

Paying yourself: Tax-savvy retirement income tips

[Energetic music]

[CIBC Private Wealth logo]

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[Jamie Golombek, Managing Director,
Tax and Estate Planning, CIBC Private Wealth]

One of the most common questions we get from our high-net-worth clients is: when am I going to retire? How am I going to retire? And what are the sources of income I'm going to have in retirement? There are the obvious sources – so, if you continue to have part time employment or maybe you've got a business, maybe you've got some rental income, those might continue upon retirement.

[A retirement-age man sitting at a large business table, looking over papers. A retirement-age man wearing an apron over a collared shirt, standing and smiling for the camera. A "For Rent" sign in front of a house in a residential neighbourhood.]

But then we have other things like government benefits. If you've been working in Canada, you could have the Canada Pension Plan or Quebec Pension Plan.

[Toronto City Hall with the Canadian flag in the foreground. The Canadian and Quebec flags.]

You could have Old Age Security depending on your amount of income.

[A retirement-age couple looking at a laptop as they go over papers. A retirement-age woman smiling as she looks at a piece of paper.]

These will start coming in on a regular basis.

Of course, the question we always get asked is, when do I take that CPP? When do I take the OAS? As you know, you can take CPP as early as age 60, as late as a 70. In most situations, it's probably advisable if you don't need the money to defer that CPP as long as possible to age 70, you'll get more money at the end of the day, assuming you're in relatively good health. And that's a great discussion to have with your advisor. On the OAS side, similar reasoning - you may wish to defer the OAS from 65 to 70 if you don't need that cash immediately.

[A financial advisor meeting with a senior couple; they're all in good spirits. A retirement-age couple smiling as they look at a laptop. A senior couple looking out at the waterfront view from their luxury house.]

Other sources of retirement income are things like RSP and RRIF withdrawals and living on TFSA and non-registered investments.

So a couple of tax ideas to think about. The first one is if you are receiving RRIF income, what an opportunity you have if you have a spouse or partner to do pension spending on your tax return.

[A retirement-age couple looking at a laptop. A retirement-age woman looking at a laptop. A retirement-age couple going over their finances.]

That's a joint election that you and your spouse or partner file each year and allows you to take up to 50% of your RRIF withdrawals and put them on your spouse or partner's return that can reduce income taxes and even preserve old age security.

The other strategy that you might want to think about in retirement is looking at tax effective non-registered income, trying to earn things like Canadian dividends, where you get the dividend tax credit or possibly equity and capital gains were only a portion of that gain is ultimately taxable can be a couple other ways of tax efficient retirement income earning.

Our brand new, updated bulletin called "Retiring Right" walks through all the different types of retirement income you might expect, as well as how different types of retirement income are taxed.

[A montage of several pages from the CIBC bulletin entitled "Retiring right: Understanding the taxation of retirement income" that correspond to the preceding sentence.]

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