Your retirement income
The road ahead

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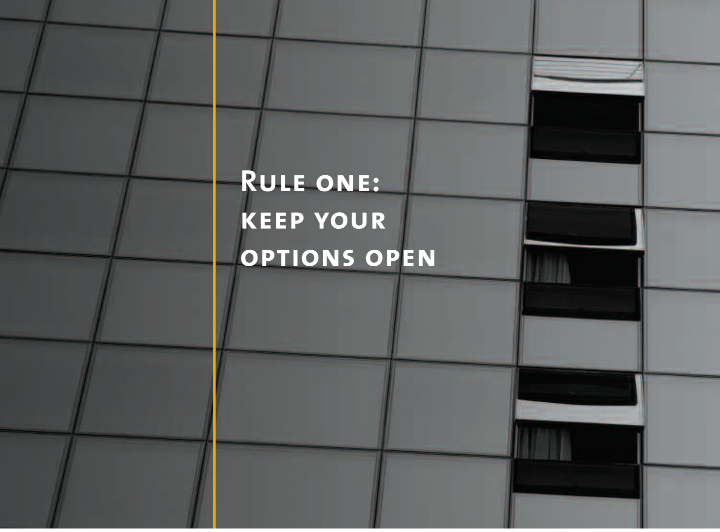


Rule one: keep your options open

Just because you're changing gears, you don't have to give up control.

Until this moment, you've stuck to a financial plan that let you explore opportunity as you found it. Now, you've reached another crossroad. And another decision.

You must convert your Registered Retirement Savings Plan (RRSP) into either a Registered Retirement Income Fund (RRIF) or an annuity by the end of the year in which you turn 71.

Control over your investment strategy has paid off and perhaps you're not ready to rest on your laurels quite yet. Consider our *Portfolio* RRIF**.** Secure yet flexible, it opens the road to new opportunities.

If you are like most investors, your RRSP probably makes up a significant portion of your overall wealth.

You have four ways to approach taking your money out of your RRSP:

* collapse your RRSP and take the proceeds in cash;
* transfer amounts you have accumulated in your RRSP to a RRIF;
* use the proceeds of your RRSP to purchase an annuity; or
* consider a combination of the three previous options.

Let's review these retirement income options.

Making choices to stay in control

A RRIF keeps you in the driver's seat.

Since all withdrawals from an RRSP are taxed as income at your marginal rate, cashing in a substantial amount of your plan means that you'll lose about half of this amount to taxes. Naturally, most people prefer to consider the other choices. The great majority choose RRIFs.

RRIFs resemble RRSPs in that you can have a "regular" RRIF or a self-directed RRIF. A regular RRIF will limit your choice of investment vehicles to savings accounts, term deposits or investment funds. A self-directed RRIF, on the other hand, gives you access to a far broader range of investments. Our *Portfolio* RRIF is a self-directed plan that adds another dimension to the equation – the professional advice that our Investment Advisors provide.

With an annuity, you must also make a choice: a straight life annuity, a joint life annuity, a life annuity with guaranteed periods, or a fixed-term annuity to age 90.

Here's the basic difference between a RRIF and an annuity:

* Buying an annuity transfers ownership of the wealth you have accumulated in your RRSP to a financial institution, usually an insurance or trust company, which then guarantees you steady taxable income over a fixed period of time, for the rest of your life, or until such time as both you and your spouse have passed away. This income is eligible for the Pension Income Credit, as of age 65.
* With a RRIF, you stay in the driver's seat. You maintain ownership of your capital for the rest of your life, as well as control over how it is invested. While you must make a minimum annual withdrawal from your RRIF, there is no maximum limit other than the plan's total capital, so you manage your withdrawals at your own pace. While taxable, these withdrawals are eligible for the Pension Income Credit, as of age 65. Meanwhile, tax-sheltered compounding continues to maximize your investment returns.

RRIFs and annuities – a comparison

	Annuity	RRIF
Do I retain ownership of my savings?	No	Yes
Can my capital continue to grow to my benefit?	No	Yes
Can I continue to make my own investments as I did with my self-directed RRSP?	No	Yes*
Can my annual income grow to counter the effects of inflation?	Yes or No**	Yes
Can I determine my annual income myself and change it as required, e.g. by making unplanned withdrawals?	No	Yes
Can I leave my retirement savings to my spouse or heirs, or provide them with an income after I die?	Yes or No**	Yes
Will my income be eligible for the pension income credit as of age 65?	Yes	Yes
Can I change my mind and choose the other option (a RRIF if I have an annuity, and vice versa)?	No	Yes

* If you choose a self-directed RRIF
** Depending on the type of annuity

TIP:

While a guaranteed income stream remains appropriate for some, registered annuities are less attractive these days because interest rates are low. When interest rates are high, the amount of monthly income available for each $1,000 of capital transferred to an insurance or trust company will be higher. But the opposite is equally true, and that's why you should avoid purchasing an annuity when interest rates are low and expected to rise. You can open a RRIF now, and then use its accumulated capital to purchase an annuity at a more opportune time in the future. Another approach would be to use part of your RRSP to purchase an annuity in order to guarantee a base level of income, and transfer the rest to a RRIF.

How to choose your income vehicle

Retirement planning is complex because your needs will inevitably evolve.

Although you face some difficult choices, you don't need to make all the decisions alone. Ask your Investment Advisor or accountant to help you decide between a RRIF and an annuity. Broadly, here is what they'll probably say:

* If you want your capital to continue growing in a tax-deferred environment, and don't mind, for the short term, drawing an annual income less than or equal to the return on your investments, a RRIF is the retirement income vehicle for you. Because you have control over the amount you withdraw, you can choose not to begin depleting your capital right away. A RRIF leaves you free to arrange your future income according to your evolving needs, and possibly provide a more enduring legacy for your heirs.
* If you want an annual income greater than the return on your capital, and don't mind dipping into this capital, you might consider an annuity. You exchange ownership of your capital (and all future investment returns) for a contract that guarantees a monthly income for life, or for a fixed period.

  Your annuity payments will be determined by how much retirement capital you have amassed, and by such factors as interest rates prevailing when you buy the annuity, and your life expectancy. Women, for example, generally receive lower annuity payments for the same amount of savings because they live longer. Similarly, you may be able to obtain larger annuity payments if your health is poor.

In short, purchasing an annuity is a bet on how long you will live. Take the example of a straight life annuity, which offers the guarantee of a fixed monthly amount paid until your death. Should you die shortly after the date of purchase, you would forfeit all your assets to the institution issuing the annuity and leave your heirs nothing. On the other hand, the longer you live, the greater your chance of getting back all your capital plus interest earned, and perhaps even more, in the form of annuity payments. In the end, remember that choosing an annuity is generally irreversible. By selecting a RRIF, you can buy an annuity some time down the road, should that be advantageous.

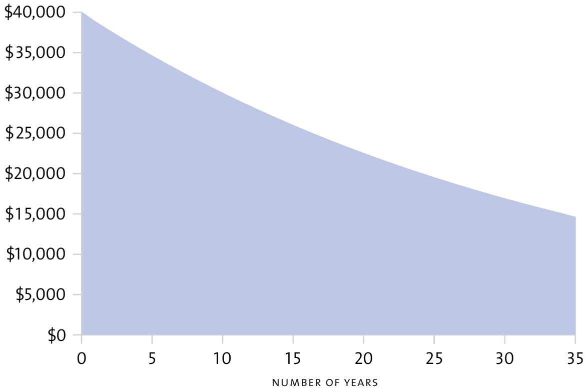
Dreams... Responsibilities... Inflation

Inflation can have a devastating effect on purchasing power and this must be considered when evaluating your future financial needs.

Today's low inflation rates make it easy to forget that the average annual inflation rate over the last 40 years is just over 4%. The graph on the next page shows the rapid fall in purchasing power for an annual income of $40,000 at a more conservative inflation rate of 3%. It's not a pretty picture.

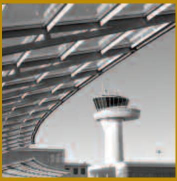
Don't confuse predictability with security. When it comes to retirement income, an annuity is predictable, assuring the same income each year. But the security a RRIF can provide is the potential for you to increase your

Declining purchasing power of a $40,000 annual income (assuming a 3% inflation rate)



income every year to protect against inflation and maintain the same standard of living from one year to the next.

With our exclusive *Copernicus* software, your Investment Advisor can crunch the numbers to give you an inflation-adjusted estimate of the income your retirement savings can provide, which will give you an idea of the lifestyle you can afford during retirement. With the guesswork gone, the choice between a RRIF and an annuity becomes much clearer. Should you choose a RRIF, your Investment Advisor would then use these tools and other resources available to help you determine the asset mix and choice of investments best-suited to your personal financial strategy.



The *Portfolio* RRIF

Our *Portfolio* RRIF gives you precisely the same control over investment choices as you had with your *Portfolio* RRSP (also a self-directed plan). And the transition is seamless.

"Regular" RRIFs are available only as savings accounts, term deposits or investment funds. However, a *Portfolio* RRIF gives you the freedom to choose practically any type of investment, from fixed-income securities to individual stocks or mutual funds, mixing them together in the proportions that suit your personal situation.

Bottom line, you have the potential for generating higher returns and reducing risk by diversifying into a wider range of investment vehicles, many of which carry an unlimited government guarantee.

A *Portfolio* RRIF also helps you manage your affairs with confidence and clarity because you'll receive a single statement listing all transactions made with your retirement savings. Consolidating your investment account statements is a big help when calculating your annual return and filing your taxes. At the same time, your Investment Advisor can help structure a portfolio providing a steady stream of income.

Bringing it all back home

A RRIF is designed to produce an income from your retirement savings, and you are required make at least a minimum withdrawal from the plan every year.

For all RRIFs opened after 1992, the following formulas are used to calculate that required minimum withdrawal*:

Up to age 70:

$$\text{Minimum withdrawal} = \frac{\text{Market value of the RRIF at January 1}}{\text{90 minus your age at January 1}}$$

Example:
If, on January 1 of this year, you were 65 and had a RRIF worth $200,000, your minimum withdrawal for this year would be:

$$\frac{\$200{,}000}{90 - 65} = \$8{,}000$$

* In the case of RRIFs opened prior to 1993, the minimum withdrawal rates are slightly lower for ages 71 to 77.

As of age 71:

Your age at January 1	Min. annual withdrawal (% of RRIF assets)	Your age at January 1	Min. annual withdrawal (% of RRIF assets)
71	7.38 %	84	9.93 %
72	7.48 %	85	10.33 %
73	7.59 %	86	10.79 %
74	7.71 %	87	11.33 %
75	7.85 %	88	11.96 %
76	7.99 %	89	12.71 %
77	8.15 %	90	13.62 %
78	8.33 %	91	14.73 %
79	8.53 %	92	16.12 %
80	8.75 %	93	17.92 %
81	8.99 %	94 and older	20.00 %
82	9.27 %		
83	9.58 %		

There is no annual maximum withdrawal. You decide how much you need, remembering of course to maintain sufficient assets to ensure adequate income for as long as you need it.

TIP:

You can also base the minimum withdrawal on your spouse's age. That way, you can save taxes if he or she is younger than you. If you don't require a more substantial income, you can withdraw as little as possible from your plan and thereby keep your money compounding in a tax-deferred environment. Note that this is a one-time election that must be made when your RRIF is opened.

Questions and answers

- ***When must I convert my RRSP into a RRIF?***
  Your RRSP must be converted to a RRIF or annuity at the latest by the end of the year in which you turn 71.

- ***Can I convert my RRSP before then?***
  Yes. But remember a RRIF requires minimum annual withdrawals which are taxable. Unless you absolutely need the income on a regular basis, it may be better to withdraw small lump sums from your RRSP as required, and then open a RRIF when you need to begin withdrawing regular amounts.

- ***Can I have both a RRIF and an RRSP?***
  Yes, until the end of the year you turn 71. You then enjoy the combined benefits of both. Still, given the above cautionary note, carefully consider such a decision.

- ***What happens if I neglect to convert my RRSP?***
  Your RRSP savings could be automatically de-registered and subject to tax.

- ***Can I still contribute to my RRSP in my 71st year?***
  Yes, provided that you had qualifying earned income in your 70th year (RRSP contribution room is calculated based on the previous year's earned income) or accumulated unused RRSP contribution room. Past that point, if your spouse is younger than you, you may continue making spousal RRSP contributions to his or her plan until your spouse reaches age 71, once again provided that you have qualifying earned income or unused contribution room.

* ***How often will I receive payments from my RRIF?***
  As often as you like (annually, semi-annually, quarterly or monthly), provided you make your minimum annual withdrawal. You may also make unscheduled withdrawals whenever you need.

* ***Are my RRIF withdrawals subject to withholding tax?***
  Withholding tax is applied only to amounts withdrawn in excess of the minimum. However, the total amount withdrawn each year must be declared as income and is therefore taxable.

* ***Can I have more than one RRIF?***
  Yes, but our *Portfolio* RRIF is so flexible there is no advantage to multiple plans.

* ***Will I outlive my savings?***
  That's a harsh prospect, and one that we will do our best to protect you against. Our role is to review your goals and needs with you, and to help create a carefully structured investment portfolio and withdrawal schedule. With our *Copernicus* software, we have the tool to give you accurate cash-flow projections based on realistic assumptions. However, since you have complete discretion over the amount and frequency of your withdrawals, this is something that is ultimately your responsibility, and under your control.

* ***I like the advantages of your* Portfolio *RRIF, but I'd prefer a "hands-off" approach to managing my investments….***
  Your Investment Advisor handles most of the work involved in managing your retirement savings. Nonetheless, should you prefer to delegate all your decision-making to someone else, ask about our optional discretionary portfolio management services or our suite of managed products.

You've matured and so has your RRSP.

Now it's time to make the most of the good times ahead. Call your Investment Advisor.

Using our *Copernicus* software, access to the finest economic research, and a dash of common sense, he or she will help you find the best path to a secure financial future.

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THE WORLD'S
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