

## How tax returns can shed light on retirement readiness



### Retirement readiness conversation starters

Talking about retirement doesn't come easily to everyone. Conversation starters are a resource to prompt important questions to ask your clients as they clarify their retirement plans.



Your client's tax return can provide some key indicators about their retirement readiness and can lead to productive planning conversations. Highlight the benefits of simplifying your client's investment solutions by consolidating with you.

By having a discussion using information from your client's tax return, you can help provide a clearer view of their investment performance and help them plan as they transition to life in retirement.

## A tax return can identify many opportunities:



Employment income and pensions may provide a range of retirement income.



Investment income may indicate potential products, and sources and type of income earned.



Rental income and other income will indicate other potential sources of retirement income.



Registered retirement savings plans (RRSPs) will show contributions to registered plans and cash flows used from registered plans.



Life insurance needs may be identified based on earnings.



Interest in philanthropy can be identified and pursued, if important to the client.

## For business owners

A business owner's personal tax return can provide additional insight into how the business owner is paying themselves. Are they paying themselves a salary, a dividend or a combination of both? This decision has implications for the current taxation year, but also has a direct impact on retirement.

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Salary is earned income, which creates RRSP contribution room and also results in contributions being made to the Canada Pension Plan (CPP) and/or Quebec Pension Plan.

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Paying a dividend may result in a lower tax rate today and no requirement to pay into the CPP/QPP.

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When planning for retirement, understanding available cash flows is crucial. If your client is only taking dividend income, no RRSP contribution room is created and no contributions are made to CPP/QPP. This means other income sources may be needed (such as investing the savings from CPP/QPP contributions).

# Review the tax return in detail and look for:

# 1

## Other sources of income

Does your client have products with another company? Do we provide similar products? Could they consolidate? It's easier to help plan their retirement if you can see all the assets working together.

**For example:** Through Canada Life Securities Ltd., you can partner with a securities specialist who can provide expert advice on your client's securities portfolio. This can help you provide comprehensive solutions that consider a client's complete portfolio, including stocks and bonds.

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## Areas to provide efficiencies

- High-net-worth price reduction opportunities
- Help ensure the client is benefiting from the use of deductions and tax credits
  - Pension income tax credit
  - Pension splitting opportunities
- D-Series: Consider a tax-advantaged, return of capital cash flow to help fund retirement.

**For example:** Opportunities for dollar one banding and asset aggregation – moving or combining assets from other accounts into one to help qualify for preferred pricing.



For additional resources to support these conversations, visit [canadalife.com/campaigns/strength-and-stability](https://canadalife.com/campaigns/strength-and-stability) or talk to your Canada Life wealth wholesaling team.

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