

# Well-Advised



Jim Davison, CFP, CLU, CH.F.C.  
Financial Advisor

Assante Financial Management Ltd.

916- 2000 Barrington St.  
Halifax, NS B3J 3K1  
Telephone: (902) 444-3539  
Toll-Free: 1-888-496-9235  
Fax: (902) 446-4420  
Email: jimdavison@hfx.eastlink.ca  
Internet: www.davisonward.com

I hope that you have had a very enjoyable summer.

I'm very pleased to advise that a succession plan has been established with Gary Ward of whom I have shared an office space with for the past five years. Gary is a veteran advisor with over 20 years of experience in the field and this expansion includes assuming his business interests in May 2012. I invite you to view our website at [www.davisonward.com](http://www.davisonward.com).

Please let me know if there is anyway I may assist you in your financial matters and I look forward to any feedback from this edition.

Sincerely;

Jim

## How do you define retirement?

*This next stage may offer new ways to work*



**A** growing number of Canadians are choosing to perform paid work in retirement. There are many reasons behind this trend — a desire for greater income, a chance to pursue more satisfying work, the enjoyment of the activity, the social aspects of working and advances in communications technologies that make it easy to build home-based businesses.

Whether you'd like to work part time, run a business of your own or share your expertise as a consultant, it's a good idea to do some planning to ensure a smooth transition to the next stage of your life.

### Start planning today

Launching your next career may require new skills, continuing education and perhaps financing that may affect your financial plan.

For example, a new business may require start-up capital, which may involve tapping into your longer-term savings. Of course, the opposite is true

if your next career generates immediate income, as you can leave more of your retirement nest egg intact, or enjoy an enhanced lifestyle with the extra income.

To ensure your post-retirement work goals become a reality, start the process soon.

For instance, you may want to open discussions with your current employer, research any training or education you might need and boost your savings.

### Revisit your plans

While your future work arrangement may seem like a good plan today, life never stands still, and your preferences may change as retirement approaches. For this reason, it's always a good idea to revisit your post-retirement career plan regularly to ensure that it continues to fit with your life goals.

Talk to us about your retirement work ideas. We can help ensure that your finances are in good shape and that you've thought through the necessary steps to bring your next career to life. ■

# New income-splitting rules could mean thousands in tax savings

The 2007 federal budget introduced new rules that enable couples to split their pension income. Some couples could save thousands of dollars in tax as a result of this change.

Here's an overview of the changes, the potential benefits to you and the financial planning implications you should be aware of.

## Changes to income splitting

Shifting taxable income from a higher-income spouse to a lower-income spouse can be a significant tax saver, as a couple receiving two smaller incomes at retirement may be taxed at a lower combined rate than one person receiving a larger share of the household income.

Only income that is eligible for the pension tax credit can be split, including:

- Registered Retirement Income Funds (RRIFs).
- Life Income Funds (LIFs).
- Locked in Retirement Income Funds (LRIFs).
- Pension plans.
- Annuities purchased with a Registered Retirement Savings Plan (RRSP) or deferred profit-sharing plan assets.

Because most retirees rely at least in part on one of these forms of income, the new rules represent an excellent opportunity for couples in different individual tax brackets to reduce their taxes each year.

## Strategies for non-pension income

If you anticipate having a significant amount of non-pension income in retirement, such as non-registered investment or rental income, you might consider using what was until recently the traditional method of income splitting in retirement — a spousal RRSP.

By contributing to a lower-income spouse's RRSP instead of your own plan, you still get a tax deduction, but the contributions are invested and controlled by your spouse. At retirement, when the spousal RRSP is converted to a RRIF or annuity, the income received is taxed in your spouse's name, and usually at a lower tax rate.

For this reason, you should consider the potential spousal RRSP benefits if you expect to have a significant amount of investment, rental or other non-pension income in retirement that doesn't qualify for income splitting under the new rules.

## Limited splitting before age 65

Before age 65, the new income-splitting rules apply only to income from pension plans and some forms of annuity income. This means that if you retire at age 60, and are

relying on income from a RRIF, for example, you will not be able to split this income with a spouse until age 65.

This is also where the spousal RRSP can play a role. If you plan on retiring before age 65, setting up and contributing to a spousal RRSP today can be an excellent way to enjoy income-splitting benefits in your early retirement years before the full income-splitting rules apply to you.

We can help you evaluate the best options for your situation. ■

## The split makes a difference

Thanks to new government regulations, retired couples can now split pension income. You and your spouse could benefit from significant tax savings each year. Consider the examples of these two couples.

Professional advice can help you determine what income-splitting opportunities are available in your situation.



### WITHOUT SPLITTING

Her pension income  
**\$100,000**

Her taxes  
**\$32,456**

His pension income  
**\$0**

His taxes  
**\$0**

**TOTAL TAX PAYABLE**  
**\$32,456**



### WITH SPLITTING

Her pension income  
**\$50,000**

Her taxes  
**\$12,272**

His pension income  
**\$50,000**

His taxes  
**\$12,272**

**TOTAL TAX PAYABLE**  
**\$24,544**

Source: Ernst & Young 2007 personal tax calculator. Based on known rates as of May 31, 2007, for New Brunswick residents; actual rates will vary according to total income and province of residence.

## Factor group benefits into insurance planning

**L**ike many Canadians, you or your spouse may be fortunate to have group insurance coverage through an employer. While you're likely well aware of the day-to-day benefits you may have, such as prescription drug cost reimbursements and dental-care benefits, few of us have detailed knowledge of the more substantial coverage that may be available, such as life and disability insurance.

The result is that you may be underinsured or overinsured in certain areas — and could be paying for optional coverage that you don't really need.

The best way of ensuring you have the right level of protection is to share the details of your family's group coverage with us so we can undertake a proper review of your insurance needs. You may be surprised at what you discover.

### Check disability coverage

For example, you may have disability insurance coverage through your group plan, but benefit levels may be far lower

than you actually need to live on. In addition, if you are unable to perform your present job and have to stop working, your policy may not cover you if the insurance company considers you able to perform other types of work.

In such cases, you may be able to supplement your group coverage with an individual disability policy that tops up any coverage you receive from your group plan.

### Review life insurance

Life insurance is another key benefit that should be reviewed at regular intervals. For example, a basic life insurance benefit that's equal to your current salary may be adequate at an early life stage, but if you now have dependents or debt obligations, such as a mortgage, this level of coverage is likely far less than what you need.

Of course, the converse may also be

true. If you've purchased higher levels of life insurance through your group plan, but now have much greater financial security, you may be paying for extra coverage that you no longer need.

A regular review of all of your insurance coverage — both individual and group — will ensure that you always have an appropriate level of financial protection. ■



## Postpone no longer — get a will in place

**I**f you're starting to wrap up year-end tasks, whether organizing receipts or making charitable donations, there's one task you should add to your list if it's not done already — making a will.

Not having a will can be devastating should misfortune strike. An up-to-date will is essential to ensure your estate is distrib-

uted as you intend it — and that your death doesn't create a legal and administrative burden to your loved ones.

While a will can be relatively simple, there are pitfalls to be aware of in drafting one. For this reason, it's best to have a lawyer draft it and see that it's executed properly.

If you die without a will, a court will

appoint someone to administer your estate and distribute the assets according to estate and family laws. This could mean serious risk that your assets may not go to the people you intended.

So play it safe. If you don't currently have a will, see your lawyer and take the steps now to put one in place. ■



### Already have a will? You still have work to do

If you already have a will, but haven't reviewed it in several years, it's time to dust off your file folder and take another look. The reason? Life changes can have a significant impact on how your will is interpreted and who you may want to leave your assets to.

If you've had a change in marital status, birth or death of a family member or a change in business ownership, a quick review with the help of a lawyer can determine whether your will continues to reflect your wishes, and minimize any potential conflicts that might arise.

# Lifelong learning can lead to new life options

Education was once considered a young person's game, but in today's fast-changing work world, the concept of lifelong learning has taken hold. Whether you're trying to enhance your current career, change your career focus or learn new skills to expand your horizons, there are a number of educational options for every life stage.

## Career enhancement

Many employers offer training programs to help enhance your skill set, and some will even help subsidize graduate or other post-secondary education. Consult with your Human Resources department to see what opportunities are available. You may be able to advance your career while defraying some of the costs of financing your continuing education.

Universities also now offer part-time MBA, Master's of Public Administration and other graduate programs structured around work life, so you can study at night and on weekends without sacrificing your income.

You can even take many post-secondary degrees completely via the Internet. Visit the Canadian Virtual University® at [www.cvu-uvic.ca/english.html](http://www.cvu-uvic.ca/english.html) to explore the range of online learning options available through accredited universities across the country.

## Learning for the next stage

As you look past your primary career towards retirement, there are a number of learning possibilities, for work or pleasure.

For example, colleges (and some universities) often hire people with many years of practical expertise to teach professional courses. Getting a certificate in adult learning or a graduate degree

in your field can help you translate your years of experience into a full-time or part-time position teaching others who want to follow your career path.

You may also want to turn one of your hobbies into a part-time career in retirement, or simply learn more about a hobby you love. Colleges across the country offer training courses on most applied specialties, from bike repair to pastry making to writing novels.

There are also a number of organizations geared to retirees who want to learn for pure pleasure, such as Elderhostel ([www.elderhostel.org](http://www.elderhostel.org)), a not-for-profit educational travel organization whose slogan is "Adventures in Lifelong Learning."

## Do your research

Before you invest your time and money in a new educational path, it's important to think through your options carefully. Set up appointments with career counsellors at the institutions you're considering to discuss all your options. Many programs also have information nights where you can talk to current and past graduates.

We can help you determine the best way to save for and fund your education plans, from setting up a dedicated savings plan to planning tax-free withdrawals from your RRSP under the Lifelong Learning Plan (LLP). A little planning today can help ensure you have access to the future learning opportunities you want to pursue. ■

# Take advantage of RESP changes

Registered Education Savings Plans (RESPs) have long been a preferred choice for saving for a child's or grandchild's post-secondary education. But changes to RESPs introduced in the 2007 federal budget make these savings plans an even more attractive way to help ensure your loved ones can pursue the educational opportunities available to them.

**Increased contribution limits.** The key RESP changes in the 2007 budget are the elimination of the \$4,000 annual cap on contributions and the increase in the total lifetime contribution limit to \$50,000 (from \$42,000) per beneficiary.

In addition, the annual RESP contribution that qualifies for the 20% Canada Education Savings Grant (CESG) has been increased to \$2,500 (from \$2,000). This increases the maximum annual CESG per beneficiary to \$500 (from \$400). The \$7,200 lifetime CESG limit per beneficiary has not changed.

**Boost savings beyond the limit.** While these RESP changes can help you save more for your child or grandchild, many people should look beyond the RESP contribution limits, particularly if they'll be paying for professional schools now charging annual tuition of \$20,000 and more.

A non-registered investment account held "in trust" for your child is another option. While you'll pay tax on any interest and dividend income until your child reaches the age of majority, realized capital gains will be taxed in your child's hands, not yours. In addition, your child can use the money for other purposes if he or she decides not to pursue post-secondary education.

We can help you make the most of your savings, to reach your children's education dreams. ■

This material was prepared for and published on behalf of the representative named herein and is intended only for clients resident in the jurisdiction(s) where their representative is licensed. This material is provided solely for informational and educational purposes and is not to be construed as an offer or solicitation for the sale or purchase of any securities or as providing individual investment, tax or legal advice. Consult your professional advisor(s) prior to acting on the basis of this material. Insurance products are available through advisors registered with applicable insurance regulators. Individual equities are available only through representatives of Assante Capital Management Ltd. In considering any particular investment, please remember that past performance is no guarantee of future performance. Although this material has been compiled from sources believed to be reliable, we cannot guarantee its accuracy or completeness. All opinions expressed and data provided herein are subject to change without notice. Neither Assante Financial Management Ltd. or Assante Capital Management Ltd. nor their affiliates or their respective officers, directors, employees or advisors are responsible in any way for any damages or losses of any kind whatsoever in respect of the use of this material. Certain names, logos or graphics herein may constitute trade names, trade-marks or service marks ("Trade-marks") of United Financial Corporation and/or its affiliates or of third parties. The display of Trade-marks herein does not imply any licence has been granted to any third party. Assante Capital Management Ltd. is a member of CIPF. Copyright © 2007 Assante Wealth Management (Canada) Ltd. All rights reserved.