Tax Planning

KATE’S STORY

We’re sharing Kate’s story because while she had some unique needs, her story is quite common, and that’s what makes it worth sharing.

LET’S MEET KATE

When Kate first came to our office she had recently sold her small businesses and had decided to retire and now she was concerned that her savings would not last through her retirement years.

Once we dove into Kate’s finances we realized we had some tough news to share with her. Her $375,000 retirement savings would run out sometime around age 78.

BREAKING DOWN KATE’S FINANCIAL PICTURE

We assembled our Wealth Management team and jumped in to see how we could help. We started by getting a snapshot of Kate’s current financial set up. We found that like many people she had saved and invested money over the years but had never developed a focused plan. She had Registered Savings Plans (RSPs) Retirement Income Funds (RIFs) and Guaranteed Investment Certificates (GICs) in non-registered accounts all spread out over several financial institutions. The result was that her money and investments were fragmented, resulting in things being overlooked.

Additionally Kate worked with a variety of professionals who all impacted her complete financial picture, However, none of these professionals were talking to each other so opportunities to save her money were missed.

We also detailed how she was creating her retirement income and found:

- She was making RIF withdrawals
- She was paying income tax on her withdrawals
- She was not taking income from her GICs
- She was withdrawing money from her RSPs to pay her annual tax bill

*** While we have changed Kate’s name to ensure her privacy, all other details, including the financial figures, are true.**

WHAT WE DID DIFFERENTLY

Since we can't control the rate of return on investments we focused on areas we could control to find more efficient ways to manage her finances. Our goal was to stretch her savings out longer without reducing her monthly income - after all what's the point of retiring if you don't have any money to enjoy it?

Better Communication

- We got all of her various professionals (lawyers, accountants etc.) communicating so everyone was on the same page and could all contribute to a plan that was in Kate's best interest
- We consolidated all of her accounts so they could be managed as a single portfolio

Changed taxable income into non-taxable income

- We reduced her income taxes by reorganizing her holdings to shelter interest and dividend income in her registered accounts
- We used corporate class investments to reduce annual distributions in her non-registered portfolio

Changed her income sources and therefore her tax picture

- She stopped taking payments from her registered plans which reduced her taxable income
- She was able to deduct her fees on her portfolio, reducing her taxable income further
- These reductions meant she now qualified for the Guaranteed Income Supplement resulting in $8,100 in new income over the first two years of her plan alone
- Her average tax bill was reduced to under $500 a year from the age of 65 to 71 and therefore no more withdrawals were required to pay her annual tax bill
- By deferring a tax liability, her money was allowed to actually grow and not using as much of it now gave her extra years of income

With the help of the wealth management team at Assante Hydrostone, Kate was able to extend the life span of her portfolio without reducing her spendable monthly income. Instead of running out of money by the time she turned 78 years old, Kate was now had enough money to last her until she reached 85 years old.