

Finance D WORKSHEETS

HANDOUTS

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HANDOUT # 17 – ASSETS: Severance Pay, RRSP and RIF

SEVERANCE PAY

Some people may be entitled to severance pay usually calculated based on the years of service. Others may be entitled to a payment for unused sick leave. It should be noted that this is taxable income in the year it is received. Please refer to Handout # 13 for ways to shelter some of the payment in an RRSP.

RRSP

For this, you should talk to your financial advisor. If you are in a defined contribution, your money may be in some form of RRSP.

Whenever you take out the money, it is taxable at the marginal rate for that year. Thus it is likely very unwise to draw it all out the moment you retire. You don't have to take out any money until 71 but may opt to do so sooner. By December 31 of the year you turn 71, you must convert your RRSP to a RIF. It is really the same fund but with a withdrawal formula attached.

How is the RIF payment calculated ?

Although the Income Tax Act requires you to make a minimum annual withdrawal from your RIF, there are no limitations on a maximum withdrawal. You can control how much you take out each year and can alter the amount at any time. Thus the withdrawals can be scaled to your needs. The minimum withdrawal amount is dependent on your age or that of your spouse and your RIF balance on December 31st of the previous year. You must begin drawing from your RIF accounts by the end of the year that you turn 71. If your spouse is younger than you are, you can use their age to lessen your minimum withdrawal.

Age of You or Your spouse	Annual Minimum Withdrawal (% of RIF on Dec 31 of previous year)	Age of You or Your spouse	Annual Minimum Withdrawal (% of RIF on Dec 31 of previous year)
60	3.33	78	8.33
61	3.45	79	8.53
62	3.57	80	8.75
63	3.70	81	8.99
64	3.85	82	9.27
65	4.00	83	9.58
66	4.17	84	9.93
67	4.35	85	10.33
68	4.55	86	10.79
69	4.76	87	11.33
70	5.00	88	11.96
71	7.38	89	12.71
72	7.48	90	13.62
73	7.59	91	14.73
74	7.71	92	16.12
75	7.85	93	17.92
76	7.99	94 & older	20.00
77	8.15		

What happens to my RIF if I die ?

If you designate your spouse as the beneficiary of your RIF, the balance of your RIF capital can be rolled over tax-free into your spouse's RRSP or RIF, or it may be used to buy an annuity. You may also designate a dependent child or grandchild as the beneficiary of your RIF, and the balance may then be rolled over tax-free into an annuity providing equal annual payments until the child or grandchild turns 18. If the child is infirm, your RIF may be transferred tax-free to his or her RRSP, RIF or annuity.

If you name your estate as the beneficiary of your RIF, your entire plan will be collapsed at the time of your death. The amount of RIF capital that goes into your estate will be added to your income for that year. Your estate will be liable for income tax on the full amount.

If you designate someone other than a spouse or dependent child or grandchild as beneficiary, that person will receive the full balance of the RIF capital in the form of a cash payment but your estate will be liable for income tax on the full amount.

It is important that you designate a beneficiary of your RIF. You should seek professional legal and tax advice to ensure proper estate planning.

INVENTORY OF LIABILITIES

SHORT TERM DEBTS

Credit Cards	\$ _____
Overdrafts, line of credit	_____
Other	_____
Sub Total	\$ _____

INTERMEDIATE-TERM DEBTS

Car Loan	\$ _____
Investment Loan	_____
Other	_____
Sub Total	\$ _____

LONG-TERM DEBTS

Mortgage	\$ _____
Other	_____
Sub Total	\$ _____
Total Liabilities	\$ _____

Total Assets \$ _____

Total Liabilities \$ _____

NET WORTH \$ _____

HANDOUT # 19

Monthly retirement income

Government pensions

My income

Spouse's income

Canada/Quebec Pension Plan

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Old Age Security (+ GIS + Allowance)

--	--

Other (e.g., foreign)

--	--

Workplace pension

Pension plan (current)

--	--

Pension plan(s) (other)

--	--

Monthly income from RRSPs and other registered investments

--	--

Monthly income from other investments

Stocks, bonds, GIC's, mutual funds, annuities, income property, other

--	--

Business/net employment income

--	--

TOTAL gross income at retirement

--	--

Less taxes

TOTAL net income at retirement

	plus
--	------

TOTAL net family income

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HANDOUT #20

Monthly retirement expenses

Home

Mortgage, rent
Property taxes
Repairs, renovations

Today	When I retire

Heating
Electricity
Water
House cleaning
Cable television, video rentals
Telephone
Computer, internet access, ink, paper
Furniture, drapes, carpets, artwork
Appliances
Garden, plants
Snow removal
Other

Food

Grocery store
Meals away from home
Entertaining at home
Delivery meals
Liquor
Tobacco
Other

Health

Medical (not covered by insurance)
Prescription drugs
Non-prescription drugs
Dental
Physio., chiro., massage
Counselling, therapy
Glasses
Health club
Exercise equipment
Other, e.g., hearing aid, walker

Transportation

- Vehicle purchase, lease, car share
- Fuel
- Vehicle insurance
- Vehicle and driving licences
- Vehicle maintenance, repairs, washes
- Parking
- Tolls
- Public transportation
- Air fares
- Train fares
- Other

Work

- Tools, equipment
- Work clothes, footwear
- Union, professional dues
- Work related transport
- Other

Personal

- Sports activities, green fees, race fees
- Hobbies
- Hair, cosmetics
- Clothing, footwear
- Dry cleaning, laundry
- Other

Leisure, entertainment

- Vacations
- Cottage, time share
- Vacation leased vehicle
- Attendance at sports events
- Shows, theatre, concerts
- Visits to museums, art galleries
- Papers, magazines, books
- Education (course fees, text books)
- Membership fees

Insurance

Health insurance		
Life insurance		
Disability insurance		
Home insurance		
Travel insurance		
Critical care insurance		
Other		

Loans and savings

Car loan		
Personal loan		
Credit cards		
Line of credit		
Other loans		

Retirement savings, RRSP's		
Other savings		

Miscellaneous

Alimony payments		
Child support payments		
Gifts (birthdays, etc.)		
Family care		
Elder care		
Donations: political		
Donations: charitable		
Donations: faith groups		
Pets		
Other, e.g. funeral expenses		

TOTAL CURRENT EXPENSES		
TOTAL RETIREMENT EXPENSES		