

FROM THE DESK OF:

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Assante Financial Management Ltd.

SUMMER 2014

As we head into the the Summer months, it is our hope that you find some time to relax and rejuvenate, and to have some fun. Why not make yourself a summer bucket list, include things such as; build a sand castle, go to a new festival, visit an old friend, bike a new trail, try a new restaurant, go geocaching.... and see just how many new things you can try this summer!

Just like creating goals for summer fun, we should be revisiting our life goals, and making sure we are updating our financial plan regularly to ensure we can obtain those goals.

Give our office a call if you have any questions or would like to book a planning or review meeting!

UPCOMING EVENTS

Be sure to check out our website for event updates!

September 18th, 2014:

Business Owners & Professionals Luncheon
Topic to be announced

October 18th, 2014:

Client Education Event – topic to be announced

OAS CHANGES WARRANT CAREFUL ATTENTION WHEN PLANNING

Source: CLU Institute Comment 281 – 2013

A cornerstone of Canada's retirement system, Old Age Security (OAS) has been regularly fine-tuned throughout its 60 years of existence. OAS has typically been paid at the beginning of each month following an individual's sixty-fifth birthday, with the benefit amount based on the number of years an individual is resident in Canada prior to reaching age 65. The most recent OAS updates were announced in the 2012 federal budget when the government introduced a series of changes that included increasing the age at which individuals will be eligible for benefits and a new option to defer receipt of the benefit.

OAS benefits are paid monthly, with the possibility of indexed adjustments on a quarterly basis to reflect cost-of-living changes as measured through Canada's Consumer Price Index (CPI). As of September 2013, the maximum monthly OAS benefit is \$549.89. OAS payments are funded out of Canada's general revenue stream, and the federal government expects to spend \$32.4 billion in OAS payments during the 2013-2014 fiscal year. In addition to the basic OAS benefit, approximately \$10 billion will be spent on Guaranteed Income Supplement and Spousal Allowance benefits, which are additional amounts payable to lower income seniors supported by the OAS.

Eligibility for OAS benefits is not dependent on any work requirements; instead, the basis for qualifying is residency in Canada. To qualify for OAS benefits — if

receiving the benefit in Canada — an individual must have a minimum of 10 years of residence in Canada after reaching 18 years of age. The minimum increases to 20 years of residence in Canada (after age 18) if the benefit is to be paid outside Canada. In addition to the residence qualifying criteria, currently individuals must be at least age 65.

The amount of pension will depend on the years of residence in Canada. To receive the maximum benefit amount, an individual must have been resident in Canada for at least 40 years since turning 18. Alternatively, a full pension may also be paid to individuals who were resident in Canada on July 1, 1977, were at least 25 years of age on that date and had lived in Canada since turning 18.

Beginning in 2013, the government is phasing in proactive enrolment for OAS benefits. Shortly after individuals turn 64, they will receive a letter indicating they are eligible to proactively enroll for benefits or will receive an application form to apply for benefits. If an individual does not apply when first eligible, there is the opportunity to receive up to 11 months of back-payments.

OAS benefits are taxable income to the individual. In addition, because the program is part of Canada's social safety net, the program is designed to supplement income for those with a greater need. Qualifying individuals whose 2013 net income is below the threshold amount of \$70,954 will receive the full benefit amount (OAS benefits received count in the threshold amount). Individuals whose net income is above the threshold amount will have their benefit amount clawed back (to repay benefits) at a rate of 15% of their income above \$70,954. When individuals reach a net income of \$114,640 (2013), they no longer qualify for OAS benefits and the full amount is clawed back (repaid). The threshold is indexed and could change annually. The "clawback" element is based on annual income so as an individual's income fluctuates from year to year so might the amount of net OAS benefit. Being clawed back does not mean the individual no longer qualifies for benefits.

The 2012 federal budget increased the age at which Old Age Security will become payable. This change will be introduced over several years and move the eligible age from 65 to 67. Individuals born before April 1958 will not be affected and individuals born after January 1962 will have to wait until their 67th birthday to be eligible for OAS.

Effective July 1, 2013, individuals can choose to defer receipt of their old age security pension. For every month delayed, the individual will receive an extra 0.6% entitlement. The Old Age Security pension can be delayed up to age 70 for a 36% (i.e., five years or 60 months times 0.6%, which is 36%) increase in entitlement. The individual must indicate the desired pension start date when he or she files an application for OAS benefits. The application can be filed no earlier than 11 months before the date the pension is to commence.

Consider the example of Martha, who just turned age 65 and is currently working at a job she truly enjoys. She expects to work for two more years, at which time she wants to retire from work. If she were to collect her OAS at age 65, she expects that about 50% of the OAS benefit amount would be clawed back under the clawback provisions of the Income Tax Act. With the recent changes to OAS that allow Martha to defer her pension, Martha has a new planning opportunity that could prove financially attractive depending on her situation. If Martha defers her OAS pension two years, her entitlement will increase by 14.4% (24 months at 0.6%). Not only does she avoid the current OAS clawback for the two years that she continues to work, but she is also building a larger long-term pension that may not be subject to clawback after her salary ceases.

There are a significant number of opportunities for planning, and it is important for individuals to ensure all opportunities are explored on their behalf. The Old Age Security benefit, along with other government pensions, is an important part of Canada's retirement landscape.

This article was written by Deborah Kraft and Jim Kraft and was published in the February 2013 issue of COMMENT. Posted with permission from the Financial Advisors Association of Canada (Advocis) and The Institute for Advanced Financial Education.



Are you an animal lover like me?
As I meet with clients, and hear them gushing over their “dog child”, or “cat mate” it has confirmed to me, that I am not alone in my love of my pets.

Financial Planning Tips for Pet Owners....

Do you have a plan in place to cover the cost of a medical emergency for your pet?

Does your current cash flow account for the costs of your furry friend? – food, boarding while you go on holidays, vaccinations?

Have you investigated pet insurance?

What happens to your pet if you become incapacitated?

Who would care for your pet if you passed away?

Opray Winfrey has designated \$30million dollars to her dogs in her Will. While we may not be rich and famous, it may be important to do some planning regarding the care, and well being of your furry friend.



What are some of the biggest risks in planning for retirement?

1 – The risk of living “too long”

2 – Inflation Risk

3 – Market Risk

4 – Withdrawal rate risk – that is to say withdrawing too much from your nest egg too early.

5 – Health Care Funding Risk – what would happen to your financial security if you (or your spouse) needed long term care?

Please ask us about how to answer these questions in your own financial planning.

HOLIDAYS & BUSINESS TRAVEL

David Out-Of-Office:

- July 31st – September 3rd

Juana Out-of-Office:

- July 11th
- July 18th – July 31st
- August 22nd

Office Closed:

- August 4th – Civic Holiday
 - September 1st – Labour Day
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