

As Financial Literacy Month comes to an end, BMO Financial Group's third annual Financial Literacy Report Card has revealed that Canadian seniors (those 65+) are more likely than other Canadians to give themselves a high mark for overall financial knowledge.

The study showed that 55 per cent of Canadian seniors would give themselves an "A" or "B" when evaluating their overall knowledge of key financial products, programs and terms. This is 10 per cent higher than the overall Canadian average.

"It's encouraging that seniors are feeling confident about their level of knowledge on personal finance issues," said Chris Buttigieg, Senior Manager, Wealth Planning Strategy, BMO Financial Group. "However, Canadians of all ages need to appreciate that improving one's financial literacy is a life-long pursuit. The money issues you face today can change every time you enter a new phase of your life."

According to a recent report issued by the BMO Wealth Institute, *Mind Your Taxes in Retirement*, a significant number of Canadian Boomers (those aged 45+) lack knowledge of key personal finance topics that can impact their income during retirement.

The report noted that only a small percentage of Canadian Boomers know how best to maximize their tax savings, leaving them vulnerable to having benefits and credits such as Old Age Security (OAS) and the Age Amount tax credit clawed back. For example:

- Seventy-nine per cent of Canadians aged 45+ either answered incorrectly or did not know how dividend income and capital gains are treated from a tax perspective.
- More than one-third (34 per cent) either answered incorrectly or did not know how interest income is treated from a tax perspective.
- Forty-one per cent did not understand the tax implications of making a withdrawal from a Registered Retirement Income Fund (RRIF).

Mr. Buttigieg noted that the first of Canada's Boomers turned 65 in 2010 and are retiring in greater numbers every year. "Boomers have been spending the last forty years saving for retirement. However, they're now entering a new

phase of their lives and the focus will change from saving to spending in retirement. This brings a whole new set of considerations in terms of how they efficiently manage their money. We know that many Canadians approach retirement on a limited budget, so it's all the more important to become familiar with the terms and rules of all the funds you may have available in order to maximize their effectiveness for your retirement income plan."

The BMO Wealth Institute offers the following tips for retirees and pre-retirees looking to minimize their taxes and maximize their after-tax income:

Manage your sources of retirement income wisely to take full advantage of tax credits and benefits, such as the pension credit and the Old Age Security benefit: Take advantage of income splitting opportunities. Consider, if appropriate to your personal situation, converting RRSPs to RRIFs before age 71 and taking out more than the minimum required amount during the transition years between retirement and the age at which government benefits start to apply.

Seek (TFSA) shelter from the storm: Seniors who cannot bear to see their excess RRIF withdrawal wither from taxes in the future can continue sheltering their funds through a Tax-Free Savings Account (TFSA), which provides tax free growth and has no upper age limit for contributions.

Work with a financial professional: He/she can help you develop a retirement income plan. As one transitions into retirement, there are many decisions and important considerations that will have long-term implications; a financial professional can help you effectively manage your sources of income in retirement.

To view a copy of the Wealth Institute Report, please visit:  
[www.bmo.com/wealthinstitute](http://www.bmo.com/wealthinstitute).

The BMO Financial Literacy Report Card survey was conducted by Pollara between October 11th and October 16th, 2013 with an online sample of 1,215 Canadians. The margin of error for a probability sample of this size is +/- 2.8%, 19 times out of 20.