



# Highlights of the 2007 federal budget that respond to the changing needs of Canadians

Retirement should not be looked at as a fixed point in time, but as a transition between fulltime work and active retirement.

Pre-retirees expect to keep working into their so-called retirement years and will work more than their older counterparts. According to the results of consumer surveys conducted by BMO Financial Group, 58 per cent plan on working for an employer in some capacity and 50 per cent expect to spend some time working for their own or family business when they retire.

*The budget proposes that qualifying workers will be able to continue working on a part-time basis and continue to accrue further pension benefits, while receiving a partial pension from their employer. The budget also proposes to increase the lifetime capital gains exemption for farmers, fishermen and small business owners from \$500,000 to \$750,000.*

Working longer is about staying active.

Our survey results tell us that the primary reason pre-retirees expect to be working in retirement is to be "mentally active" (71 per cent), followed by "to keep in touch with people" (63 per cent), "to earn money" (61 per cent), "to be physically active" (56 per cent), "to keep busy" (51 per cent) and "to keep from being bored" (49 per cent). Individuals who work beyond the "normal" retirement date will continue to accrue Registered Retirement Savings Plan (RRSP) room but currently, they cannot contribute to their own RRSP beyond age 69 since they must convert their RRSP into one of the maturity options by the end of the year in which they turn 69. An RRSP can be rolled into an annuity, a RRIF or can be collapsed and taken as a lump sum cash payment. This means that individuals who continue working beyond age 69 must start drawing income from their registered savings whether the income is needed or not.

*The federal budget proposals include raising the age limit for converting an RRSP and locked-in plans (LIRA) to 71 from 69. This would allow 2 more years of contributions to an individual's own RRSP and 2 more years of tax-deferred growth within the registered plan.*

Becoming more charitable with age.

In our surveys Canadians also tell us that the likelihood of spending or expecting to spend a great deal of time "doing non-profit work or charitable work" increases with age: 15 per cent of those 45-54, 16 per cent of those 55-64, 23 per cent of those 65-70 and 22 per cent of those 70-plus spend and expect to spend a great deal of time on this activity.

*The budget proposes to extend the tax-free treatment of capital gains on charitable donations of publicly listed securities to include donations to private foundations.*

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