax deduction would be of little or no use. This provision is useful for taxpayers who have incomes that fluctuate widely from one year to the next.

### Tip:

If you receive an inheritance and want to catch up on unused RRSP room, remember to spread the deduction over a number of years to maximize the tax savings.

## Over contributions

Although there are contribution limits, you are allowed to exceed your RRSP deduction limit by a lifetime maximum of \$2,000. CRA has provided this \$2,000 over contribution cushion to help those taxpayers who accidentally over contribute. There is a one per cent per month penalty tax for contributions which exceed the combination of your maximum deduction limit and the lifetime \$2,000 over contribution limit, so calculate your deduction room carefully. If you do over contribute in error, you may be able to withdraw the over contribution without paying income taxes on the withdrawal.

### Tip:

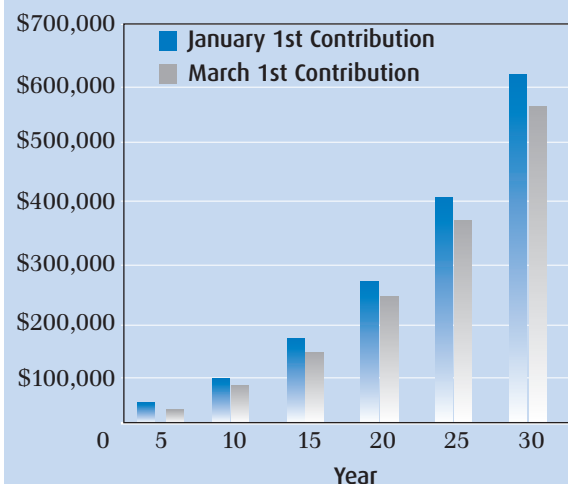
You have 60 days after the end of the year to make a RRSP contribution for the previous tax year. If you want a 2008 tax deduction, the deadline for making your RRSP contribution is March 1, 2009. The deadline for making a 2009 RRSP contribution will be March 2, 2010.

# RRSP saving strategies

## Contribute early

Many RRSP owners make their contributions during the last two weeks of February. By doing so, they effectively lower the value of their RRSP. By contributing on January 1st rather than on March 1st of the following year, the money is in the RRSP for an additional 14 months. Compounding, especially over a number of years, can have a profound effect on the total value of the RRSP. As the graph shows, if you contributed \$5,000 on January 1st each year for 30 years and earned an eight per cent return, you would have \$57,279 more money in your RRSP than if you made your annual contribution on March 1st of the following year.

## The value of early RRSP contributions







### **Contribute longer**

As long as you continue to have earned income or unused RRSP room, you may continue to contribute to your RRSP up to and including the end of the year in which you turn 71 years of age. RRSP contributions are deductible against any type of income including pension or investment income.

Once you turn 71, you have until the end of that year to mature your RRSP. However if your spouse is still young enough to have an RRSP, you may contribute to a Spousal RRSP and take the tax deduction for your contribution, even though you may no longer contribute to an RRSP for yourself.

### **Borrow wisely**

While you may carry forward your unused deduction room, it may still make sense to borrow the funds today to make your RRSP contribution as soon as possible. Let's face it, if it is difficult to make this year's RRSP contribution, it probably won't be any easier to come up with twice as much money next

year. But, since the loan interest is not tax deductible, if you decide to borrow the money, you should plan to use your tax refund to partially repay the loan and pay the entire balance off within the year. Once you have paid off the loan, continue making the "loan-like" payments directly to your RRSP for future years' deductions.

## **RRSP withdrawals**

CRA allows for partial withdrawals from your RRSP at any time. However, it is important to keep in mind that the funds in an RRSP are designed to provide you with a lifetime retirement income. When money is withdrawn from your RRSP it is considered part of your taxable income for that year. You will pay tax on the money withdrawn at your marginal tax rate.

At retirement, if you place the funds in one of the qualified post-RRSP maturity options, you will be taxed only on the portion paid to you each year.

If you make a withdrawal under the Home Buyer's Plan or Lifelong Learning Plan, the amount withdrawn must be repaid over a 15-year period. Only amounts that are not repaid in a given year are considered taxable. For more information on these two programs, see page 12.

### Early withdrawals

Early withdrawals from an RRSP may seriously affect the amount of money you accumulate by retirement. For example, if you made a \$5,000 contribution each year for 25 years and earned eight per cent per year, your RRSP would be worth \$395,000 at the end of 25 years. However, if in the tenth year, instead of contributing \$5,000, you withdrew \$10,000, your RRSP would only be worth \$343,000 after 25 years. It is also important to keep in mind that all money withdrawn from your RRSP is subject to income tax in the year of withdrawal. As a result, you may be better off getting the necessary cash from somewhere other than your RRSP.

### Withholding tax

When you withdraw money from your RRSP (other than for the Home Buyer's or Lifelong Learning Plans), the trustee of your plan is required to withhold tax and remit it to CRA on your behalf. When you prepare your annual tax return, the tax withheld is reported as tax already paid.

Amount of withdrawal	Withholding tax in all provinces except Quebec	Withholding tax in Quebec*
Up to \$5,000	10%	21%
5,001 to \$15,000	20%	26%
More than \$15,000	30%	31%

\* In Quebec the withholding tax is higher because it includes provincial as well as federal tax.

## Investment choices – Make your money work for you

Although it helps to be somewhat knowledgeable about investments, there is no need to be an expert since you will be managing your RRSP with the assistance of your BMO Nesbitt Burns Investment Advisor. Your Investment Advisor will provide you with professional advice and help you properly structure your RRSP portfolio. In a Self-Directed RRSP, you may invest in a long list of qualified investments approved by CRA.

#### These include:

- Guaranteed Investment Certificates;
- Treasury Bills;
- Qualified mutual funds;
- Canada Savings Bonds;
- Bonds and debentures of Canadian governments and crown corporations;
- Shares and debt instruments issued by corporations listed on prescribed stock exchanges;
- Rights and warrants that, if exercised, would acquire securities that are qualified investments;
- Certain Canadian mortgages;
- Certain call and put options;

#### Non-qualified investments include:

- Real estate;
- Personal property, such as art, antiques and gems.

If you currently own a qualified RRSP investment personally, it can be contributed to your Self-Directed RRSP in place of a cash contribution. The investments contributed will be valued at the previous day's closing

bid price. For tax purposes, this price will be considered the dollar value of your RRSP contribution as well as the proceeds of disposition. If this transaction generates a capital gain, you must pay taxes on the capital gain.

### Tip:

Don't contribute securities with an accrued capital loss. If the transaction results in a capital loss, the capital loss is disallowed and cannot be used personally or by the RRSP.

## Foreign securities

You may hold qualified foreign securities in your RRSP. Canada comprises less than 3% of the world equity market. In other words, more than 97% of global equity market opportunities are outside of our borders. As such, it is important to consider the benefits of including foreign investments in a well-diversified portfolio. When looking to increase foreign content, we tend to focus primarily on U.S. investments. However, increasing direct holdings of U.S. investments may result in a U.S. estate tax liability at death. For Canadians, the U.S. estate tax is calculated only on U.S. investments but includes investments in registered plans such as RRSPs. For more information on U.S. Estate tax ask your Investment Advisor for our publication called *Tax and Estate Consequences of Investing in U.S. Securities*.

## Mortgages as an RRSP investment

While most Canadian mortgages are qualified RRSP investments, many institutions which offer RRSPs will only accept non-arm's length mortgages. A non-arm's length mortgage is one in which you or your spouse have a personal interest, such as your home or cottage. Mortgage re-payments made to your RRSP are not considered contributions so you don't use up RRSP room and you won't get a tax deduction.

By holding your mortgage in your RRSP as part of your fixed income component of your asset mix, your RRSP may earn a higher interest rate than other guaranteed rate investments.

The lack of diversification and the significant costs involved in holding your mortgage in your RRSP must be taken into consideration before putting your mortgage in your RRSP. These costs reduce the overall rate of return earned by your mortgage investment. Depending on market conditions, investment options such as mutual funds, bonds and equities may offer an opportunity for higher returns than the mortgage would yield over the same period.

## Special situations

### Spousal plans

Pension income splitting can reduce a couple's overall tax bill by taking advantage of a spouse's or common law partner's lower marginal tax rate where retirement incomes of spouses are disproportionate.

Changes to the federal tax rules allows a Canadian resident individual receiving eligible pension income to allocate up to 50% of this income to their spouse.

The use of Spousal RRSPs as an income splitting tool may still be recommended despite the opportunities created by pension income splitting, since Spousal RRSPs will allow for additional income splitting prior to age 65. In addition, a Spousal RRSP provides a further opportunity to increase the amount of income splitting beyond the 50% limitation provided by the new rules.

A Spousal RRSP is the same as a regular RRSP except that a Spousal RRSP is registered in your spouse's name while you, as the contributing spouse, take a full tax deduction for all the contributions you make to the

spousal plan. When withdrawals are made, they will be taxed in the hands of the plan holder, not the contributing spouse as long as three years have passed since the last spousal contribution was made. The most advantageous scenario for a Spousal RRSP occurs when the plan holder would otherwise have little retirement income, while the contributing spouse would have a significant amount of income. If there will be a big discrepancy between your retirement income and that of your spouse, you should consider a Spousal RRSP.

Your RRSP contribution can be made to a Spousal RRSP, your personal RRSP or split between the two plans.

### **Retiring allowance rollover**

A retiring allowance is any payment made to an employee, at or after termination, in recognition of long service or for loss of employment. It also includes unused sick leave payments. You may roll \$2,000 into your RRSP for every calendar year, or part year, that you were employed by your company prior to 1996. No rollover is allowed for years of service after 1995. You may roll another \$1,500 for every calendar year (part years count as full years), before 1989, that you were not a member of a vested registered pension plan or DPSP. A retiring allowance rollover is in addition to your regular RRSP deduction limit and must be made into your own RRSP, not a spousal plan. You have until 60 days after the end of the year that you receive the retiring allowance to contribute to your RRSP using the rollover rules. The amount of retiring allowance you rollover to your RRSP is not considered locked-in.

### **Home Buyers' Plan**

The Home Buyers' Plan (HBP) is a federal government program that allows you to withdraw up to \$20,000 tax-free from your

RRSP to purchase or build a qualifying home. You must be a first-time home buyer, as defined by CRA, to participate in the program. If you are not a first-time home buyer, you may also participate in the program if you:

- Are disabled or have a spouse or blood relative who is disabled and you withdraw funds to help buy a home that is more accessible or better suited to the disabled person's needs;
- Have not owned a home during the four to five years prior to the withdrawal;
- Have repaid all amounts previously withdrawn under the HBP before the beginning of the year you wish to participate again and have not owned a home in the four to five years preceding the withdrawal.

Amounts withdrawn from your RRSP under the HBP must be repaid to your RRSP over a 15 year period. While the HBP initially looks attractive because no interest is paid on the loan from your RRSP, the loan is not free. The considerable cost to your RRSP is the potential growth of the loan amount and the compound income it would have earned over time. The younger you are, the greater the loss to your RRSP.

### **Lifelong Learning Plan**

You may make tax-free withdrawals from your RRSP through the Lifelong Learning Plan (LLP) to finance full-time training and education costs for you or your spouse. You may withdraw up to \$10,000 a year – over a four-year period – to a maximum of \$20,000. If either you or your spouse are disabled, part-time training and education costs would be eligible.

Amounts withdrawn from your RRSP through the LLP are considered a loan and must be

repaid to your RRSP within 10 years. The first repayment must be made in the year following the last year you or your spouse were enrolled full-time, or in the fifth year after the first withdrawal was made, whichever comes first. You may take advantage of this program more than once in your lifetime, however, once you begin making repayments to your RRSP, no new withdrawals will be allowed until all repayments have been made.

## Leaving a legacy

One advantage of an RRSP is the ability to name a beneficiary to receive the funds remaining in your plan at the time of death. By naming a beneficiary directly on your registered plan, the assets can pass to the beneficiary without having to go through probate. This can result in significant savings in provinces where probate is charged based on the value of the estate. In Quebec, beneficiary designations should be made in your Will.

The full value of your RRSP will be paid to your chosen beneficiary or, if you have not named a beneficiary, it will be paid to your estate. No withholding tax is applied to the payment to the beneficiary. Instead, the full amount of the RRSP proceeds is included in your income tax return in the year of death regardless of who the beneficiary is. In effect, the beneficiaries of your estate will bear the tax cost of the RRSP.

### Naming a beneficiary

A beneficiary designation can be made in writing either directly on the RRSP application form, on a beneficiary change form, in a letter, or in your Will and can be changed only by the plan holder.

You should review your beneficiary designation whenever there is a change in

your personal circumstances such as marriage or divorce, death or birth. For example, if you are married, you have likely named your spouse as the beneficiary of your plan. Should you divorce, the beneficiary designation on your account will not automatically change.

Another important change occurs when you convert your RRSP into a RRIF. The RRIF is considered a separate plan so you should ensure you have named a beneficiary for the RRIF either in the plan documentation or your Will. Your RRSP beneficiary will not automatically be named the RRIF beneficiary. At BMO Nesbitt Burns, you may name multiple and contingent beneficiaries on your RRSP. If you name a contingent beneficiary, that person will be entitled to receive a portion of your RRSP only if your primary beneficiary has died.

### Spouse or common-law partner

If you name a spouse or common-law partner (hereinafter referred to as “spouse”), the proceeds may be taxed as part of your spouse’s income and not yours. If the proceeds are rolled into your spouse’s own RRSP, RRIF or used to purchase an annuity, no tax will be payable until the funds are subsequently paid out to your spouse.

### Financially dependent child

If you name a financially dependent child as a beneficiary, the proceeds may be taxed in their hands rather than your estate. A minor child or grandchild may purchase an annuity that would make payments until the child reaches age 18. This allows the child to spread the payments and related taxes over a period of years. However, a financially dependent child or grandchild of any age who has a mental or physical disability may roll the proceeds into their own RRSP, RRIF or purchase an annuity.



## Charity

If you name a charity as the beneficiary of your RRSP, the payment will be considered a charitable donation and your estate will be entitled to a donation credit for the value of the plan. Although your estate will be taxable on the value of the plan, the donation credit should completely offset any tax owing.

One of the biggest mistakes people make is failing to name a beneficiary for their registered plans. Speak to your Investment Advisor to review your beneficiary designations on your BMO Nesbitt Burns Self-Directed RRSP.

## The BMO Nesbitt Burns Self-Directed RRSP

Choosing the right RRSP can be challenging. Before you make any decisions consider the following: circumstances may change, so

make sure that you can transfer your RRSP if required and ascertain all the fees or charges involved. Remember, this is your retirement capital you are investing. You do not want to discover, as you approach retirement, that your RRSP has decreased in value because you invested in high risk vehicles. On the other hand, you also need to avoid being too conservative since your retirement may last a very long time. The rate of return earned by your RRSP makes a dramatic difference to the total amount that accumulates for your retirement years.

There are many reasons for choosing a BMO Nesbitt Burns Self-Directed RRSP:

### Professional Advice and Service –

BMO Nesbitt Burns' Investment Advisors are highly trained investment professionals. They can design an RRSP that will meet your financial objectives, suit your personal circumstances and recognize your risk tolerance level. In addition, your RRSP

will be regularly reviewed to ensure that it is correctly structured for the current economic environment.

#### **Highest Quality Research –**

BMO Nesbitt Burns has the finest Research and Economic Departments in the industry, with Research Analysts and Economists who have long enjoyed a reputation for excellence. Your Investment Advisor is thereby supplied with timely economic information and expert opinions on specific companies and industries.

#### **Superior Service –**

BMO Nesbitt Burns enjoys a reputation for superior client service and support. Backing your Investment Advisor are the considerable resources of BMO Nesbitt Burns, the expertise of the RRSP product management team and the services of our specialized RRSP administration department.

#### **Consolidated Reporting –**

Combining all of your RRSPs into a single Self-Directed plan makes your retirement planning much easier. You will receive one monthly statement which summarizes your RRSP assets. This statement itemizes all of your investments, the interest or dividends earned during the period and the current market value of your portfolio. In addition, you receive confirmations of every investment transaction and, of course, your RRSP tax receipt.

#### **BMO Nesbitt Burns Planning Software –**

BMO Nesbitt Burns' sophisticated planning program, used in conjunction with your Investment Advisor's expertise, can help you take control of your finances, so that you can enjoy a comfortable retirement lifestyle. By integrating the many elements that affect retirement income, your BMO Nesbitt Burns Investment Advisor can help you review your options and make informed decisions.

#### **A Personalized Retirement Analysis –**

Your Investment Advisor can create a detailed retirement analysis that takes into account all of your current and future sources of retirement income, including government and company pension plans, RRSPs, employment and investment income, then factor in current tax rates and inflation. Taking a look at your retirement income sources allows you to see if there is a shortfall between your lifestyle expectations and your financial ability to support them. Once your retirement needs are determined, your Investment Advisor will work with you to develop a strategy for achieving your goals.

#### **BMO Nesbitt Burns Gateway® –**

BMO Nesbitt Burns Gateway provides you with convenient Internet access to your BMO Nesbitt Burns RRSP in a secure and private environment, 24 hours a day, 7 days a week. Through BMO Nesbitt Burns Gateway, you can view your RRSP holdings in detail, check past transactions, establish virtual portfolios, access prices on stocks, options and mutual funds, and communicate with your Investment Advisor.

#### **The Security of BMO Nesbitt Burns RRSP**

BMO Nesbitt Burns operates its business in strict adherence to the regulations, policies and bylaws dictated by the governing bodies of our industry. These regulations are in existence, first and foremost, for the protection of individual client assets.

Fully paid for securities which are held by BMO Nesbitt Burns on a client's behalf are held separate from the firm's own securities. Customers' accounts are protected by the Canadian Investor Protection Fund and the Canada Deposit Insurance Corporation within specified limits. Brochures describing the nature and limits of coverage are available upon request.



## Retiring in comfort

Whether you are entering your retirement years or still just planning for them, the question on everyone's mind is – how much income am I going to need to live a comfortable retirement. These days the traditional approach to retirement planning is no longer valid and here's why.

Canadians are living longer and enjoying a more active lifestyle during retirement. In fact, you can say that retirement isn't what it used to be – and neither is retirement planning.

Because the face of retirement is changing, it's time to consider how much income you will need at various stages of retirement. Let's call them the early, middle and the later years. Here are some things to consider, when planning for each stage of your retirement.

### Early years –

You will likely be the most active in the early retirement years. During this time you'll be

travelling to places you've always dreamed of, thinking about home renovations or improving your golf game. Chances are, you might be keeping active by working part-time, starting a new career or business, or volunteering for a special cause. You may still have dependent children at home, or you may be the primary care provider for an aging parent. All these factors will impact how much income you will need during this phase of retirement.

### Middle years –

The middle retirement years are what most people view as “traditional” retirement. You're still in good health but you're not as busy travelling, you're no longer working and have settled into a less hectic routine. In this phase, expenses are likely to decline, at least temporarily.

### Later years –

Very few people consider the likelihood of living to age 90 or beyond. Statistics tell us



that there's a 50% chance that one member of a couple will live to age 90. Longevity does come with a price (studies are showing that we could live up to 5 years in need of personal health care). This is something that can significantly impact a person's retirement plan.

No one can predict the future, but by thinking about what the various phases of retirement might look like, you'll be one step closer to having a retirement plan that really works.

## With the right planning, you'll be ready for all of life's adventures

Everyone wants to have a comfortable lifestyle at retirement. If you are presently saving money for retirement, chances are taxes and inflation are undermining your efforts. At BMO Nesbitt Burns, we encourage you to invest for your retirement by contributing early, often, and as much as possible to your RRSP. To make sure that your RRSP works both hard and smart, ask your BMO Nesbitt Burns Investment Advisor to review your current saving strategy in the context of your overall retirement plan.

And if you don't have a plan, we'll be pleased to help you build one. Now is the best time to insure that your retirement goals become a reality.

## About BMO Nesbitt Burns

Since its origins in 1912, BMO Nesbitt Burns has been committed to helping clients meet their investment objectives and goals with the highest of standards.

Today, the Private Client Division of BMO Nesbitt Burns focuses on meeting the needs of individual investors through a customized approach to wealth management. Our Investment Advisors provide clients with personal advice and services, drawing upon some of the best knowledge and expertise in the industry including BMO Nesbitt Burns' top-ranked research.\*

As a member of BMO Financial Group, BMO Nesbitt Burns also provides clients with access to one of the broadest selections of wealth management solutions and services available today, both in Canada and the United States. If you would like more information, please contact your BMO Nesbitt Burns Investment Advisor or the BMO Nesbitt Burns office nearest you.

Visit us on the World Wide Web at **[bmonesbittburns.com](http://bmonesbittburns.com)**

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\* Brendan Wood International Survey. Institutional Equity Research, Sales and Trading Performance in Canada, 2008 Report.







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