

THE BROXTERMAN BULLETIN

YOUR QUARTERLY FINANCIAL PLANNING NEWSLETTER

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2013



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WHAT CAN DERAIL YOUR RETIREMENT PLANS?

A breakdown of the issues you need to consider

“PERFECT” DOESN’T EXIST

Too many of us prepare the “Leave it to Beaver” financial plan—one that is centred around having an ideal marriage, problem-free income-earning years, a dream retirement and an estate passed on to your family as planned. The reality is that life doesn’t always turn out the way we project it to be.

Canadians are starting to realize that what they envisioned may not come to fruition as easily as they once hoped. According to a recent survey, here’s what’s on our minds:

- 42% of post-retirees and pre-retirees are worried about money
- 66% of these same people are worried about their health prospects
- More and more Canadians are using RRSP money to cover costs of critical- and long-term illness

(Source: HSBC Insurance World Survey and Oxford University Institute of Aging)

WELCOME & THANK YOU

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for their continued loyalty to us.



RBC Wealth Management
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WE'RE LIVING LONGER

Medical technology is keeping us alive longer—we are expected to be the longest living generation in history. The number of centenarians (those living to be 100+) has risen 22% in the last five years – and will triple by 2020. In 2000, there were 180,000; in 2010 there were 450,000; in 2030, there will be 4.3 million.

THE TAX BASE IS SHRINKING

As boomers, we started paying into the tax system at age 15 and 16. Who will continue to pay to support the tax base? There are more people over 65 in Canada than under the age of 14.

WHO WILL TAKE CARE OF YOU?

Will it be your spouse/partner, children, close friends or community? Will the strain of caregiving change relationships between your children or siblings? Do those people even want the job? Truth is, our children don't want the job. With that in mind, should home care companies be considered? What about costs? Round-the-clock care can cost \$262,800 a year (\$30/hr x 24 x 365).

WHY YOU SHOULD CONSIDER LONG-TERM CARE INSURANCE

Like most boomers, you would probably like to control where you live, who looks after you and how the care will be paid for. In order to have a say in those issues that matter most to you, long-term care insurance should be seriously considered.

The reality is that most of us will require care at some point in our lives or our family's, and many of us will want to remain in our own homes. The world is changing and most people want hired caregivers, instead of putting that burden on family members. Here are some other reasons why you should consider long-term care insurance:

- Burden of health care is shifting to the individual
- Long-term care costs will quickly erode a lifetime of savings
- Tax-free benefits will save the estate from these costs
- You'll retain control of assets and income
- Removes guesswork from the equation
- Allows you to remain in your own home or facility of choice
- Disengages the government

FREQUENTLY ASKED QUESTIONS ON THE CANADA EDUCATION SAVINGS GRANT (CESG)

Q. With the new lifetime contribution limit of \$50,000, can I deposit a lump-sum of \$20,000, for example, and receive grant on all of it?

A. No. The grant will only be paid on contribution amounts of up to \$5,000 in a single year. The first \$2,500 will receive the current year's grant of \$500 and the next \$2,500 will only receive the grant if there is sufficient CESG carry forward room accumulated from previous years' unpaid CESG.

Q. Is an acceptance letter from a school sufficient proof that the student is enrolled?

A. Acceptance letters should be accompanied by more tangible proof such as fee statements or timetables.

Q. How are RESP withdrawals taxed?

A. RESP (EAP) withdrawals are taxed as income and are attributed to the beneficiary who is receiving the EAP.

Q. Why can we not request an EAP once the school year has ended?

A. A student must be enrolled in school at the time an Educational Assistance Payment or EAP is requested, as per the ITA regulations. The EAP must be used to further the beneficiary's education.

Q. Who can be joint subscribers on an RESP?

A. Joint subscribers of RESPs must be spouses or common law partners of each other when they enter into the contract.

Q. The beneficiary is not going to be going on to school. How do we change the beneficiary to someone else?

A. To replace a beneficiary, new RESP and CESG applications need to be submitted.

Q. Which government grant application should we fill out?

A. The government grant application that needs to be filled out depends on the relationship between the subscriber and the beneficiaries. A parent would, for instance, use the version that is designed for subscribers who are also the primary caregiver. All other subscribers use the version that requires that primary caregiver information be provided on separate pages. (Important note: the primary caregiver is the person eligible to receive the Canada Child Tax Benefit).

Q. If a beneficiary is 16 or 17 years old, are they eligible for the grant?

A 16 or 17 year old beneficiary is eligible for grant if one of the following conditions has been met:

- A minimum of \$100 in annual RESP contributions has been made (and not withdrawn) in any four years before the end of the calendar year the beneficiary turned 15;

OR

- A minimum of \$2000 in RESP contributions has been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

Q. What is the last day a beneficiary is eligible to receive the grant?

A. The beneficiary is eligible until December 31 of the calendar year in which they turn 17 (provided the conditions previously mentioned were met in the calendar year they turned 15).

Q. Until which date can contributions be made for each beneficiary in a family RESP?

A. Contributions can be made for each beneficiary up to his/her actual 31st birthday or up to the end of the 31st year of the plan's existence, whichever comes first.

Q. If a contribution does not receive the full grant for any reason, can we withdraw the contribution amount that did not receive grant?

A. In order to prevent contributions from being recycled for grant, the Canada Education Savings Act regulates that assisted contributions (contributions that received the grant) are redeemed first before any unassisted contributions (contributions that did not receive grant). The withdrawal of assisted contributions requires a repayment of grant between 20% to 40% of the withdrawal amount.

A. A CESG repayment is not required if the redemption of contributions occurs when a beneficiary is eligible for an EAP at that time or if the redemption of contributions addresses an over-contribution based on the beneficiary's lifetime contribution limit or previous annual limits (provided the amount is \$4,000 or less).

UPCOMING EVENT: G5/20 INFORMATION SESSION

Take your retirement plan off pause and hit play

Are you ready for retirement? Do you want growth potential from your investment and a guaranteed cash flow?

CI Investments' G5|20 Series is the first mutual fund of its kind in Canada. It offers:

- Predictable retirement cash flow
- The growth potential of a diversified portfolio, with lower volatility
- Protection from market downturns

Date: Tuesday, September 24, 2013

Place: The Brick Brewery
181 King Street South
Waterloo, Ontario

Time: 5:30 p.m. - 8:00 p.m.

Buffet dinner and beverages provided.

RSVP to Shelley White at 519-747-7899 or shelley.white@rbc.com. Seating is limited

Sponsored in part by: CI Investments

PERSONAL TOUCH



Carolyn with family and friends in “The Dirty Dash” at Bechtel Park in Waterloo on July 14. This was an event for the Special Olympics.



Shelley and her daughter enjoying the last few weeks in their Waterloo home prior to moving.



Mike, Chase and June waiting at the train in Kitchener for Julie-Ann (mom) to arrive.



Staying cool in the pool this summer.

Thank you for your ongoing loyalty to the Broxterman Team of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.

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