Retirement Income Report

Scenario:

After-Tax Retirement Income: $132,735

Clients:	Anne Smith (Age 56) & Bill Smith (Age 60)
Plan Date:	June 20, 2019
Retirement Age:	Ages 60 & 65

Advisor Information
Cascades FS
Sample@cascadesfs.com

Assumptions & Disclosures

Client Information:

Spouse 1
Name: Anne Smith
Sex: Female
Date of Birth: March 15, 1963

Spouse 2
Name: Bill Smith
Sex: Male
Date of Birth: June 25, 1958

Residency

We assume all clients earn all their income within the province of Ontario in Canada for taxation purposes. Moreover, we assume any LIRA/LIF investments originated in Ontario and thus ON LIRA/LIF rules apply to them.

Pre-Retirement

When applicable, Cascades will not calculate a level disposable income during a pre-retirement phase. Once the projection reaches the retirement phase (all spouses retired), Cascades dictates all investment cash flows in order to produce a level disposable income throughout retirement under a variety of different strategies.

Investments

Once an asset allocation is selected,the rate of return associated to that allocation is used for all investment projections

Asset allocations are determined as follows:

Conservative: 70% Fixed Income, 30% Equity - 4% rate of return
Moderate: 60% Fixed Income, 40% Equity - 5% rate of return
Growth: 40% Fixed Income, 60% Equity - 6% rate of return
Aggressive: 30% Fixed Income, 70% Equity - 7% rate of return

Cascades assumes all investment cash flows (either a contribution into or withdrawal out of an account) occur in their entirety at the beginning of the report year. Annual account returns are applied to the market value after all cash flows have occurred

The equity portion of taxable savings (non-registered savings) are assumed to have returns made up of 3 components: 50% realized capital gains, 25% eligible dividends, and 25% non-eligible dividends.

Life Expectancy

All ages used for life expectancy were obtained from the Society of Actuaries Annuity 2000 Basic Table. All couple's projections assume both spouses will live until the end of the report.

Tax Rates

Cascades determines all income taxes payable by using the most recent graduated tax brackets provided by the Canada Revenue Agency. Any probate taxes are determined in accordance with the information provided by the provincial jurisdiction.

Inflation

All income and savings are report in "today's dollars" by taking a present value at 2% annual inflation. Inflation is applied to CPP/QPP, OAS, pensions*, annuities*, custom income sources*, income needs, tax bracket thresholds, tax credit amounts (personal, age), re-payment or "clawback" thresholds (OAS and Age Credit clawbacks), annual TFSA contribution room, limit on annual RRSP contribution room gained. [*unless otherwise selected]

Strategy Descriptions

Registered Funds First - This strategy involves creating retirement income from registered funds first, reducing the risk of leaving highly taxable investment accounts to an estate. The second priority is given to taxable non-registered accounts, leaving Tax Free Savings Accounts (TFSAs) last.

Non-Registered Funds First - This strategy involves creating retirement income from non-registered funds first, deferring the income taxes payable on registered investments. The second priority is given to registered investments, leaving Tax Free Savings Accounts (TFSAs) last.

Tax Free Funds First - This strategy involves creating retirement income from non-registered funds first, and postpones the use of registered funds as long as possible. The second priority is given to Tax Free Savings Accounts (TFSAs), leaving registered funds last.

Determining a Winning Strategy - With all other factors being equal, the winning strategy provides a client longevity and the highest estate value, net of taxes and fees, at life expectancy. The differences in the net estate value represents the income tax savings of the winning strategy.

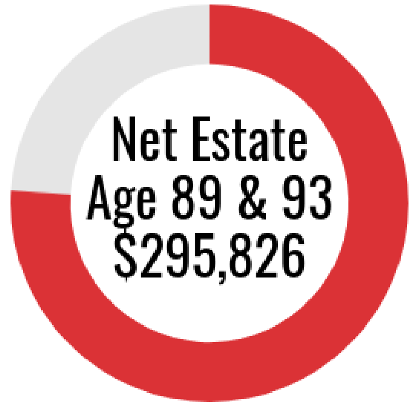
Strategy Comparison

We've run a retirement income withdrawal plan three different ways to produce an after-tax annual retirement income of **$132,735**, changing the priority of withdrawal in each scenario. Solving for the same after-tax retirement income in each scenario, we used the average estates net of taxes and fees to determine the strategy that pays the least amount of income tax.

Best Strategy
Registered Funds First
Registered > Non-Registered > TFSA

Runner Up
Non-Registered Funds First
Non-Registered > Registered > TFSA

2nd Runner Up
Tax Free Funds First
Non-Registered > TFSA > Registered



Best Strategy Description - Registered Funds First

By comparing the net estates under differing withdrawal strategies, we've determined that the **Registered Funds First** strategy would pay the least income tax overall. This strategy involves creating retirement income from registered funds first, reducing risk of leaving highly taxable investment accounts to an estate. The second priority is given to taxable non-registered accounts, leaving Tax Free Savings Accounts (TFSAs) last. The remainder of this report outlines the details of implementing this winning strategy.

Difference of Net Estate at Mortality (Age 89 & 93)

	Cum. Taxes	Gross Estate	Estate Fees + Tax	Net Estate	Difference
Registered Funds First	1,126,336	407,227	18,065	389,162	0
Non-Registered Funds First	1,164,538	391,169	17,342	373,826	15,336
Tax Free Funds First	1,140,242	526,804	230,978	295,826	93,336

Net Estate Projection

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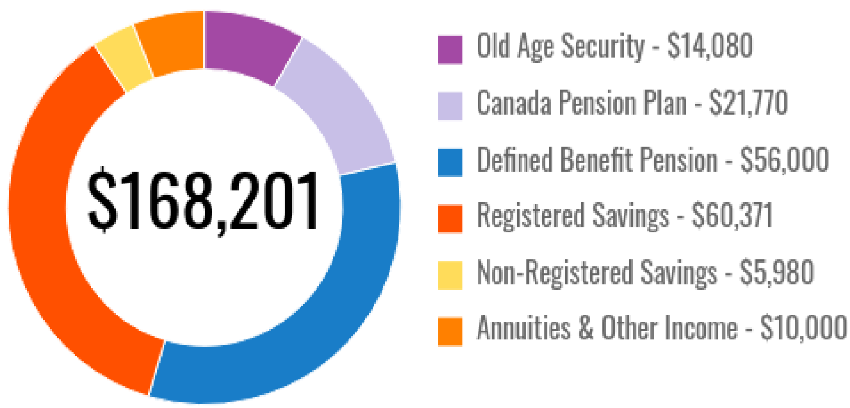
Client Information Summary

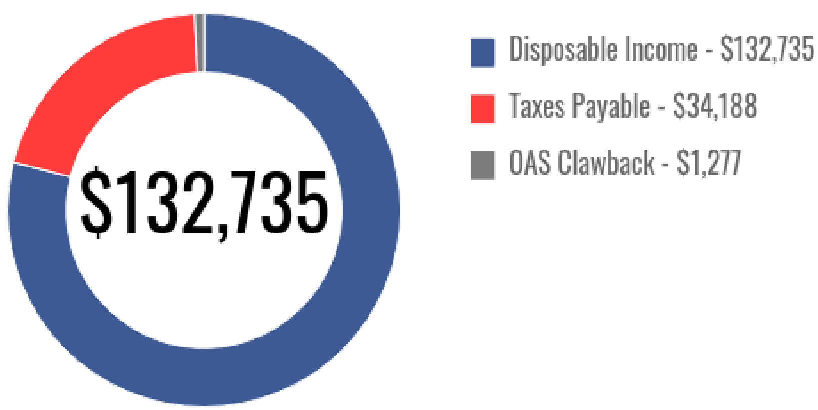
Retirement Income Snapshots (Age 65 & 69)

Gross Retirement Income



This gross income chart illustrates your total income from all sources, once you begin receiving all pensions, at age 65 & 69, before applicable taxes, savings contributions, and clawbacks have been considered.

Disposable Retirement Income



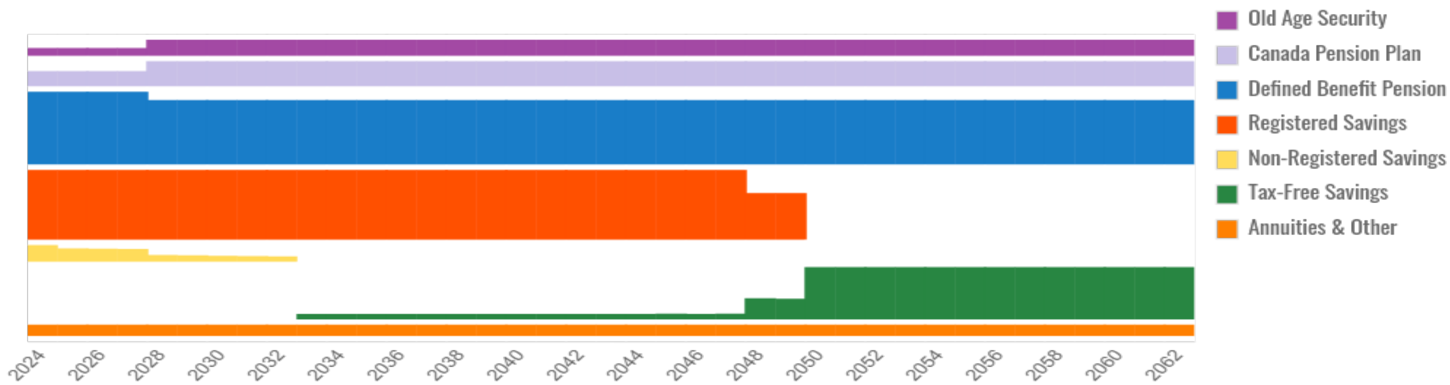
This diposable income chart shows the total amount of money available for spending once you begin receiving all pensions, at age 65 & 69, after savings contributions, income taxes, and clawbacks are considered.

Net Worth Statement

	Anne	Bill	Joint	Total
Registered Retirement Savings Plan (RRSP)	200,000	100,000	0	300,000
Registered Retirement Income Fund (RRIF)	0	0	0	0
Defined Contribution (DC) Pension Plan	0	500,000	0	500,000
Locked-In Retirement Account (LIRA)	0	100,000	0	100,000
Life Income Fund (LIF)	0	0	0	0
Tax-Free Savings Account (TFSA)	60,000	60,000	0	120,000
Non-Registered Savings Account	0	0	150,000	150,000
Total	**260,000**	**760,000**	**150,000**	**1,170,000**

Income Summary

Gross Income Breakdown

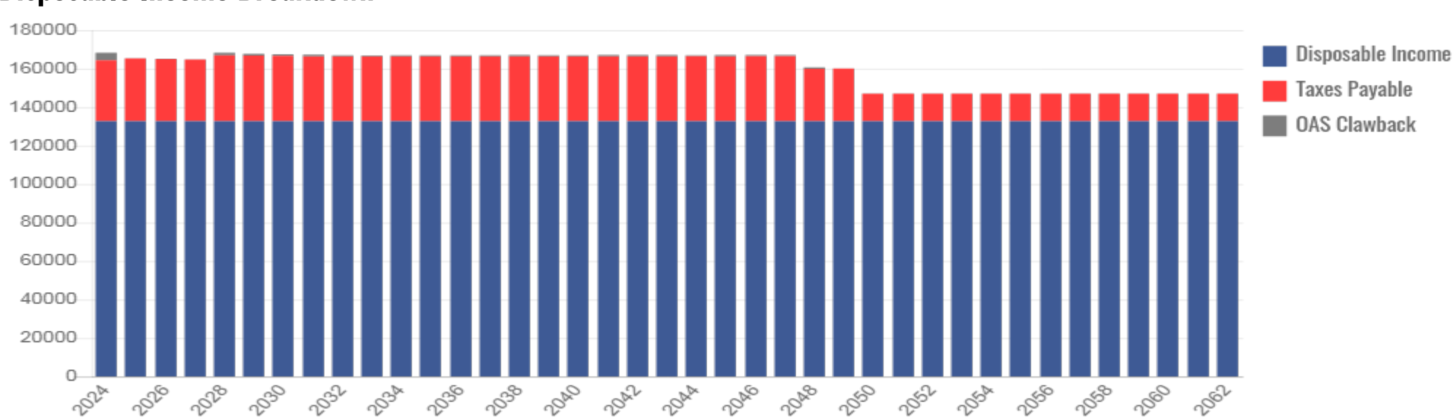


This chart illustrates relative amounts of income taken from different sources throughout retirement before taxes and other deductions are considered. For instance, if the Registered Savings bar is twice as thick as the Canada Pension Plan bar in a given year, that means you are slated to take twice your Canada Pension amount for that year as withdrawals from Registered Savings.

Income Summary in Milestone Years

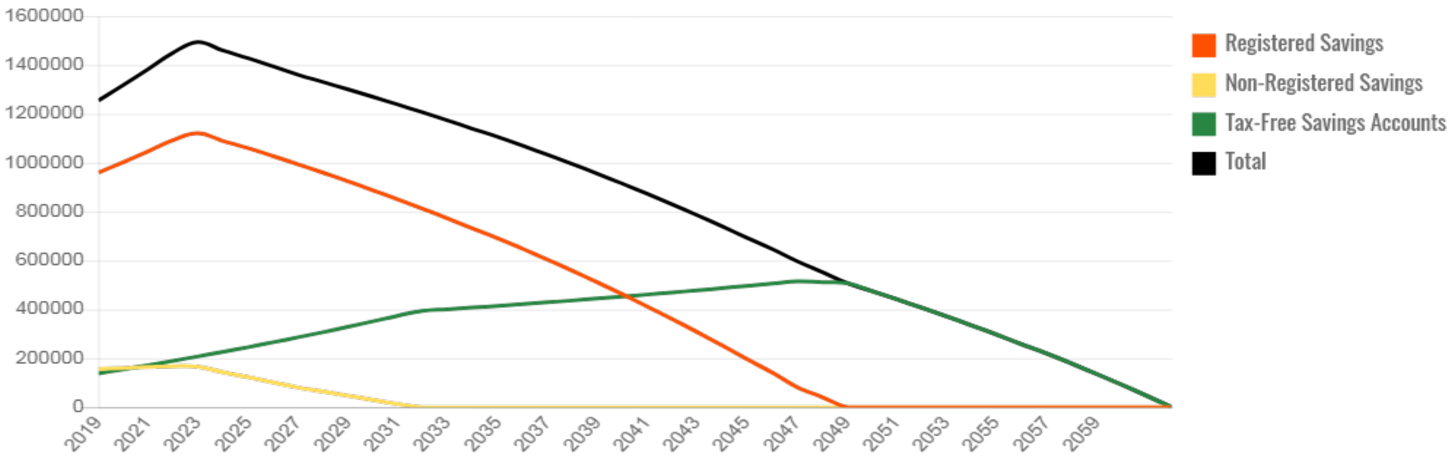
	2024 Retirement Age 61 / 65	2028 All Pensions Age 65 / 69	2050 Registered Ends Age 87 / 91
Old Age Security	7,040	14,080	14,080
OAS Clawback	3,886	1,277	0
Canada Pension Plan	13,370	21,770	21,770
Employer Pensions	63,000	56,000	56,000
Registered Savings Payments	60,371	60,371	0
Non-Registered Savings Payments	14,456	5,980	0
Tax-Free Savings Payments	0	0	45,160
Annuities & Other Income	10,000	10,000	10,000
Taxes Payable	31,614	34,188	14,275
Disposable Income	**132,735**	**132,735**	**132,735**

Disposable Income Breakdown



Investment Summary

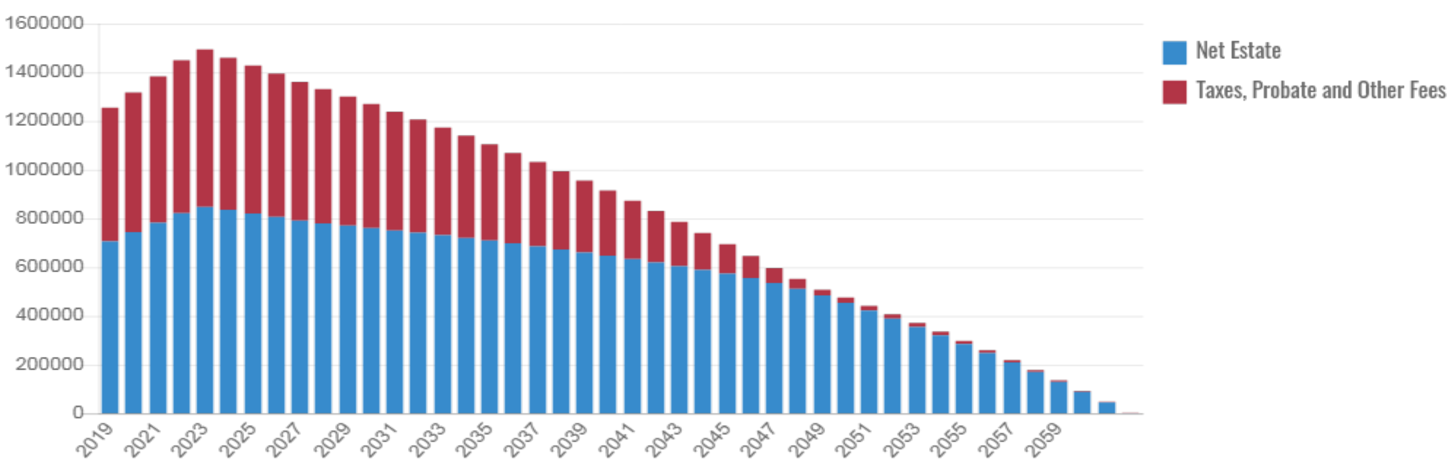
Investment Projection



Investment and Estate Summary in Milestone Years

	2019 **Current Year** **Age 56 / 60**	**2032** **Non-Reg Ends** **Age 69 / 73**	**2049** **Registered Ends** **Age 86 / 90**	**2062** **Report Ends** **Age 99 / 103**
Registered Savings	959,700	812,533	0	0
Non-Registered Savings	156,466	0	0	0
Tax-Free Savings Accounts	138,600	394,331	507,612	1,393
Total	1,254,766	1,206,863	507,612	1,393
Income Tax on Registered Savings	492,320	411,594	0	0
Legal and Accounting Fees (3%)	37,643	36,206	15,228	42
Probate Fees (Ontario)	18,321	17,716	7,338	7
Net Estate	706,481	741,347	485,045	1,345

Estate Expense Projection



This chart illustrates the income taxes, probate, and other fees that would be assessed on the passing of the final spouse in each year of this projection to produce a net estate value. Please note that legal and accounting fees are being estimated at 3% of the estate value - this rate will can vary based on the legal and accounting services rendered and the estate's complexity.

Key Considerations

Income Splitting & Pension Credits

When choosing among your options to leave your employer-sponsored pension plan, some options will allow you to receive a $2,000 pension tax credit each year before 65 that otherwise isn't available. Consider this benefit when deciding to commute out of a pension plan.

Manage Sequence of Returns Risk

When withdrawing funds on a regular basis for retirement income, the order (or the “sequence”) in which you receive your investment returns can make a significant difference in how long that income lasts. Protect yourself by reviewing the proportion of fixed income that makes your retirement income, and consider the value that deferred/variable annuities (aka "segregated funds") provide with their death benefit and maturity guarantees.

OAS Clawback

Because of high taxable income levels, we project that you will be required to re-pay some of your Old Age Security benefit to the government, known informally as the "OAS clawback." An OAS Clawback situation involves one of the highest effective marginal tax rates experienced by Canadians. Consider reducing the amount of income taken from registered investments over other vehicles and consider investing for capital gains over dividends to reduce your clawback.

How to Drawdown your Registered Retirement Income Funds (RRIFs)

When you reach retirement, a registered retirement savings plan (RRSP) has the option of turning into a registered retirement income fund (RRIF). To provide a sustainable retirement income and minimize your income and estate taxes, we’ve calculated an average annual RRIF payment of $18,585 starting at age 60 for Anne Smith and $9,221 starting at age 65 for Bill Smith. At an assumed rate of return of 5%, this investment will reach $0 for Anne Smith at age 84 and $0 for Bill Smith at age 88.

Shift Taxable Savings to Tax-Free Savings

As new Tax-Free Savings Account (TFSA) contribution room becomes available, you can save income taxes on investment income and have easier access to funds by shifting any taxable (Non-Registered) savings to your TFSA.

Key Considerations

Protect Non-Registered Accounts from Probate Tax & Administration

Long term savings that earns taxable investment income is often held in nonregistered accounts invested in Guaranteed Investment Certificates (GICs), Stocks, Bonds, Mutual, etc. These types of investment accounts often cause an estate to be probated. Consider investing these funds in accounts that allow the naming of a beneficiary. Some examples include Tax-Free Savings Accounts (TSFAs), deferred/variable annuities (aka "segregated funds") or medically-underwritten participating whole life insurance.