You've been saving for retirement

Now let's plan for it

Planning your retirement doesn't have to be complicated

Facing retirement today poses very different challenges than it did just a generation ago. Canadians are living longer and leading more active lifestyles well into their retirement years. Many people look at retirement as an opportunity to fulfill dreams and goals, travel the world or even follow a passion and start a whole new career.

Everyone's retirement needs and goals are different. Whatever your needs may be, a diversified portfolio of tax-efficient investments can help you maximize your income in retirement. By working with an advisor, you can sort through your needs and goals to design a portfolio that's right for you.

Times are changing

Retirement today is a lot different than it was just a generation ago:

- **People are living longer.**
  Many Canadians are living 30-40 years in retirement.

- **Fewer people are covered by pension plans.**
  According to Statistics Canada, less than 40% of working Canadians are covered by a company pension plan, making personal savings like RRSPs more important than ever before.

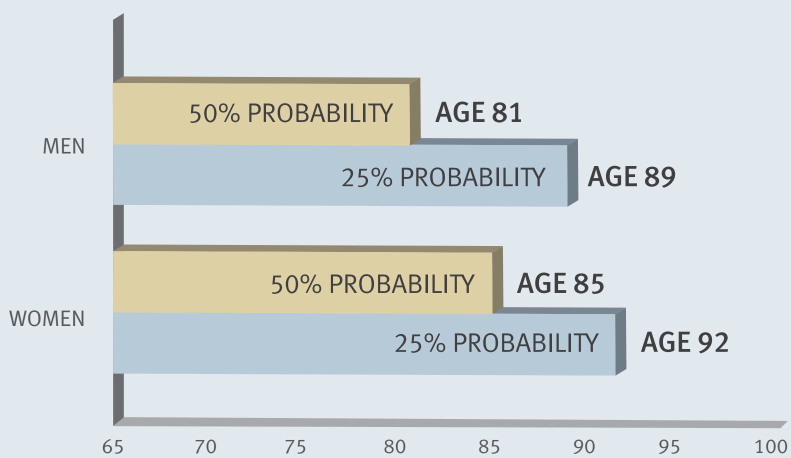
- **Interest rates remain low by historical standards.**
  In the past, interest earned on products such as bonds or GICs gave investors enough income to meet their cash flow needs. Although interest rates have risen since 2004, they remain low by historical standards and are not expected to increase significantly in the near future.

Realities of today's retirement

THERE'S A GOOD CHANCE YOU'LL LIVE LONGER, SO YOU NEED TO MAKE YOUR MONEY GO FURTHER.

More active lifestyles and advances in health care mean that people are living longer than ever before. It also means there's a greater chance that they will outlive their savings. While many people still expect to live to the "average" age, few plan for the possibility that they could live much longer than that. The fact is, there is a good chance that you will spend as much time in retirement as you spent planning for it. That's why it's so important that longevity is a key consideration in your retirement income plan.

IF YOU'RE 65 TODAY, HOW LONG MIGHT YOU LIVE?



Source: American Society of Actuaries

DID YOU KNOW?

People tend to underestimate how long they'll live and overestimate how much they can withdraw from their savings without depleting their assets.

DID YOU KNOW?

In 1950, most people retired at age 65 and life expectancy was only 68.2 years – many people lived less than 4 years in retirement.

SHORTER LIFESPANS ARE HISTORY

1900. Females lived to an average age of 48 and males to 46.

1950. The life expectancy of females rocketed to 71 and males to 65.

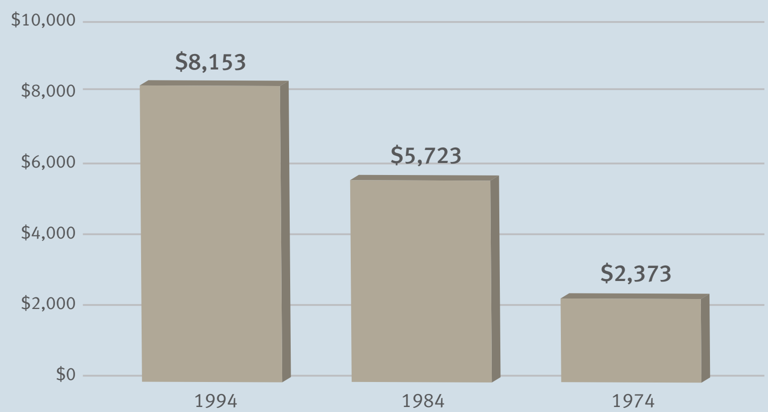
2006. Today, a 65-year-old woman can expect to live to 85 years and a man to 81 years.

THESE DAYS, LOONIES ARE POCKET CHANGE.

Remember how far a dollar used to go? It used to get you milk, eggs and bread or a night at the movies. Today a dollar will barely buy you a newspaper. Thanks to inflation, the cost of living has increased dramatically, and it will continue to increase each year. Everyday expenses like groceries or gas can really add up. And that's not even factoring in other expenses like dinner at a restaurant or a vacation.

INFLATION AT WORK

If it costs $10,000 today, what did it cost then?



Source: RBC Asset Management and Bank of Canada

HIGHER GAS PRICES

In the past 20 years, gas prices have more than doubled.

CHECKED YOUR MAIL LATELY?

A stamp costs 51 cents today. It cost only 4 cents in 1950.

Five key principles for successful investing in retirement

When it comes to investing in retirement, everyone's needs are different. Here are five principles to consider for investing in retirement:

1. It's what you earn after tax that matters
2. Pace yourself – don't withdraw your money too fast
3. Give your money room to grow
4. It's not just about the investment – the type of account matters too
5. Tap into your assets in the right order

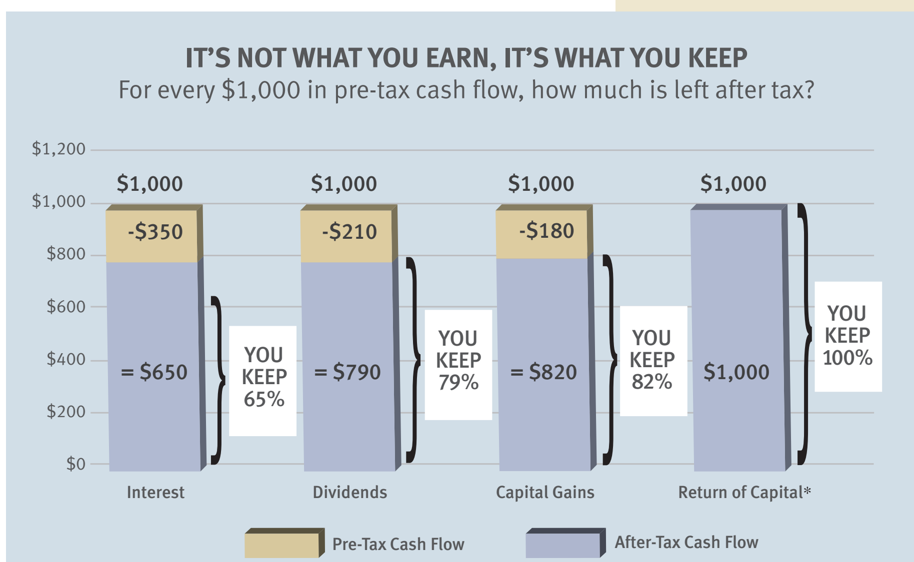
IT'S WHAT YOU EARN AFTER TAX THAT MATTERS

Each type of income you earn from your investments is taxed differently. For example, interest is fully taxable, just as your employment income would be. Some types of investment income receive more favourable tax treatment, which can mean more money left over for you after tax.

When you're designing your portfolio of investments with your advisor, it is important to include investments that provide different types of income in order to diversify the sources of cash you earn in retirement, and keep more money in your pocket.

NEW IN 2006!

The 2006 Federal Budget proposed a further reduction in taxes payable on dividend income. This change makes dividends an even more attractive source of retirement cash flow.



Assumed tax rate of 35%.
*Return of capital reduces the adjusted cost base resulting in a capital gain at time of disposition.

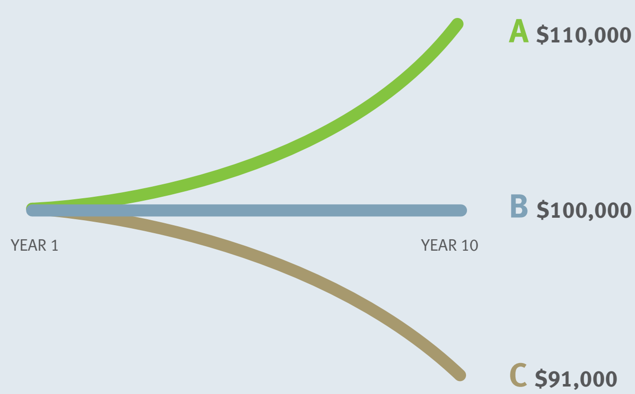
Source: RBC Asset Management

PACE YOURSELF – DON’T WITHDRAW YOUR MONEY TOO FAST

Many people think that saving their money is the hard part. But knowing how much money to withdraw, and when, can be just as difficult. You need to withdraw enough to live comfortably but, at the same time, if you withdraw more than your investment is earning, the value of your portfolio will decrease.

Striking the right balance is something your advisor can help you with. For a general understanding of the impact of different withdrawal rates on your portfolio, consider the following example. It is based on a $100,000 initial investment that is held for 10 years and illustrates three possible scenarios:

THE VALUE OF YOUR PORTFOLIO DEPENDS ON HOW MUCH YOU EARN AND HOW MUCH YOU WITHDRAW



For illustrative purposes only – actual returns may vary.

A
- Investment grows by 6% annually
- Annual withdrawal rate is 5%
- Value after 10 years is $110,000

B
- Investment grows by 5% annually
- Annual withdrawal rate is 5%
- Value after 10 years is $100,000

C
- Investment grows by 4% annually
- Annual withdrawal rate is 5%
- Value after 10 years is $91,000

The more you withdraw from your portfolio, the more likely it is that you’ll run out of money sooner than expected. Review your portfolio with an advisor to determine an appropriate withdrawal rate that will meet your needs over the long term.

GIVE YOUR MONEY ROOM TO GROW

Inflation constantly erodes the value of your savings, which is why growth-oriented investments such as equities are an important part of a retirement portfolio for many people.

STAY AHEAD OF INFLATION
Impact of inflation on investment returns for 5 years ended May 31, 2006

5 years ended May 31/06	Return before inflation	Inflation rate over period	Return after inflation
5 year GIC (purchased in May/01)	4.3%	2.4%	1.9%
Bonds	6.9%		4.5%
Equities*	9.5%		7.1%

*Average annual performance of S&P ITSX Composite Index May 31, 2001 to May 31, 2006.

Source: Bank of Canada, RBC Royal Bank, RBC Capital Markets

Equities provide the best potential opportunity to stay ahead of inflation to help ensure your portfolio continues to grow throughout your retirement. The more your portfolio grows, the more you will have during your retirement.

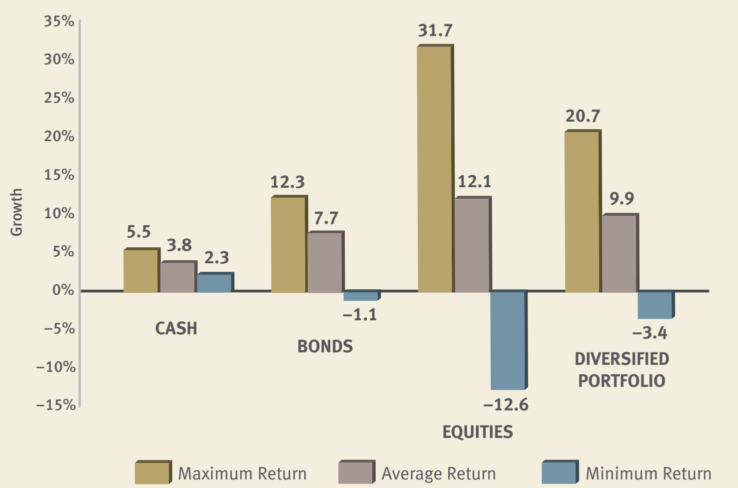
Knowing how to manage your risk

While it's important to focus on long-term growth for your investments, taking the right amount of risk is also important. Keeping too much of your portfolio in fixed-income investments such as GICs may allow inflation to catch up with you over time. However, putting too much of your portfolio in equities may lead to more fluctuation than you might like.

A portfolio combining different types of investments offers both growth potential and lower risk. Your advisor can help you figure out the level of risk you're comfortable with, and design a diversified portfolio that provides you with stable, tax-efficient cash flow throughout your retirement.

A PORTFOLIO COMBINING DIFFERENT TYPES OF INVESTMENTS OFFERS GROWTH POTENTIAL AND LOWER RISK

10 years ended December 31, 2005



Sources: Cash: Scotia Capital 30-day T-Bill Index Bonds: RBC CM Bond Market Index Equities: S&P/TSX Composite Index
Diversified Portfolio: 40% S&P/TSX Composite Index, 40% RBC CM Bond Market Index, 15% S&P 500 Index ($Cdn), 5% Scotia Capital 30-day T-Bill Index

IT'S NOT JUST ABOUT THE INVESTMENT – THE TYPE OF ACCOUNT MATTERS TOO

The account you choose for your investments can have a significant impact on your after-tax income. The key difference between a registered account like an RRSP or RRIF and a non-registered account is how the investment income is taxed. All investment income earned within a registered account is tax deferred until withdrawn. For non-registered accounts, investment income is taxed annually.

- Assets that earn or distribute more tax-effective cash flow such as Canadian dividends, capital gains and return of capital should be held in your **non-registered accounts** due to their favourable tax treatment.

- It generally makes sense to put most of your interest-bearing investments such as GICs, money market funds and bonds into **registered accounts** so that you can defer paying tax on interest income.

By simply arranging or rearranging where assets are held, your advisor may be able to significantly increase the amount of after-tax cash flow you receive from your overall portfolio.

TAP INTO YOUR ASSETS IN THE RIGHT ORDER

Typically, the money you live on in retirement comes from government benefits, company pensions and personal savings like RRSPs or other investments. It's a good idea to cover as many of your essential living expenses as possible with government and company pensions first, since these benefits are least flexible.

Where you turn next for cash flow depends largely on your age. If you're between the ages of 60 and 69, you should consider drawing on any savings you have outside an RRSP. While this will begin to deplete your non-registered capital, it will allow your RRSP to continue to grow on a tax-deferred basis. It is important to note that any withdrawals from an RRSP or RRIF are fully taxable.

WHICH MONEY SHOULD I TAP INTO FIRST?

Age 60-69	Government Benefits →	Pensions →	Non-registered Accounts →	RRSP	
Age 69+	Government Benefits →	Pensions →	Minimum RRIF withdrawal →	Non-registered Accounts →	RRIF

In the year you turn 69, you must convert your RRSP into a RRIF or annuity. The government requires you to withdraw a minimum amount from your RRIF every year, based on a pre-determined schedule. If you require additional cash flow, it is recommended to withdraw from your non-registered assets next, followed lastly by additional withdrawals from your RRIF.

Enjoy your retirement. You've earned it.

You've worked hard to get to retirement. With the right planning, these can be some of the most rewarding years of your life. Talk to your advisor about the questions, concerns and goals you have for retirement.

Your advisor can offer knowledgeable advice and expertise, and design a balanced, diverse portfolio of investment solutions to help you get the most out of your retirement income – today and into the future.

KEY QUESTIONS TO ASK YOUR ADVISOR:

"How do I make sure my money lasts as long as I do?"

"My retirement income will come from a few different sources. What issues should I be aware of?"

"How much growth do I need in my portfolio?"

"How can I pay less tax on my investment income?"

"How much can I afford to withdraw each year from my portfolio?"

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