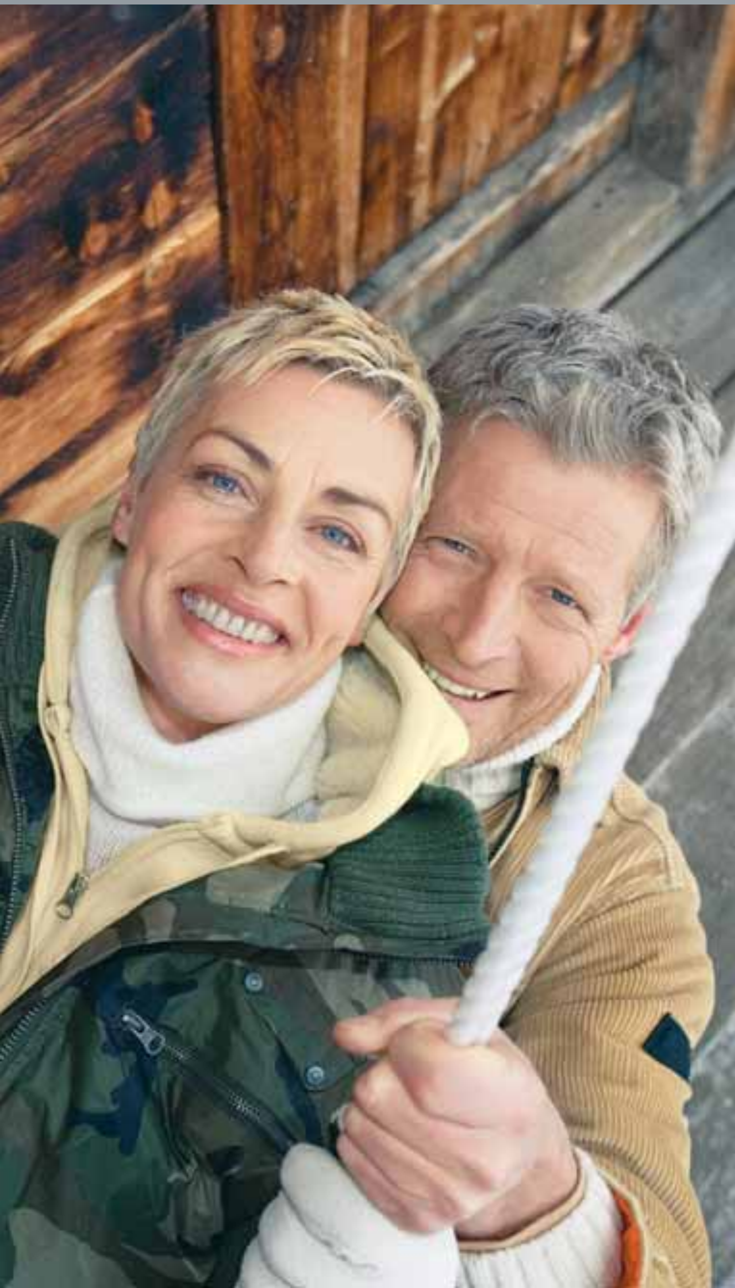
RETIREMENT PLANNING

Are you ready to retire?



YOUR GUIDE TO THE FUTURE YOU WANT

TD Waterhouse
Wealth of Experience

You've been thinking about retirement for a while now. As the time approaches, this guide can help you address the key decisions you face. Our goal is to help you gain the peace of mind that comes with knowing that you're well-prepared financially as you move into this stage of your life.

TD Waterhouse® has helped many Canadians plan for the future they want, ensuring that comprehensive financial solutions are in place to make retirement a rewarding time of life.

Our exceptional network of wealth management professionals and resources is available to help you create wealth, preserve and protect it, and pass it on to the generations that follow.

Inside –

WE'RE HERE TO HELP.

KNOWING WHEN THE TIME IS RIGHT

Work is a big part of many people's lives and contributes to their sense of purpose and identity. Ask yourself if you're ready for a lifestyle change. Are you prepared to leave the responsibilities, daily association with colleagues and other positive aspects of working behind, and set a new course? If you are unsure, it can be helpful to talk it over with family and friends who have already entered into retirement.

Before making the transition into retirement and finalizing any choices you might not be able to change, it's important to be sure that you're comfortable with all aspects of a new lifestyle.

Four key factors to consider

In addition to being in the right state of mind to retire, you have to understand your financial needs. Of the many decisions that will affect your finances and your lifestyle in the years ahead, these four key factors can have the greatest impact on the decisions you make.

1. Whether you continue to work

Whether it's for the income, the activity or the challenge, some people decide to continue working. Consulting in your field, a part-time job or starting a new business are just some of the possibilities.

2. Where you choose to live

If you're considering selling your current home, think about where and when you might want to move. Family relationships, the location of friends, the appeal of a warmer climate and the requirements of maintaining your current home could all be considerations.

3. What your ongoing family responsibilities are

Even in retirement, you may still have children or parents who count on you for support. Insurance strategies and estate planning can be effective ways to deal with these responsibilities.

4. What activities you want to pursue

People are living longer and leading increasingly active lives. You may want to take up new hobbies, travel, volunteer or take courses.

Now consider your finances

All the key factors you've just considered will help shape your financial situation. To determine if your resources align with your dreams, create a personal retirement income plan. A comprehensive analysis of your retirement goals, income and expenses can help you become increasingly confident about enjoying the future you want.

MAKE SURE THE BEST YEARS OF YOUR LIFE REALLY ARE THE BEST YEARS OF YOUR LIFE

BUILDING YOUR RETIREMENT INCOME PLAN

A good strategy and solid planning helped you build your assets to get you to where you are today. Now it's time to take that same approach to maximizing your retirement income plan. Careful planning can give you confidence in your ability to create a stream of income that will allow you to live the life you want in retirement.

The benefits of good planning

A well-thought-out plan can help you –

- Minimize the risk of underestimating your expenses, recognize the impact of inflation and realize the importance of a balanced, diversified portfolio
- Ensure a dependable income stream that will last as long as you need it
- Decide how to convert your Retirement Savings Plans (RSPs) into a source of income
- Structure your investments to provide income when you need it
- Minimize taxes
- Stay on track over the years ahead, so you can have the retirement you've always wanted

6 Steps to Consider When Building a Retirement Income Plan

1. Set and prioritize your goals

We dream about what we'll do in retirement, but as it gets closer, we have to clearly define the important goals. Your age, health, partner's wishes, family responsibilities and network of friends will all have an impact.

2. Gather and update all your financial information

Collect your investment statements, tax returns, bank records, insurance policies, property deeds, Will and other financial information. Having them at your fingertips will make planning much easier.

3. Calculate your net worth and expected future income

Your net worth – what you own minus what you owe – tells you what you have to work with and how much of a cushion you have if your income isn't as much as you need to live on. Your future income forecast should be based on a realistic rate of return on your investments. You should also identify assets such as real estate or a business interest that will or could be sold and turned into income.

4. Calculate your expected future expenses

This will depend on your basic living expenses, plus any of your goals that will have to be funded. You need to put a price tag on each goal, and factor in a realistic rate of inflation over the time you expect to have these expenses. If your expenses surpass your income, you may have to reconsider the importance or timing of some of your goals.

5. Develop and implement an appropriate investment strategy

Your investment strategy has to take into account your goals, time horizons, concerns about investment risk and the level of income you want. Your personal tax situation is also an important factor in the choice of investments.

6. Monitor your retirement income plan on a regular basis

Your goals and lifestyle will evolve over time. Making sure that your plan stays on track means keeping a watchful eye on your progress and making the right adjustments when required.

SEMINARS AND NEWSLETTERS CAN BE A VALUABLE RESOURCE ON A WIDE RANGE OF RETIREMENT AND INVESTMENT TOPICS. VISIT **www.tdwaterhouse.ca** FOR OUR NEWSLETTERS AND SEMINAR SCHEDULE.

TURNING YOUR RETIREMENT SAVINGS INTO INCOME

As you near retirement, you will be faced with important decisions about what to do with your RSPs. By law, they must be converted to a source of retirement income by the end of the calendar year in which you turn 71.

You can choose one of the options below, or any combination that meets your needs. The pros and cons for each option are described in the chart to the right, and need to be considered carefully based on your personal situation. The decision you make will directly affect your finances in retirement and the way you manage your investments.

1. A Retirement Income Fund (RIF)

RIFs are one of the most popular ways to convert RSPs into an ongoing source of income. You can think of them as RSPs in reverse. Instead of deciding how much and when to contribute, you decide how much and when to withdraw, subject to an annual minimum amount.

Locked-in retirement savings

If you were a member of an employer's pension plan, you may have savings in a Locked-in RSP (LRSP) or Locked-in Retirement Account (LIRA). You can turn these retirement savings into an income fund with many of the same features as a RIF. Depending on which governing legislation regulates your locked-in fund, you can choose from a Life Income Fund (LIF), Locked-in Retirement Income Fund (LRIF), Prescribed Retirement Income Fund (PRIF), or life annuity.

2. Annuities

If you're looking for a fixed stream of income, you can convert your RSPs into annuities. Term-certain annuities provide regular income from the date of purchase to age 90. Life annuities provide regular income for as long as you live, and can include joint and last survivor payments and payments that increase over time.

3. Withdraw money from your RSPs

You can withdraw money from RSPs at any time. When you withdraw it, it becomes taxable income, so you should explore all the tax implications before you exercise this option.

CONSIDERATIONS FOR YOUR RETIREMENT INCOME OPTIONS

	Advantages	Potential Disadvantages
A Retirement Income Fund (RIF)	• Flexibility in the amount and frequency of income • Continuing tax-deferred growth • Control of your savings and a wide range of investment choices	• All withdrawals are taxable
A Life Income Fund (LIF), Locked-in Retirement Income Fund (LRIF), or Prescribed Retirement Income Fund (PRIF)	• Flexibility in the amount and frequency of income • Continuing tax-deferred growth • Control of your savings and a wide range of investment choices	• Subject to maximum withdrawal amounts for LIFs and LRIFs • Some LIFs must be converted to a life annuity by age 80, depending on the jurisdiction that governs the plan • All withdrawals are taxable
Annuities	• Reliable income for life, or for a fixed period of time • No ongoing investment decisions required	• Payment amount is fixed at date of purchase based on prevailing interest rates • No access to capital if needed • Leaves little or no property to the estate • Cannot reverse decision
Withdraw money from your RSPs	• Immediate access to cash	• Cannot reverse decision • Forego tax-deferred growth • All withdrawals are taxable

MANAGING YOUR WEALTH SUCCESSFULLY

In retirement, the savings you've built up and the sources of income you've created have to last a lifetime. You'll want to keep a close eye on what's coming in and what's going out, and how it aligns with your retirement income plan. You can make this easier by finding the right kind of advice and assistance, making sure you have the right mix of investments, and by simplifying the management and administration of your portfolio before you retire.

1. Get the right advice and assistance

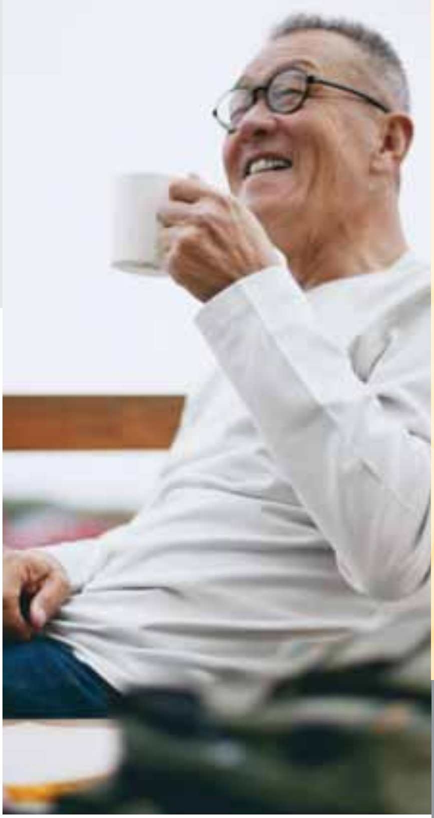
There are more options than ever when it comes to managing your wealth. You can look after your own portfolio, work with an advisor, turn the responsibility over to a professional manager, or even choose a combination of options. As you decide the best route to take, here are some key considerations –

When looking for a financial services company –

- Do they have a long-term history of strength and stability?
- Do they offer all the tools and resources you need?
- Do they take a personalized approach to meeting your needs?
- Can they create and execute a plan that addresses all your goals?
- Do they make it easy to access the services you want?
- Are they available when you want to talk?

When looking for a retirement planning professional –

- Does this person make you feel comfortable and confident?
- Will they take the time to thoroughly understand your personal life goals and financial concerns?
- Are they part of a team that can help you create a comprehensive retirement plan?
- Are they clear about the process they will use and the standards they will set?
- Are they committed to long-term thinking that will serve you well throughout your retirement?



2. Keep the right investment mix

Having the right mix of investments is often the most important factor in the success of an investment portfolio. This is because diversifying your portfolio with a range of investments is a proven way to reduce risk while enhancing potential returns.

The investment mix that's right for you will depend on a number of factors, including your age and, if you have a significant other, the age of your partner, your tolerance for risk and the amount of income you need from your investments. It's important to remember that the mix will need to be adjusted over time as these factors change.

Your goal should be a balance between the potential to provide the returns you need and a level of risk that allows you to achieve peace of mind.

3. Make life simpler by consolidating

You can simplify the management of your retirement income plan and make it more efficient by consolidating your investments in one place before you retire. Should you decide to convert your RSPs to a RIF or annuity, you'll find it much easier to deal with one financial institution. The time you'll save on paperwork alone can make consolidating worthwhile.

It's also easier to monitor and adjust your investments when you're dealing with your entire portfolio in one plan. You will be able to see if you're maintaining the right asset mix across all your holdings, not just one part of them. In addition, you may be able to save on administration fees when your assets are combined and could be eligible for more attractive rates on certain investments.

MAINTAINING YOUR FINANCIAL SECURITY

The need to protect your income, assets and family doesn't change just because you're retiring. This is a good time to review insurance coverage and consider the options discussed here.

Life insurance

If a reduction in income would result from the death of you or your partner, life insurance can provide the financial resources needed in such a difficult time. A comprehensive review of your situation will indicate the level of coverage and type of life insurance that best suits your needs.

Long-term care insurance

Long-term care insurance gives you the comfort of knowing that you will not deplete your assets if you or your partner become unable to look after yourselves. It can also ensure that you will not become a financial burden to your children or other family members.

Estate insurance strategies

There are a number of ways to protect and enhance your estate through insurance. Among them –

- A variety of insurance solutions are available to ensure that the estate your loved ones inherit is not eroded by taxes
- An insured annuity guarantees an income stream and the life insurance benefit replaces the capital used to buy the annuity
- Assigning ownership of a life insurance policy to a charity can provide immediate tax benefits
- Properly structured permanent life insurance coverage can provide a tax-effective transfer of assets to your heirs

Business succession strategies

If you own your own business, permanent life insurance policies can be used to balance the estate when not all beneficiaries are participating in the business, and to make charitable donations that generate tax benefits for your estate. Corporate insured annuities can reduce taxable income now and provide an eventual tax-free benefit to shareholders/heirs.

Homeowners and auto insurance

A major unexpected expense due to a fire, theft or accident is not something you ever want to face, especially when living on your retirement income. This is a good time to review and update your policies.

An emergency fund

It's prudent to set aside emergency funds so that unexpected expenses don't cut into the assets you're using for income or growth purposes. A good rule of thumb is to keep three to six times what you spend on monthly expenses in an easy-to-access, interest-earning investment, such as a money market mutual fund or savings account.

PLANNING YOUR ESTATE

At this time in your life, estate planning and the legacy you want to leave to future generations should be an essential part of your plans.

Estate planning

Estate planning can help you protect the financial interests of future generations, minimize taxes, administrative expenses and delays, and plan a smooth and amicable settlement of your affairs. It can also help you pass on the values you believe in as part of your legacy. If you haven't created an estate plan, now is the time.

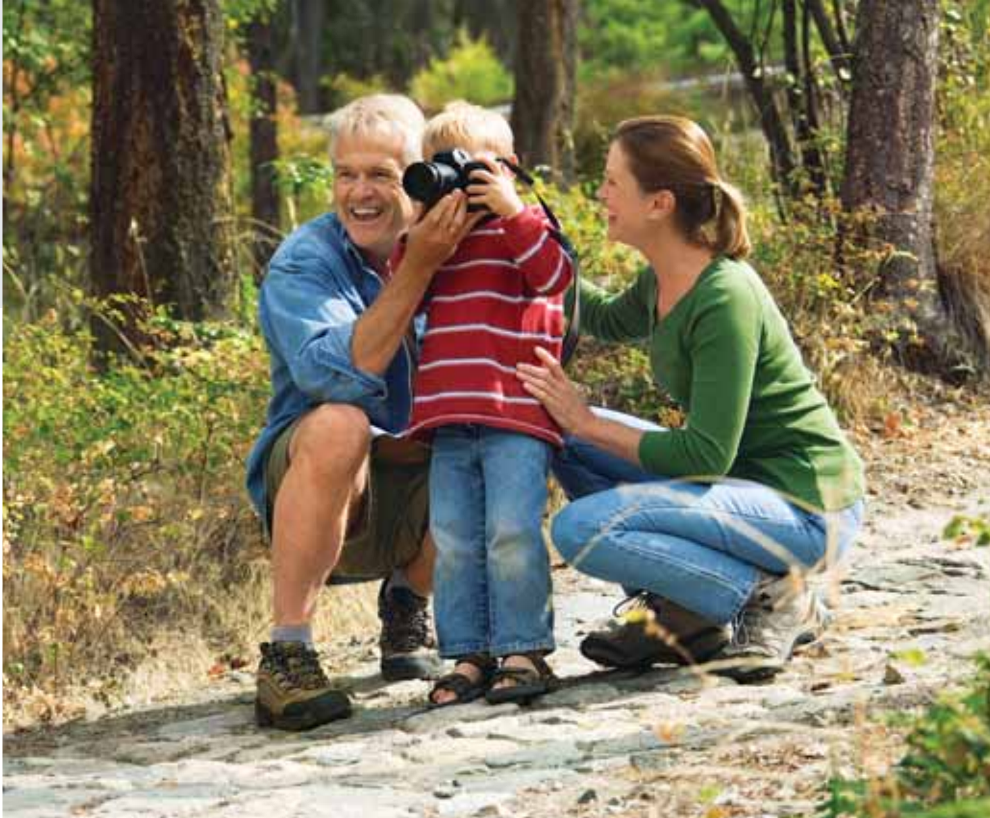
Your Will

Your Will is the articulation of your estate plan that allows you to direct how your estate will be distributed. Should you die without a Will, your estate would be distributed according to the laws of the province in which you live. Without a Will, the results could be different from what you really want.

Power of Attorney

A Power of Attorney empowers another person to manage your financial affairs during your lifetime. Part of a complete estate plan includes providing for possible mental incapacity or other events which may prevent you from properly managing your own affairs. Another option is professional financial management. You can retain someone to take care of your day-to-day finances, investments, taxes and other needs.

TD WATERHOUSE PRIVATE TRUST[1] PROVIDES A COMPREHENSIVE WILL AND ESTATE PLANNING GUIDE AND OTHER HELPFUL TOOLS AT **www.tdwaterhouse.ca/pcs/pt/tools_guides.jsp**



Trusts

A trust can be one of the most effective and flexible ways to ensure that commitments you make to the financial security of others last a very long time. A trust can make sure that assets and property are managed according to your directions, or are transferred to your family or a charitable organization, both during your lifetime and after your death.

Charitable giving

Endowments, trusts, bequests and insurance policies are just some of the ways you can consider supporting your favourite charities.

AFTER CREATING A LIFETIME OF MEMORIES, IT'S IMPORTANT TO LEAVE A FEW BEHIND.

TD WATERHOUSE CAN HELP

Everyone at TD Waterhouse is committed to helping you reach your retirement financial goals and secure the future you want. You'll find that we're responsive to your needs, knowledgeable about the products and services we offer, and dedicated to providing the solution that's right for you. With our full range of investment and wealth management services for individuals preparing for retirement, we can help you make your financial decisions with confidence.

Before any solutions are proposed or any recommendations are made, we will hold in-depth discussions with you. The information you share with us enables us to establish a comprehensive personal profile, analyze your needs and determine an appropriate course of action. Then, our exceptional team of financial professionals will work together to help you accumulate and preserve your assets, maximize your retirement income and achieve what is important to you in the transition of your wealth to future generations.

Talk to us to find out which TD Waterhouse services are right for your retirement plans

TD Waterhouse Discount Brokerage[2]

TD Waterhouse Financial Planning[2]

TD Waterhouse Private Banking[3]

TD Waterhouse Private Trust

TD Waterhouse Private Investment Counsel[4]

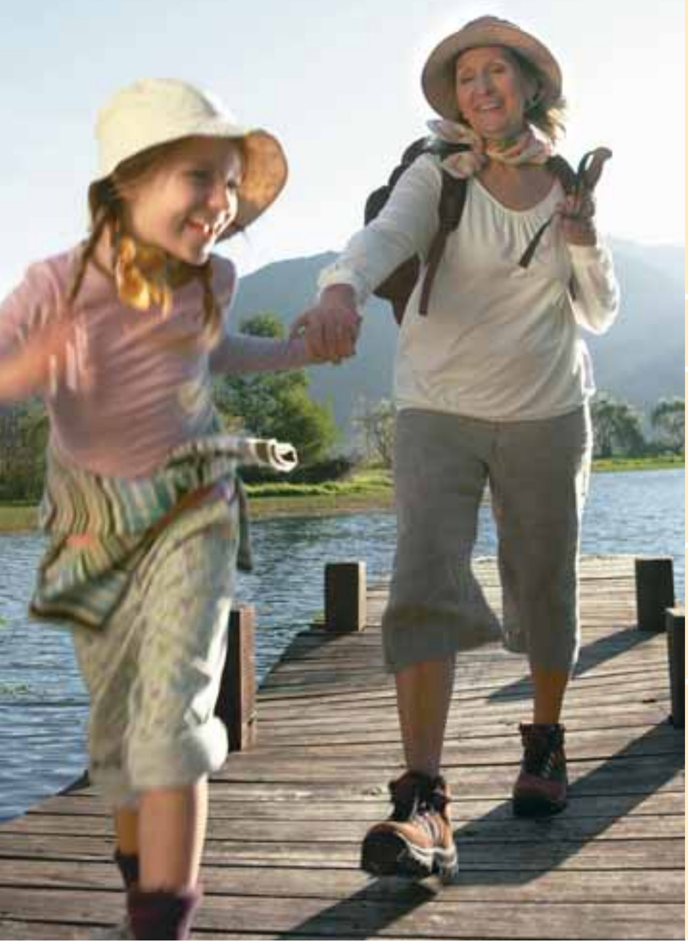
TD Waterhouse Private Investment Advice[2]

Plus – Access to all TD Bank Financial Group[5] **resources**

YOU CAN CHOOSE TO RETIRE AT ANY TIME, BUT RIGHT NOW IS THE BEST TIME TO START PLANNING FOR THE FUTURE YOU WANT. CONTACT TD WATERHOUSE TODAY.

DATES TO REMEMBER

Here are some important dates you will need to be aware of in the years ahead.



Applying for Canada Pension Plan (CPP) benefits

(Quebec Pension Plan (QPP) in the Province of Quebec)

Applying for Old Age Security

Federal Pension Tax Credit

Converting your RSPs to a RIF, annuity or cash

Starting annual minimum required RIF withdrawals

- **Apply between the ages of 60 and 70**, up to six months in advance of when you want benefits to start
- Full CPP payments start the month after your 65th birthday, but you can choose to start payments at any time between ages 60 and 70
- If you start payments before age 65, they will be lower than the full CPP payment amount. If you start payments after age 65, they will be higher than the full CPP payment amount

- **Apply six months before you turn 65**

- Start claiming the pension income federal tax credit when you start to receive income from a company sponsored pension plan
- If you are not a member of a company pension plan, but are receiving income from a RIF, you can start to claim the federal tax credit at age 65

- **At any time, but no later than the end of the year you turn 71**
- It is generally recommended to first use non-registered assets if available, and delay converting or cashing your RSPs as long as possible to maintain their tax-deferred growth potential

- **At any time, but no later than the end of the year you turn 72**
- In the first year of your RIF, there is no required minimum withdrawal
- Delaying your first withdrawal as long as possible provides more time for your assets to grow on a tax-deferred basis

GLOSSARY

Annual Minimum Payment (AMP) – The minimum amount of retirement income that must be withdrawn from a RIF each year.

Annuity – An investment providing periodic, blended payments of interest and principal for a specified term or for life.

Canada Pension Plan (CPP) – A monthly retirement pension for people who have worked and contributed to the CPP. The CPP also provides disability and survivor benefits for those who qualify. For more information, visit www.hrdc.gc.ca

Federal Pension Tax Credit – Qualified pension income is eligible for a federal tax credit.

Guaranteed Income Supplement (GIS) – Additional money, on top of the Old Age Security pension, for low-income seniors living in Canada. For more information, visit www.hrdc.gc.ca

Life Income Fund (LIF) – A retirement income fund that is established by the transfer of locked-in funds from a Registered Pension Plan (RPP), Locked-in Retirement Savings Plan (LRSP), Locked-in Retirement Account (LIRA) and in some cases a Locked-in Retirement Income Fund (LRIF).

Locked-in RSP (LRSP) – A retirement savings plan that is established by the transfer of locked-in funds from a Registered Pension Plan (RPP) or another locked-in retirement savings/income plan such as a Locked-in Retirement Savings Plan (LRSP), Locked-in Retirement Account (LIRA), Life Income Fund (LIF) or Locked-in Retirement Income Fund (LRIF).

Locked-in Retirement Account (LIRA) – See definition for LRSP.

Locked-in Retirement Income Fund (LRIF) – See definition for LIF.

Old Age Security (OAS) – A monthly pension benefit available, if applied for, to most Canadians 65 years of age or over. Old Age Security residence requirements must also be met. For more information, visit www.hrdc.gc.ca

Permanent Life Insurance – An umbrella term for life insurance plans that do not expire (unlike term life insurance) and combine a death benefit with a savings portion.

Quebec Pension Plan (QPP) – The QPP is the Quebec equivalent of the Canada Pension Plan (CPP). See Canada Pension Plan, above, for details.

Retirement Savings Plan (RSP) – An investment vehicle designed primarily for saving toward retirement. Your annual RSP contribution can reduce the income tax you pay in that year or in future years, and the money you put away can have years of tax-deferred growth potential. You pay tax only on the amounts you withdraw.

Retirement Income Fund (RIF) – A natural continuation of an RSP, providing the same tax deferral of principal and earnings, with one key difference. Unlike an RSP, which permits contributions, a RIF requires that a minimum amount, based on age, be withdrawn each year.

Whatever stage you are at,
our goal is to help you
develop integrated, comprehensive
and customized financial solutions.

To learn more about the full range of TD Waterhouse retirement solutions, please contact us at 1-866-280-2022, visit us at www.tdwaterhouse.ca or contact any TD Waterhouse office or TD Canada Trust branch.

[1] TD Waterhouse Private Trust services are offered by The Canada Trust Company.

[2] TD Waterhouse Discount Brokerage, TD Waterhouse Financial Planning and TD Waterhouse Private Investment Advice are divisions of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. – Member CIPF.

[3] TD Waterhouse Private Banking services are offered by The Toronto-Dominion Bank.

[4] TD Waterhouse Private Investment Counsel Inc. is a subsidiary of The Toronto-Dominion Bank.

[5] TD Bank Financial Group means The Toronto-Dominion Bank and its affiliated companies that provide deposit, investment, securities, trust, insurance and other products or services.

TD Waterhouse

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