Retirement income illustration

Jennifer (Age 58)

Frank (Age 56)

Date

September 18th, 2023

Retirement Age

Jennifer (Age 65)

Frank (Age 63)

Selected Strategy

Hybrid Strategy

After-tax retirement income

Maximum: $184,464 / yr

Surplus: $64,464 / yr

MILESTONES
RETIREMENT INSIGHTS

Your advisory team

Jonathan Kestle

Disclaimer

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Assumptions

Residency

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

Pre-retirement and income leveling

When applicable, we will not calculate a level disposable income during a pre-retirement phase. Once the projection reaches the retirement phase (both spouses retired), we produce a level disposable income throughout retirement under a variety of different strategies.

Investments

Once the default household asset allocation is selected, the rate of return associated to that allocation is used for all investment projections unless otherwise over-ridden at the account type level. Your selected default household asset allocation is: **Conservative Balanced 60% Fixed Income, 40% Equity with a 5% rate of return**

We assume all investment cash flows (either a contribution into or withdrawal out of an account) occur in their entirety at the beginning of the year. Annual account returns are applied to the market value after all cash flows have occurred. All capital gains are realized for tax purposes in the year that they occur.

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

Corporate investments

Any corporate investments included will be withdrawn evenly over the selected period. Any corporate income or withdrawals do not have any bearing on the strategy comparison below as the corporate withdrawals are assumed to be the same under all three strategies for simplicity. When all personal assets are depleted and only corporate investments remain, corporate withdrawals are adjusted as part of the illustration to achieve the desired after-tax retirement income.

When making withdrawals from the corporation, we assume that tax-free capital dividends will be exhausted first, followed by eligible dividends, and lastly non-eligible dividends will be distributed to maximize tax deferral in retirement. These corporate withdrawals are added on top of personal income sources that you will receive in retirement.

When calculating the net estate value, this illustration assumes that any corporate investments will be liquidated at the end of the respective year and the corporation would be wound up within the following year. It also assumes that the capital losses incurred from the corporation windup will be carried back to the final tax return of the deceased to offset capital gains under the "164(6) loss carryback" strategy to minimize double taxation associated with corporate assets. The paid-up capital of the corporation's shares is assumed to be nominal (i.e. $1) so that the distribution of corporate dollars is treated as a dividend for tax purposes. Based on the corporation's notional account balances, a portion of the dividends may be designated as tax-free capital dividends, eligible dividends, and/or ineligible dividends to minimize taxation.

Life expectancy

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

Tax rates

This illustration 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 reported 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), repayment or clawback thresholds (OAS and Age Credit clawbacks), annual TFSA contribution room, limit on annual RRSP contribution room gained. [*unless otherwise selected]

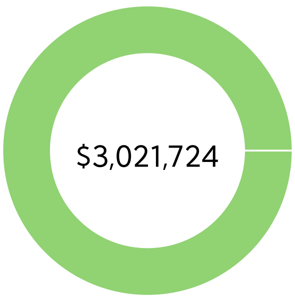
We've run a retirement income withdrawal plan three different ways to produce an after-tax annual retirement income of **$120,000**, changing the priority of withdrawal in each scenario and estimating the net estate value (after taxes and probate fees). For any corporate investments, the net estate value includes the after-tax dollars distributed to the estate upon liquidation and windup of the corporation.

Retirement income illustration

$120,000 is Jennifer and Frank 's Desired After-tax Retirement Income

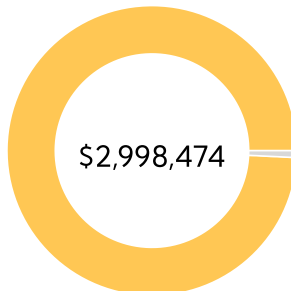
Difference of net estate at mortality (age 92 / 90)

Hybrid Strategy



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.

Registered Deferral Strategy



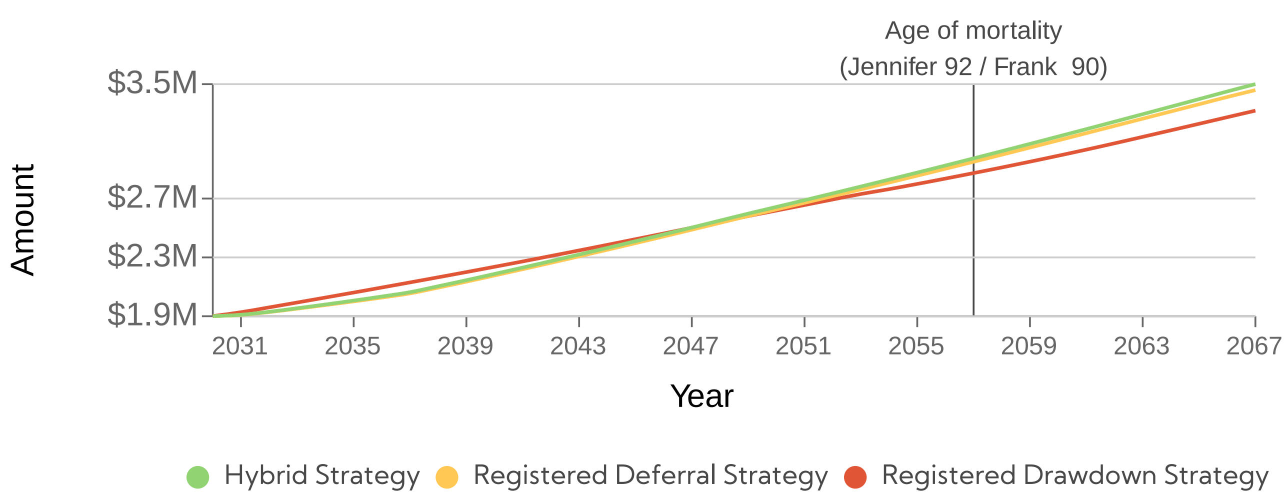
This strategy involves creating retirement income from non-registered funds first and postpones the use of registered funds as long as possible. The second priority is given to Tax Free Savings Accounts (TFSAs), always leaving registered funds last.

Registered Drawdown Strategy

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, always leaving Tax Free Savings Accounts (TFSAs) last.

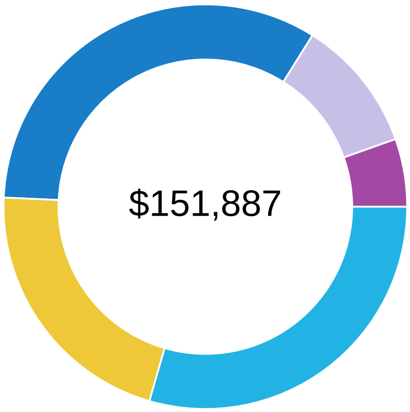
	Cum. Taxes	Gross Estate	Estate Fees + Tax	Net Estate	Difference
Hybrid Strategy	$1,765,322	$3,676,029	$654,305	$3,021,724	**$0**
Registered Deferral Strategy	$1,775,794	$3,654,794	$656,320	$2,998,474	**$23,250**
Registered Drawdown Strategy	$1,866,961	$3,258,372	$336,779	$2,921,593	**$100,131**

Net estate projection



Income snapshots (age 65 & 63)

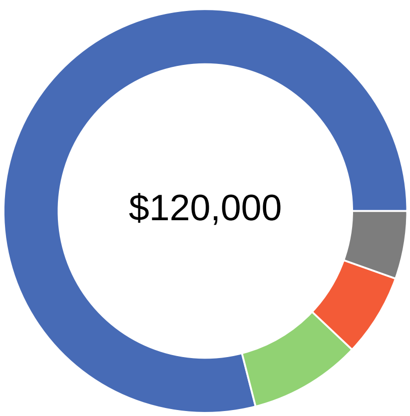
Gross income



OAS	$8,251
Canada Pension Plan	$16,200
DB Pension	$50,400
Non-Reg Savings	$32,269
Corporate Dividends	$44,767

This gross income chart illustrates your total income from all sources, once you begin your long-term budget, at age 65 & 63, before applicable taxes, savings contributions, and clawbacks have been considered.

Disposable income



Disposable Income	$120,000
Savings Contribution	$13,593
Taxes Payable	$10,042
OAS Clawback	$8,251

This disposable income chart shows the total amount of money available for spending once you begin your long-term budget, at age 65 & 63, after savings contributions, income taxes, and clawbacks are considered.

Investable assets

	Jennifer	Frank	Joint	Total
Registered Retirement Savings Plan (RRSP)	$743,000	$236,000	$0	$979,000
Tax-Free Savings Account (TFSA)	$105,000	$127,000	$0	$232,000
Non-Registered Savings Account	$0	$0	$317,000	$317,000
Corporate Account	$357,000	$119,000	$0	$476,000
Total	**$1,205,000**	**$482,000**	**$317,000**	**$2,004,000**

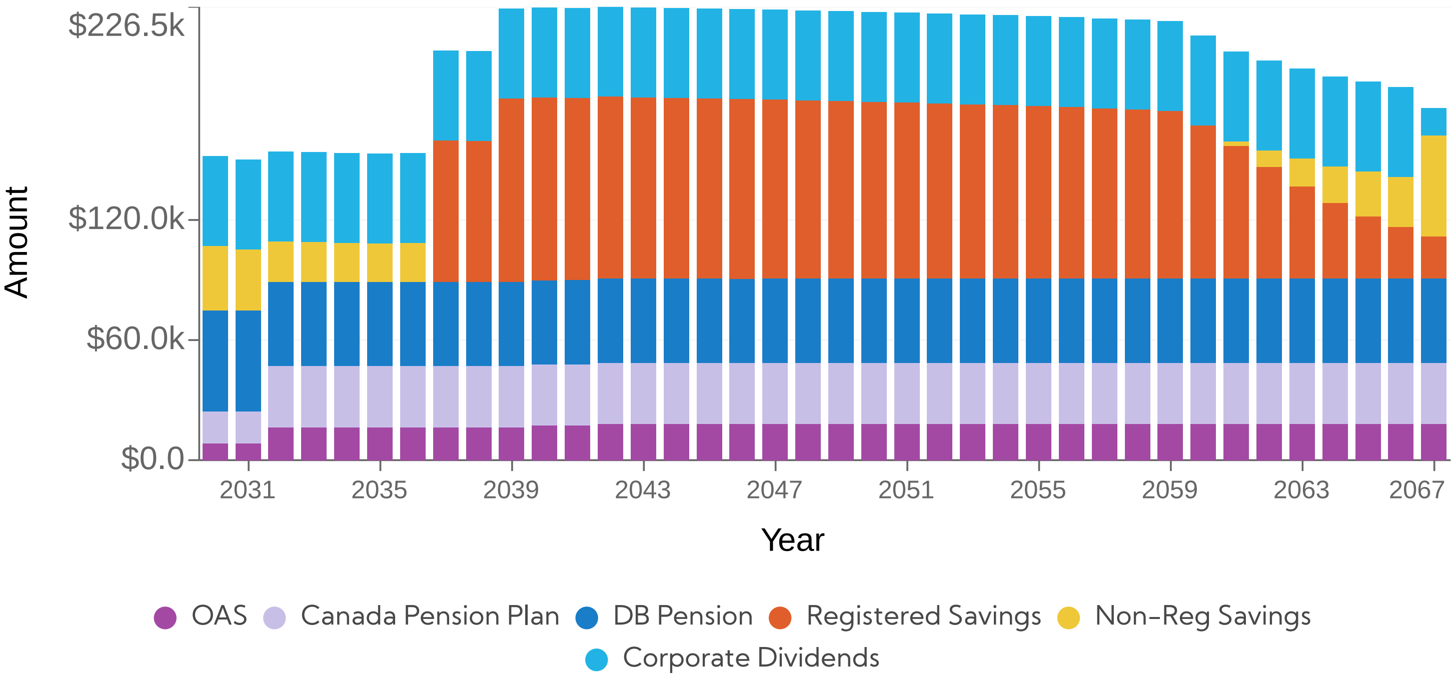
Future deposits

Recipient	Year	Amount

No deposits to show

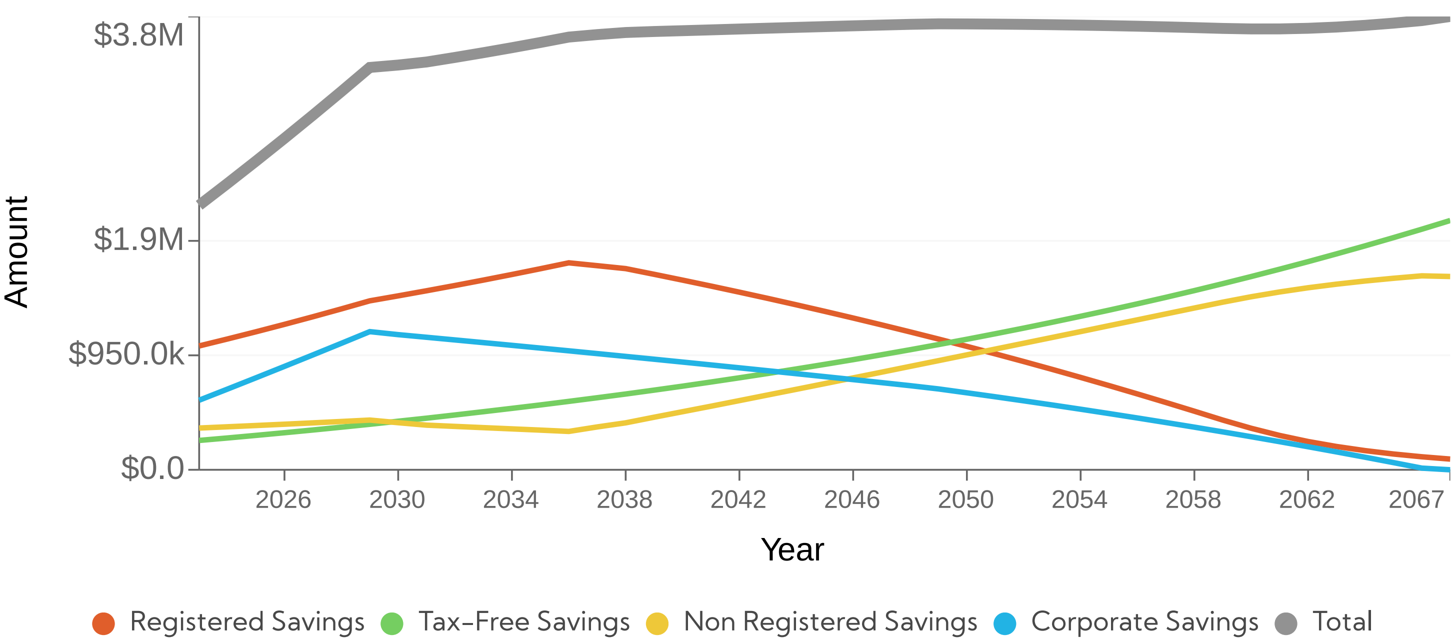
Income summary

The chart below provides a high-level overview of the various income sources that make up the household retirement income over time.



Investment projections

The chart below illustrates the market values of investable assets over time based on the selected strategy.



5 year withdrawal summary

This table provides suggested monthly gross income sources and the estimated taxes for each income source to meet your desired after-tax income need over the next five years.

2030	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$10,837	$1,350	$4,200	$0	$2,689	$3,731	$0	$0	$1,133
Suggested Withholding Tax	$837	$45	$424	$0	$180	$188	$0	$0	$0
Disposable Income	**$10,000**	**$1,305**	**$3,776**	**$0**	**$2,509**	**$3,543**	**$0**	**$0**	**$1,133**

2031	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$11,433	$2,038	$4,200	$0	$2,532	$3,731	$0	$0	$1,067
Suggested Withholding Tax	$1,433	$187	$574	$0	$289	$384	$0	$0	$0
Disposable Income	**$10,000**	**$1,851**	**$3,626**	**$0**	**$2,243**	**$3,347**	**$0**	**$0**	**$1,067**

2032	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$11,731	$3,925	$3,500	$0	$1,691	$3,731	$0	$0	$1,116
Suggested Withholding Tax	$1,731	$512	$603	$0	$200	$417	$0	$0	$0
Disposable Income	**$10,000**	**$3,414**	**$2,897**	**$0**	**$1,491**	**$3,314**	**$0**	**$0**	**$1,116**

2033	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$11,722	$3,925	$3,500	$0	$1,661	$3,731	$0	$0	$1,094
Suggested Withholding Tax	$1,722	$510	$601	$0	$196	$415	$0	$0	$0
Disposable Income	**$10,000**	**$3,415**	**$2,899**	**$0**	**$1,465**	**$3,315**	**$0**	**$0**	**$1,094**

2034	Total	CPP+OAS	Pension	Registered	Non-Reg	Corporate	TFSA	Other	Savings
Monthly Gross Income	$11,711	$3,925	$3,500	$0	$1,628	$3,731	$0	$0	$1,072
Suggested Withholding Tax	$1,711	$542	$345	$0	$243	$581	$0	$0	$0
Disposable Income	**$10,000**	**$3,383**	**$3,155**	**$0**	**$1,385**	**$3,150**	**$0**	**$0**	**$1,072**

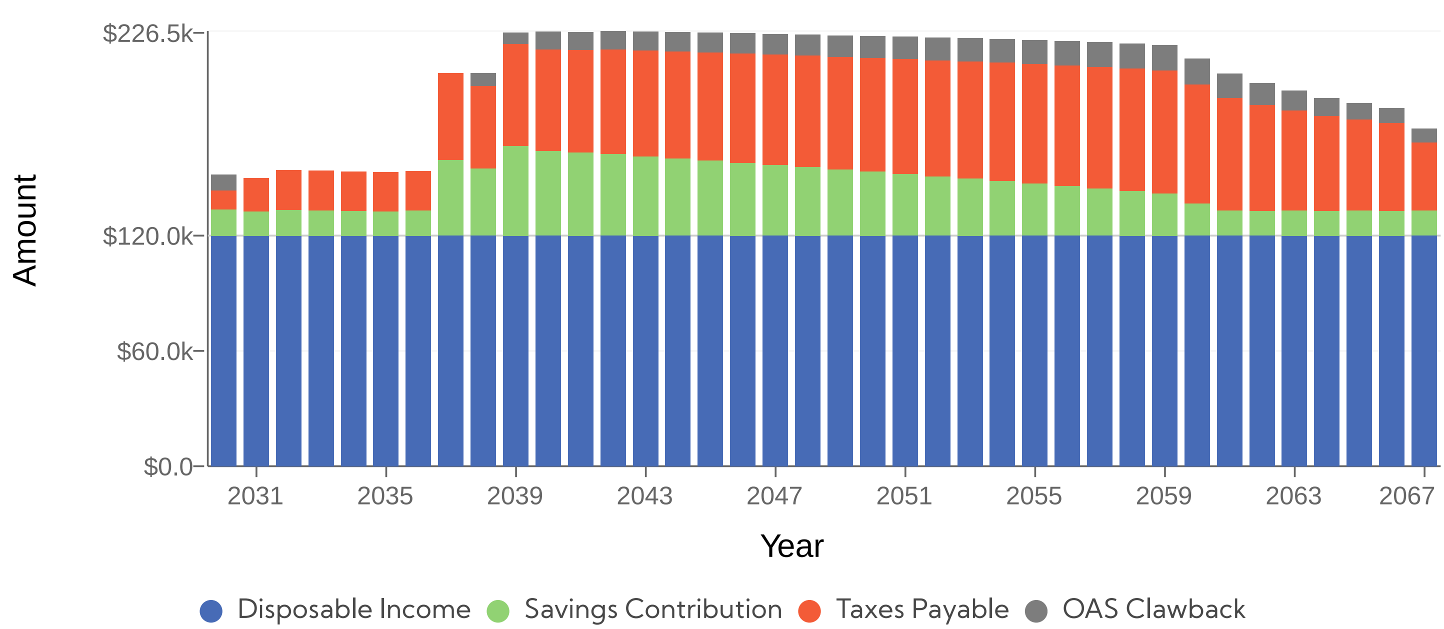
Income summary in milestone years

This table reports the gross amounts of income sources, and the corresponding tax payable, for the following years (if applicable): the year the projection starts, the year all registered accounts deplete, the year all non-registered accounts deplete, the year all TFSA accounts deplete, and the final year of the projection.

	2030 **Retirement Year** Age 65/63	2067 **Report Ends** Age 102/100
Employment Income	$0	$0
Old Age Security	$8,251	$18,152
Canada Pension Plan	$16,200	$30,600
DB Pension	$50,400	$42,000
Registered Savings	$0	$21,160
Tax-Free Savings	$0	$0
Non-Registered Savings	$32,269	$50,347
Corporate Dividends	$44,767	$13,526
Other Income	$0	$0
Line of Credit	$0	$0
Savings Contribution	$13,593	$12,970
Taxes Payable	$10,042	$35,612
OAS Clawback	$8,251	$7,202
Disposable Income	**$120,000**	**$120,000**

Disposable income breakdown

The chart below illustrates the amount of money that your household can spend over time, in today's dollars, after income taxes and savings have been deducted.



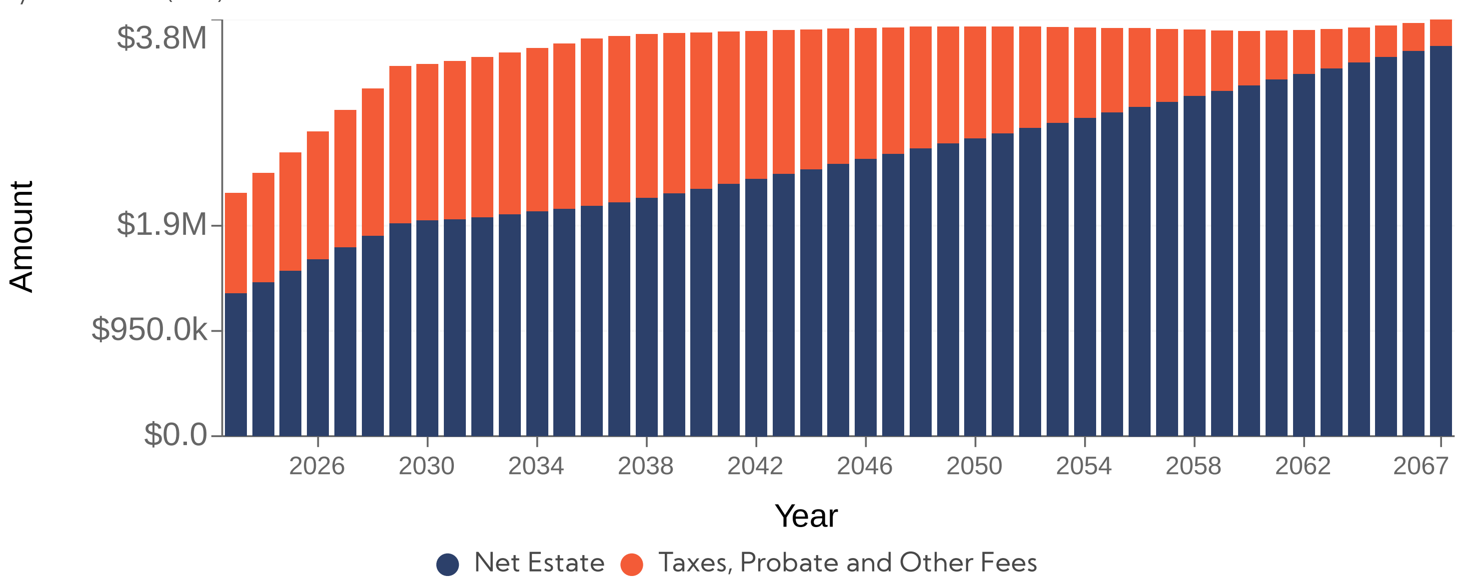
Investment & estate summary in milestone years

This table reports the investable asset market values, and a variety of estate taxes and fees for the following years (if applicable): the year the projection starts, the year all registered accounts deplete, the year all non-registered accounts deplete, the year all TFSA accounts deplete, and the final year of the projection.

	2030 **Retirement Year** Age 65/63	2067 **Report Ends** Age 102/100
Registered Savings	$1,443,509	$88,870
Non-Registered Savings	$390,887	$1,604,218
Tax-Free Savings Accounts	$403,113	$2,069,187
Corporate Market Value	$1,121,668	$0
Line of Credit	$0	$0
Total	**$3,359,176**	**$3,762,275**
Income Tax on Registered Savings	$723,856	$38,080
Income Tax on Realized Capital Gains	$13,813	$28,883
Income Tax on Corporate Windup	$522,354	$0
Legal and Accounting Fees	$100,775	$112,868
Probate Fees	$49,735	$56,120
Net Estate	**$1,948,644**	**$3,526,323**

Net estate projection

The chart below illustrates the gross estate in any one year, broken down by what is payable in tax and estate fees (Red), and the net estate retained by beneficiaries (Blue).



Key considerations

Consider deferring your CPP and/or OAS.

There may be an incentive to defer your Canada Pension Plan (CPP) and Old Age Security (OAS). You will receive 8.4% more every year when delaying your CPP payment beyond age 65. That's a 42% increase by age 70. For OAS, you receive 7.2% more for each year of deferral beyond age 65, that is a 36% increase if deferred to age 70.

Investing while withdrawing is different than investing while saving.

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. This concept is known as the Sequence of Returns Risk. Consider reviewing the proportion of fixed income that makes up your retirement income and the value that deferred/variable annuities (aka "segregated funds") may provide with their death benefit and maturity guarantees.

There are many options when leaving an employer pension plan.

There may be many considerations when the time comes to choose between the exit options of your employer-sponsored pension plan. For instance, some options will allow you to receive a $2,000 pension tax credit annually before age 65 that otherwise is not available. Consider this benefit when deciding to commute out of a pension plan and talk to your advisor to make an informed decision.

When do you convert your RRSP to a RRIF?

When you reach retirement, a registered retirement savings plan (RRSP) has the option of converting to 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 $58,656 starting at age 72 for Jennifer and $18,610 starting at age 72 for Frank . At an assumed rate of return of 5%, this investment will deplete to $0 for Jennifer at age 103 and $0 for Frank at age 101.

Be Aware of OAS Clawback.

Because of high taxable income levels, you may be required to re-pay some of your Old Age Security (OAS) benefit to the government, known informally as the "OAS Clawback." Consider reducing the amount of income taken from registered investments over other vehicles and consider drawing income from more tax efficient sources, such as Tax Free Savings Accounts (TFSAs).

Consider charitable donations.

Charitable donations in Canada are eligible for both federal and provincial donation tax credits, with combined incentives of up to 53% in some provinces. You can claim charitable gifts up to an annual limit of 75% of your net income during your lifetime, and up to 100% for gifts made in the year of death and the year preceding death. In addition, in-kind donations of publicly traded securities or mutual funds may be eligible for a 0% capital gains inclusion rate, thus eliminating income taxes on appreciated securities.

Tax-Free Corporate Withdrawals

Consideration should be given to the priority of withdrawal from a corporation. If a shareholder previously made a loan to the corporation, consider repaying that loan first before issuing a taxable dividend. Likewise, capital dividends can be paid on a tax-free basis to shareholders. These types of dividends can be paid at the owner's discretion when there is a positive balance in the corporation's Capital Dividend Account (CDA). Talk to your tax advisor to optimize corporate withdrawals in a tax-efficient manner.

Maximizing the Small Business Deduction Limit

As of 2019, the small business deduction (SBD) applied to any operating income is reduced by $5 for each $1 of adjusted aggregate investment income (AAII) that exceeds $50,000 and will reach zero once $150,000 of AAII is earned in a year. You may consider investments that lean towards growth rather than annual interest or dividend. Further, since capital gains are only taxable at 50%, it would take $100,000 of realized capital gains to generate $50,000 of passive income that is counted towards the AAII test. Talk to your tax advisor to determine if these rules would impact your corporation and strategies to minimize the risk of SBD reduction.

Corporate-Owned Life Insurance

You can invest after-tax corporate income into a corporate-owned life insurance policy that insures the life of the business owner, a present or future shareholder, or a key person in the organization. Key tax advantages may include paying premiums with after-tax corporate dollars, tax-free growth on values within the policy, collateralizing cash values as a tax-preferred source of income, and sheltering passive investment income. Your advisor can help you determine whether a corporate-owned life insurance would be suitable for your situation.

Consider a secondary Will to reduce probate fees

A multiple Wills strategy may allow you to separate assets between those which require probate (i.e., listed in your primary Will), and those which do not require probate (i.e., listed in your secondary Will). Shares of your private corporation, among other assets, may be included in your secondary Will to minimize estate administration taxes (also known as probate fees). Under this strategy, only the primary Will would be required by the courts, and thus probate fees would only apply to the assets included in the primary Will. You may avoid paying probate on those assets that do not otherwise require probate (i.e., the value of your corporate shares), resulting in potentially significant probate savings. Speak to your estate lawyer for more information.

Consider post-mortem tax strategies for your corporation

When you pass away owning shares of your private corporation, the value of your corporation may be subject to multiple levels of taxation. The first level of taxation arises from the deemed disposition of shares at fair market value on your final tax return. The second level of taxation may arise when the corporation sells underlying corporate assets that have appreciated in value, resulting in taxable income for the corporation. The third level of taxation may arise when the net corporate dollars are distributed to your estate as part of the corporation's windup. These different levels of taxation may result in double and sometimes triple taxation on your corporate assets. With proper planning, the double taxation may be reduced or eliminated. Speak to your tax advisor about the use of "164(6) loss carry back" strategy and the "post-mortem pipeline" strategy to help you choose the most tax-efficient option for your situation.

Disclaimers

The Retirement Income Illustration was based on the information provided by you in the Client Information Form and is intended to identify some options for creating tax efficient retirement income. Any changes to the information provided may impact the disclosure in this illustration.

This should not be construed as legal, tax or accounting advice. This material has been prepared for information purposes only. The tax information provided in this document is general in nature and each client should consult with their own tax advisor, accountant and lawyer before pursuing any strategy described herein as each client’s individual circumstances are unique. We have endeavored to ensure the accuracy of the information provided at the time that it was written, however, should the information in this document be incorrect or incomplete or should the law or its interpretation change after the date of this document, the advice provided may be incorrect or inappropriate. There should be no expectation that the information will be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise. We are not responsible for errors contained in this document or to anyone who relies on the information contained in this document. Please consult your own legal and tax advisor.

Client information form

Client

Name	Year Of Birth	Sex	Province
Jennifer Wellington	1965	Female	Ontario

Section A: Employment details

Retired

No

Expected Retirement Age

65

Annual Gross Employment Income

$140,000

Section B: Defined benefits plan

DB Pension Amount

$0

Projected Pension Start Age

0

Pension Payment Change

No

Pension Indexed To Inflation

No

Section C: CPP/QPP details

Current Annual CPP Or QPP Amount

$0

Projected Pension Start Age

65

Projected CPP/QPP Benefit

$16,200

Section D: Old Age Security details

Annual OAS Benefit

$8,251

Projected OAS Start Age

65

Client Has 40 Years Of Canadian Citizenship

Spouse

Name	Year Of Birth	Sex	Province
Frank Wellington	1967	Male	Ontario

Section A: Employment details

Retired

No

Expected Retirement Age

63

Annual Gross Employment Income

$95,000

Section B: Defined benefits plan

DB Pension Amount

$50,400

Projected Pension Start Age

63

Pension Payment Change

Yes

Pension Indexed To Inflation

Yes

Section C: CPP/QPP details

Current Annual CPP Or QPP Amount

$0

Projected Pension Start Age

63

Projected CPP/QPP Benefit

$14,400

Section D: Old Age Security details

Annual OAS Benefit

$8,251

Projected OAS Start Age

65

Client Has 40 Years Of Canadian Citizenship

Section E: Investment assets summary

	Jennifer Wellington	Frank Wellington
Registered Retirement Savings Plan (RRSP)	$743,000	$236,000
Annual Contributions	$24,000	$2,400
Carry Forward Contribution Room	$0	$0
Defined Contribution Pension Plan	$0	$0
Locked-In Retirement Account (LIRA)	$0	$0
Registered Retirement Income Fund (RRIF)	$0	$0
Life Income Fund (LIF)	$0	$0
Tax-Free Savings Account (TFSA)	$105,000	$127,000
Carry Forward Contribution Room	$0	$0
Non-Registered Savings	$0	$0
Adjusted Cost Base	$0	$0
Annual Contributions	$0	$0
Joint Non-Registered Savings	$317,000	$317,000
Adjusted Cost Base of Non-Reg Savings	$264,000	$264,000
Total	**$1,165,000**	**$680,000**

Section F: Corporate investment details

Company Name
Wellington Holdings Inc.

Share Percent: Jennifer
75%

Share Percent: Frank
25%

Value Of Corporate Investments: Jennifer
$357,000

Value Of Corporate Investments: Frank
$119,000

ACB Of The Corporate Investments: Jennifer
$273,000

ACB Of The Corporate Investments: Frank
$91,000

Annual Business Income Paid Out: Jennifer
$18,000

Annual Business Income Paid Out: Frank
$6,000

Annual Business Income Retained For Investment: Jennifer
$63,750

Annual Business Income Retained For Investment: Frank
$21,250

Method Of Drawing Retirement Income: Jennifer
Deplete By Report End

Method Of Drawing Retirement Income: Frank
Deplete By Report End

Set Notional Account Balances For Corporation: Jennifer

Set Notional Account Balances For Corporation: Frank

A) Non-eligible Refundable Dividend Tax On Hand Balance: Jennifer
$0

A) Non-eligible Refundable Dividend Tax On Hand Balance: Frank
$0

B) Eligible Refundable Dividend Tax On Balance: Jennifer
$0

B) Eligible Refundable Dividend Tax On Balance: Frank
$0

C) Low-rate Income Pool Balance: Jennifer
$0

C) Low-rate Income Pool Balance: Frank
$0

D) General Rate Income Pool Balance: Jennifer
$0

D) General Rate Income Pool Balance: Frank
$0

E) Capital Dividend Account Balance: Jennifer
$0

E) Capital Dividend Account Balance: Frank
$0

Section G: Additional information

One-Time Withdrawals Client Plans To Make In Retirement:

Custom Income Sources Used Towards Retirement Income: No

Client Have One-Time Deposits They Intend To Receive: No

Use Series T Funds For Jennifer's Non-Registered Account?

No

Use Series T Funds For Frank 's Non-Registered Account?

No

Use Series T Funds For The Joint Non-Registered Account?

No

Inflation Assumption

2%

Longevity Buffer Years Past Life Expectancy

10

Income Levelling Begins

When Both Spouses Are Retired

Desired After-Tax Retirement Income

$120,000

Maximum After-Tax Retirement Income

$184,464

Client's Investment Risk Profile:

60% Fixed Income, 40% Equity with a 5% rate of return