

# RAWLING REPORT

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BY RAWLING FINANCIAL INC.

HELPING CLIENTS MAKE WISE DECISIONS REGARDING THEIR WEALTH



## Maximize the flexibility of a TFSA: Think long term

The tax-free savings account (TFSA) has proven a popular vehicle for Canadians to reach their short-term savings. Many have used the account to invest in guaranteed investment

certificates (GICs), high interest savings accounts and term deposits. Using this account type to meet short-term needs may be appropriate for you, but a TFSA is most powerful as part of your long-term financial security plan.

Most Canadians view the registered retirement savings plan (RRSP) as the primary vehicle for long-term retirement savings, but a TFSA has benefits, like tax-free growth, that complement long-term savings too. Withdrawals do not

increase taxable income and don't affect eligibility for income-tested credits like old age security, age credit, or the goods and services tax (GST) credit.

### Which to do first, if you can't do both

Investing fully in both accounts would offer the most tax savings, but not everyone is capable of doing so. Deciding to which you should contribute at any given time – RRSP or TFSA – depends on several factors, including your current and future tax rates. When combining both savings vehicles with a long-term view, it's important to consider when you intend to withdraw money from your account. Although what you do will depend on your unique situation, consider the following:

### TFSA: Quick facts

- Available to individuals age 18 and over
- Contribute up to \$5,000 per year. The contribution limit is indexed to inflation.
- Carry forward unused contribution room indefinitely, like an RRSP
- Pay no tax on investment income and withdrawals
- Give money to a spouse to contribute to his or her TFSA without tax consequences

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Compare your current situation to the future	Which first, TFSA or RRSP?	Rationale
Do you expect your tax rate when you withdraw money to be the same as your tax rate today?	Either TFSA or RRSP	Both accounts will provide similar benefits over the long term
Do you expect your tax rate when you withdraw money to be lower than it is today?	RRSP first, then TFSA	The immediate tax savings from the RRSP will likely be greater than the tax you'll pay on withdrawal.
Do you expect your tax rate to be higher than it is today?	TFSA first, then RRSP	TFSA may actually save you more taxes since you'll have proportionately higher taxes on your RRSP withdrawals then you'll receive in benefits when you contribute

If you are planning for retirement, close to retirement, or even in retirement now, a TFSA might be right for your financial security plan. Speak to Hugh to learn how a TFSA fits for both the short and long term.

# Get level income for life with an insured annuity strategy

## Do your retirement plans depend on fixed income investments?

If so, you may be asking, “What happens to my retirement income, if the interest rate on my fixed income investments is too low at renewal, because of market volatility?”

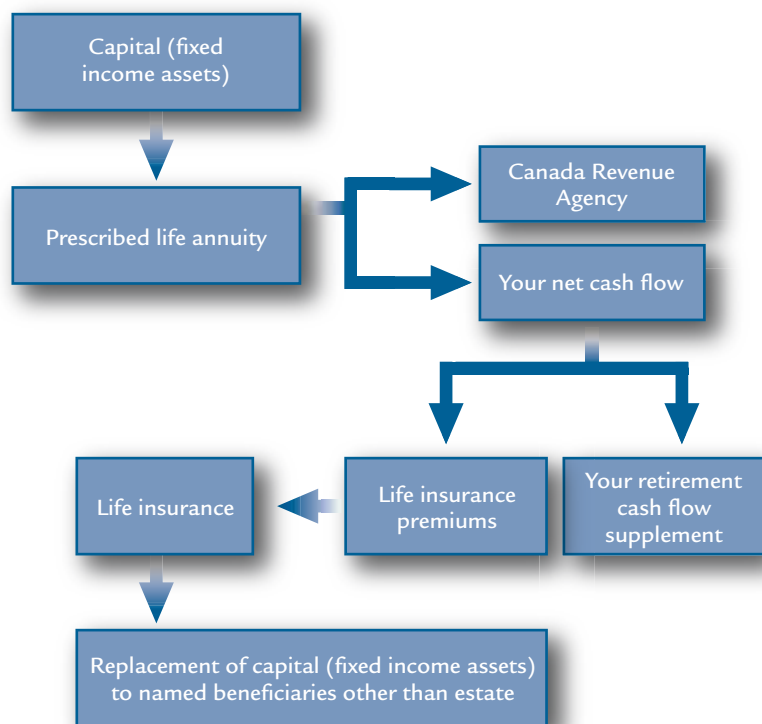
The promise of steady retirement income can help ease these concerns. This is especially true during economic uncertainty. One way to achieve this is by incorporating an individual insured annuity strategy.

### The individual insured annuity strategy

This financial strategy can significantly improve your after-tax cash flow. It can give you a stable source of income during retirement.

It also funds a life insurance policy. As well as providing a death benefit, this policy can also enhance the value of your estate. In effect, it can put back into your estate what the recession may have taken out.

## How it works



1. Using capital previously allocated to fixed income investments, you buy a life payout annuity with level, prescribed taxation. Before buying the annuity, you must purchase the appropriate life insurance.
2. The annuity provides you with a series of guaranteed payments for life. The payments remain level, not subject to market fluctuations.
3. You use some of the annuity's cash flow to pay for your permanent life insurance policy.
4. The policy's death benefit can replace or enhance the original fixed income investments and pass them to your heirs.

For more information on how the individual insured annuity strategy can help you generate level retirement income for life, contact Hugh.

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