

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 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

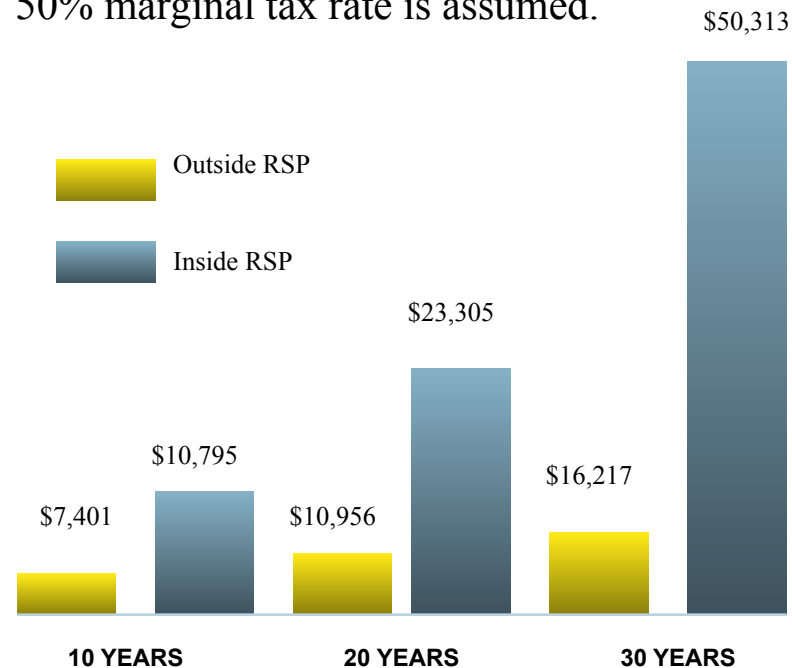


RSP Advantages

- 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

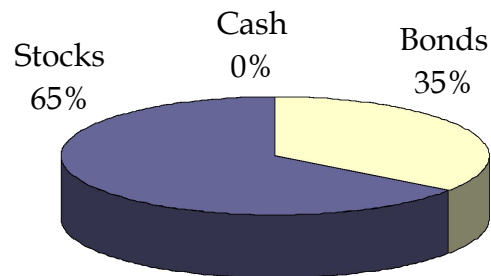


The Right Asset Mix

- Your ideal asset mix largely depends on your life stage

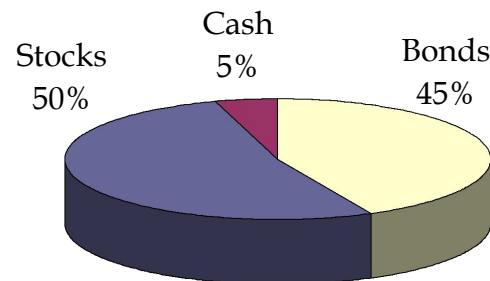
Life Stage 1

Building Your RSP



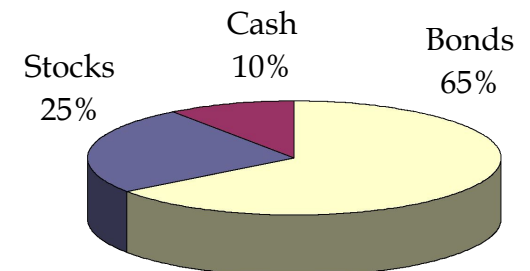
Life Stage 2

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



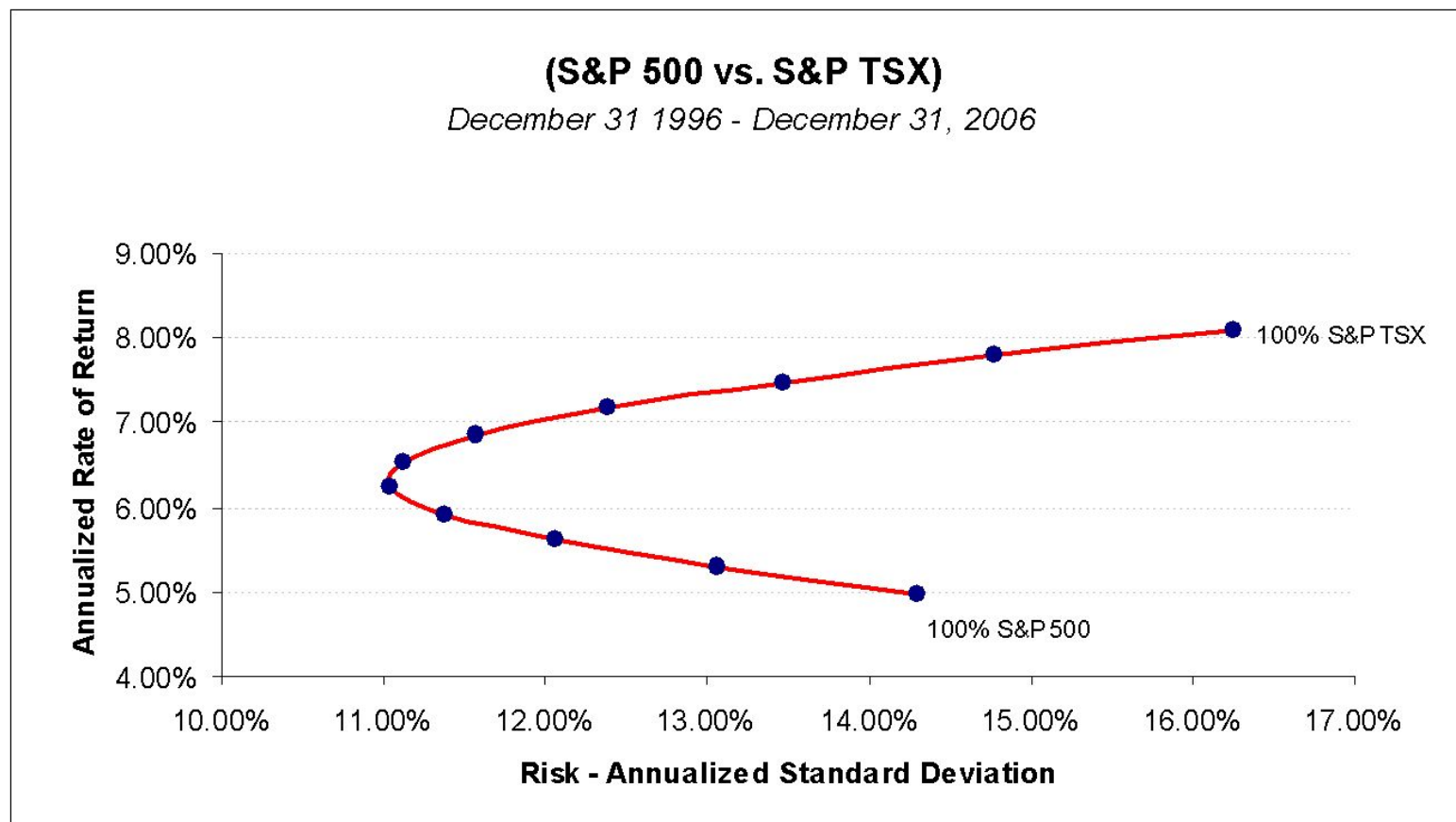
Maximize your Foreign Content

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



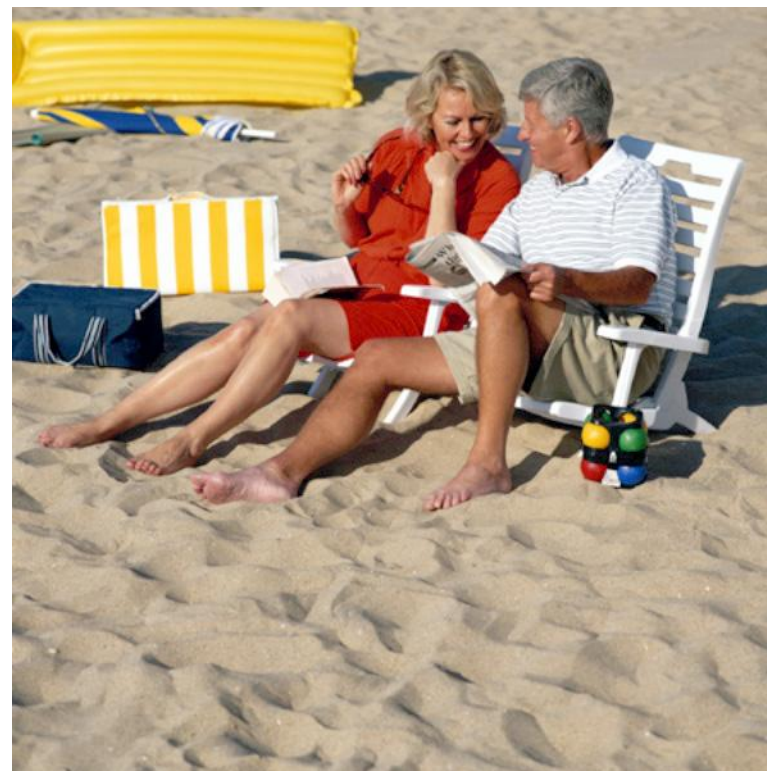
Maximize your Foreign Content

■ 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**
- **www.morningstar.ca**
- **www.canadianbusiness.com**
- **www.canadianbusiness.com/moneysense_magazine**
- **The Wealthy Barber**

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Thank You

■ Any questions?



RSP Strategies



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RSP Strategies

