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### **Re-Think Old Ideas**

Conventional thinking with regard to RRSP's and other tax-sheltered savings has always been to defer the use of those assets as long as possible to avoid paying the tax on them before you absolutely must. But waiting too long to pull those savings into taxable income can have undesirable consequences.

Every dollar that comes out of a registered plan is 100% taxable and the full value of the withdrawal is added to your Net Income. This figure determines clawbacks of the Age Credit and OAS – two elements of your retirement income plan that otherwise benefit taxpayers who are over 65. In some provinces, it may also determine assessments for long-term care costs.

Quite typically, lifestyle spending decreases as we age and our need for income drops. But if registered savings have been left untapped, the minimum withdrawals that are required after age 71 may mean that we lose control of our ability to manage our Net Income. Furthermore, too much registered money left as an estate may be subject to the highest levels of taxation when all those account balances are brought into taxable income in the year of death of the last spouse. A more effective strategy may be to draw more registered money into income in the years before age 65 – and possibly 'convert' the after-tax proceeds to non-registered savings.

Controlling the timing and quantity of your taxable income throughout retirement can go a long way to achieving maximum results from your income and wealth transfer planning.

*Disclaimer: Retirement Income Tips are not intended to replace the services of a qualified retirement income planner. Tax rules and planning needs change over time; applications of some aspects of planning may vary from province to province. Please consult a professional to ensure that your unique situation is considered in the planning process.*