



Retirement Planning

Your Retirement Transition Plan



CIBC
Wood Gundy



Planning Your Retirement

Picture Your Perfect Retirement

What do you want your retirement to look like?

The definition of retirement has changed. Today, retirement marks the transition to a new and exciting phase of your life. With Canadians living longer and healthier lives, retirement no longer necessarily means quitting your job one day to do nothing the next. You may choose to continue working whether on a full time, part-time or consulting basis. With proper planning, you will have the opportunity to accomplish the things out of life that are important to you – spend more time with your family, travel the world, enjoy the arts and culture, continue to work on your own terms or simply enjoy the fact that you have more time and freedom to do what you want, when you want.

At CIBC Wood Gundy, we know it is important that you feel confident about your future financial situation. We believe that successfully planning for your retirement goes beyond simple budgeting; it is a comprehensive process which includes a number of factors.

Enjoying your retirement takes careful and detailed planning, but it doesn't have to be difficult. Your CIBC Wood Gundy Investment Advisor has the knowledge and expertise to help you plan to get the most out of your retirement, whatever your vision may be.

The Value of Planning

To achieve the retirement you want, it is important to have a thorough understanding of your retirement goals and transition process. A successful plan can offer you the peace of mind that comes from knowing you have not only given thought to your future, but have begun to build a path towards it.

Many people begin retirement planning by asking questions about what their future has in store for them. This process may include identifying the answers to the following questions:

- Will I be able to retire, and maintain my standard of living?
- How do I maximize my retirement income?
- Do I want to continue to work on a part-time or consulting basis?
- What tax implications may I have to deal with?
- What is my family's health history and how might that affect me?
- How can I ensure my family is looked after in case of the unexpected?

43% of retired Canadians believed they planned well and saved enough for retirement, yet only 15% are living out their retirement dreams.

Source: Canadians close to retirement not prepared; 50plus.com

Are You Ready?

Understanding Your Current Financial Situation

The best way to ensure you'll have the income in place for the retirement lifestyle you deserve is to start planning today. An effective plan begins with a thorough understanding of your current situation and what you want your retirement to look like, as well as the factors that may affect your retirement goals.

Through a series of discussions with your CIBC Wood Gundy Investment Advisor, you will have a better understanding of your retirement goals and priorities. By identifying and documenting your goals, we can better help you achieve the retirement you want.

More than half (60%) of retired Canadians continue to hold debt, finds CIBC Poll.

Source: CIBC Poll: "More than half of retired Canadians carrying debt." Canada Newswire. July 23, 2012.

Identify Your Retirement Income Requirements

The factors that may impact your retirement income needs are unique and based on your discussion with your CIBC Wood Gundy Investment Advisor. Potential issues may be identified and resolved, allowing you to determine the amount of retirement income you require for a successful retirement.

This process includes considering:

- Estimate of your anticipated expenses in retirement
- Income sources for your essential expenses
- Coverage for your discretionary expenses
- Your health and family history
- Your time horizon and risk tolerance

By working with you, your CIBC Wood Gundy Investment Advisor can identify all the sources of income available to you. This includes government pension plans such as Old Age Security and the Canada/Québec Pension Plan, employer pension plans, employment income and business income, and individual retirement plans such as Registered Retirement Savings Plans and Tax-Free Savings Accounts.

A Team-Based Approach

Successful retirement planning goes beyond simply saving. It incorporates a number of activities, including tax and estate planning and risk management.

By leveraging the knowledge and experience of the CIBC Wood Gundy team of experts, engaging expertise available through the CIBC group of companies and working in conjunction with your other professional consultants, we can address your most complex financial needs and help you prepare for life now, in retirement and beyond.

In addition to your CIBC Wood Gundy Investment Advisor and your personal tax and legal professionals, your team of experts may include:

- **CIBC Wood Gundy Estate Planning Specialist** to review your insurance and estate planning needs and work with you to create and implement a personalized strategy designed to meet your present and future needs.
- **CIBC Private Banking Advisor** who can offer specialized financial strategies designed to meet your day-to-day banking and credit management needs.
- **CIBC Trust** to provide a range of executor, Power of Attorney and trustee services. A Regional Trust Manager will work directly with your tax and legal advisors to meet your planning needs.
- **CIBC First Caribbean International Bank.** If you plan to retire in an exotic location, CIBC First Caribbean is the largest regionally-listed bank in the English-speaking Caribbean, with offices in 17 countries able to look after your financial needs from abroad.
- **Independent Cross-Border Tax Advisor** who can offer expertise in the interaction of the tax laws of two countries and specialize in any tax treaties between Canada and the country in which you may be planning to reside.



Factors Affecting Retirement

Longevity

Canadians are leading longer and healthier lives, which may mean planning for your retirement income to last 20-30 years or longer. Based on Statistics Canada data from 2005, our average life expectancy continues to rise. A baby born in 2005 will have an average life expectancy of 81 years, which is nearly 10 years older than the average life expectancy in Canada in the 1950s. Additionally, these days, it is not uncommon to live until 100.

Preparing for enough retirement income to last your retirement years is essential to a proper retirement income plan.

Inflation

When planning for your retirement, it is important to keep the rate of inflation in mind. Inflation refers to the decrease in purchasing power of a dollar over time, due to the rising costs of goods and services.

A basket of goods and services* that costs \$100 in the year 1970 costs approximately \$600 in 2012, a 500% increase over 42 years. If inflation runs at the historical rate of about 3%, the purchasing power of a dollar will be cut in half in 23 years. If inflation jumps to 4%, purchasing power is cut in half in 18 years.

*As the products in the basket increase or decrease in price, the overall value of the basket changes.

Asset Allocation

Asset allocation represents the division of assets among asset classes such as stocks, bonds and cash and is the active ingredient in creating and maintaining a solid investment plan. Studies have shown that over the long term, the most important determinant of portfolio performance potential is its asset allocation.

The asset allocation process is founded on the principle that each combination of stocks, bonds and cash will provide a different pattern of risk and return. The key to the investment process is to find an asset mix that meets your objectives. As you draw nearer to retirement, your asset allocation may change to reflect a more cautious approach.

Diversification among asset classes can help reduce risk and drive portfolio performance. Your CIBC Wood Gundy Investment Advisor can work with you to determine the appropriate asset mix for you.

Investment Risk

Investment risk (sometimes referred to as market risk) is the type of risk where fluctuations in securities may deplete your retirement savings. If you need to withdraw from your savings to cover your retirement expenses, the amount of your withdrawals combined with extended negative market returns can result in the depletion of your savings far sooner than anticipated.

Liquidity

Liquidity risk focuses on the inability to sell a security quickly and easily, at its fair market value. Although the term generally refers to fixed income instruments, such as bonds, it is important to consider the liquidity of a number of asset classes.

Market volatility can have a significant impact on retirement savings, and generally hits retirees the hardest. A conservative approach to investing can help mitigate the effect of market volatility, while taking into consideration your liquidity requirements. It is important you review your retirement plan with your CIBC Wood Gundy Investment Advisor on an annual basis, as regular reviews can help you stay on the path to achieving your financial goals.

- **Cash and Cash equivalents** are the most liquid assets and can be readily redeemed or converted into cash.
- **Bonds and T-Bills** are not as liquid as cash, and the bid/ask spread and changing interest rates can affect the ability to redeem a fixed income security without a change in value.
- **Stocks** are more volatile than fixed income assets and it may not always be possible to redeem a stock at its fair market value. They should not be considered short term investments.
- **Real Estate** is generally considered one of the most illiquid asset classes for its inability to be converted quickly to cash.

Health Care

With age and growing health concerns, you may come to realize you need special care and help to manage any potential ailments. Your loved ones may be unable to care for you as they may not live close by or your social networks may have changed. Whether choosing home care or a retirement facility, there may be extra costs which may increase your expenses in retirement.

As life expectancies increase, so does the need to account for health care costs. Working with your CIBC Wood Gundy Investment Advisor and your Estate Planning Specialist* can help you identify the insurance solutions that fit your circumstances, and offer you and your family increased peace of mind.

* Financial Security Advisor in Québec.

A 2010 Fidelity Retirement Survey suggests that many Canadians already recognize the potential fallout of health problems in retirement. Fifty-two percent of non-retirees and 39 percent of retirees believe health care costs not covered by federal and provincial programs could deplete their savings and lower their standard of living. Retirees also list health concerns as one of the top reasons they retired.

Roughly 50% of retirees turning 65 will be admitted to a long-term care facility.

Source: "New Estimates of Lifetime Nursing Home Use: Have Patterns of Use Changed?"
Medical Care, Volume 40, Number 10, 2002.

Income Sources

Government Income Sources

Old Age Security (OAS):

OAS is a basic monthly pension available to most Canadian citizens or legal residents of Canada aged 65* or older. OAS payments are based on your age and how long you have lived in Canada. These taxable benefit payouts are reduced if residency rules are not met and/or net income exceeds threshold levels set out by Canada Revenue Agency.

*The 2012 Federal Budget changed the age of eligibility for OAS benefits to age 67 for those born after March 31, 1958. The changes will be phased in over a six-year period, starting in 2023. An option is also available to voluntarily defer OAS payments up to five years, in order to receive a higher annual pension amount.

Canada Pension Plan (CPP):

The Canada Pension Plan (CPP) is available to all working Canadians (with the exception of Québec where you receive a Québec Pension Plan*) who have paid into the plan during their working lives. The amount of CPP you receive depends on the number of years that you contributed to the plan, the amount of your contributions and when you decide to start receiving your payments. You can elect to have payments start as early as age 60 or be deferred until the age of 70. Your payments are adjusted accordingly based on when you choose to start your payments.

*The Québec Pension Plan (QPP) is a compulsory public insurance plan. Its purpose is to provide persons who work in Québec (or have worked in Québec) and their families with basic financial protection in the event of retirement, death or disability. The QPP takes into consideration contributions made to the CPP while working outside of Québec. For more information on the QPP, refer to the **Régie des rentes Québec** website at http://www.rrq.gouv.qc.ca/en/programmes/regime_rentes/Pages/regime_rentes.aspx.

Other Income Sources

Employer pensions

Employers may sponsor a pension plan to help employees save for retirement. There are two main types of pension plans:

- **Defined benefit plans**, which provide a pre-determined pension income generally calculated based on a number of factors, including years of service and salary levels. Income is guaranteed regardless of investment returns.
- **Defined contribution plans**, which provide participants with a pension benefit based on a specific accumulated value made up of contributions to the plan plus investment earnings.

Personal Savings and Investments

The savings and investments you accumulate during your working years can include:

- Investment and/or savings accounts;
- Registered plans, such as Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs)
- Property and other tangible assets
- Financial and business assets

Planning For the Unexpected

Whether personally or financially, we all know that life constantly changes, which is why planning for the unexpected is so crucial to your retirement.

A proper retirement plan will consider estate planning and insurance coverage so that your assets are distributed in a manner of your choosing and to alleviate any financial hardship that your loved ones might otherwise experience following your death or disability. Insurance solutions are also available to help protect yourself against the unexpected by building in contingencies for long-term care needs or in the case of critical illness.

Although retirement and estate planning may seem like two distinct fields, they should be done in tandem and complement each other. Some of the benefits of estate planning include:

- Ability to pay off debts and taxes at death or disability
- Providing your spouse / common law partner with financial security
- Providing an estate for your beneficiaries
- Reducing taxes through tax minimization strategies before and after death
- Ability to deal with the expenses of a critical illness or long-term care needs, within your home or a long term care facility

Your CIBC Wood Gundy Investment Advisor along with a CIBC Wood Gundy Estate Planning Specialist can assist you in achieving peace of mind by tailoring an insurance and estate plan that meets your needs.



Meeting Your Philanthropic Objectives

While there are a number of tax benefits to charitable giving, it is the satisfaction of giving back to their community that inspires many.

There are many options for charitable giving available today. Some establish their own charitable foundation; others get involved in fundraising events for existing charities. Donor Advised Funds continue to gain in popularity, allowing you to control the distribution of funds without the paperwork often associated with a charitable foundation.

Charities can play a vital role, both in Canadian society and around the world, however, making the most of your charitable donations requires careful planning. Your CIBC Wood Gundy Investment Advisor can help you find the right balance between your financial needs and your philanthropic objectives.

In 2010, 84% of Canadians aged 15 and over made at least one charitable donation. The total amount of donations was \$10.6 billion.

Source: <http://statcan.gc.ca/pub/11-008-x/2012001/article/11637-eng.pdf>

We're Here to Help

As one of Canada's largest full service investment advisory firms, CIBC Wood Gundy Investment Advisors have been helping generations of Canadians plan for their retirement.

Our Investment Advisors are committed to helping you achieve your dreams by building relationships based on trust, guidance and the delivery of personalized financial solutions that meet your unique needs.

Whatever your vision, your CIBC Wood Gundy Investment Advisor can help alleviate the anxieties that come with planning for retirement. After all, the retirement years are meant to be your golden years, and one of the best times of your life!

To plan for or confirm you are on the path to the retirement you want, speak with your CIBC Wood Gundy Investment Advisor today.



The Meyer Financial Group

1 City Centre Drive, Suite 1100
Mississauga, Ontario L5B 1M2

Tel: 905 272-2200

Toll Free: 1 800 469-2583

Fax: 905 272-3733

www.cibcwg.com/themeyerfinancialgroup



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www.cibcwoodgundy.com

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