

The Financialist

Retirement – What Does it Mean?



BY CLAY GILLESPIE
BBA CFP CIM FCSI

Rogers Group Financial recently completed a comprehensive study to gauge the thoughts and aspirations of Canadians as they approach retirement.

As the baby boomer generation moves into retirement, the definition of retirement continues to change. Many retirees are no longer going “off into the sunset” but are, instead, continuing to take on new challenges and dream about the future.

The study was conducted with Canadians age 49 to 64 who expect to retire within 3 to 7 years, and who have net investable assets of \$500,000 or greater (excluding their principal residence).

The study was designed to discover:

i) when Canadians expect to retire; ii) how they feel about retirement; iii) how they plan to retire, and iv) what they hope to accomplish in retirement.

We thought it would be useful and informative to share our findings with our clients so that they could contrast and compare their thoughts with those of the average Canadian approaching retirement.

The majority of Canadians approaching retirement are excited about the prospect, with over half of respondents describing retirement solely in positive terms.

Canadians in their 50s generally anchored their retirement to a fixed age (e.g. “I expect to retire when I am 60 years of age”). Those in their 60s tend to have a fixed time horizon (e.g. “I expect to retire in 4 to 5 years”).

When asked what they would like to accomplish in retirement, the opportunity to travel more was the most common response, followed closely by enjoying hobbies and volunteering.



In this issue

- Retirement – What Does it Mean?
- Federal Budget – Thoughts and Observations
- New Estate Planning Legislation
- Happiness comes from Spiritual Wealth not Material Wealth

(continued on page 6)



Federal Budget – Thoughts and Observations



BY WALKER MOONEY BA CIM

As virtually every Canadian is now aware, the Conservative government brought down the Federal Budget on June 6, 2011. With a few updates and additional provisions, it is essentially the same document that was presented in March which, of course, led to the defeat of the government and their subsequent re-election with a majority. More than a few Liberal strategists are still in “second guessing” mode.

In reviewing the Budget documents (which exceed 300 pages), the first thing that comes to mind is the question of how many people actually read them in

their entirety. If you are interested, the Budget is available on the Government of Canada website:

<http://www.budget.gc.ca/2011/home-accueil-eng.html>

Over the years, every Budget seems to present new tax measures designed to modify taxpayer behavior or provide a benefit to some group or another. Also, each Budget then includes a series of new measures to either overcome shortcomings of previous legislation or to deal with abusive use by a few taxpayers. As a result, we end up with a very convoluted and complex tax system containing a myriad of overlapping savings plans, deductions, tax credits and differing application thresholds such that few Canadians really know how the tax system applies to them. In certain moments, you may think of how much simpler the system could be and how much tax rates could be lowered without all the accumulated provisions referred to above. Then reality hits: you know it will never happen and you have to deal with the system as it is.

REGISTERED EDUCATION SAVINGS PLANS (RESPs)

Many parents or grandparents have established RESPs for their children or grandchildren as a means of saving for future post-secondary education. Such plans can be arranged either specifically for a child or as a family plan for all the children in a family. One of the benefits of a family plan occurs when a participating child does not pursue a qualified post-secondary education program. The accrued RESP benefit on his or her behalf can be utilized for the benefit of another child who does qualify. The 2011 Budget will serve to extend this flexibility to RESPs established in an individual child’s name. Should that child not proceed to a qualified program, the RESP, including contributions, grants received and income earned over the life

of that RESP, will be eligible for transfer to plans for that child's siblings, provided that they were under age 21 when the original RESP was established. I believe this will serve to be a useful addition.

INDIVIDUAL PENSION PLANS (IPPs)

For many years, IPPs have provided a very useful pension planning avenue, especially for shareholder-employees of private companies with many years of service. Usually, the IPP would be arranged by the corporation on behalf of an employee in the age range of roughly 55 to 65. In the later years, significant annual pension contributions for current and future service are available to the company as a tax-deductible contribution toward a future pension. In addition, a larger lump-sum amount could be contributed in respect of qualified past service years of the employee. That lump-sum amount usually had to be funded from a transfer of RRSP funds and the remainder, which could be several hundred thousand dollars, from the corporation.

One of the Budget amendments in respect of IPPs will now require that, to the extent RRSP funds are available, they must first be utilized to fund the past service component of the IPP. Only if there is not a sufficient level of RRSPs, defined contribution funds from other pension plans, or RRSP carry-forward contribution room, will there be a deductible contribution available to the sponsoring corporation. This restriction is to apply to non-arm's length shareholder employees. An individual employee who is not a significant shareholder and is not related to a significant shareholder will be eligible for an IPP as per the original rules.

The Department of Finance appears to believe that the original pension legislation bestows an unfair advantage to shareholder-employees. It is interesting to note that such plans have been available and utilized for many years.

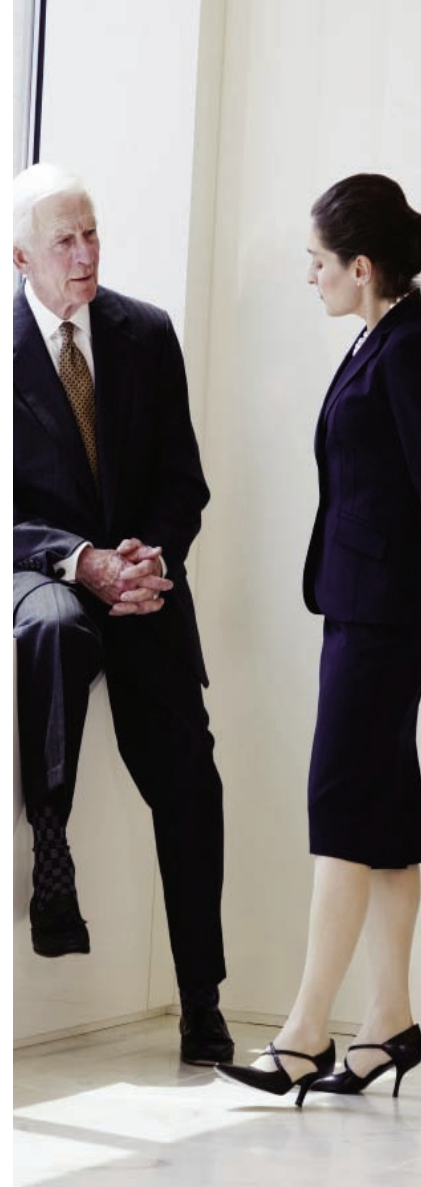
Another Budget provision will require pension plans to pay out to a retired plan member an annual pension equal to the greater of either the pension as per the plan formula, or the minimum payment schedule as determined under Registered Retirement Income Fund (RRIF) rules. Apparently, new pension plans with lower pension payment schedules were being established to receive transfers from a pension plan with a "normal" pension payment schedule. This arrangement would generate a more significant tax-deferred pool of capital than Finance felt was fair. This seems to be a reasonable response to such activities.

These pension modifications have not yet been drafted into legislative form but are to apply to any plans established after March 22, 2011, which was the date of the first Federal Budget. For a more extensive review of this area, please refer to a summary prepared by Westcoast Actuaries Inc. (www.westcoast-actuaries.com), one of the actuarial firms that assist us in establishing and administering IPPs for clients.

OTHER NEW PERSONAL TAX MEASURES

Several new tax credits which will serve to reduce your federal tax payable have been added for expenditures by Canadians on children's arts programs, family caregiver expenses, and volunteer firefighter expenses. The mineral exploration tax credit was extended for one year and the rules with respect to the donation of publicly listed flow-through shares are to become more restrictive.

More detail on the impact of these budget measures will emerge as legislation is formulated and actually passed into law. And as we now have a majority government, eventual passage is a virtual certainty.



**"You miss 100%
of the shots you
don't take"**

- Wayne Gretzky



New Estate Planning Legislation



BY MARK NEUFELD
BA CFP CIM

The government of British Columbia is proposing new legislation called “WESA - the Wills, Estate and Succession Act”, which is expected to be enacted in the fall of 2011.

It’s been several decades since B.C.’s succession laws were reviewed in detail. Many existing provisions in legislation date back to the Wills Act of 1837.

The WESA repeals and replaces the Estate Administration Act, the Probate Recognition Act, the Wills Act and the Wills Variation Act. It also amends

dozens of other provincial statutes. The goal of the WESA is to make estate and succession legislation in B.C. easier to use and understand.

There are many changes outlined in the new Act; the following are several of the more notable amendments:

- The WESA will make it quicker and easier to administer small estates, which are those less than \$50,000 (the current limit is \$25,000). Although applications to a court must still be made, a small estate will now be able to avoid the legal formality of obtaining a grant of probate or letters of administration required for large estates.
- If you die without a will, which is also referred to as dying intestate, the WESA eliminates the former “life estate” in the family home and replaces it with an option to buy. Instead of the home passing to your spouse upon death, he or she will have to purchase it from the estate at fair market value within 6 months.
- If you die without a will and leave a spouse and children, under the WESA, your spouse is entitled to all the household furnishings, the first \$300,000 of other assets and half of the remainder of your estate if he or she shared children with you. The amount is reduced to \$150,000 and half the remainder if your descendants are from another relationship. This change was made in recognition of blended family circumstances.
- Under the old law, a gift to a child during one’s life was considered advancement of that child’s inheritance,



ESTATE PLANNING

and upon the death of the parent, the child's inheritance would be reduced by the amount of that gift. The WESA abolishes this. A child is now permitted to receive the gift plus his or her legal share of the inheritance.

- The court will have increased powers to ensure a deceased person's last wishes will be respected, even if the document containing those wishes does not strictly meet the requirements of a will. For example, if you were considering changes to your will and notes or other records were made with these changes, the court may decide that your testamentary intention was to effect these changes, even though these records were never signed nor the will formally rewritten.
- Under the WESA, any registered debt (like a mortgage or a secured loan) associated with a gift of a specific asset or property automatically transfers to the beneficiary, and becomes his or her liability.
- A will is no longer revoked by marriage, and a person may make a will at the age of 16 (the current age is 19).

- Previously, if your estate was not large enough to cover all debts and gifts, people receiving personal property (such as jewellery, cars or furniture) were given lower priority than people inheriting gifts of land. Personal property gifts would be used first to pay off debts. With the new changes, land is applied to pay off debts equally with personal property.

These changes represent just a few of the many being made to B.C's estate and succession legislation. It's important to note that the new legislation will not invalidate wills made before it came into effect, however, some of the laws governing the interpretation of wills may change.

With the WESA upon us, now is perhaps an opportune time to contact a legal professional to ensure your estate planning wishes are upheld. Should you have any questions, please don't hesitate to contact your Rogers Group Financial advisory team.

**"Intelligence without
ambition is a bird
without wings."**

-Salvador Dali

Clans of long ago that wanted to get rid of their unwanted people without killing them used to burn their houses down - hence the expression "to get fired".



(Retirement – What Does it Mean? – cont. from page 1)

41% of those Canadians surveyed plan to work part-time during retirement because they enjoy doing so and/or to supplement their retirement income. This finding suggests that the next generation of retirees is leaving the workforce on its own terms rather than the terms dictated by society.

Not surprisingly, men and women have some different ideas about what they would like to spend more time on when they retire. Women are more likely to focus their time on cinema, literature and food, whereas men are more likely to focus their time on romance and sex.

There are, however, a couple of findings that could prove problematic for Canadians in retirement:

- 1) Over half of retiring Canadians do not have a formal written financial plan. As such, they have no idea

how much income they require to fund their retirement. Ultimately, this means that they will have the added stress in retirement of not knowing how much income to generate or how this income can/should be generated.

- 2) While the majority of Canadians going into retirement will have little or no debt, approximately 1/3 will still have a debt load of \$50,000 or more when they retire. These retirees will need to draw additional income in retirement to finance that debt instead of spending money on other retirement objectives such as traveling.

40% of those polled value health above all else as the key to happiness in retirement. Financially, the greatest retirement concern that respondents had was having enough money and being able to cope with a possible economic downturn (45% of Canadians expressed this as their greatest fear).

The so-called “sandwich generation” is a reality. Approximately 1/4 of retiring Canadians expect to help support their parents in retirement. This is a reality that retirees need to plan for when considering their retirement lifestyle and the timing of their retirement.

Over the past couple of years, there has been a great deal of media coverage about the large sums of wealth that are going to transfer to the next generation over the next 10 to 20 years. The results of this survey, however, suggest that this may not be the case. When asked whether they intend to leave an estate or maximize their income in retirement, 80% of soon-to-be retired Canadians plan to focus on enjoying life and maximizing their income over their lifetime.

Perhaps the old bumper sticker that reads “I’m spending my kid’s inheritance” should be taken seriously after all.

Happiness comes from Spiritual Wealth not Material Wealth – Sir John M. Templeton



BY VERA VLAOVICH
BA CFP FDS

Do you recall the television show called “The Millionaire”? Every week some deserving person would receive a cheque for \$1 million from an unknown benefactor, to spend however he or she wished.

The Hollywood movie “Money Grows on Trees” portrayed a family that suddenly became rich when they discovered that one of the trees in their yard grew money.

There are numerous accounts of people who became instantly wealthy by receiving an inheritance or by winning a lottery. When asked how their lives had changed since receiving the money, some responded that life had become more complicated: a great deal of money was at their disposal, but most had not found happiness.

To some, the concept of achieving true happiness seems ill-defined, elusive, and ungraspable. Even the word “happy” is derived from the Icelandic work “happ”, meaning luck or chance. Many of us share this view of the mysterious nature of happiness.

It is easy to determine our material wealth, but to determine how wealthy we are spiritually, it is important to look at our lives:

- *What are your relationships like?*
- *Have you learned how to love and accept others for whom and what they are without judgment and reservation?*
- *Have you learned to forgive and let go of perceived wrongs done to you?*
- *Do you value all life and the many forms through which it expresses itself?*

- *Have you used your talents to the utmost?*
- *Can you delight in life's simple things and just be?*

The answers to these questions offer us an insight into the quality of our genuine wealth.

Our moment-to-moment happiness is largely determined by our outlook – how we perceive our situation and how satisfied we are with what we have. Unhappy people tend to be self-focused, often socially withdrawn, brooding and even antagonistic and fearful. Happy people, by contrast, are generally found to be more sociable, flexible, creative and able to tolerate life's daily frustrations.

A happy heart draws to itself what it needs for happiness.

My neighbour and friend, Julie, has encountered a tremendous amount of adversity over the last five years but continues to choose kindness, giving, love and compassion in the midst of her life. Beginning with the unexpected, tragic passing of one of her brothers, I watched as she consciously chose happiness and joy. Some time later, she was diagnosed with breast cancer. Julie persevered. No matter what is occurring in her day-to-day life, she maintains a positive outlook for her overall physical, emotional and spiritual health. In 2010, the passing of her mother and a second brother tested her again. She has come through all these intense life experiences with gratitude, overwhelming laughter and love.

Like all else in life, we choose happiness!

“The American Constitution only gives people the right to happiness. You have to catch it yourself.”

– Ben Franklin



"Happiness resides not in possessions and not in gold. The feeling of happiness dwells in the soul."

- Democritus (~460-370 BC)



Questions & Answers

Have a question you'd like to see answered in The Financialist? Please send your inquiry to financialist@rogersgroup.com.

Although we cannot publish all questions received, all inquiries will receive a personal response.

Q *Where can I find current market data and market commentary? Does Rogers Group Financial have it on the website?*

A *Yes, Rogers Group Financial does have current market data and market commentary – both daily and weekly – on our website. On the home page (www.rogersgroup.com) and on your advisor's subsite, at the bottom left corner, you will see a link under the Client Centre marked **Market Data**.*

*If you click on **Market Data**, you will be taken to a page that shows the day's market activity in both numerical and graphical format. You can also look up stock symbols and quotes on this page.*

*Scroll down the page to see a section called **Financial Updates**. Here, you will find links marked **Market Summary** (the daily summary) and **Economic analysis – Week at a Glance** (the weekly commentary).*

If you need any assistance in navigating our website, please don't hesitate to contact your advisory team.

Q *I want to make a substantial gift to a charity, and would like to use funds from my investment account. Is it better to sell some of my investments and donate the cash or give some of the investments in kind?*

A *If you are making a substantial gift, you may wish to consider making the gift in kind rather than in cash.*

If you decide to make your gift in cash, you will first sell some of your investment holdings. This may cause you to realize capital gains, and half of those capital gains will be taxable at your marginal tax rate. You will also receive a tax credit for donating the cash to charity (approximately 24% on the first \$200 and approximately 44% (in B.C.) on the remainder, up to 75% of your net income).

If you decide to make your gift in kind, you will be donating the investment holdings as is. The dollar amount of your donation will be determined by the current market value of the investments you donate. You will receive the same tax credit for your donation as if you had made the contribution in cash. You will also be deemed to have sold the investment when you donate it. However, if your donation is a security that is listed on an exchange, a mutual fund, or a segregated fund, you do not have to include any portion of the resulting capital gains in your income for the year.

There are some limitations and exceptions around the rules for donating to charity in kind, so it's a good idea to discuss your gift with your advisor before proceeding.

ROGERS GROUP FINANCIAL

Vancouver's Trusted Financial Advisors

At Rogers Group Financial, we build relationships with those who seek a future that provides security and choice.

Founded in 1973 by Jim Rogers, we have a proven planning approach to making our clients' financial goals a reality.

FINANCIAL ADVISORS

- Brett Simpson BComm CLU CHFC CFP RHU
- Walker Mooney BA CIM
- Clay Gillespie BBA CFP CIM FCSI
- Alan Kotai CFP CIM CFA
- Alain Quennec BComm CFP FMA CIM
- Cory Hill CFP CIM
- Chris Eynon CFP FMA CSA
- Bryson Milley BA CFP CIM
- Vera Vlaovich BA CFP FDS
- Mark Neufeld BA CFP CIM
- Anne Hammond BA CIM CFP
- Cecilia Tsang BComm CFP CIM RHU
- Jacqueline Siah BSc CIM CFP CLU
- Ethan Astaneh BComm CFP

ARTICLING FINANCIAL ADVISORS

- Carla MacAulay BA CIM CFP
- Jon Knutson BA DipIT CFP

CHAIRMAN

- Brett Simpson BComm CLU CHFC CFP RHU

MANAGING DIRECTOR

- Clay Gillespie BBA CFP CIM FCSI

CHIEF OPERATING OFFICER

- Barbara Simpson BComm FCA CFP

CHAIRMAN EMERITUS

- Jim Rogers BA MBA CLU CFP



Strategic Thinking. Independent Advice.

CONTACT INFO

5th floor, 1770 West 7th Avenue,
Vancouver, BC V6J 4Y6
Tel (604) 732-6551
Fax (604) 732-6553
Toll-Free 1-800-784-6066
Website www.rogersgroup.com

RECEPTION HOURS

8:00 am to 4:30 pm
Monday to Friday

The Financialist is available online.

If you would rather receive an electronic version of this newsletter, please contact us at financialist@rogersgroup.com

Previous editions of the Financialist are also available on our website at www.rogersgroup.com