

How “R” you INVESTING?

Top tips from the Financial Wellness session - *How “R” you investing?*

Brought to you by Capital Planning, providers of your Voluntary Benefits program.

Who is Capital Planning?

For over 40 years, Capital Planning has provided the Capital Group RRSP and other Group Savings options to Alberta businesses. Over the years, we’ve helped organizations introduce group investment programs that help thousands of employees protect their finances and prepare for the future.

We are here to help you with your investment questions and advice, navigating the application process, and transferring your existing investments over. Educating and empowering you to invest in your future is one of our goals.

Top 4 STRATEGIES:

1. Pay Yourself FIRST!

Set up your investment contributions to be automatic and you’ll never forget to save or run out of money before you’ve saved a single dollar.

Capital PRO TIP: Use Payroll Deduction (PRD) to automate your contributions and help you to save MORE!

How Payroll Deduction works

1. Your **RRSP contribution** is taken off your pay cheque BEFORE taxes. You are then taxed on the remainder of your pay.
2. **Immediate Tax Savings** means that you get your tax return back on that same pay cheque.

Your Monthly Contribution	Your Actual Cost	
\$100	\$69.50	\$64
\$200	\$139	\$128

Tax bracket = 30.5% Tax bracket = 36%
Yearly taxable income Yearly taxable income
= \$46,605 - \$93,208 = \$93,208 - \$128,145

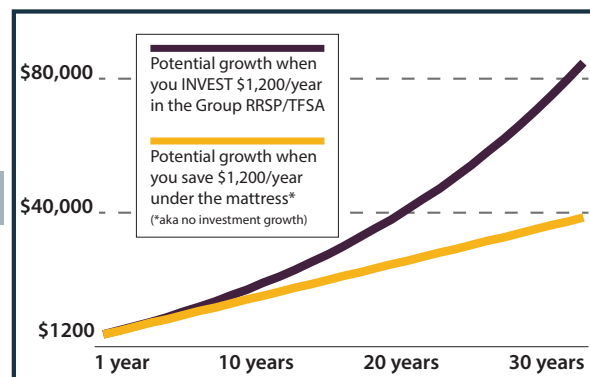
2. Take Advantage of COMPOUND INTEREST

By choosing to INVEST your money you’re growing your savings. Compound interest isn’t just about investing your money, it’s how it grows within that investment.

Capital PRO TIP: Start early to have the greatest advantage.

3. INVEST to stay AHEAD of inflation

Inflation can reduce the value of your money. By investing your money there is a better chance that your money will keep its worth and stay above inflation.



4. Don’t forget about the power of STAYING invested

The Group RRSP is built to be a long term savings plan. By keeping your money invested over your career, there is more opportunity for growth and a greater opportunity to build compound interest.

SAVING for Retirement

1. Calculate

How much do I need? How do I calculate how much I need to save every month to reach my goal?

Assess your current budget (income and expenses) and use that to begin to calculate your retirement budget.

- Experts suggest that a 70% Income Replacement Ratio is a good start to your assessment.
- Keep in mind, retirement expenses are typically lower, but every situation is unique.
- Use a budget tool to help you discover your current and retirement expenses!

SCAN here to get our
BUDGET worksheet



2. Assess your retirement NEEDS and WANTS

What expenses do you NEED pay for? What expenses are part of your retirement dream? - aka your WANTS.

Your retirement NEEDS are all the expenses that are associated with your core living costs. Ex: housing, food, medical.

Retirement may be the time in your life for travel and other adventures. These are the categorized as your retirement WANTS.

- Typically your needs stay consistent until later in retirement where your core living costs may increase; often this is caused by medical and long term care costs.

3. Retirement INCOME sources

Use an online calculator to estimate how much you may receive for retirement income - Old Age Security (OAS), Canada Pension Plan (CPP), any other government funded retirement income sources; and don't forget about your own investments! Your RRSPs should be considered here as a retirement income source.

4. Put it all TOGETHER

Now that you have a clear picture of your retirement expenses, your needs and wants, and your possible retirement income sources you can see if there are any income gaps. A gap would be where your income sources don't match up to the expenses.

These gaps can be filled with additional investments as a retirement income.

- Keep in mind if you're still working you may be able to adjust your budget to invest more through those last working years to increase your retirement income.
- An alternative to investing more may need to reassess your retirement plans - your needs and wants to be better aligned with your retirement income sources.

Other uses for your RRSP... Borrow from your RRSP - tax-free*

Home Buyers Plan - Did you know that you can borrow from yourself - tax-free - for a home down-payment

- Borrow up to a max of \$35,000
- Repay over 15 years (starts 2 years after withdraw)
- * Loan is tax-free, as long as you repay within the time-frame

Lifelong Learning Plan - Did you know that you can borrow from yourself - tax-free - for tuition?

- Borrow up to a max of \$20,000 (max \$10,000 per year)
- Repay over 10 years (typically starts the year that you graduate)
- Loan is available for both you and your spouse
- * Loan is tax-free, as long as you repay within the time-frame

Capital PRO TIP: When repaying your RRSP loan - allocate enough to repay your loan minimum, but also contribute to your RRSP. Continue to grow your RRSP at the same time as the repayment!

Investment OPTIONS

RRSP - Registered Retirement Savings Plan - A longstanding government retirement savings plan.

- Typically used to save for retirement, but has other advantages earlier in your life (Home Buyers Plan / Lifelong Learning Plan).
- Tax DEFERRED savings plan - you invest your PRE-tax dollars and reduce your taxable income.
- Has contribution limits of about 18% of your earned income, or \$29,210.
- Maximum age; by the end of the year that you turn 71, you must convert your RRSP to a retirement income fund (RRIF).

TFSA - Tax-Free Savings Account - Started in 2009 as a shorter term savings plan

- A shorter term savings plan - an excellent choice for an emergency fund or a great way to save for something special - think about weddings, vehicles or a travel adventure.
- Tax SHELTERED savings plan - you contribute with AFTER-tax dollars.
- All TFSA withdrawals are tax-FREE, this applies to both your contributions and the investment growth
- Yearly contribution limits; 2023 contribution limit is \$6,500.
- Overall maximum is \$88,000 (if you were 18+ in 2009).
- No upper age limit to your TFSA.

RESP - Registered Education Savings Plan - a government program to help you save for your kids education

- Contribute between \$500 and \$2,500 (per year) to an RESP and receive 20% government matching grants.
- Maximum lifetime grant per beneficiary is \$7,200.
- Your kids can all be beneficiaries on the same RESP.
- Start contributing EARLY to access the maximum amount of grants.
- Beneficiaries have 35 years to access the money, from the year the account was started.

RRIF - Registered Retirement Income Fund - your retirement income

- This is an invested fund that you withdraw from as a retirement income source.
- You are taxed on this as income - typically you pay less tax at this point because you're in a lower tax bracket.
- Minimum and maximum withdraw amounts per year (calculations are based on age and account values).

RISK - one last R that can impact your financial wellness and security

RISK - Did you know your savings and retirement plan could be at risk?

- Economic instability - job loss or employment cuts.
- Life changing illness - if you could not work due to an illness, how would far would your savings take you?
- Becoming a caregiver - could you afford to be away from work and be a full-time caregiver for your parents, a child or even your spouse?
- Longevity - 47% of people are at risk of living longer than what they have saved for.

There are products and services to help you and your family offset these financial risks. Connect with an expert at Capital Planning to hear more about your options.

Capital Estate Planning

Providers of your Voluntary Benefits

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