Gordon Stirrett
WEALTH MANAGEMENT

Newsletter

SUMMER 2018

A good financial plan is built on many decisions about a range of important topics. In this issue, we tackle some of the big ones, including your mortgage, debt, taxes and CPP benefits.

To start, we're very pleased to announce a new relationship with The Bentley Group at Premiere Mortgage Centre. Their mortgage expertise and long-term view is a perfect complement to our approach to financial planning. We know they'll provide information and insights that will help you tackle your mortgage needs.

Looking ahead to retirement, we feature two stories that address retirement income. The first focuses on CPP benefits, and the impact of taking them at age 65 or 70. The second looks at the tax advantages of income splitting for those over the age of 65.

We also look at housing options to address the many different physical challenges that can occur with age. And continuing with the retirement theme, we look at the question: What happens if I have an unexpected financial need when my income is fixed? We offer a solution that is a great option for many people.

Finally, we are happy to provide four complimentary tickets to Shakespeare by the Sea. The troupe is celebrating their 25th season. We are proud to continue our support of this well-loved Halifax entertainment favourite. Check out the back cover for all the details of this year's lineup.

If you have questions about a story in this newsletter or anything else, please don't hesitate to reach out. We are always happy to hear from you.

PASS IT ON

If you know someone who could benefit from a talk with us, please let them know. We're always happy to help.

Strategic Management of Your Mortgage

A new relationship provides additional service and insight.

For many of our clients, the family home is one of the biggest financial assets. That makes the mortgage a very important element of your financial plan. To address this key element, we have partnered with industry leaders, The Bentley Group at Premiere Mortgage Centre.

The Bentley Group is a full-service brokerage firm that has a strong commitment to helping clients navigate their mortgage options. Like we do with financial planning, they take a long-term view of their clients' goals and objectives to ensure the mortgage they choose aligns properly. They deal with mortgages day in and day out, and are on top of the constantly changing rules, rates and options.

To shed some light on the ways they can help, we talked to Scott Bentley of The Bentley Group at Premiere Mortgage Centre.

Q: Why should someone use a mortgage broker?

I think it boils down to two main things: time and money. The process of researching all the available options, rates and terms can take a LOT of time. Most people don't have time to do that research, and that can lead to the costs associated with getting into the wrong mortgage. Our mortgage planners are like your personal mortgage champion; they are dedicated to finding the right mortgage—with the right rates, terms, and features—to meet your needs now and in the future. That can easily save clients thousands of dollars over their lifetime.

Q: Will clients recognize the lending companies you deal with?

Our key lending partners include some of the big banks that people know and trust. We deal with a wide range of lenders, including the major banks, credit unions, insurance companies and mortgage-specific lenders. They all have deep roots, strong reputations and proven track records, and they all operate under strict regulatory guidelines.

“Our mortgage planners are like your personal mortgage champion”

–Scott Bentley, The Bentley Group at Premiere Mortgage Centre

Q

And are the same types of flexibility and terms available like lump sum payments to help you pay off your mortgage faster?

Absolutely! The terms and conditions, features and penalties are built into mortgage contracts and can vary greatly from lender to lender. In fact, one of the most crucial considerations with a mortgage is the calculation of a pre-payment penalty or breakage fee should a borrower need to get out of the mortgage contract before the term is up. In some cases those penalties can amount to many thousands of dollars. Another example is that some banks and lenders have created 'no frills' mortgage products that allow them to offer a slightly lower rate, but in exchange for that, strip away some of the features we personally think are crucial to a mortgage. So it’s not always in a client’s best interest. That’s where it pays to have someone like us really understanding the client’s current situation and navigating the process.

Q

What about convenience? Many people just like dealing with the mortgage at their bank because it keeps everything under one roof.

That is understandable and something we take into consideration. However, we also often hear a lot of examples of it not working in the client’s favour. Beyond the limited mortgage rates and terms, many times the person at the bank moves out of that role. We always prefer to be the first point of contact for our clients, which we feel adds tremendous value long-term. In fact we often say that the relationship really begins after the mortgage transaction has closed. We deal with all those questions and requests the client may have, and we act on their behalf with the lender. This 'actively managed mortgage' approach is why our clients keep coming back to us for each new mortgage they need. They know they don’t have to worry about it, and that our relationships with the lenders works in their favour.

PREMIERE® MORTGAGE CENTRE

THE BENTLEY GROUP
PASSIONATE. COMMITTED. DRIVEN.

If you have questions, feel free to call Scott at 902.877.5626 or email him at scott.bentley@premieremortgage.ca

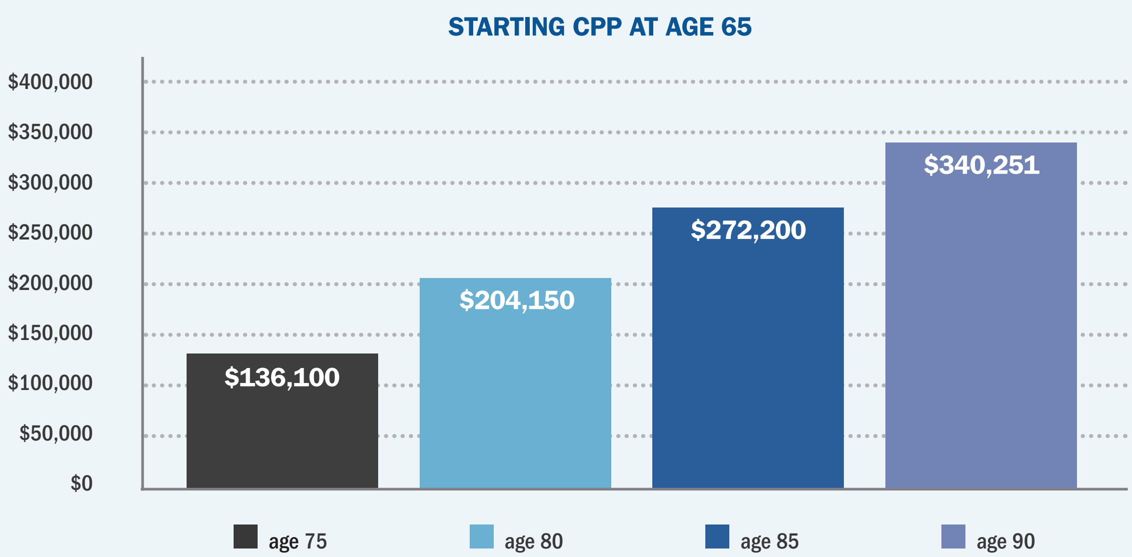
Should You Wait To Take CPP?

There are pros and cons to taking CPP benefits at age 65 or waiting until age 70. Both scenarios leave us with the uncomfortable knowledge that we might be leaving money on the table. How should you decide?

The Canada Pension Plan is a great addition to most people's retirement income. It can provide up to $1610.52 each month for the rest of your life.

But to get that highest possible monthly payment, you need to delay receiving CPP benefits until age 70. The maximum benefit you can receive at age 70 is 42 percent higher than the maximum amount you can receive at age 65. That can be a difficult concept to accept. Should you put off receiving a lower amount for five years to get that higher monthly amount at age 70?

These charts compare the total amounts received by starting CPP benefits at age 70 versus age 65. Note that after age 80, the person who chose to wait until age 70 to receive benefits gets over $17,000 more than if they had taken their benefits at 65. By the age of 90, waiting to take benefits at age 70 generates over $46,000 more benefits.



*Assumes $1134.17/month, the maximum CPP benefit available when starting to receive benefits at age 65.

You have a gamble either way. You could start taking the lower benefit at 65 and live to 100, and wish you'd had that extra 42 percent each month. Or you could wait to 70 to get the higher monthly benefit and die at 71, leaving five years of benefits on the table. We agree it's a toss-up.

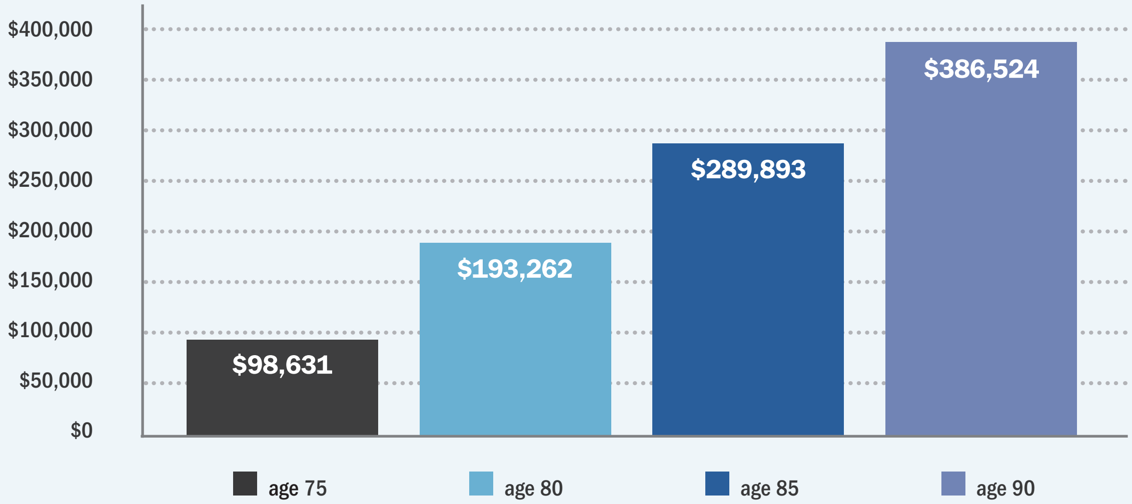
But the reality is that most people live well past 70. And unless you have an existing health condition at age 65, you have a pretty strong likelihood of living to age 90. For men, the chances are one in five. For women, it's one in three.

It all becomes a timing game. When you look at the following charts, you see that the impact of delaying CPP benefits really starts to kick in at age 80. The longer you live, the more the decision to delay CPP benefits makes sense.

MEN WHO ARE 65 TODAY WILL LIVE TO 84 ON AVERAGE, WHILE WOMEN WILL LIVE TO 87.
(Source: Globe and Mail)

Deciding when to take CPP is challenging. The answer is different for each person, and depends on your health, alternate sources of retirement income, and other factors. If you are facing this decision, please talk to us. We're happy to review your situation and help you find the best solution.

STARTING CPP AT AGE 70



*Assumes $1610.52/month, the maximum CPP benefit available when waiting to receive benefits until age 70.

The Financial Impacts of Retirement Living

HOUSING OPTIONS	RETIREMENT RESIDENCE	IN-HOME OPTIONS
DESCRIPTION	These complexes can range greatly. They provide private, fully-contained housing units to those who are physically independent but no longer want the responsibility of a full home and property and/or who are looking for a community of like-minded neighbours. They offer a range of extras from laundry and salon services to fitness and entertainment.	There are a variety of in-home services and personal care options designed to help people stay in the comfort of their homes for as long as possible. Services could include household help such as cooking, housekeeping, laundry and property maintenance, as well as nursing and other medical services provided in the home.
COSTS	$2500 - $6000 month (depending on amenities, location, dining options, etc)	$12 - $125/hour depending on the type of care.
GOVERNMENT PROGRAMS	Private residences are not covered by government support. All costs are the responsibility of the resident. This should be thought of as a housing expense versus a long-term care expense.	The Province of Nova Scotia covers some in-home support services. Amounts vary depending on household income.

No one likes to think about getting to a point in their lives when they can't live independently in their own homes. But whether you're planning for your parents, yourself or another loved one, it's important to know the facts so you can prepare appropriately.

If you have questions about housing expenses and your financial plan, please talk to us.

LONG-TERM CARE FACILITY	NURSING HOME
Residential care facilities provide personal care, supervision and accommodation for those whose needs can no longer be met through in-home care. It is designed for people who need assistance with personal care such as bathing and dressing, and reminders about daily routines. Residents must be able to evacuate the facility on their own.	The primary purpose of a nursing home is to care for those who are medically stable but whose needs can't be met through home care or through a long-term care facility. There is 24-hour supervision and medical staff available at all times and to administer all medications.
Roughly $2000/month	Roughly $3300/month
Public long-term care facilities and nursing homes are eligible for provincial government subsidies. Subsidies are based on an income assessment that uses the applicant's T4 from the previous year. The income assessment does not factor in the value of your home or other assets such as investments. Applicants retain at least 15% of their annual income and will not be left with an income lower than $3,126 a year. Spouses remaining at home are also factored into the equation. He or she can retain 60% of the joint family income, and maintain control over all assets. The minimum a spouse living in the community will retain is $20,500/year, or an average of $1,708.33/month.	

The Benefit of Pension Income Splitting

It's always wise to keep an eye on strategies that can help you minimize your tax bill. But when you're retired, it's more important than ever.

That's why so many couples choose to split their eligible retirement income to reduce the amount of taxes paid by each individual spouse.

THE IMPACT OF SPLITTING

Let's look at two Nova Scotian households that both earn $80,000 in pre-tax income to see how income-splitting impacts their overall income tax bill.

Bob & Barb (under the age of 65)

PAY $20,815 TOTAL INCOME TAX

- $80,000 in salary earned by Bob
- No opportunity for income-splitting
- Total income taxes paid: **$20,815**

The first household, Bob and Barb, has a salary of $80,000, earned solely by Bob. This income is not eligible for income-splitting, so Bob will be taxed individually for the entire $80,000.

WHAT INCOME IS ELIGIBLE FOR SPLITTING?

- Eligible income includes defined benefit pensions, LIFs and RRIFs
- Income from CPP and OAS is NOT eligible for income-splitting

AGE RESTRICTIONS IN INCOME-SPLITTING

- Income splitting has some age restrictions
- Income from RRIFs can only be split if the holder of the RRIF is over 65

John & Jane (over the age of 65)

PAY $11,556 TOTAL INCOME TAX

- $80,000 in eligible pension income
- Split income evenly between both spouses
- Total income taxes paid: **$11,556**

The second household, John and Jane are both over 65 and all of their $80,000 is pension income. This income is eligible for pension income-splitting, meaning that each spouse can claim only $40,000 in taxable income, putting each of them in a lower tax bracket than Bob.

THE BOTTOM LINE: **Although both households earn $80,000 before taxes, John and Jane, pay $9,259 less because they can take advantage of pension income-splitting.**

If you have questions about this, or any other aspect of your financial plan, please contact us.

2018 Nova Scotia Combined Federal & Provincial Marginal Tax Rates

MARGINAL TAX RATES (%)

2018 Taxable Income	Interest & Regular Income	Capital Gains	Canadian Dividends*
first $25,000	23.79	11.90	12.30
over $25,000 up to $29,590	24.32	12.16	12.91
over $29,590 up to $45,605	30.48	15.24	20.06
over $45,605 up to $59,180	35.98	17.99	26.44
over $59,180 up to $74,999	37.70	18.85	28.43
over $74,999 up to $93,000	37.17	18.59	27.82
over $93,000 up to $93,208	38.00	19.00	28.78
over $93,208 up to $144,489	43.50	21.75	35.16
over $144,489 up to $150,000	46.50	23.25	38.64
$150,000 up to $205,842	50.00	25.00	42.70
over $205,842	54.00	27.00	47.34

2018 Nova Scotia basic personal amount: $8,481

2018 Federal basic personal amount: $11,809

* Marginal tax rate for dividends is a percent of actual dividends received, not the gross amount.

Canada Pension Plan Benefits 2018

(maximum benefits available)

2018	ANNUAL TOTAL	MONTHLY
Death Benefit	$2,500.00	$ –
Retirement Benefit	$13,610.04	$1,134.17
Disability Benefit	$16,029.96	$1,335.83
Survivor's Benefit (under 65)	$7,375.44	$614.62
Survivor's Benefit (over 65)	$8,166.00	$680.50

CPP 2018	Age 60	Age 65	Age 70
Max Amount Per Month	$725.87	$1,134.17	$1,610.52
Max Amount Per Year	$8,710.44	$13,610.04	$19,326.26

RRSP Contribution Limits

Year	18% of Earned Income From the Prior Year to a Maximum of:
2018	$26,230
2019	$26,500
2020	Indexed

Old Age Security Benefits 2018

$583.74/Monthly $7,004.88/Annually

For 2018, benefits are repayable if net income exceeds $74,788. The repayment is 15% of excess to a maximum of the OAS received. OAS is eliminated once income reaches $121,279.

OAS 2018	Age 65	Age 70
Max Amount Per Month	$586.66	$797.86
Max Amount Per Year	$7039.92	$9574.29

What Happens If You Have Unexpected Expenses In Retirement?

In retirement, income sources are generally stable. You often have income from investments, monthly pension payments and other sources that you count on from month to month.

But what do you do if expenses don't follow suit? An unexpected home repair, a car that needs to be replaced, or a child or other family member who is facing a financial challenge. All of these things can create expenses that exceed our monthly income.

In moments like those, it's nice to be able to act quickly instead of having to go to the bank and start negotiating loan rates.

If you've paid off your home, having access to that capital can provide great peace of mind. You can use it to cover the expense, and pay it back over time at a reasonable interest rate.

Manulife Bank has made this option particularly attractive with their Manulife One account. It acts as savings, chequing and borrowing account in one, making it easy to keep track of every penny.

It allows you to access up to 80% of the assets in your home when you need it. And the options for accessing and repaying that debt are highly flexible:

- ☑ Access the funds by cheque, e-transfer, ATM, or debit purchase just like you would with any other money in your chequing account.
- ☑ Repay variable rate debt in lump sums without any penalty, or you can choose to lock in a portion of your debt at a fixed rate.
- ☑ Track a portion of your debt separately, such as a loan to a family member, in a variable rate sub account.

And when you don't need those funds, and your account is in a positive balance, you earn a competitive rate of interest.

Setting up a Manulife One account is a cost-effective step to protect your future.

The costs of migrating your property and the legal fees involved are covered by Manulife Bank

You can set it up now, and earn interest on your assets

If you have a financial emergency, your money will be there for you, and you can pay it back at a rate of prime plus 0.5 percent

Credit: Shakespeare By The Sea

Shakespeare by the Sea

Shakespeare by the Sea is back for another great season—it's 25th! We are very proud to continue to lend our support to this great community initiative that has become a summer entertainment tradition.

Whether you like drama or comedy, you'll love the high-energy performances set against the historic backdrop of Cambridge Battery in Point Pleasant Park. With the Park Place Theatre (located at the lower entrance to the park) offering respite from the sun for the indoor afternoon matinees.

THE SHOWS

For its 25th year, the creative minds behind Shakespeare by the Sea are bringing back some well-loved Shakespeare classics, including *Othello* and *Twelfth Night.* There's also a great family-friendly rendition of Lewis Carroll's *Alice in Wonderland*.

OTHELLO Shakespeare holds nothing back in this story about love, jealousy and revenge. *Othello* tells the tale of a heroic black general who deals with the repercussions of slighting an ambitious and vengeful villain. It's high drama at its best.

TWELFTH NIGHT Mistaken identity and misunderstanding seem to be favourite comedic tools of Shakespeare, and both are in full force in *Twelfth Night*. The troupe returns to the story—the first show ever performed by Shakespeare by the Sea—to reignite their love affair with this hilarious classic.

ALICE IN WONDERLAND You may have read this classic a hundred times as a child. Or it may be brand new to you. But the portrayal of this wild and wacky world, its preposterous characters, and the young girl who explores it, will leave you wishing you could fall down that rabbit hole again and again.

A MIDSUMMER NIGHT'S DREAM Shakespeare by the Sea is also presenting a unique, one-night-only, unrehearsed performance of *A Midsummer Night's Dream*. Dubbed *The Unrehearsed Dream*, the actors will learn the lines of this audience favourite, and put on the play without any prior rehearsal. This exclusive performance will happen only once—September 2nd—the final night of the season.

YOUR TICKETS

You should find four (4) tickets included in this newsletter. You can use these tickets to access any of the shows. These tickets also give you access to the Sweet Seats —reserved seating in the first few rows, chair rental, and a bottle of water—at a 50% discount. Just enter the promo code SBTSCOMP2018 at the end of the online purchase to get your Sweet Seat for only $12.50.

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