Retirement Checklist

MAKING THE MOST OF YOUR RETIREMENT

RBC Dominion Securities

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RETIRECHECK (10/05)

Helping you make the most of your retirement

If you are getting close to retirement, or have just recently retired, there are many financial details that you need to address—from government benefits to your registered plans. To help you address these important issues, we have created the RBC Dominion Securities Retirement Checklist.

The checklist includes many of the financial issues typically faced by people like you who are approaching retirement or already retired. Depending on your individual situation, some of these issues may not be applicable, or you may have already addressed them. Since there may be other issues you need to address that are not included in this checklist, we have provided additional space at the end of each section for you to note them.

You can go through this handy checklist to make sure you have considered important strategies for maximizing your retirement income and maximizing your estate for your family. If you need any assistance completing this checklist, your Investment Advisor would be happy to help.

GOVERNMENT BENEFITS

- ☐ To avoid delays, ensure your application for CPP/QPP retirement benefits and Old Age Security (OAS) is filed at least six months before the eligibility date.
- ☐ For an estimate of your CPP retirement benefit call 1 (800) 277-9914. For an estimate of your QPP retirement benefit contact 1 (800) 463-5185.
- ☐ Speak to your Investment Advisor as to whether or not you're better off taking a reduced CPP/QPP as early as age 60, or waiting until age 65 (or later) for a higher benefit.
- ☐ Consider splitting your CPP/QPP with a lower income spouse to reduce the family tax burden. CPP/QPP splitting is only available when the younger spouse is eligible to collect CPP/QPP.
- ☐ If you stayed at home caring for children under age seven during your working years, apply for the Child Rearing Drop-Out provision so you can increase your CPP/QPP benefit.
- ☐ If you are at least age 65 and you expect your annual net income to be greater than approximately $61,000, then strategies such as income splitting or deferring income may help to minimize your OAS clawback.
- ☐ If your family income is less than approximately $33,000 and you are at least age 65, you or your spouse may be eligible for the Guaranteed Income Supplement (GIS) or the OAS Spouse's Allowance.

If there are any other issues you need to address regarding your government benefits, you can note them in the space below.

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EMPLOYER PENSION AND BENEFITS

☐ Determine what options you have to receive your employer pension. You may be able to receive the pension as an annuity or transfer the commuted value to a locked-in RSP. Your Investment Advisor can help you analyze which option may be best for you.

☐ If you are able to transfer the commuted value of your pension to a locked-in RSP, some of the lump sum may be immediately taxable. Speak to your employer to determine if a portion of the commuted value is taxable on transfer.

☐ If you transfer out the commuted value of your pension plan, ask your employer if you are eligible for a Pension Adjustment Reversal (PAR). A PAR increases your unused RSP deduction room.

☐ Determine what post-retirement health benefits (such as drug and dental) are available, if any, through your employer. Keep in mind that the decision you make regarding your pension option may affect the level of post-retirement health benefits you receive.

☐ If you leave your pension with your employer, ensure that you have designated your desired beneficiary. In many cases, you may be required by legislation to designate your spouse as the beneficiary.

☐ If you leave your pension with your employer, you may be required to choose the percentage of your pension that you want payable to your spouse after your death. Depending on your situation, it may be better for you to choose a percentage that is more or less than the default 50-66%.

☐ If you leave your pension with your employer and you are under age 65, is there an option to receive a higher pension before age 65 and a lower pension after 65? If you are in your late 50s or older or have a long life expectancy, you may be better off forgoing this option and taking a level pension for life.

If there are any other issues you need to address regarding your employer pension and benefits, you can note them in the space below.

RSPs, RIFs AND LOCKED-IN ACCOUNTS

- ☐ Ensure that the named beneficiary of your registered plan (RSP, RIF, locked-in account) is correct. Probate tax (negligible in Alberta) can be avoided by naming a beneficiary on the plan. In Quebec, there is a flat probate or court verification fee for non-notarial Wills regardless of the size of the estate and it is recommended to name beneficiaries in your Will.
- ☐ If you have named a beneficiary in your Will for the assets in your registered plan, make sure the same beneficiary is named directly on your plan to avoid any confusion.
- ☐ Be careful of naming a disabled child as the direct beneficiary on the plan. The receipt of RSP/RIF funds directly by a disabled child may potentially disentitle them to provincial disability benefits. Speak to your legal or tax advisor for strategies to avoid this clawback.
- ☐ To avoid a full deregistration of your registered assets, you must convert your RSPs and locked-in RSPs to income vehicles (such as a RIF, LIF, LRIF, PRIF, or an annuity) before the end of the year in which you turn age 69.
- ☐ If you are at least 65, then you may be entitled to a $1,000 pension income non-refundable tax credit on withdrawals from a RIF. This tax credit is worth about $200 of annual tax savings.
- ☐ If you have earned income, then consider making spousal RSP contributions to equalize both spouses' retirement income to minimize the family tax burden.
- ☐ If you own an incorporated active business and you want to boost your retirement savings, speak to your Investment Advisor about contributing to an Individual Pension Plan (IPP) instead of an RSP.
- ☐ If you are a U.S. citizen living in Canada, then ensure you file IRS Form 8891 related to your Canadian registered plans.
- ☐ If you have a RIF, LIF, LRIF, or PRIF, consider basing the minimum withdrawals on the younger spouse's age to minimize taxable withdrawals and maximize tax deferral.
- ☐ Speak to your Investment Advisor about the appropriate asset allocation of your registered accounts in retirement. In general, from a tax-planning standpoint, your fixed-income investments should be held in your registered plans and your equity investments in your non-registered plans.
- ☐ If you have a locked-in RSP and have to decide whether to convert to a LIF or a LRIF, then speak to your Investment Advisor to determine what is best for you.
- ☐ If you are turning age 69 this year and have earned income, consider making your next year's RSP contribution in December of this year. This final RSP contribution is sometimes called the "forgotten RSP contribution."
- ☐ If you are concerned about your estate having a large tax liability related to your remaining RSP/RIF assets at death, then speak to your Investment Advisor about using insurance as a low cost solution to pay for this tax bill.

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- ☐ A rule of thumb is to withdraw from your non-registered accounts before your registered accounts in order to maximize tax deferral. However, if your income is low, in some cases, you may be better off making early withdrawals from your RSP/RIF to minimize your future tax bill.
- ☐ If you have a foreign retirement plan (such as a U.S. IRA or 401(k)), then you may be eligible to contribute those assets into your RSP without affecting your unused RSP deduction room. Speak to your Investment Advisor for more details.

If there are any other issues you need to address regarding RSPs, RIFs and locked-in accounts, you can note them in the space below.

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NON-REGISTERED ASSETS

- ☐ Speak to your Investment Advisor about the appropriate asset allocation for your non-registered assets as you near retirement or during retirement. Ensure you have an adequate equity component given the possibility of long life expectancy.
- ☐ Based on your risk tolerance, consider investments that earn tax-effective income such as capital gains, Canadian dividends and return of capital.
- ☐ If you have a low-income spouse consider setting up a prescribed rate loan for income splitting purposes.
- ☐ If you have a testamentary trust provision in your Will then having assets held in joint tenancy with right of survivorship (JTWROS) may not be appropriate. JTWROS is not applicable in Quebec.
- ☐ If you have significant non-registered assets, consider gifting or loaning surplus assets directly or through a trust to low-income children/ grandchildren for income splitting benefits.
- ☐ If you are an affluent U.S. citizen, then having assets held in JTWROS (not applicable in Quebec) may not be appropriate for U.S. Estate tax purposes.
- ☐ If you are over age 60 and would like to enhance your after-tax retirement income compared to GICs and also leave an estate, then speak to your Investment Advisor about purchasing an insured annuity.
- ☐ If you have surplus assets you intend on passing onto the next generation, consider purchasing life insurance for tax-free investment growth and for maximizing your estate value.

If there are any other issues you need to address regarding your non-registered assets, you can note them in the space below.

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ESTATE PLANNING

- ☐ Ensure that your Will and Power of Attorney are up to date. If you own shares of a private company then speak to your lawyer about having a second Will in order to minimize probate taxes.
- ☐ If you are in a second marriage, have disabled children and/or have significant assets, then speak to your lawyer about having a testamentary trust provision in your Will for control and income splitting benefits.
- ☐ If you or your spouse are at least age 65, then speak to your lawyer about the benefits of rolling your non-registered assets into an alter-ego or joint partner trust for probate avoidance and privacy of affairs.
- ☐ Speak to your Investment Advisor about getting an insurance needs analysis for estate preservation and to ensure that your survivors will have adequate income and assets to meet their needs after your death.
- ☐ If you own U.S. stocks or U.S. real estate in excess of $60,000 US and your worldwide estate is greater than $1,500,000* US, then speak to your tax advisor regarding strategies to minimize your U.S. Estate Tax exposure on your U.S. situs assets.
- ☐ Consider pre-arranging your funeral to reduce the burden on family members.
- ☐ If advantageous from a cost/benefit standpoint, take appropriate steps to minimize probate fees (negligible in Alberta and Quebec). Assets held in JTWROS (not applicable in Quebec), living trusts and lifetime gifts are common strategies.

If there are any other issues you need to address regarding your estate planning, you can note them in the space below.

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* Note that for deaths in 2006–2008, you would only be subject to U.S. estate tax on your U.S. situs assets if your worldwide estate is greater than $2,000,000 US.

GENERAL POINTS

- ☐ Speak to your Investment Advisor about having a financial plan prepared or updated to determine if you have enough assets and income to meet your expected expenses in retirement. Be careful not to underestimate your life expectancy.
- ☐ Consider consolidating your retirement and investment assets in order to reduce fees, simplify your administration and simplify your estate settlement.
- ☐ If you are retired, you may now be eligible for discounts related to your home or auto insurance premiums, so contact your insurance company. The retiree discount may apply even if you are under age 65.
- ☐ If you are concerned about rising health care costs for your parents or yourself, then speak to your Investment Advisor about the benefits of critical illness insurance and long term care insurance to avoid depleting assets to pay for major health care costs.
- ☐ If you own your own business and plan on selling the business in the next few years, then speak to your tax advisor about restructuring the ownership of the business to minimize tax on the future sale.
- ☐ If you travel regularly to the U.S., speak to your Investment Advisor about RBC U.S. Banking packages. Also speak to your tax advisor about your U.S. tax filing obligations.
- ☐ If you have significant equity in your home and you require additional retirement income, then consider a reverse mortgage.
- ☐ If you have been named as an executor of an estate, consider professional agent for executor services to help you with the complexities of estate administration.
- ☐ Ensure you have adequate prescription drug and dental coverage in retirement.
- ☐ Ensure you have appropriate travel insurance when you are traveling in retirement.
- ☐ Ensure you have an adequate emergency fund. A line of credit can also serve as part of your emergency fund.
- ☐ If you make annual donations, then consider donating shares in-kind instead of selling the shares and donating the cash in order to minimize tax on the capital gain.
- ☐ If you have children or grandchildren age 17 or younger, consider making an RESP contribution for education savings.

If there are any other general issues you need to address, you can note them in the space below.