



# Clipboard

Joan Marie Mikkelsen, EPC, CFP  
Financial and Insurance Services

[www.checkwithjoan.com](http://www.checkwithjoan.com)

Quaker Landing, 150 - 33 Ochterloney St., Dartmouth, N.S., B2Y 4P5

Bus: (902) 468-0602 Fax: (902) 468-0603 Toll-free: 1-877-439-8396 E-mail: [info@joanmikkelsen.com](mailto:info@joanmikkelsen.com)

## Upcoming event

June 2008

### June 13<sup>th</sup> and 14<sup>th</sup>, 2008

**50+Expo** will be held at the Halifax Exhibition Park on Friday and Saturday—June 13<sup>th</sup> and 14<sup>th</sup>.

I am a founding member of ***Serving Seniors' Alliance Society***—a group of professionals offering services to seniors. I invite you to stop by our booth (# 215/217) to see the many services we offer, enter the draw for a beautiful basket, and ask for our coupon book offering various discounts.



## Were you aware that...

...currently in Nova Scotia only employer-sponsored registered pension plans (RPPs) and products (such as segregated funds) issued by life insurance companies in non-registered savings accounts, registered retirement savings plans (RRSPs), or registered retirement income funds (RRIFs) enjoy protection from claims of creditors?

This is important for those who cannot

participate in an employer-sponsored pension plan, and for self-employed who are businesspersons or professionals.

Unfortunately, people are often forced into bankruptcy for reasons beyond their control—it could be as simple as a lawsuit resulting from an accident with their vehicle when driven by someone else.

Protect yourself by carefully choosing your RRSP investments! Call me for more information.



## My RRIF payments are decreasing every year. Will I run out of money?

If you are withdrawing the government required minimum, the plan is designed so that you will not run out of money. But the reduced amount withdrawn may not be sufficient to cover your annual expenses—especially when inflation is taken into consideration.

On the other hand, if you withdraw a fixed

amount greater than the required minimum—yes, you could run out of money.

The Registered Retirement Income Fund (RRIF) is designed to provide retirement income from your Registered Retirement Savings Plan (RRSP). Both the RRSP contributions and the growth are tax sheltered until such time as the funds are withdrawn. Withdrawals from the RRIF are considered taxable income, and are taxed accordingly.

The government sets a required **minimum withdrawal amount**—based on the owner’s (or if elected—younger spouse’s) age—calculated as a percentage of the previous year’s December 31 account balance. There is no maximum withdrawal; the owner is able to withdraw as much as he or she wishes at any time. (Bear in mind that withdrawals are taxable income, and could impact income tax payable—the higher the income, the higher the tax payable—and push your income into a “claw back” zone for the age tax credit and/or Old Age Security. A claw back zone is the point at which income exceeds a specific level, and certain benefits or credits are “clawed back” or have to be repaid in whole or part.)

Let’s look at an example.

Sally is 71 years old and invested her \$100,000 RRIF on January 29, 2008, with the annual payments to begin on January 28, 2009. For simplicity, let’s assume that she earns 4% annually for the rest of her life.

Based on the minimum required withdrawal

Age	Sally’s minimum annual withdrawal	Sally’s December 31 <sup>st</sup> RRIF account balance
71	\$0	\$103,710
72	\$7,757	\$99,814
75	\$7,231	\$88,312
80	\$6,413	\$69,576
85	\$5,662	\$51,130
90	\$4,961	\$32,734
95	\$3,606	\$15,014

As shown, Sally’s government required minimum annual withdrawal decreases from \$7,757 at age 72 to \$3,606 at age 95. The prospect of a reduced annual income, coincident with increased expenses due to inflation, is not attractive—but Sally will not outlive her RRIF.

However if Sally withdraws a fixed amount (similar to the first year government required minimum), she retains her income level but runs the risk of outliving her RRIF (as illustrated below). Her account is depleted at age 90—also not a pleasant prospect.

Based on a fixed annual withdrawal

Age	Sally’s fixed annual withdrawal	Sally’s December 31 <sup>st</sup> RRIF account balance
71	\$0	\$103,710
72	\$7,800	\$99,770
75	\$7,800	\$86,988
80	\$7,800	\$62,031
85	\$7,800	\$31,666
90	\$2,707	\$0
95	\$0	

Retirement planning and working with a professional can reduce or eliminate unpleasant surprises. Contact me if you have any questions.



For more information on these or other topics, visit my web site at

[www.checkwithjoan.com](http://www.checkwithjoan.com)