

Insights

RBC Retirement Portfolios

Fall 2019 edition



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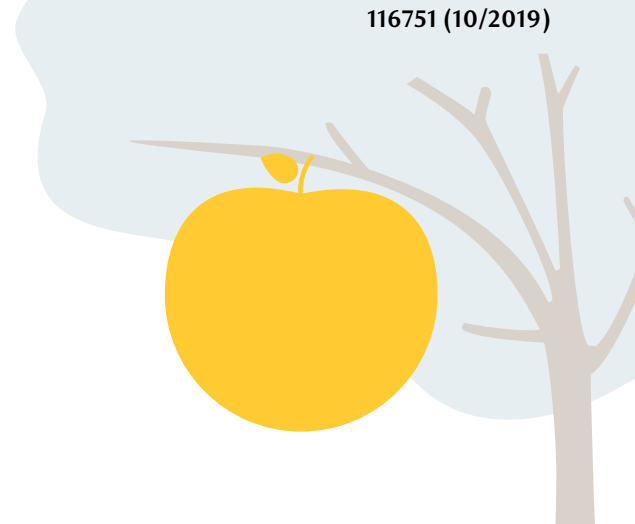
Saving for – and living – your best retirement

Retirement is one of life's major transitions. For many people, it takes years of saving and planning. And the sooner you start, the better.

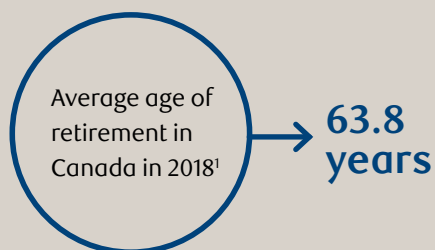
In this issue we'll look at the two key questions you need to answer:

1. **How much should I save?**
2. **How do I make my money last after I retire?**

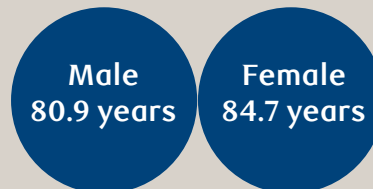
We'll also briefly explore how the taxes you may pay on your investment income could impact your cash flow in retirement.



Did you know?



Life expectancy for Canadians²



Earn 42% more

By delaying your CPP or QPP payments until age 70, you could earn up to 42% more than if you started receiving payments at age 65.³



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¹ Statscan, 2018, Retirement age by class of worker, annual

² Source: World Health Organization, 2016

³ Source: canada.ca, Canada Pension Plan - How much could you receive. rrq.gouv.qc.ca, When should you begin receiving a retirement pension under the Québec Pension Plan?

Saving for retirement

There's no magic number to save for retirement. Let's say you set a goal of saving \$1 million. Many Canadians have this number in mind. How early you start investing will impact how much you need to save every month.

How much do you need to save to retire with \$1,000,000?

Assuming 5% annual returns⁴

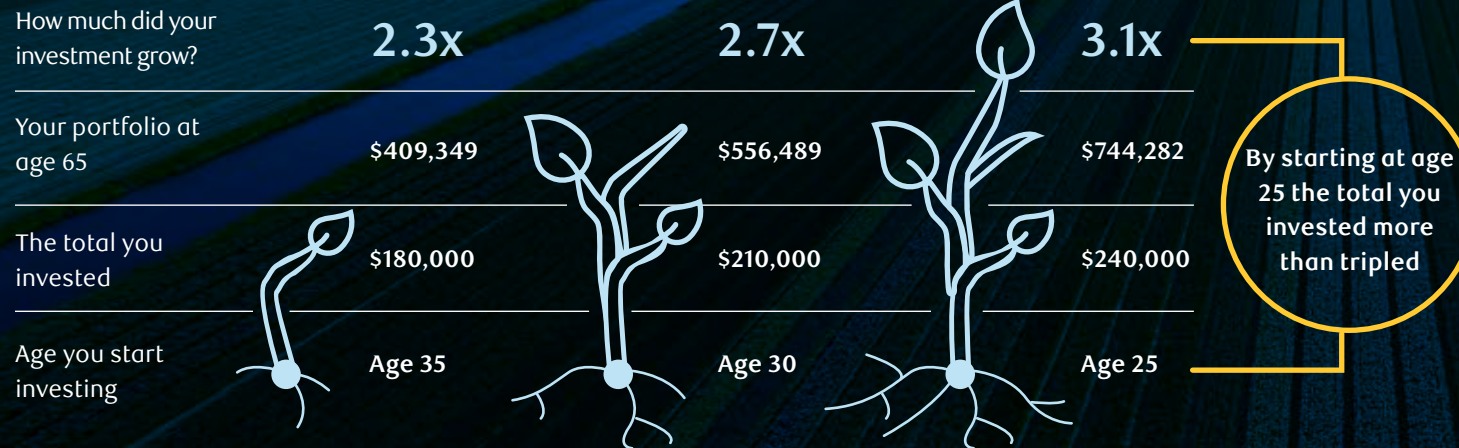
If you have this many years to save

And you contribute this much monthly



Put time on your side

Starting early and budgeting a regular savings amount are two straightforward ways to help grow your wealth. In these examples, you invest \$500 a month until age 65. The annual rate of return is 5%.⁴



Four tips for managing your retirement plan



Save more – Keep tabs on your income/ expenses and give yourself a savings raise when you can.



Take less – Explore trade-offs with your spending that would make your retirement savings last longer.



Earn more – If you are willing and can afford to take on more risk, talk to your advisor about ways to earn more investment income.



Work longer – See if retiring later would help you meet your retirement lifestyle goals.

⁴ For illustrative purposes only, to show the effects of compound growth and not intended to reflect future values of a mutual fund or returns on investment in a mutual fund.

Living your retirement

After years of savings for retirement, now it's time to spend. An important part of retirement readiness means having a good understanding of how long your money will last.

How long would a \$1,000,000 portfolio last?

Assuming 4% annual returns⁴

If you take a yearly income of

\$72K

\$48K

\$39K

Which equals this monthly cash flow

\$6,000

\$4,000

\$3,250

You will reach \$0

In 20 Years

In 44 Years

Since returns and cash flow are similar, the portfolio should remain near \$1,000,000

It's not what you earn it's what you keep that matters

Here's how much you might keep after taxes from \$4,000 of non-registered investment income from different sources.⁵



RBC Retirement Income Solution – T5 delivers tax-efficient cash flow of 5% per year by distributing a combination of interest, dividends, capital gains and return of capital.

⁵ For the purposes of this example, a federal tax rate of 26% is used. Provincial taxes extra. Please note that rates are unique to your tax circumstances and are provided herein for illustrative purposes only. * Represents eligible Canadian dividends with a federal tax credit of 15.02%. † ROC distributions are not taxable in the year they are received, but do lower your ACB, which could lead to a higher capital gain or a smaller capital loss when the investment is eventually sold. Note: All figures are rounded to the nearest whole number. Tax rates are subject to change. Cash flow from mutual funds should not be confused with mutual fund rates of return. Cash flow payments are not guaranteed and may be adjusted depending on future market conditions.



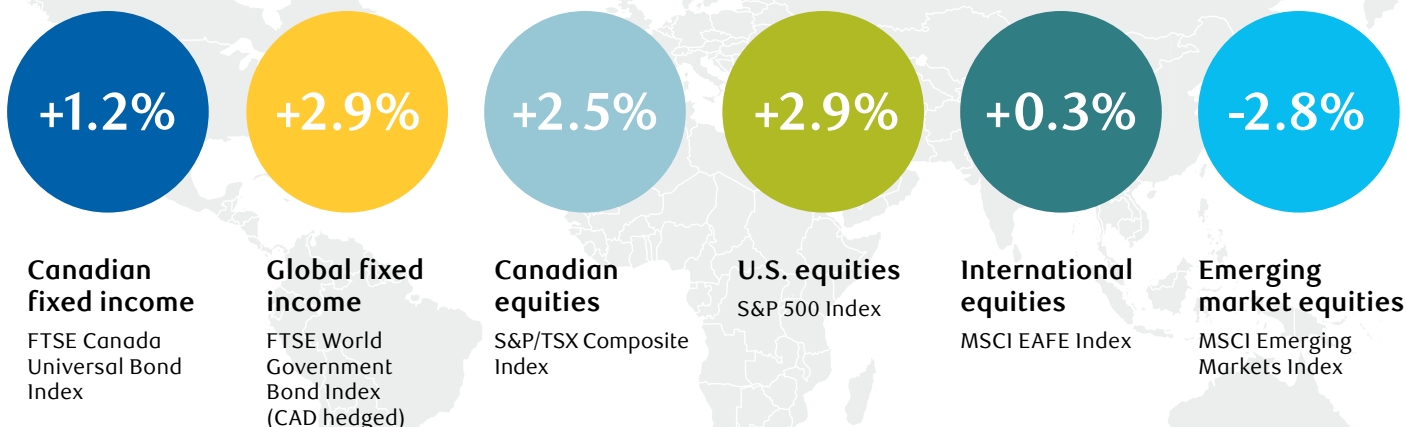
Portfolio manager viewpoint

Sarah Riopelle, CFA , Vice President & Senior Portfolio Manager, Investment Solutions

Financial markets face an evolving set of macroeconomic headwinds and, against this challenging backdrop, central banks are now offering support through monetary stimulus. Our base case is for continued economic growth, albeit at a slowing pace but we recognize that the downside risks have increased. We have increased our odds of recession to approximately 40% within the next year, double

the base case in any given year, but still not our central outcome. There are reasonable scenarios where the current challenges simply retreat, allowing for the economy and corporate earnings to improve. In that scenario, we would expect stocks to outperform bonds.

Markets this quarter



For the Fall 2019 Global Investment Outlook, please visit rbcgam.com/gio

All returns are in C\$ except where indicated. Canadian, U.S., MSCI EAFE and MSCI Emerging Markets index returns are total returns. An investment cannot be made directly into an index. The above does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

We thank you for your ongoing trust in continuing to hold RBC Retirement Portfolios as part of your investment plan. If you have any questions or comments, please contact us or your advisor.

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