

Retirement Planning

United Fire Fighters of Winnipeg Local 867

2019

Agenda

- About Us
- Investment Management
- Our Services
- Your Pension Options
- Severance Planning
- CPP / OAS
- Income Splitting / Taxation
- Insurance Needs
- Retirement Benefits



Rob Tétrault, B.A., J.D., MBA, CIM



Awards & Accolades



Wealth Professional Canada spotlights the 50 best advisors working in the wealth management industry today

DAS and ICI
Radio-Canada's
Excellence Award in the
Visionary Category

Wealth Professional's
2017 Award for Philanthropy
& Community Service

Canada's Top
Portfolio Manager for
Best Risk Adjusted
Returns 2015

The Top 50: Wealth's
Professional's Top
Financial Advisors in
Canada 2015

Wealth
Professional's
Hot List 2014

Best Asset Growth 2013

The Top 5: Wealth
Professional's Top 50
Wealth Advisors in
Canada 2018

The Top 50: Wealth
Professional's Top Financial
Advisors in Canada 2017

The Top 30: Wealth
Professional's Leading
Portfolio Manager in
Canada 2016

iShares Blackrock
Portfolio Manager
of the Year 2015

Social
Commitment
Award 2015



*Voted #2 in Wealth Professional's 2018 List of
Top 50 Wealth Advisors in Canada.*



Kevin O'Leary



Brett Wilson



Eli Manning

Philanthropy



Francofonds



CMHR



U. de Saint-Boniface

Fundraising



CMV

BNN Bloomberg



Overview of Canaccord Genuity Group Inc.

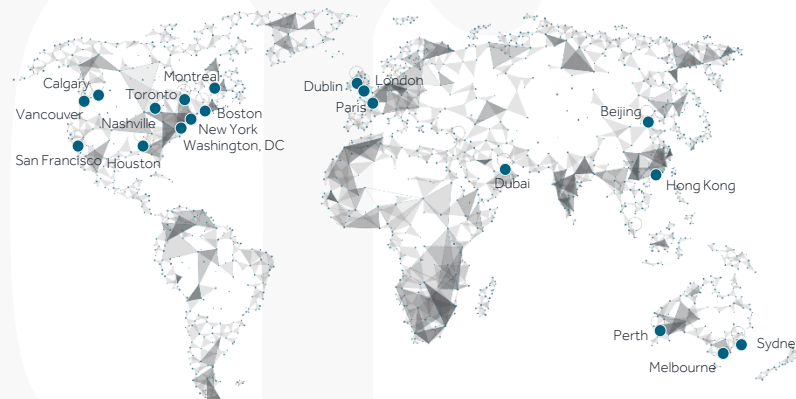
A leading independent financial services firm with a global presence

Overview

- Strong balance sheet of C\$575.6 million working capital¹
- C\$61.3 billion in client assets under management and administration¹ at the end of Q4/18
- Comprehensive coverage of the major growth equity buyers – regardless of geography
- Operations in Canada, the US, the UK & Europe, the Middle East and Asia Pacific and capabilities to list companies on 10 stock exchanges worldwide
- Committed to further development in key markets and sectors successfully acquired and integrated six companies in the last ten years

Global presence

Smaller locations not shown



cg/Canaccord
Genuity

cg/Canaccord
Genuity
Wealth Management

Investment Banking

- 193 investment bankers globally²
- FY2018: Led and participated in 455 transactions, raising over C\$34.5 billion for clients³

Equity Research

- 134 research professionals²
- Broad industry coverage across core sectors
- ~900 companies covered
- Quest® – online valuation tool with 95% global coverage

Sales and Trading

- Equities and Fixed Income
- 133 sales and trading professionals²
- 10+ fixed income professionals²
- 2,260+ institutions covered
- Market making
 - ~2,500 companies
- 10 exchanges

- C\$61.3 billion in client assets under management and administration¹ at the end of Q4/18
- Approximately 300 investment advisors globally¹
- Wealth management offices across Canada, UK, Guernsey, Isle of Man, Jersey and Australia
- On and offshore client services

Note: All dollar amounts are stated in Canadian dollars unless otherwise indicated

1. As at 28 June 2018.

2. As at 24 September 2018.

3. Company information as at 31 March 2018. Equity offerings >\$1.5m

cg/
w
M

Driven by your success.

Portfolio Management

How it works

Step 1

Discovery call. We get to know you and you get to know us.

Step 2

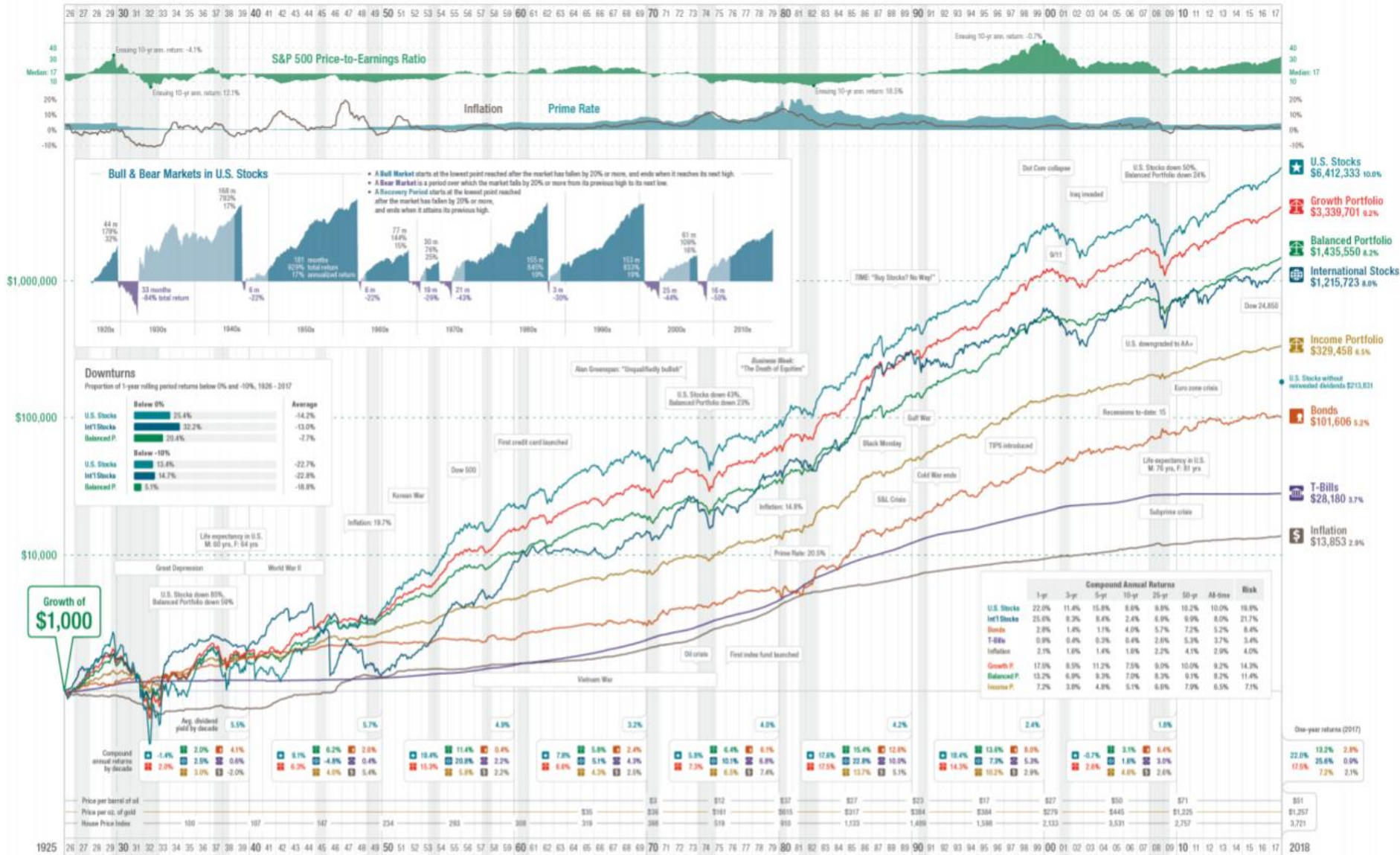
We identify the areas you need help with (Investment, Tax, Insurance, Estate & Retirement).

Step 3

Schedule in person meeting (or via Skype/Zoom). We discuss potential Portfolio Allocation, Fees, Return Expectations, Cash Flow, Volatility, Alternatives.

Step 4

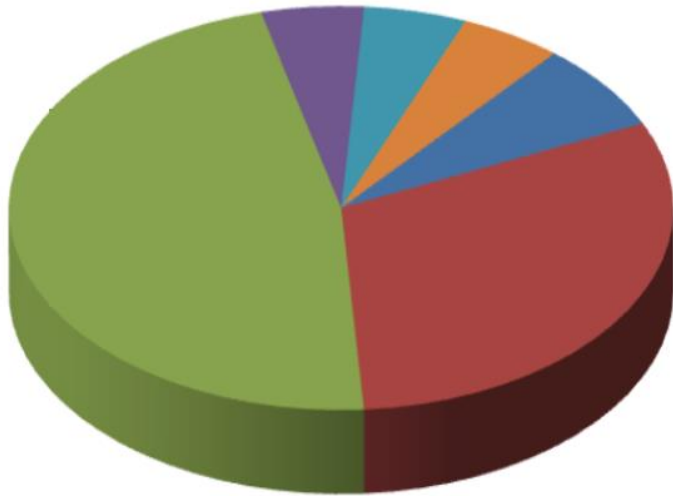
You join the award-winning Tetrault Wealth Advisory Group as a client and benefit from best-risk adjusted returns and world-class advice & service.



Traditional Portfolio Theory

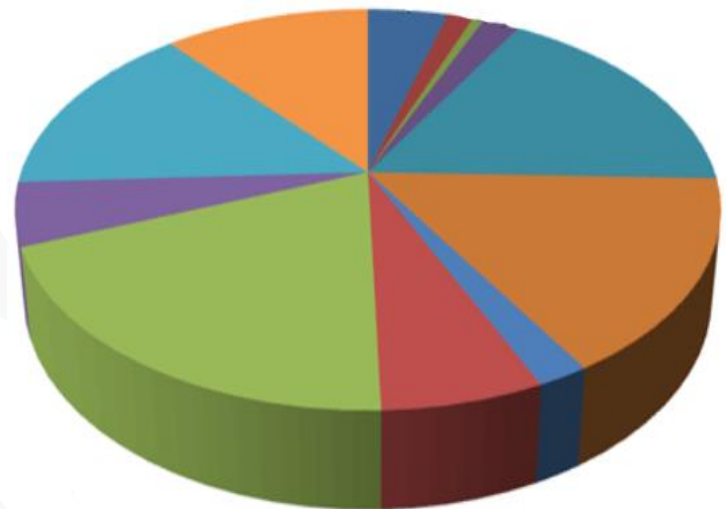
(60% Growth, 40% Income)

Standard 60/40 Portfolio



Cookie Cutter Approach

Tetrault Wealth 60/40 Portfolio



Our Approach

What's a fiduciary obligation?

“A Fiduciary obligation is the highest standard of care that exists at law in a client/professional relationship. It requires the fiduciary to act at all times for the sole benefit and interest of the client. It's an enhanced level of protection for the client.”

MFDA

Financial
Advisor

IIROC

Investment
Advisor

Fiduciary
Obligation

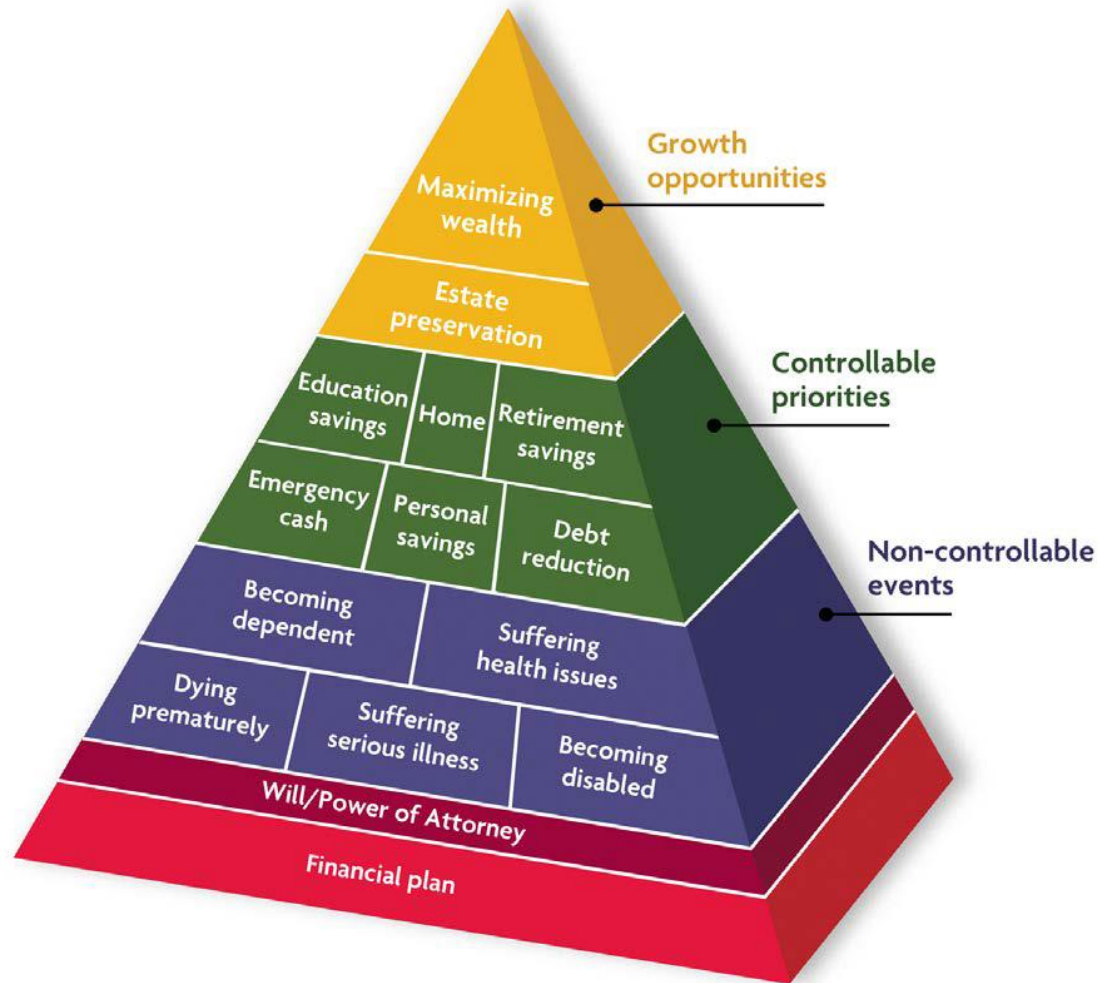
Portfolio
Manager

Financial Planning & Services

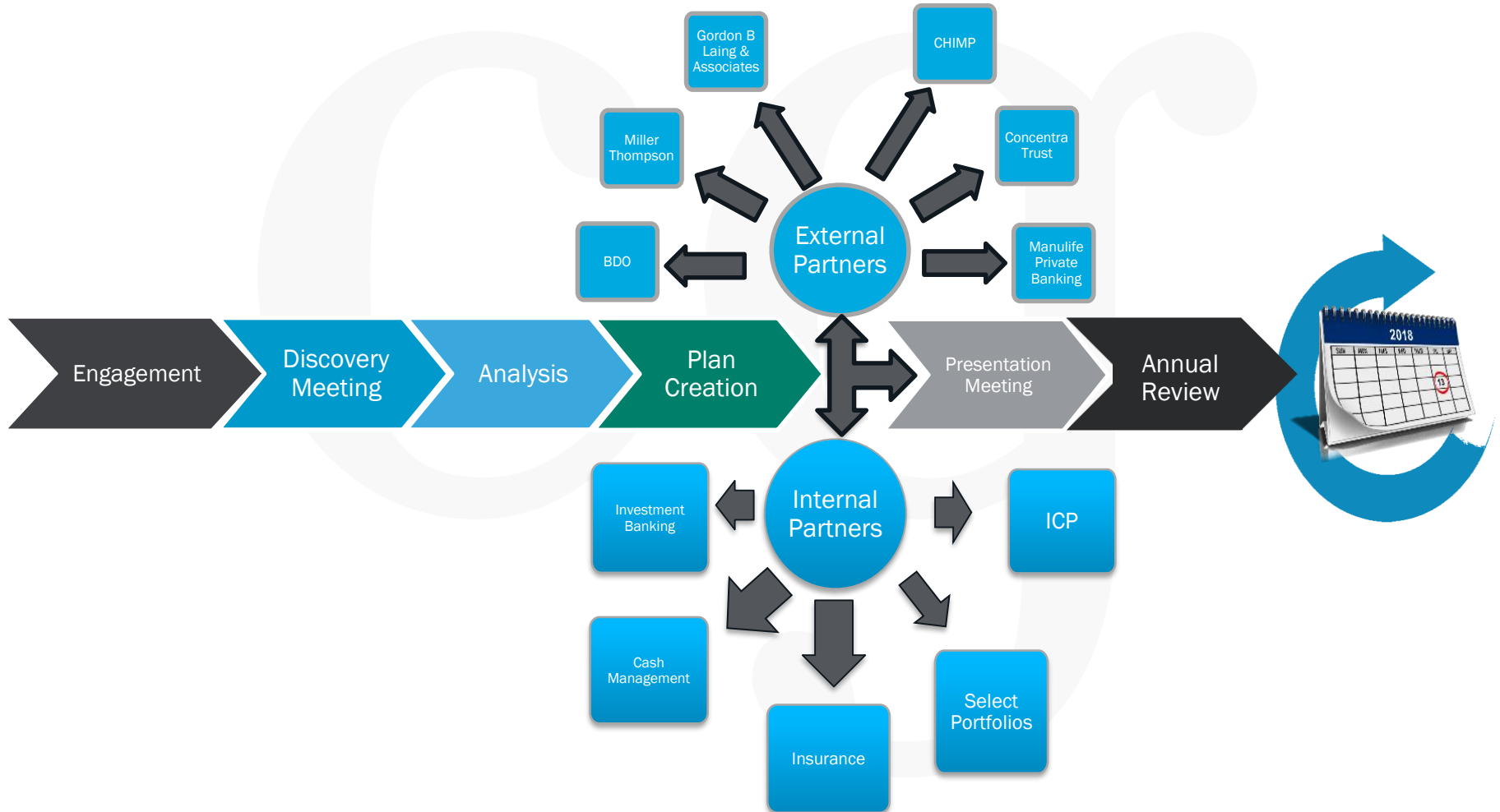


Adam W. Buss
Wealth & Estate Planning Specialist
CFP® RRC® FCSI® CLU®

Financial Planning



Financial Planning Process



Wealth & Estate Planning

Planning Areas to Address

- Estate Planning (Wills, POA, Health Care Directive)
- Estate Tax planning
- Cottage Succession or Rental Properties
- Insurance Needs Analysis
- Emergency Funds Review
- Education Savings
- Debt Management
- Retirement Planning
- Tax Optimization
- Financial Education
- Business Succession & Corporate Tax Strategies

Core Services Offered

- Financial & Estate Planning
- Insurance (Life, Disability, Critical Illness and Benefits)
- Referrals to Lawyers & Accountants
- Charitable Foundations

Additional Services Offered

- Mortgage Brokerage



Retirement MYTHS

- All my RRSPs must be withdrawn before I turn 71!
- RRSPs are terrible and result in more taxes
- Only 70% of my income is needed to retire

Retirement Planning

- How much does your current lifestyle cost you?
- How will this change in Retirement?
- Any other income sources?
- Will you have debt?
- How will you spend your free time?
- Upcoming major expenses?
- Any financial dependents?

Importance of Retirement Planning

- Optimize your income splitting
- What order should you draw down your retirement assets?
- Effective RRSP Meltdown
- Tax efficiency
- Improved Investment Management
- Identify your goals
- Peace of Mind!

Pension Planning

What is a Defined Benefit Pension Plan?

Functions similar to an Annuity, your lump sum of pension dollars is exchanged for a "Guaranteed" payment for life.

A formula is used to calculate your "Guaranteed" pension payment for life, based on a variety of factors, such as years of service, pension factors, average income and more.

YOUR Pension is a Defined Benefit Pension Plan!

How is my pension calculated?

2% x Best 5 Year Average Pensionable Earnings
x Years of Credited Service = Pension Amount!

Example:

*2% x \$100,000 x 30 years
= \$60,000 /year or \$2307.69 Bi-Weekly**

**Assuming no reduction in pension based on formula*

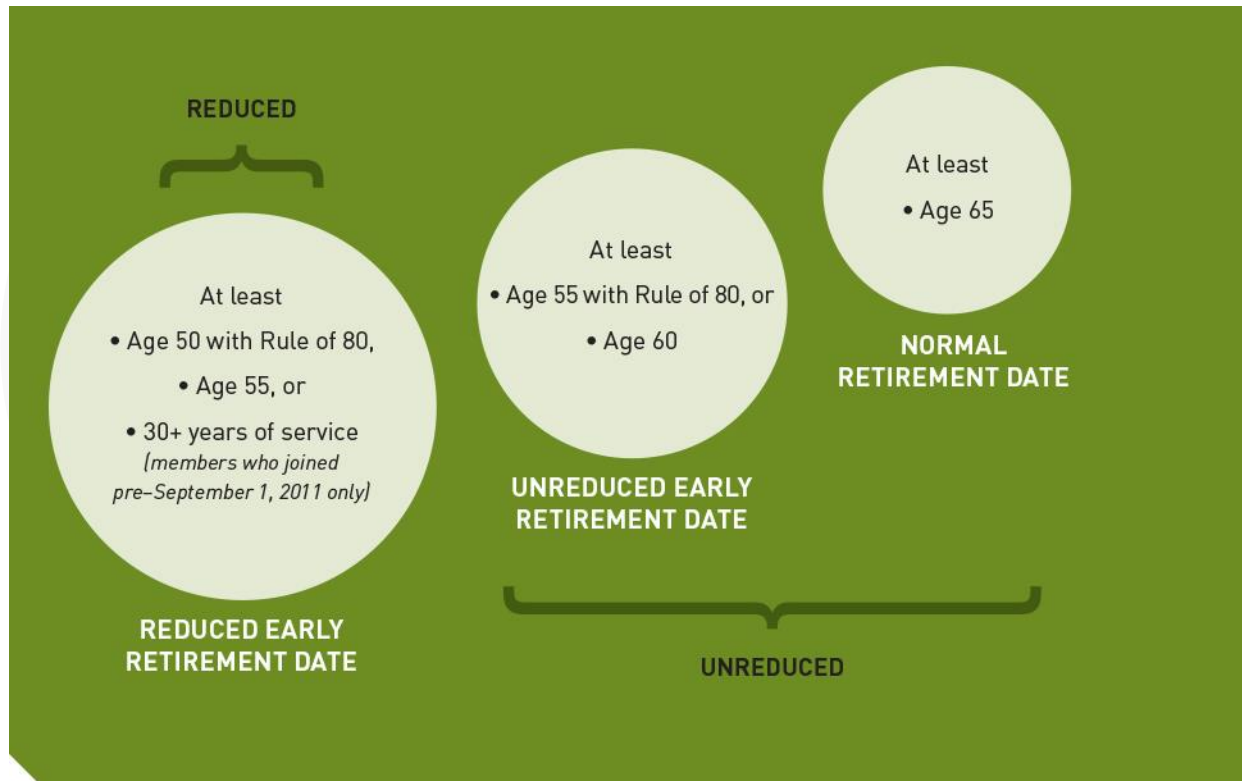
COLA (Cost of Living Adjustment)

What is indexing/COLA?

Your pension adjusts annually in July at 50-80% of the Canadian Consumer Price Index.

Inflation Rate at 2% = 1% to 1.60% increase in pension

Pension Reductions



4% Reduction for every year your retirement precedes your unreduced early retirement pension eligibility

Pension Bridge Benefits

Temporary Bridge: Create a more consistent cash flow from start of pension through to starting CPP benefits

Bridge benefit reduces your pension at age 65 by 0.5% of your best 5 year average CPP earnings (currently at \$57,400)

$$.5\% \times \$57,400 = \$287/\text{Bi-Weekly Reduction}$$

Advance/Recovery Integration

Temporary Bridge: Create a more consistent cash flow from start of pension through to starting OAS benefits

Increased Pension benefits prior to age 65 and then a further reduction after age 65 when your OAS begins.

Example: Normal Pension of \$2300/BW (*including bridge*) + Advance of \$145/BW = \$2445/BW until age 65

After Age 65 = \$1888/BW (*Bridge stops and advance reduction*)

*Estimated calculation for illustration purposes only

Retirement Pension Options / Example

Life Only	Biweekly before age 65 \$2,769	Biweekly after age 65 \$2,383	Potential survivor benefit \$0	⊕
Joint Life & 50%	Biweekly before age 65 \$2,740	Biweekly after age 65 \$2,358	Potential survivor benefit \$1,179	⊕
Joint Life & 100%	Biweekly before age 65 \$2,600	Biweekly after age 65 \$2,225	Potential survivor benefit \$2,225	⊕
Life and Guaranteed 5 years	Biweekly before age 65 \$2,764	Biweekly after age 65 \$2,377	Potential survivor benefit \$2,377 payable biweekly until Jan 1, 2025	⊕
10 years	\$2,747	\$2,361	\$2,361 payable biweekly until Jan 1, 2030	
15 years	\$2,720	\$2,334	\$2,334 payable biweekly until Jan 1, 2035	

*Assuming Annual Salary of \$100,000/year with 36 years of credited service and no reduction, full pension eligibility

Commuted Value

You have another option for your pension, which is taking the "Commuted Value"

This is the present value of your future pension payment stream converted to a Lump Sum payout.

This amount can be transferred into a plan that you own and control the investment decisions. This means 100% of the balance can go to your survivor or beneficiaries.

Retirement Date & Severance Payout

Severance Payout = Up to ONE year of banked Sick Leave

Options:

- Split over 2 tax years
- Contribute to RRSP (If room available)
- Do nothing and take as is

Withholding Taxes: up to 30% unless you elect additional taxes

Retire Dec 1st – Taxable Income \$126,267 Taxes Owed = \$40,170

Retire Jan 1st – Taxable Income \$89,800 Taxes Owed = \$24,644

Tax Rate Difference 5.50% = \$1650 / Tax Savings on \$30,000

**Assuming Annual Salary of \$100,000/year, pension of \$2300 BW and severance of \$60,000, split over 2 years with no RRSP sheltering*

Sample Retirement Cash Flow

Joe is retiring in 2020 at age 55 with a full pension and no spouse, he elects the Single Life Option of \$2769/ BW until age 65, reducing to \$2383/BW

Annual Cash Flow for Joe

	Prior to 65	After 65
Pension	\$71,994.00	\$61,958.00
CPP	\$0.00	\$13,854.96
OAS	\$0.00	\$7,217.40
Gross Annual Income	\$71,994.00	\$83,030.36
(Less Taxes)	-\$17,895.00	-\$22,078.00
Net Annual Income	\$54,099.00	\$60,952.36
Net Per Month	\$4,508.25	\$5,079.36

**Above numbers for illustration purposes, ignoring all tax credits and OAS claw back*

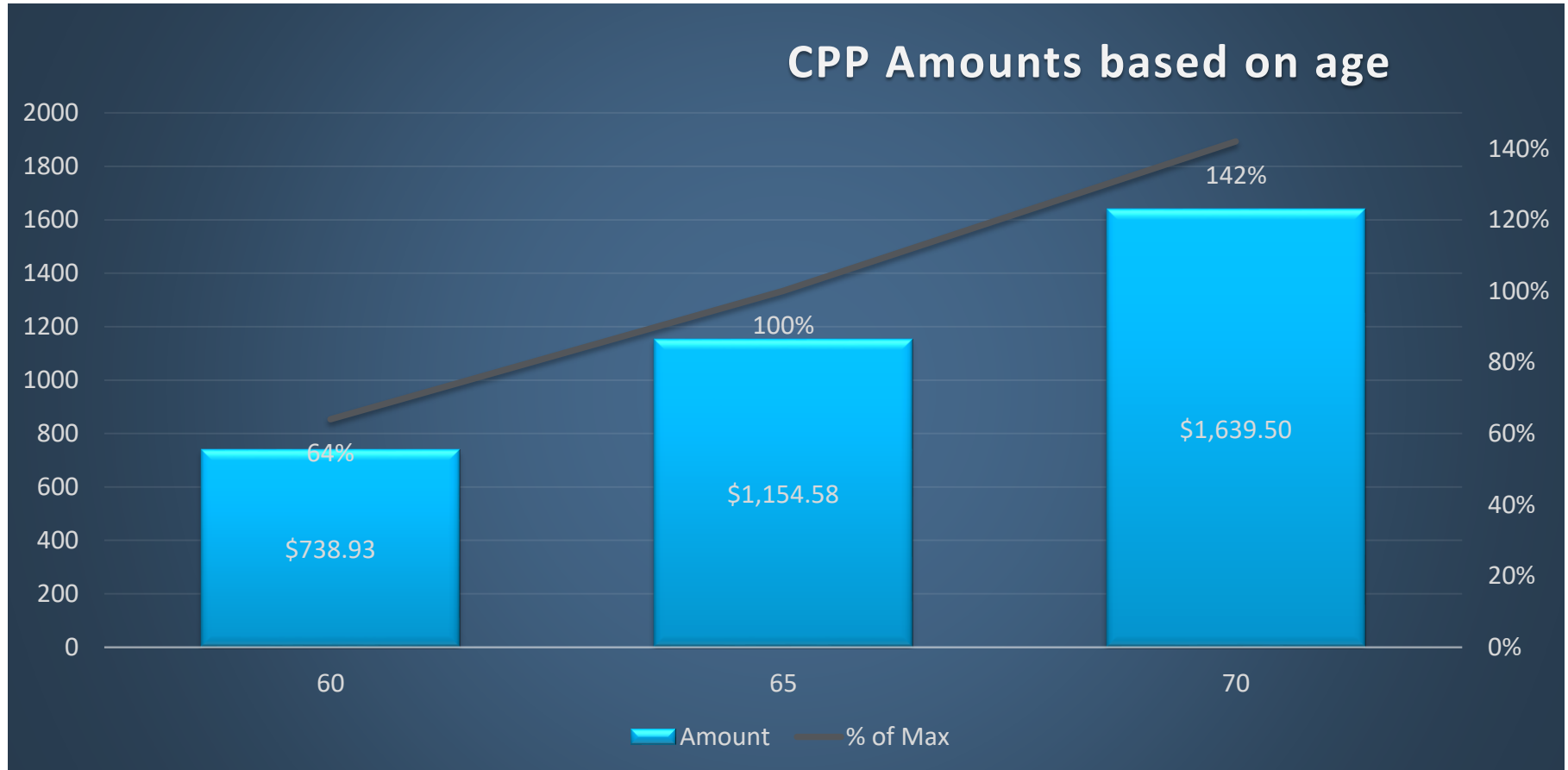
Government Retirement Benefits

Canada Pension Plan – Details!

- *Contributory Plan*
- *Start as early as age 60 or defer till up till age 70*
- *Indexed Benefit*
- *Current Maximum = \$1154.58*
- *Average Benefit at age 65 = \$679.16*

MYTH – CPP will run out before I retire

CPP – Canada Pension Plan



**Based on current Maximum CPP amounts and reductions. We recommend verifying your eligibility based on your contribution history.*

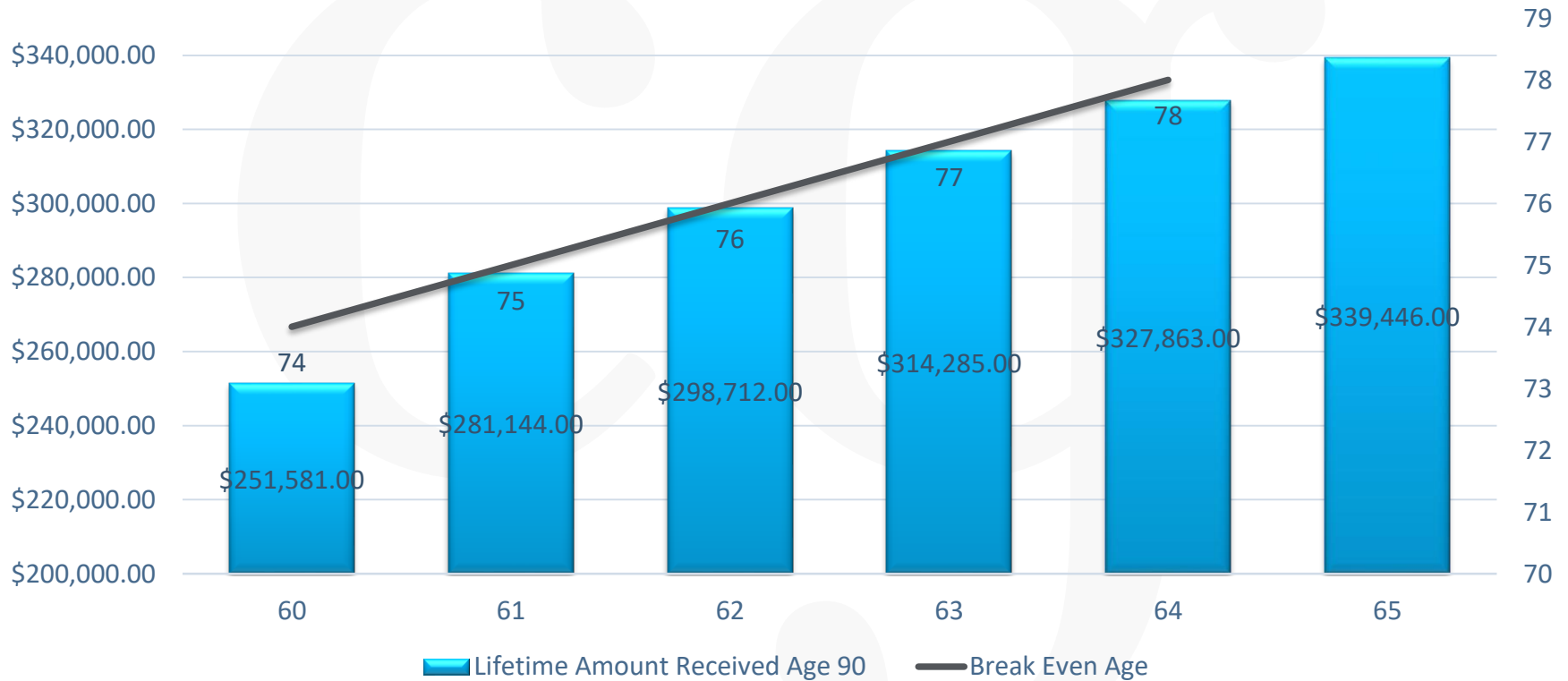
When should I start CPP?

IT DEPENDS!

- *Are you still working?*
- *Do you need the cash?*
- *Shortened Life Expectancy or Health Concerns*
- *Have you created a financial plan?*

CPP Breakeven Points

CPP Breakeven Points vs Lifetime Benefits @ age 90



**Based on current maximum CPP amounts and reductions based on start ages and have not been adjusted for inflation or taxation. Taxation levels and saving contributions can have a large impact on the results We recommend reviewing your unique situation in deciding when is the right time to start receiving your CPP benefits.*

CPP Death Benefits and Survivor Benefits

CPP Death Benefit - \$2500 Lump Sum

CPP Survivors Benefit

- Up to 60% of your Pension to the maximum one person is entitled to
- \$250.27 per dependent

Fact – If each spouse is eligible for the Maximum CPP benefit per month of \$1154.58, the survivor does NOT get double the CPP, the one CPP benefit disappears after death

OAS – Old Age Security

- Non-Contributory Plan
- Funded from tax dollars
- Fixed Amount per month, currently \$601.45/month
- Start at age 65 or defer till age 70 (.60% deferral bonus per month deferred)
- Claw Back of Benefits based on Taxable income (\$77,580 to \$125,696)
- Indexed Benefits

What is OAS Claw Back?

Effects of OAS Claw Back based on Annual Income



Taxation

Current Manitoba Tax Rates

INDIVIDUAL TAX RATES (Manitoba 2019 - Combined Federal and Provincial)

Taxable Income			Marginal Tax Rates			
Lower Limit		Rate on Upper Limit	Eligible Excess Income	Other Dividend Income	Capital Dividend	Gains
\$ ----	to	\$9,626	0.00%	0.00%	0.00%	0.00%
\$9,627	to	\$12,069	10.80%	3.86%	11.52%	5.40%
\$12,070	to	\$32,670	25.80%	3.86%	18.38%	12.90%
\$32,671	to	\$47,630	27.75%	6.56%	20.63%	13.88%
\$47,631	to	\$70,610	33.25%	14.12%	26.95%	16.63%
\$70,611	to	\$95,259	37.90%	20.53%	32.30%	18.95%
\$95,260	to	\$147,667	43.40%	28.12%	38.62%	21.70%
\$147,668	to	\$210,371	46.40%	32.26%	42.07%	23.20%
\$210,372	to	and up	50.40%	37.78%	46.67%	25.20%

RRSP Withholding Taxes

Mandatory Withholding Taxes on Severance, RRSPs, RRIFs

Withholding Tax % based on Withdrawals

10% = <\$5000

20% = \$5000.01 - \$15,000

30% = > \$15,000.01

You can elect additional withholding taxes to avoid large unexpected tax bills

Tax Planning Strategies

Income Splitting – Eligible Income

Have each spouse in a similar tax bracket, thereby reducing your overall taxes paid as a couple.

Before age 65

- Periodic payments received directly from a defined benefit pension plan.

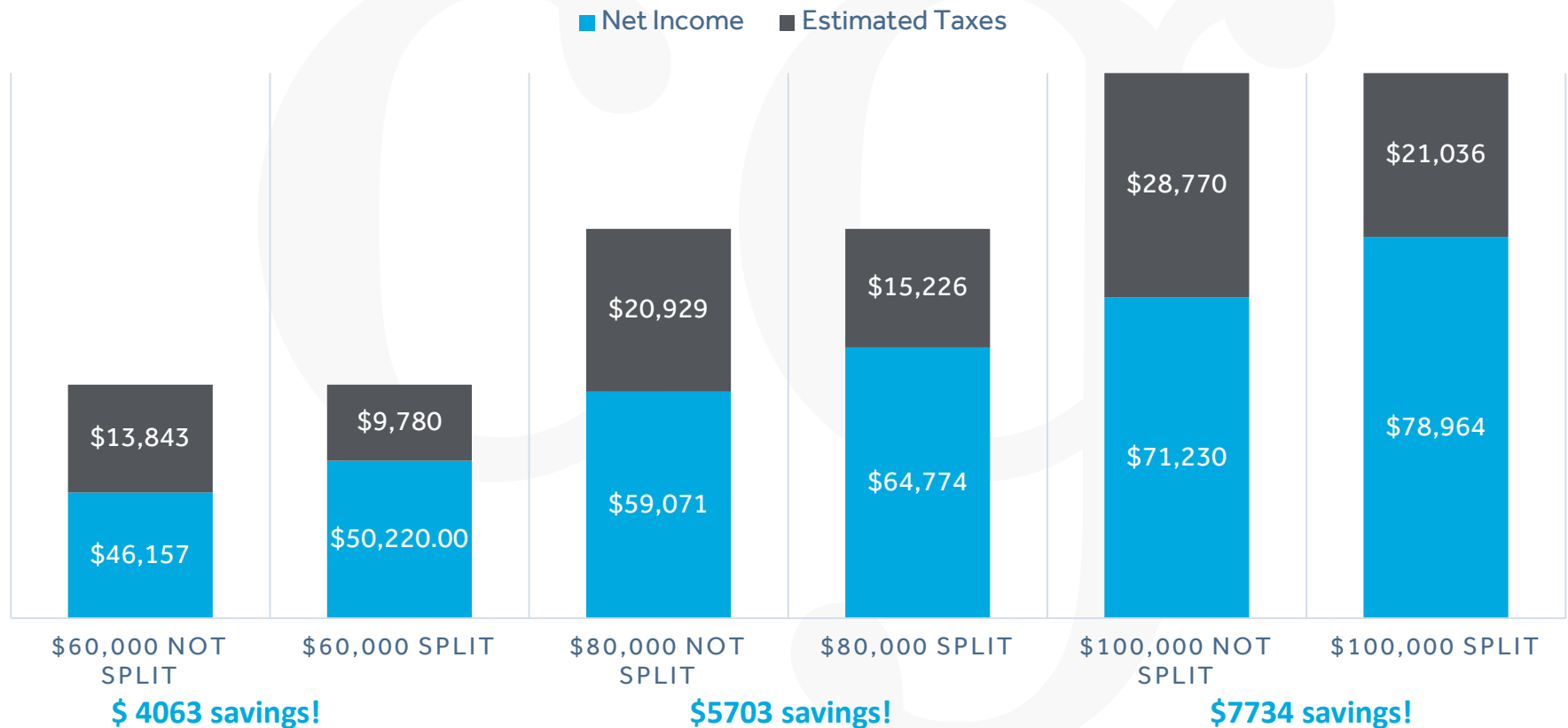
Once you are 65 or older during the year

- Periodic payments received directly from a defined benefit pension plan.
- Payments received from a RRIF, LIF, or LRIF.
- Payments received from annuities purchased with the proceeds of an RRSP, RRIF, LIF, or LRIF.
- The taxable portion of payments received under certain types of annuity contracts purchased with non-registered funds (typically prescribed annuity contracts).

Funds from RRSP withdrawals do NOT qualify for income splitting!

Income Splitting Illustration

EFFECTS OF INCOME SPLITTING



**Based on estimated Manitoba Tax rates using EY.com tax calculator and assuming a full 50/50 income split. OAS claw back and tax credits not factored into calculations. Information is intended for illustration purposes and not implied tax advice.*

Sheltering your Severance

- Save surplus RRSP room
- Use room to offset surplus Severance payout
- Withdrawal funds in future when income can be split
- Potentially save a tax bracket!

Maximizing your TFSA

(Tax-Free Savings Account)

- Same investment options as your RRSP
- Current Lifetime Contribution limit of \$63,500
- Annual contributions \$6000
- Great source of additional funds to supplement your lifestyle need without taxation!
- Flexible, Accessible and Never lose Room.

Your Insurance Needs

What are your Insurance needs?

- What insurance to you have in place?
- When was the last time you reviewed it?
- What impact would a change in health or premature death have on your family's finances?
- Do your children have insurance coverage?
- Have you completed an insurance analysis before?

Life Insurance

The recommended Life Insurance Coverage is generally 7 – 15 x Annual Income

Example \$100,000 Salary = \$700,000 to \$1,500,000 in coverage.

The average Canadian has only 5 x of Annual Income in Life Insurance

- *Insurance needs evolve over time*
- *Insurance needs do NOT stop at retirement*

Do you have long term tax consequences? – Cottage, rental properties, business, etc

What happens if your surviving spouse receives less pension, loses a CPP and potentially both OAS?

Critical Illness Insurance

TAX-FREE lump-sum payout upon diagnosis of a qualifying covered illness

- Aortic Surgery
- Aplastic Anemia
- Bacterial Meningitis
- Benign Brain Tumor
- Blindness
- Cancer (Life Threatening)²
- Coma
- Coronary Angioplasty
- Coronary Artery Bypass Surgery
- Deafness
- Dementia including Alzheimer's Disease
- Early Breast Cancer
- Early Prostate Cancer
- Early Skin Cancer
- Early Stage Blood Cancer
- Early Stage Intestinal Cancer
- Early Thyroid Cancer
- Heart Attack
- Heart Valve Replacement or Repair
- Kidney Failure
- Loss of Independent Existence
- Loss of Limbs
- Loss of Speech
- Major Organ Failure on Waiting List
- Major Organ Transplant
- Motor Neuron Disease
- Multiple Sclerosis
- Occupational HIV Infection
- Paralysis
- Parkinson's Disease and Specified Atypical Parkinsonian Disorders
- Severe Burns
- Stroke

What impact would a serious illness have on your family?

Disability Insurance

"It won't happen to me!"

1 in 3 Canadians will experience a period of disability lasting longer than 90 days

Sources of Coverage:

- Emergency fund of 3-6 months living expenses = \$16,250 - \$32,500
- EI Benefits for 15 weeks, max \$562/week (\$8430 total taxable!)
- CPP Disability (Severe and prolonged disability only)
- Banked Sick Leave
- Long Term Disability after 6 months waiting period (66.66% of Income)

Disability Insurance

Purchase and own you a Disability Insurance plan!

Example: 50 year old male with \$100,000 of annual income

6 months until your LTD kicks in!

Cover \$5000/month TAX-FREE for up to 5 years
Non-occupational injury after 30 days

\$88.75/month cost!

*RBC Fundamental Series Loss of Income – Non-Occupational injury only, 30 day elimination period, 50yr male non-smoker. Subject to insurance qualification and underwriting requirements

Your Retirement Benefits Coverage

Options at Retirement for Group Benefits

Group Life Insurance Coverage *(Assume \$400,000 current coverage)*

- Reduced coverage approximately 25% of current until 65 (\$100,000)
- Reducing coverage further 65-69 at 50% (\$50,000)
- Dropping to final amount for life at approximately 60% (\$30,000)
- Affordable BW premiums
- May need to supplement this insurance with additional coverage
- Option to covert some group coverage to a max of \$200,000 of Term coverage with no medical

Options at Retirement for Group Benefits

Group Retirement Blue Cross Plan

3 plans to choose from:

- 1. Ambulance & Hospital Coverage*
- 2. Ambulance, Hospital Coverage & Extended Health*
- 3. Ambulance, Hospital Coverage, Extended Health & Dental*

Costs and Benefits NOT equivalent to the active employee plan!

- Review your unique needs
- Explore other plan options, generally can purchase your own plan within 60 days of leaving one plan with no medical requirements.



Questions!

Thank you!

tétrault



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