



Dedicated to helping you get ahead financially.

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Make retirement saving easier with six simple tips

While saving for retirement is a crucial activity for all of us, it's not always easy to face the challenge and give this important planning task the attention it deserves.

At least that was a key finding in a recent Scotiabank survey conducted by Harris/Decima, which concluded that, while a majority of Canadians recognize that it is up to them to save for retirement (74%), two-in-five admit that they are not on track to achieve their retirement goals (42%).

This is understandable, since we all have a thousand seemingly more urgent things to do. Also, building a retirement plan can seem complex or fraught with questions, such as how much should I save, what are the right investments for me and how will they be affected by today's markets?

But you can find straight-forward answers to any retirement question if you begin with the basics, including these six simple saving tips:

- 1. The earlier the better:** Start saving early, or work on catching up as soon as your finances allow, to maximize your unused RRSP contribution room.
- 2. See the power of compounding:** Without a doubt, saving little by little will add up, thanks to time and compound interest growth.
- 3. Make it regular:** It's much easier to save when you deduct a regular amount from your pay or bank account through a pre-authorized contribution to a retirement plan.
- 4. Take advantage of tax-free:** Whether you choose an RRSP (Registered Retirement Savings Plan) that defers tax or a TFSA (Tax Free Savings Plan), that earns tax-free income, your savings will grow faster.
- 5. Aim to reduce debt:** If it's hard making ends meet, focus on lowering your debt, by paying down your mortgage or other loans. Then gradually increase your retirement contributions.
- 6. Speak to your financial advisor:** You don't need to be an expert to make smart savings decisions. You just need a trusted advisor who can answer your questions and help along the way.

74%

of Canadians recognize that it is up to them to save for retirement.

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Looking ahead in 2013*

Scotia Asset Management's Chief Investment Officer, Wes Mills, highlights some potential challenges and opportunities for the year ahead.

Looking back at my top forecasts for 2012, I've learned that I'm not much of a sports forecaster. Canada did not win more gold medals at the London Olympics than it did in Beijing.

However, my economic and market forecasts were largely correct. Europe did go into recession, Greece failed to meet its deficit targets and U.S. corporate earnings continued to surprise on the upside. While forecasting may be helpful, it is not a substitute for a diversified portfolio. Your financial advisor can help keep you on the right course to reach your financial goals. With this in mind, here are some themes to keep an eye on in 2013.

1 U.S. monetary easing ends. Strength in the U.S. economy (such as housing and manufacturing) improves to the point that the U.S. Federal Reserve begins to end the use of "financial repression" through quantitative easing and other measures to keep interest rates artificially low.

2 The Canadian dollar trends modestly higher versus the U.S. dollar, as foreign inflows from direct and indirect investment continue to make Canada an attractive place to invest.

3 Canadian equities underperform U.S. equities again as resource prices remain soft on increased supply relative to global demand.

Emerging markets use resources more efficiently and increase their use of alternatives, lessening their reliance on Canada. U.S. equities perform better given their relatively broader market, which has more growth companies.

4 Angela Merkel is reelected as Germany's chancellor and remains committed to the euro currency. The recession in Europe ends but growth remains tepid, as structural change is limited.

5 China's new leader, Xi Jinping, grapples with political corruption as well as environmental and social issues, while seeking to shift the economy from exports to consumption. Some progress is made, as growth stays steady at approximately 7.7%.

6 The Japanese yen weakens dramatically following the election of the Liberal Democratic Party, which allows the passage of legislation to support reflation and growth. Export stocks take off and the Nikkei, Japan's stock market index, has the best year in four years.

7 Oil prices in North America test lows of US\$80, as excess supply and limited access to refiners continue to weigh on the industry. Foreign investors remain interested in joint ventures to secure access to relatively cheap energy.

8 Gold trades between US\$1600 and US\$1800, as investors oscillate between worrying about deflation and inflation.

9 Emerging markets have a good year, in spite of range-bound commodity prices. Their domestic economies drive growth and profitability, as the world economy starts to normalize after years of financial shocks.

10 Investors gradually reduce their fixed income exposure for high-quality, dividend-paying equities. Low real yields and an improving outlook prompt investors to seek ways to enhance their returns, but their preference for high-quality securities to avoid excessive risk favours dividend-paying stocks.

“The only function of economic forecasting is to make astrology look respectable.”
John Kenneth Galbraith – economist

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Maximize your Old Age Security (OAS)

Imagine reaching retirement and, after you've saved hard for years, the government 'claws back' your Old Age Security (OAS) pension because your income is too high.

How could this happen? The government requires repayment of the OAS benefit by persons age 65** and over with a high taxable income (above \$69,562 in 2012), including payments from registered and non-registered investments, pensions and other income.

There are steps that you can take now, and after age 65, to maximize your retirement income. To do so, work with a knowledgeable financial advisor to build a retirement savings plan, or develop a strategy to manage your income.

For example, couples may choose to perform income-splitting – essentially moving income from a higher income spouse to the spouse in a lower tax bracket – with a Spousal RRSP that can reduce a couple's overall taxable income after you retire. Retirees may also split up to 50% of your various pension incomes with a spouse.

Your advisor can also help you choose the most tax-efficient investments, particularly among your non-registered savings. For example, mutual funds, capital gains from stocks, and dividends are taxed at a favourable rate. You may also consider corporate class mutual funds, which are structured as a corporation for preferential tax treatment. Remember that investments held in a Tax Free Savings Account (TFSA) are completely non-taxable.

Finally, once you enter retirement, your advisor can help you plan when and how to take income from your investments to avoid taxable lump sums. This includes converting your RRSP to a Registered Retirement Income Fund (RRIF), so that you gradually withdraw the funds and defer tax payments as long as tax laws allow.

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** By January 2029, the age of eligibility for the OAS will be 67.

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