Spring 2022

Financial Focus

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Does your financial life need a spring cleaning?

It's quite easy to end up with investments in different places. You might have joined a group Registered Retirement Savings Plan (RRSP) through an employer or have opened a Registered Education Savings Plan (RESP) or Tax-Free Savings Account (TFSA) at your bank. It could be any investment from any source, whether a Guaranteed Investment Certificate (GIC) or stocks.

This is where Spring cleaning enters the picture. It's difficult to make investments work together when they're scattered among different institutions. You may want to clean up by putting them all under one roof.

The consolidation solution

When you consolidate all your investments with one financial services provider, you benefit in a variety of ways. First, it's often discovered that certain assets are duplicated, which increases investment risk. Changes can enhance your portfolio's diversification – minimizing risk, maximizing potential returns, and smoothing out performance.

In implementing these changes, assets may also be re-allocated among registered and non-registered accounts thereby making your investments more tax-efficient. Another possible tax advantage is having fewer tax slips to manage when filing your returns.

Investments at a glance

With scattered investments, trying to monitor everything is frustrating. But when you have a consolidated statement, viewing your investments is clear and easy – and you save time. It's also a more effective way for us to help you. We can ensure your investments are aligned with your goals and can recommend changes as your needs evolve.

Next Steps: Let us know if you have registered plans or other investments in different financial institutions. We can tell you about the consolidation process and determine if it makes financial sense for your situation.

Paul McMillan, BA, CIM, FMA
Senior Wealth Advisor & Portfolio Manager
Telephone: 604-542-3302
paul.mcmillan@nbc.ca

Caroline Goode, BA, CIM, RIAC
Wealth Advisor & Portfolio Manager
Telephone: 604-542-3306
caroline.goode@nbc.ca

Lois Beer, CIM, FMA, RIAC
Wealth Advisor & Portfolio Manager
Telephone: 604-542-3303
lois.beer@nbc.ca

McMillan Goode Beer Wealth Advisory Group
100-2121 160th St.
Surrey, BC V3Z 9N6
Telephone: 604-541-4925
Toll free: 888-246-4925
Fax: 604-541-4949
www.mcmillangoodebeer.ca

McMillan Goode Beer
WEALTH ADVISORY GROUP

Making sure your retirement savings goal meets the new longevity

More Canadians are reaching retirement with a longer life expectancy, thanks to healthier lifestyles and advances in medical tests and treatment. According to Statistics Canada, a woman aged 65 is expected to live to 87 and a man to 85 - and that's on average. So, a retirement savings goal should allow for a longer life span – typically, to at least age 90.

Can you imagine a time when Canadians will need to fund a retirement lasting 30 years, or even longer? Well, by the time your retirement rolls around, that could be you.

'How much will I need to retire?'

This may be one of your first questions when you think about funding a 30-year retirement. Fortunately, you only need to provide the input we require – we'll do the math. A key plan to share with us is how you wish to enjoy your retirement years. Do you hope to purchase a villa in Spain and travel through Europe, or downsize to a condo and spend time with your grandchildren? The lifestyle you envision helps us determine the income you'll need, which is instrumental in setting your retirement savings objective.

However, many other factors contribute to projecting your financial goals, such as your marital status, health, tolerance to investment risk, estimated net worth at retirement, and estate plans. We also take into account the effects of inflation and the new longevity. Ultimately, we help you arrive at a savings objective and retirement date that enables you to achieve your desired lifestyle without worrying about outliving your savings.

Plan for health care costs

Hopefully, you'll live a long and healthy life. But living to an older age increases the possibility of developing a medical condition or illness requiring costly long-term care in a residence, or at home. You can purchase long-term care insurance to prevent health care expenses from eroding your retirement savings. Note, however, that most insurance companies that provided long-term care insurance in Canada no longer offer this product, and choices today are limited. Another option is to set aside funds that would become estate assets, if not needed for long-term care.

Estate plans and retirement

Living longer may raise an issue regarding naming children as beneficiaries in a will. They could likely receive their inheritance when they're already established – perhaps even retired. Instead, should you name grandchildren as beneficiaries? Or give children an advance on their inheritance when a financial boost can make more of a difference? We can tell you how giving while living may affect your financial health or retirement income.

It can happen. Someone can be on track for a comfortable retirement – then a financial setback strikes. Perhaps an unexpected divorce results in dividing property and assets or a business ends up selling for much less than expected. In such a case, we develop a customized solution to make certain you still enjoy a secure retirement.

A solution may include deferred Government benefits, tax minimization methods, annuities and guaranteed investments, and advanced retirement income strategies, such as a systematic withdrawal plan or a cash wedge or bucket approach. Your financial well-being will be protected, and you'll feel confident your retirement income will fund your lifestyle – to any age.

Next Steps: At every life stage, living longer can affect your financial picture – whether it's the amount to save when you're younger or the way you draw income when retired. Talk to us anytime you want to discuss how your wealth plan is meeting the needs of the new longevity.

Keys to living longer

Healthy living may be practised in many ways, but here are five keys to reducing the risk of developing cancer, heart disease or stroke – the leading causes of death among Canadians.

Eat well. Include plenty of vegetables, fruit, protein and whole grains in your diet. Avoid or consume fewer highly processed foods.

Be active. One goal is to aim for 30 minutes of moderate daily activity that gets your heart going – and walking briskly counts.

Limit alcohol. If you drink alcohol, it's best to only drink in moderation. Should drinking habits become excessive, try setting limits.

Stop smoking. Quitting smoking now can still reduce your health risks in the future. It's worth finding out about proven methods to help you quit.

Maintain a healthy weight. If you want to lose weight, you don't need a crash diet. Watch what you eat, exercise, and aim to improve steadily.

Compiled from the Canadian Cancer Society (cancer.ca) and the Heart and Stroke Foundation of Canada (heartandstroke.ca).

Thinking of helping your child purchase a home?

Imagine searching for your first home in today's market. Real estate prices continue to soar. Mortgage regulations are stricter. The cost of living is only increasing. It's a financial challenge.

If you're the parent of a want-to-be homeowner, you may wonder about helping with the down payment. Your assistance could enable your child to choose their desired home and location instead of having to settle. In fact, your help may be the difference between your child buying now or waiting a few years to save more.

In a way, you benefit too. Giving an advance on their inheritance allows you to witness how you're enhancing your child's life, as opposed to only leaving an inheritance through your will.

But it's not a decision to take lightly. You should consider several personal and financial issues before opening the bank of mom and dad.

Personal considerations

Some parents worry that a child who receives easy money will develop a sense of entitlement. Is the individual better off working for their money, saving diligently, buying a home within their means, and learning what it means to be financially independent?

Another consideration is that you might set an unintended precedent. Later, should your child want cash for a swimming pool or capital for a start-up, they may ask and expect you to come through again.

If you have more than one child, you may need to ensure that helping one with a down payment doesn't cause discord among siblings or ill feelings toward you. Will you update your will to reduce the child's inheritance accordingly? What if another child asks for a similar advance, whether for a down payment or something altogether different?

Financial factors

Before you decide whether to help out or how much to give, it's important to determine if your contribution will impact your retirement savings objective or other financial goals.

If you go ahead, note that many mortgage lenders require you to sign a gift letter, which the lender typically provides. The letter makes it clear that the money is in fact a gift, not a loan – as the lender wants to make certain the borrower isn't taking on additional debt. You can also look at options that don't involve gifting funds, such as co-signing the mortgage.

Next Steps: If you're wondering about helping your child buy a home, feel free to contact us. You can give thought to the personal considerations, and we'll help you with the financial side.

Hmm ... What should I do with my tax refund?

Sometimes a tax refund seems like free money from the government. Hello big-screen TV, luxury getaway or latest phone. That refund, however, was your own money all along. You're just getting it back.

By resisting the urge to splurge, you can use that money to enhance your future finances. Here are some of the most effective ways to apply the refund to your financial benefit.

Pay off debt. If you have any high-interest debt, such as credit card debt, you can use the refund to reduce the balance and lower or, perhaps, eliminate the ongoing interest costs.

Add to an emergency fund. Your tax refund can enhance an existing emergency fund or present a great opportunity to get one started.

Contribute to a registered plan. You can be tax-smart and move the refund dollars to a tax-advantaged environment – your Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA) or Registered Education Savings Plan (RESP).

Help offset tax on RRIF withdrawals. When retirement arrives, tax will be payable on Registered Retirement

Income Fund (RRIF) withdrawals at your marginal tax rate. But there's a way to minimize the tax liability's effect. Every year, invest your RRSP tax refund in a non-registered account, and dedicate these funds to help offset the tax payable on RRIF withdrawals.

Next Steps: If you just can't resist the urge to buy a luxury item, perhaps you can compromise. Spend some of the refund for your own enjoyment, and apply the rest toward improving your financial future.

Receive tax savings without the refund?

If you're self-employed, a professional, or a business owner, your tax break from RRSP contributions may be paying less tax when you file your return. Or, if you have tax deductions reduced on your pay cheque, your break is freeing up cash throughout the year. While not as obvious as a tax refund, it's still money that would otherwise have been paid as tax to the Government. So, all these ways to improve your financial life still apply to your tax savings or extra cash.

Making RRIF withdrawals ... strategically

When it's time to withdraw funds from your Registered Retirement Income Fund (RRIF), one or more of these strategies may save you tax.

The mini-RRIF. Even if you would normally wait until the latest possible age of 71 to open a RRIF, you may want to open one at 65. But you only transfer enough funds from your Registered Retirement Savings Plan (RRSP) to allow you to make RRIF withdrawals of $2,000 each year, until age 71. That income qualifies for the $2,000 pension income tax credit.

Determining withdrawal amounts. When possible, it's often tax-smart to withdraw only the minimum required annual amount, keeping your tax bill lower and allowing more savings to grow tax-deferred. But sometimes it's wise to withdraw more than the RRIF minimum if that means paying less tax on the withdrawn amount now than what would be paid later and, perhaps, tax payable by your estate.

Spouse's younger age. If your spouse is younger, you can base your RRIF withdrawal rate on their age, which allows for lower required annual withdrawals and means less tax.

Income splitting. If you're 65 or older and your spouse is in a lower tax bracket, you can save tax as a couple by splitting up to 50% of RRIF income with your spouse.

Next Steps: Several personal and financial factors determine the most effective way to take retirement income, so talk to us about a customized solution.

When vacation property upgrades are tax-smart

Did you know that updating your cottage, cabin, or chalet now can save you tax in the future? It's all because of the way capital gains are assessed. Generally, your capital gain is the difference between what you paid for an asset and the value when it's sold or transferred.

In the case of a vacation property, you can add the cost of capital improvements to the amount you paid to acquire the property. That results in a reduced capital gain and less tax payable.

A capital improvement is something new that transforms the property or replaces an existing structure or item. So, keep receipts for projects such as building an addition, a new deck or boathouse, or replacing windows, a dock, roof, or septic tank. Costs of maintenance or repairs are not eligible.

Next Steps: Talk to us, your accountant, or lawyer to discuss this matter or other strategies to help manage the future capital gains tax liability on vacation property.

One of the most underused tax credits

According to Canadian tax preparation firms, the medical expense tax credit is among the most underused tax credits or deductions.

One reason is that many taxpayers aren't aware of what expenses are allowable. For example, you can claim the costs of eyeglasses, contact lenses, laser eye surgery and orthodontics, and fees paid to a physiotherapist, chiropractor, or psychologist. If you have a group insurance plan through your employer, your out-of-pocket portion of dental costs is allowable and so is the portion of the premiums you pay for dental, medical, and vision benefits. For a complete list of eligible expenses, see the Medical Expenses publication RC4065 at canada.ca or IN-130-V at revenuquebec.ca.

Next Steps: Plan to combine expenses for you, your spouse and your children for a 12-month period. Do note, however, that this credit can only be claimed when medical expenses exceed $2,421 (for the 2021 tax year), or 3% of your or your spouse's net income. Either spouse can use the credit, and usually the lower-income spouse makes the claim.

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT