GESTION DE PATRIMOINE ASSANTE WEALTH MANAGEMENT | Hydrostone

Kate's Story - a tax planning case study

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.

WHAT WE FOUND

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.

We found that like many people she had saved and invested money over the years but had never developed a focused plan.

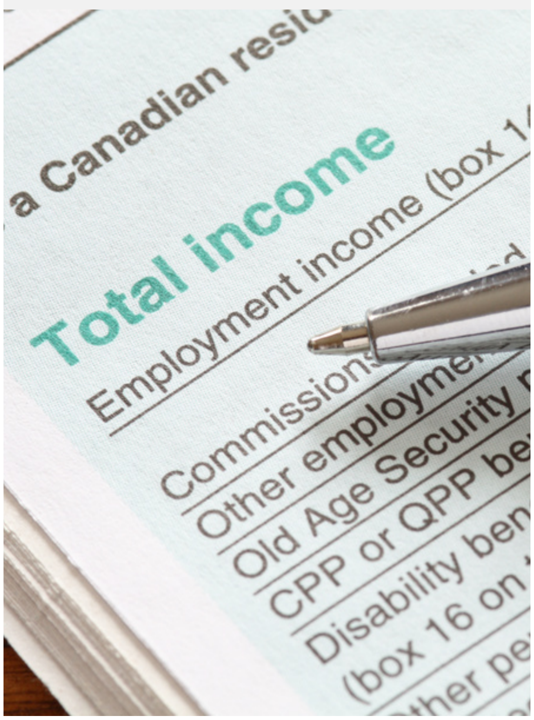
Kate had Registered Savings Plans (RSPs), Retirement Income Funds (RIFs), and Guaranteed Investment Certificates (GICs) in non-registered accounts, all spread out over several financial institutions. The result was that her money and investments were fragmented, resulting in things being overlooked.

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

AT A GLANCE

- Kate was making RIF withdrawals;
- she was paying income tax on her withdrawals;
- she was not taking income from her GICs; and,
- she was withdrawing money from her RSPs to pay her annual tax bill.

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 Kate's 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?"



SOLUTIONS

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, reducing her taxable income.
• She could further deduct her portfolio fees, reducing her taxable income.
•These reductions meant she now qualified for the Guaranteed Income Supplement, resulting in $81,000 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 tax liability, her money was allowed to grow, and not using as much of it now gave her extra years of income.

RESULTS

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