

# Converting Wealth to Income

As you have saved for your retirement, you've probably also dreamed about having time for travel, volunteerism, favorite hobbies, educational opportunities and other things that are important to you. But have you given thought to the dependable income stream you'll need to fully enjoy these activities? A comprehensive retirement income plan can show you the way.

Whether retirement is in your immediate future or it is still five, ten or even 15 years off, it's never too late – or too soon – to lay the foundation for an income plan that will see you through your retirement. And the best time to do it is now, because the earlier you start, the more you'll gain from the advantages of time and flexibility.

## HOW TO START

When you're ready to take the first step, your RBC Wealth Management™ Financial Consultant can work with you to develop an income plan designed to achieve the retirement lifestyle you're envisioning. He or she has the training, tools and products to help you:

- Understand and manage risk
- Estimate your income needs and identify your income sources
- Convert accumulated wealth to an income stream
- Invest for income and growth

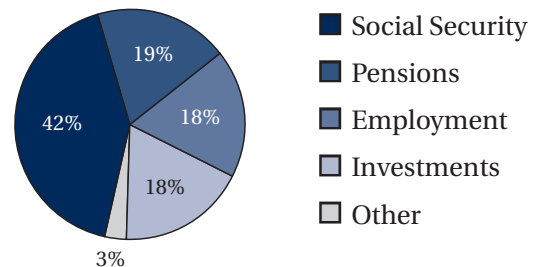


RBC Wealth Management™

## INCOME PLAN CONSIDERATIONS

To develop a realistic income plan, you will need to think about a broad range of factors that will affect your outcome, including the following:

- *Your sources of income* — During your retirement years, where will your “paycheck” come from? You'll need to consider a variety of sources, including earned income if you continue to work, pension payments and Social Security. Your Financial Consultant can help you determine your current sources and recommend others that may be effective for you.



Source: Social Security Administration

As the chart suggests, most people tap a variety of sources for their income. Your mix of sources, and the percentage of income from each source, will depend on your individual situation.

- *Your lifestyle and expenses* — What will you do when you retire? Your lifestyle choices can make a sizable difference in your retirement income needs. While some people expect their expenses and income needs to decline during retirement, many people find that they actually increase — especially in the early retirement years. Your Financial Consultant can work with you to determine your income needs, and then identify the sources that will provide the needed income.

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- **Withdrawal rate** — When you retire, your income needs will probably require you to withdraw a certain percentage of your savings and investments each year — and you'll need to take out the right amount. If you withdraw a relatively high percentage of your assets — such as 7%, 8% or more — you could deplete your retirement assets sooner than expected. Your Financial Consultant can help you identify and generate an income stream that is suitable.
- **Inflation** — Over time, even a relatively mild annual inflation rate can significantly erode purchasing power. And rising health care costs — a critical issue for many retirees due to the combination of longer life spans and declining coverage — are rising faster than the general inflation rate. Your Financial Consultant can help you build and maintain a diversified investment portfolio including growth potential to generate the income needed to keep pace with inflation during your retirement years.

*At an inflation rate of 3.0%, the \$100,000 you have today will be worth only \$55,368 in 20 years — a loss of 45% in value.*

- **Your projected longevity** — Many people underestimate the time they need to plan for living in retirement — which increases their likelihood of running out of savings. If you live two or three decades in retirement — a real possibility — you may need to invest for both income and growth.

Equity investments play an important role in portfolio growth and diversification. Your Financial Consultant can help you make sure your asset allocation is balanced appropriately for your income needs and your risk tolerance.

*In 2000, the average life expectancy of 65-year-olds was about 16.5 years for males and 19.4 years for females, according to the Social Security Administration*

- **Taxes** — When you retire, you won't automatically move into a lower tax bracket — in fact, some retirees find their tax obligations increasing. Your Financial Consultant, working in conjunction with your tax adviser, can help you apply a tax-efficient sequence of withdrawals from your 401(k), IRA and other accounts.



As this illustration shows, RBC Wealth Management places your financial goals at the center of four key, interrelated wealth management strategies:



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- Accumulating Wealth
- Protecting Wealth
- Converting Wealth to Income
- Transferring Wealth

## **BUILDING AN INCOME PLAN**

Your RBC Wealth Management Financial Consultant can look objectively at how all your assets and investments work together and suggest an appropriate plan to convert your wealth to income.

He or she can also help you monitor your progress, and change course as needed, to help you achieve your retirement income goals and other long-term objectives. Having one central, unifying philosophy is the best way to consider all relevant factors in building a strong plan that meets your needs.

## **CALL YOUR FINANCIAL CONSULTANT**

Whatever you are dreaming of doing in retirement, take a little time now to prepare the income stream you'll need to live comfortably while you are living life to the fullest. To develop a lifetime income plan, contact your RBC Wealth Management Financial Consultant. Put your plan into action soon.

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*Page 3 of 3*

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