



# Financial Management Institute

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# AGENDA

- Part I – Financial Planning 101
  - How To Get Started
    - Financial Plan, Budgeting, Net Worth
  - Who Can Help?
  - Basics of Investing
  
- **Coffee Break**
  
- Part II – RSP Strategies and Retirement Planning
  - Strategies (RSP and Non-Registered)

# How To Get Started

## ■ A Plan is a Must!

- Where Am I Now?
  - Net Worth (Assets – Liabilities)
  - Personal Budget
- Where Do I Want to Go?
  - Goals and Objectives
    - Major Purchase, Children's Education, Retirement, Marriage, Vacation
- How Do I Get There?

# Personal Financial Plan

1. Data Gathering (Where Am I Now, Budget, Net Worth)
2. Set Goals and Objectives
3. Analysis / Find Solutions (i.e. Retirement Projection)
4. Recommendations
5. Implement Strategies
6. Follow-Up (At Least Annually)

# Financial Planning

- A financial plan is designed for your individual needs, whether you're still working or already retired, whether you're single or married, or whether your financial situation is less or more complex.
- Your financial plan will help you address a wide range of financial concerns:
  - Cash management
  - Debt management
  - Tax planning
  - Investment planning
  - Retirement planning
  - Risk management
  - Estate planning
- Your plan will contain specific recommendations which you need to implement to achieve your financial goals.

# Personal Budget

- List all Income Items
  - Net income, spouse's net income
  - Rental income, pension income, alimony, EI, public assistance, allowance
- List all Expense Items
  - Home, utilities, food, family obligations (daycare, baby-sitting, child support, alimony)
  - Health and medical (insurance, fitness clubs, massages)
  - Transportation (car payments, gas, maintenance, insurance, license, tolls)
  - Debt payments (student loans, credit cards, lines of credit, other loans)
  - Entertainment / Recreation (cable, internet, movies, alcohol, hobbies, vacations)



# Surplus or Deficit?

- How do I increase my monthly cash flow?
  - Increase your income; or
  - Decrease your expenses.
  
- Decreasing Expenses
  - Eliminate Non-essential Expenses (cigarettes, alcohol, coffee, take your lunch)
  - Control Credit Card Debt (# 1 cause of financial problems in Canada)
    - One card is all you need (no fee, low interest)
    - Avoid low introductory rates (they revert to higher rates sooner or later)

# Who Can Help?

- Who Can Help?
  - Your Local Bank (Mutual Fund Rep, Financial Planner, Bank Manager)
    - Best place when starting to invest
  - Discount Brokerage (On-line)
    - You do the research
    - You decide what to buy/sell and when to buy/sell
    - Lower fees
  - Full-Service Brokerage
    - Wealth Management



# Wealth Management Services



- Personal investment advice
- Portfolio management
- Financial plan
- Saving for education
- Retirement planning
- Maximizing your retirement income
- Will and estate planning
- Protecting your wealth
- Charitable giving
- Creating a legacy

# The Full Range of Investment Solutions

- Treasury Bills
  - Commercial paper
  - Guaranteed Investment Certificates (GICs)
  - Government bonds
  - Corporate bonds
  - Strip coupons
  - Annuities
  - Mortgage-backed securities
  - Commodities
  - Income trusts
  - Real estate investment trusts
- Royalty trusts
  - Preferred shares
  - Common stocks
  - World-class money management programs
- Mutual funds
  - Equity-linked notes
  - Options
  - Insurance
  - Segregated funds



# Common Investment Solutions & Tax Treatment

## ■ Types of Investments

- Cash or Cash Equivalents (T-Bills, GICs, Money Market Funds)
- Fixed Income (Bonds, Government and Corporate)
- Equities (Common Stock, Preferred Shares)
- Mutual Funds (FE, DSC, LL, NL, F-class)
- Segregated Funds (Principal protection)
- Exchange Traded Funds (ETFs)

## ■ Tax Treatment

- Interest income (T-Bills, GICs, Bonds)

# Types of Investment Accounts

- Registered Retirement Savings Plan
  - Tax Deferred
- Registered Education Savings Plan
  - Tax Deferred
- Non-Registered Accounts
  - Taxable
- Tax Free Savings Account
  - Tax Free

# RSP Strategies



## RSP Advantages

- Save for retirement
- Tax savings
- Tax-deferred growth

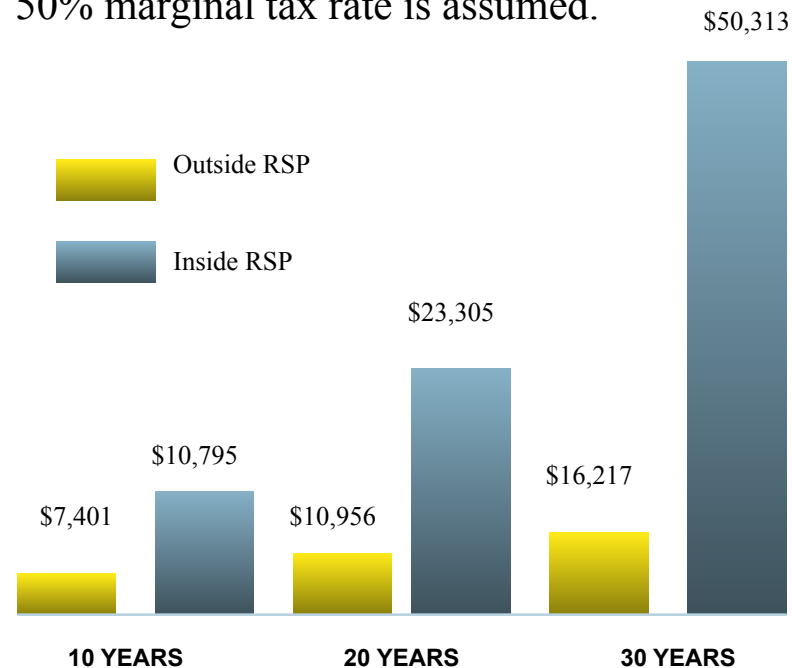


# RSP Advantages

- The power of tax-deferred growth

## Tax-deferred compounding

\$10,000 invested within an RSP, then taxed at the end of the time period vs. \$5,000 invested outside an RSP, growing at 8% annually. A 50% marginal tax rate is assumed.



# The Power of Compounding

- Here is an interesting example:
- A person saves \$200 per month and, over the course of time, earns a hypothetical annual rate of return of 8.00%.
- Using this example, the person starts saving money at age 25. By the time she is age 70, she would have accumulated \$1,054,908. Had the same person started saving money at age 35, she would have accumulated \$458,776, by age 70. The difference of a mere 10 years would be \$596,132. The natural power of compounding is incredible.
- Did you know that legend has it that Albert Einstein said that compounding was the world's greatest invention?



# The Right Asset Mix

- Asset mix is the balance between stocks, bonds and cash
- Your asset mix largely determines returns and risk level
- Generally, stocks provide greater growth over the long term, but greater volatility than cash or bonds
- Most important investment decision you will make

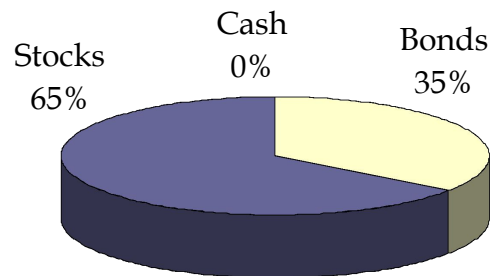




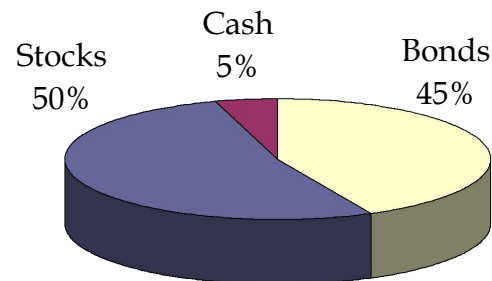
# The Right Asset Mix

- Your ideal asset mix largely depends on your life stage

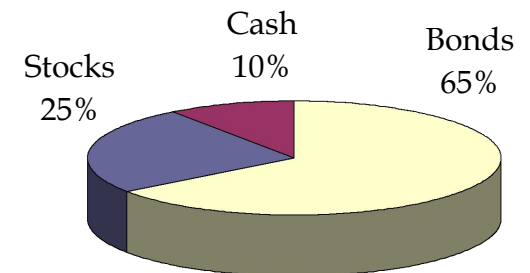
## Life Stage 1 Building Your RSP



## Life Stage 2 Managing Your RSP



## Life Stage 3 Enjoying Your Success



# Eligible Investments

- Most types of investments are RSP-eligible
- Liquid investments, fixed income, equity, mutual funds
- Elimination of foreign content limit – greater diversification



# How to Use Tax Refunds

- Top up your RSP
- Make your current year's RSP contribution
- Add to non-registered savings
- Pay debt
- Reduce mortgage balance
- Make a charitable donation
- Tax Free Savings Account
- Treat Yourself



# Making Contributions

- Contributions based on earned income
- Pension adjustment
- Carry forward



# Consolidation Benefits

- Understand your financial “big picture”
- Easier to keep track of asset mix
- Reduced administrative costs
- Consolidated tax reporting



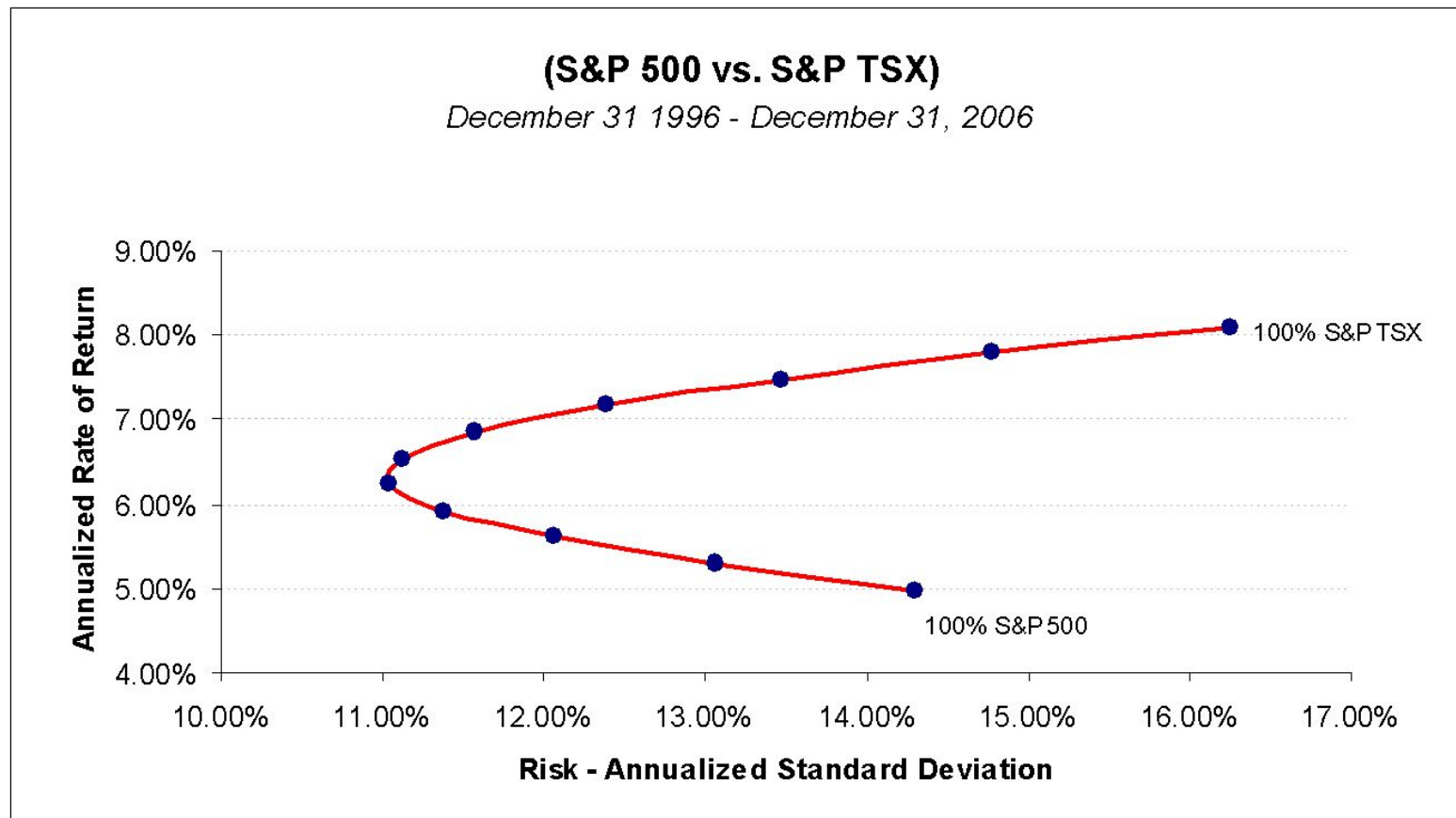
# Maximize your Foreign Content

- No foreign content limit
- Reduced risk through diversification
- Greater return potential
- More opportunity



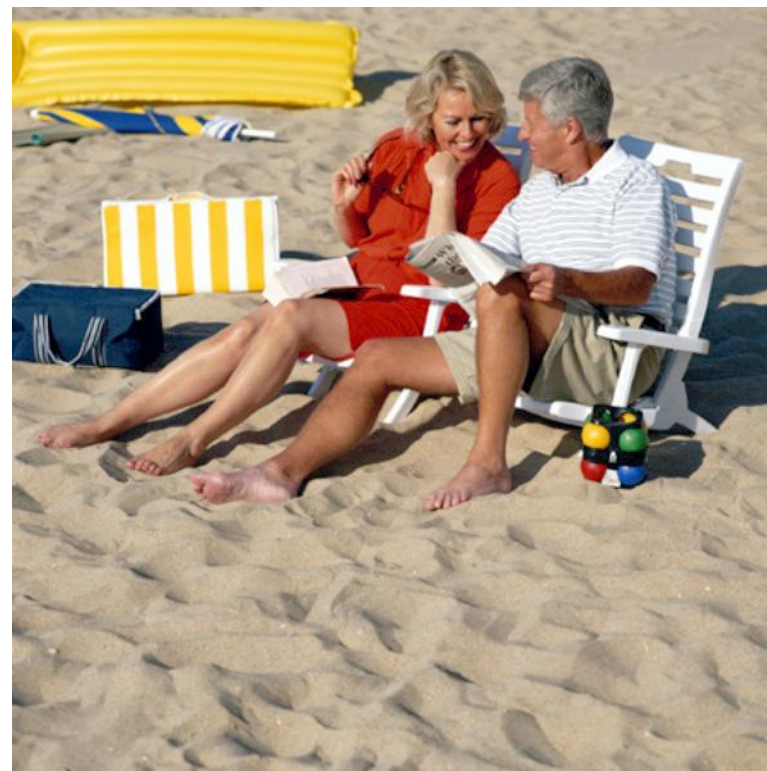
# Maximize your Foreign Content

## ■ The optimum balance of foreign content



# Spousal RSPs

- Legitimate form of income splitting
- Couples can benefit from a spousal RSP
- Tax savings today
- Lower income tax tomorrow
- Attribution rules





# Options at Retirement

## ■ Retirement

- What Does It Look Like?
- Longer Life Spans = Longer Retirements

## ■ Options

- Pension
- RSP
- Non-registered Options (T-SWP, RetirementEdge)
- Tax Free Savings Accounts (New for 2009)

# Sources of Information

- **[www.globefund.ca](http://www.globefund.ca)**
- **[www.morningstar.ca](http://www.morningstar.ca)**
- **[www.canadianbusiness.com](http://www.canadianbusiness.com)**
- **[www.canadianbusiness.com/moneysense\\_magazine](http://www.canadianbusiness.com/moneysense_magazine)**
- **The Wealthy Barber**

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# Thank You

## ■ Any questions?



RSP Strategies

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