

# Meeting your mandatory RIF withdrawals



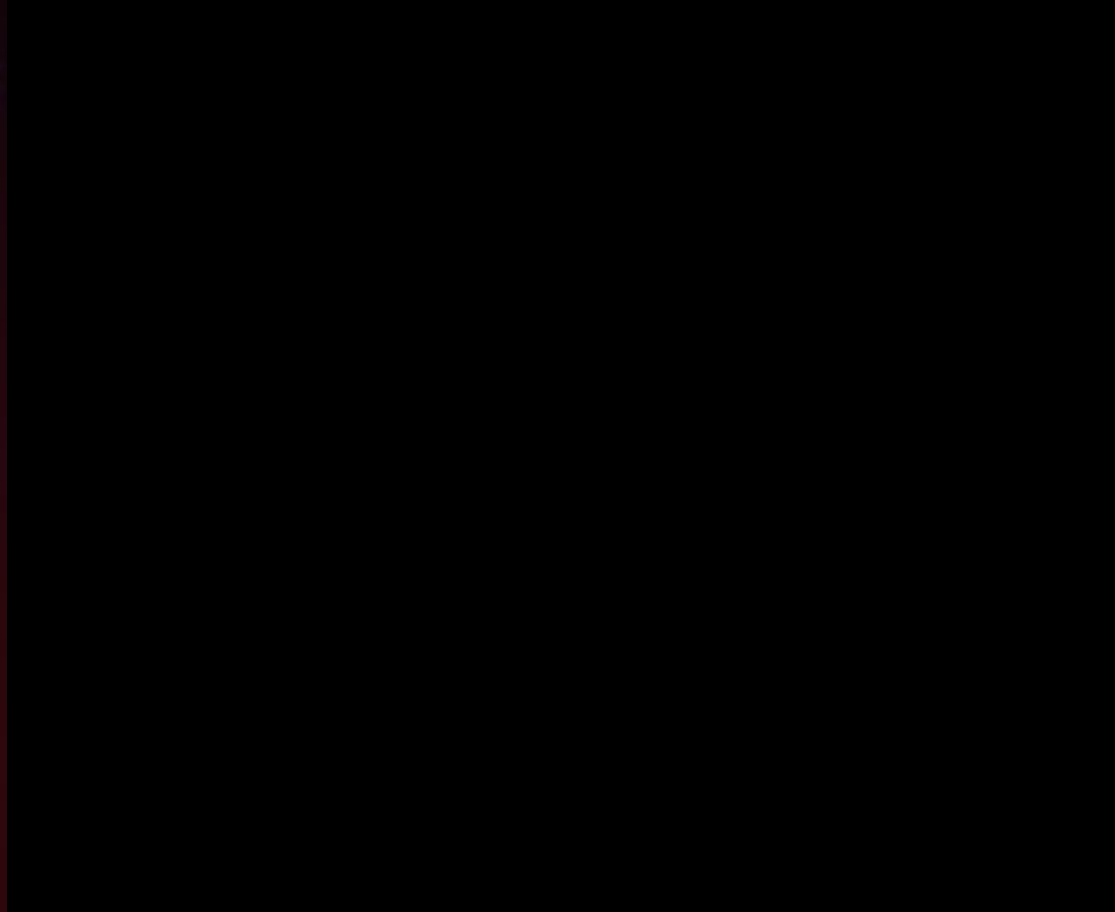
# Acknowledgements

- Sarah and Phillipe of NAFR Ottawa Branch
- Frank Schilder our Zoom Master
- Michael Patenaude of Ottawa Share Club

# Disclaimer

- Nothing in this presentation is advice or recommendation and is for information only
- All investing involves risk
- Readers should seek the advice of a registered financial/investment adviser or conduct their own due diligence before making any investment
- This webinar pertains to Retirement Income Funds (RIFs) only.

Government policies are forcing retirees to take investment risks, but ...



# When to convert a RSP to a RIF

- Convert by end of the year you reach 71
- No benefit to early conversion

# Poll question 1

- I or my spouse have:
  - 1. A RSP and are still contributing to it
  - 2. A RSP but are no longer contributing to it
  - 3. A RIF

# When to stop contributing to a RSP

- When current tax rate is lower than future tax rate
- Over age 60 if TFSA contribution room available

# Poll question 2

- The tax rate on RIF withdrawals is:
- 1. Zero
- 2. The same as the Capital Gains rate
- 3. The same as the Canadian Dividends rate
- 4. The highest marginal tax rate



# Ontario Tax Rates 2021

Taxable Income	Other Income/RIFs	Capital Gains	Canadian Divs
< 45142	20 %	10 %	-7 %
To 49020	24 %	12 %	-1 %
To 79505	29.5 %	15 %	6.5 %
To 90287	31.5 %	16 %	9 %
To 93655	34 %	17 %	12 %
To 98040	38 %	19 %	18 %
To 150000	43.5 %	22 %	25.5 %

# RSP & RIF Withdrawals incur the highest tax rates

Taxable Income	% Tax	Effective % Tax with OAS Clawback
<45,142	20	
TO 49,020	24	
TO 79,505	30	
TO 90,287	31.5	46.5
TO 93,655	34	49
TO 98,040	38	53
TO 129,075	43.4	58.4 *Fully clawed back

# Understand the mandatory minimum withdrawal rates

Age	Minimum withdrawal % as of January 1
72	5.40
77	6.17
82	7.38
87	9.55
92	14.49
95+	20

# What if the markets crash 20+% ?



# Beating the market almost impossible

## Focus on FTD

- Fees
- Taxes
- Diversification

# Generate income within a RIF

- Two different strategies
  - The Dividend/Income strategy
  - The Capital Gains strategy
- All withdrawals taxed the same no matter the source

# Income generating investments

(Past returns do not guarantee future returns)

Investment	Current Yield %	Av Total Return 5 yrs	MER %
GICs	1.5	1.8	0
Bond ETFs	2-3	4.5	.35
Dividend Stock ETFs (XDV)	4.3	7.7	.55
Preferred Share ETFs (HPR)	5.0	6.8	.65
REITs (RIT)	5.3	9.4	.75

# Capital Gain Investments

(Past returns do not guarantee future returns)

Investment	Yield %	Av Annual Total Return 5 yrs	MER %
Balanced ETF (VBAL)	1.8	7 (2 yrs)	.25
Canadian Equity ETF (XIC)	2.8	9.33	.05
Mawer Balanced Fund A	.9	7.6	.92
Global Stocks (XAW)	1.8	11	.25



# Poll question 3

- One year ago, if you knew for certain that a global pandemic would shut down the world and kill 500,000 people in North America, would you have :
  - 1. Bought more stocks ?
  - 2. Sold some of your stocks ?
  - 3. Bought gold ?
  - 4. Done nothing ?

# The impossibility of forecasting markets

- US S&P 500 is at record high
- AMZN, SHOP, NFLX, MSFT at or near record highs
- Gold is down 12%

# The impossibility of forecasting markets

- “The only value of stock forecasters is to make fortune tellers look good.”
  - Warren Buffett, Chairman, Berkshire Hathaway, Dec 28, 2018

# A song for the times



# March 2000 to March 2013

## S&P 500 grew 0 %



# Risk tolerance and markets

- Stock markets decreased by 20% or more 4 times in the past 20 years
- US stock market went nowhere between 2000 and 2013
- The challenge:
  - Meet mandatory minimum withdrawals after a major drop
- The trade off:
  - Potential superior returns or a comfortable sleep

# Dividend/Income Strategy Example

(Past returns do not guarantee future returns)

	% Portfolio	% Total Return/yr 5 yrs	% Weighted Historical return	% Yield/yr
XDV	25	7.7	1.925	4.3
HPR	25	6.8	1.70	5.0
RIT	25	9.4	2.35	5.3
Mawer Balanced	25	7.6	1.90	1.0
Total Weighted Return			7.875	3.9

# Capital Gains Strategy Example

(Past returns do not guarantee future returns)

	% Portfolio	% Total Return/yr 5 yrs	% Weighted Historical return	% Yield/yr
XDV	20	7.7	1.54	4.3
HPR	20	6.8	1.36	5
RIT	20	9.4	1.88	5.3
XAW (Global stocks ex Canada)	40	11	4.4	1.8
Total Weighted Return			9.18	3.6



# Forthcoming Webinars

- March 3 – Invest in real estate without fixing broken toilets
- April 7 – Inspire your kids to be better investors (than we were).
- April 21, 28, May 5 – Fundamentals of Investing for Retirees (3 Webinar series)

# Questions ?

“I’ve got to  
keep control”

