

THIS ISSUE

GETTING READY TO RETIRE?



Smooth the transition

TAX-EFFICIENT INCOME



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NEW TAX TIPS FOR 2006



You may benefit from the latest tax changes

Retirement dreams

How much will you need to turn dreams into reality?

Most Canadians dream of a long and prosperous retirement. While establishing how much you need to save to achieve those dreams may seem a daunting task, your CIBC Financial Services Specialist is there to assist you.

Your Financial Services Specialist can help you envision what your retirement will look like, clarify how much it will cost, identify what resources may be available, and give you the steps necessary to meet your goals.

PICTURE YOUR RETIREMENT

Before you review your financial situation, it's important to imagine what your retirement will look like. Will you be travelling around the world, working on your golf game, or spending more time with family? You might use this time to explore special interests, or even establish a new career.

With people increasingly living longer, retirement can last an extended time. Remember that your lifestyle is likely to change over the course of your retirement. For example, the active pursuits of your 60s may shift to a more relaxed pace in your 70s, and health issues may become a priority in your later years.

IDENTIFY RETIREMENT EXPENSES

An often-quoted rule of thumb is that you will need 70% of pre-retirement net income to maintain your lifestyle. General guidelines like these can be a helpful starting point, but every situation is unique.



You may need more or less income than others, depending on your goals.

When you retire, many of your current expenses may disappear. You will no longer incur many work-related expenses such as commuting or work clothes. You will no longer need to pay Canada or Quebec Pension Plan and Employment Insurance premiums or union and professional dues and, for many, income taxes should decrease.

As well, by the time you retire, you may have paid off your mortgage, finished educating your children, and no longer need to set aside money for savings. At the same time, certain expenses like hobbies, health care, and travel are likely to increase. Expenses will also vary at different stages of retirement. The early and more active years of retirement may entail higher expenses, whereas the later years may be less expensive.

By taking a close look at your current expenses and understanding your expected

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RETIREMENT DREAMS

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retirement lifestyle, your Financial Services Specialist can help you get a better idea of how much your retirement will cost.

EVALUATE INCOME SOURCES

Identifying all potential sources of retirement income, including those of your spouse, and incorporating them into your plan can be a complex task. In addition to Registered Retirement Savings Plan (RRSP) savings, you may have income from employer pensions, government plans, non-registered savings, and wind-falls like inheritances and the proceeds from downsizing a home to consider. Some seniors choose to supplement their income through part-time work, while others receive rental income.

Your Financial Services Specialist can

help you understand the regulations that govern various plans, highlight those you need to apply for, and incorporate all your potential sources of income into your retirement plan (see “Getting ready to retire?”).

Whether your retirement date is in the near future or still many years away, your Financial Services Specialist will meet with you regularly to monitor your progress, inquire about changes in your personal circumstances, and ensure that your financial strategy continues to meet your needs.

You can count on your Financial Services Specialist to understand the life changes you're experiencing and provide the guidance you need before, during, and after your transition to retirement.

Personalized advice combined with online access

As an Imperial Service¹ client, you have access to a unique investment account, CIBC Imperial Investor Service™, that offers a combination of investment advice and the convenience of online access.

You benefit from:

- Your dedicated Financial Services Specialist offering information, suggestions, and ongoing monitoring.
- A wide choice of investments from CIBC and other well-known financial

management firms.

- Access to online account information, research, tools, and trading on your account.
- The comfort of knowing that all your trades are reviewed to ensure consistency with your investment objectives and risk tolerance.

For more information about CIBC Imperial Investor Service, please contact your Financial Services Specialist.

Getting ready to retire?

Professional planning and support can help smooth the transition



Some people spend years eagerly anticipating the day they no longer have to report for work. Others may enter retirement sooner than they had expected, whether for health or employment reasons.

No matter what your situation, your Financial Services Specialist can work with you to help you understand your options, providing guidance with the following:

Developing a retirement budget

Your Financial Services Specialist can work with you to provide a complete picture of your financial situation. Together, you can run through various “what if” scenarios to formulate customized financial solutions that will work for you.

Evaluating an early retirement offer

Your Financial Services Specialist can help you evaluate an early retirement offer, including exploring the potential tax-planning opportunities associated with retiring allowances.

Understanding government plans

Your Financial Services Specialist can help you understand the eligibility rules regarding Old Age Security and Canada or Quebec Pension Plan benefits as well as any reductions or clawbacks that may apply.

Diversifying your portfolio

Your Financial Services Specialist can help you develop an appropriate asset allocation that takes into account all of your assets, your risk tolerance, and time horizon, to help you reach your future goals while meeting your current financial needs.

Working together, you will be able to develop a retirement plan that provides you with the income you need, minimizes your income taxes, and maximizes the benefits you receive.

YOUR 2007 TAX PLANNING CALENDAR

January

Consider applying to reduce the amount of tax withheld from your paycheque if you expect to receive a tax refund next year.

Give thought to your charitable giving strategy now, such as setting up automatic withdrawals rather than donating a lump sum in December.

February

Make your maximum 2006 RRSP contribution if you haven't already done so – see your 2005 Notice of Assessment for your personal contribution limit.

March

March 1 – RRSP contribution deadline for 2006 contributions.

March 15 – Tax installment due for individuals who are required to pay taxes quarterly.

April

Review the credits and deductions available to your family and determine who should claim them for maximum benefit.

April 30 – Personal tax return filing deadline.

May

If you scrambled to find receipts from 2006, now is the time to set up a file system for 2007.

June

If you're moving for employment or education purposes, you may be able to deduct some of your expenses, such as travel costs and storage for your furniture. Keep your receipts.

June 15 – Quarterly tax installment due.

July

Hang on to receipts for capital improvements to recreational property; they may reduce the taxable capital gain when you sell or transfer the property.

Tax-efficient income

Explore the potential benefits of income splitting



In its October 31 “Tax Fairness Plan,” the federal government announced a proposal that could result in significant tax savings for retired Canadians. The proposal would allow seniors to equally divide their income from Registered Retirement Income Funds (RRIFs), annuities, or employer pensions, potentially reducing their overall tax bill.

Until now, the most effective way for retirees to split income was through a spousal Registered Retirement Savings Plan (RRSP), set up years prior to retirement.

Since the pension-splitting proposal has yet to be passed into law, it’s still valuable to consider the benefits of spousal RRSPs. Here’s a look at how they work.

EQUALIZING INCOME

Spousal RRSPs allow couples to redistribute their savings so that income in retirement flows evenly to two people instead of one.

Under Canada’s graduated tax system, taxes owed on two incomes will be less than the taxes owed on the same income reported by one person. In addition, income splitting may reduce the clawback of Old Age Security benefits.

WHICH SPOUSE CONTRIBUTES?

Usually it is the higher-income spouse who makes contributions to a spousal RRSP to benefit from the tax deduction at his or her higher marginal tax rate.

However, the plan is registered in the lower-income spouse’s name and only he or she can make investment decisions and withdrawals pertaining to the plan. In retirement, withdrawals are taxed at the rate of the lower-income spouse.

It’s important to note, however, that this strategy may not be appropriate in all circumstances. For example, if the lower-income spouse is expecting a generous pension or a substantial inheritance, a spousal RRSP may not be necessary to equalize retirement income.

BEWARE OF QUICK WITHDRAWALS

Spousal RRSPs are meant for long-term planning. As a result, special “attribution rules” are in place to prevent their use for short-term income splitting. Any amount withdrawn from a spousal RRSP in the year of contribution or in the two calendar years immediately following is taxed back to the contributor.

Your Financial Services Specialist can review your unique circumstances to determine income-splitting strategies that might be beneficial to you.

Top up your RRSP with a CIBC RRSP Maximizer Loan™

If you need to borrow to contribute to your RRSP or have unused contribution room that you’d like to make up, you may want to consider the CIBC RRSP Maximizer Loan.

Featuring competitive rates, this flexible borrowing solution may help you meet your investment goals and get a valuable tax deduction for 2006. You can borrow from \$5,000 to \$50,000, and spread monthly payments over as long as 10 years.² Both variable and fixed-rate loans are offered.

If you have RRSP room available, ask your CIBC Financial Services Specialist how the CIBC RRSP Maximizer Loan may enhance the long-term tax-deferred growth potential of your RRSP.

August

Don’t overlook deductible expenses for child care. Babysitters, day care, summer camp and boarding school expenses may qualify if they enable you to work or attend school.

September

If you turn 69 in 2007, contact your Financial Services Specialist to evaluate your RRSP conversion options.

Contribute at least \$2,000 to a Registered Education Savings Plan

(RESP) for each of your minor children to qualify for the maximum grant under the Canada Education Savings Grant Program.

September 15 – Quarterly tax installment due.

October

Consider whether any securities with accrued losses can be sold to offset realized capital gains.

November

If you’re acting as an executor, you are responsible for filing a terminal T1 Tax Return. If the death occurred between January 1 and October 31, the deadline for filing is April 30, 2008. If the death occurred in November or December, the tax return must be filed within six months after the date of death.

December

December 15 – Quarterly tax installment due.

December 31 – Deadline for charitable contributions for 2007 deduction, payment of any expenses you plan on deducting in 2007 tax year, your final RRSP contribution and conversion for those turning 69 in 2007.

New tax tips for 2006

Check whether you may be able to benefit from the latest tax changes



The 2006 federal budget introduced the following new measures, designed to benefit individual taxpayers once the measures are passed into law:

- **Canada Employment Credit.** The first \$500 (rising to \$1,000 in 2007) earned annually qualifies for a new tax credit. Since this change came into effect half-way through the year, the amount on which the credit can be claimed in 2006 is \$250.
- **Public Transit Credit.** People who buy monthly or annual public transit passes receive a tax credit amounting to 15.5% of the cost of the passes, effective July 1, 2006.

- **Universal Child Care Benefit.** Parents receive \$1,200 annually for each child under six. These amounts are taxable in the hands of the lower-income spouse.
- **Physical Fitness Credit.** Parents who enroll their children under 16 in physical fitness activities can claim a tax credit of up to \$500 of the cost of the program.
- **Textbook Credit.** Post-secondary students can claim a tax credit on the cost of textbooks, up to \$500.
- **Child Disability Benefit.** For the first time, families with mid-level and high incomes are eligible for the child disability benefit, to an annual maximum of \$2,044, effective July 1.
- **Pension Income Tax Credit.** The amount on which the Pension Income Tax Credit can be claimed has risen to \$2,000 from \$1,000.
- **Charitable Donations.** Donations of publicly listed securities or ecologically sensitive land to charities no longer trigger taxable capital gains.

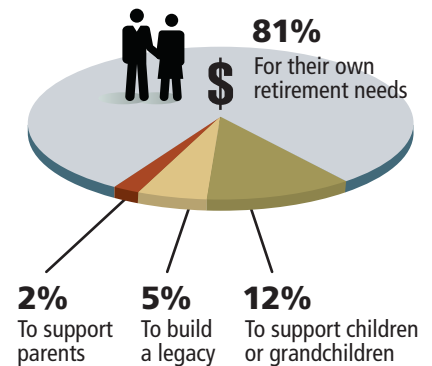
In addition, the October 31 federal

“Tax Fairness Plan” included a proposal to increase the Age Tax Credit to \$5,066 from \$4,066 retroactive to January 2006. The Age Tax Credit for filing your 2006 return will be \$5,066, even though the proposals have not yet passed into law.

TRENDS & INSIGHTS

How will you spend your retirement savings?

A 2006 Ipsos Reid survey found that Canadians* expect to use almost 20% of their retirement savings to support others or leave a legacy.



*Canadians surveyed were financial decision-makers, age 45 or over, with at least \$25,000 in financial assets.

¹ Imperial Investor Service is a division of CIBC Investor Services Inc., a subsidiary of CIBC, and Member CIPF. CIBC Securities Inc., a subsidiary of CIBC, provides investment products and services. CIBC Imperial Service representatives offering mutual funds in Quebec are “Mutual Fund Representatives” of CIBC Securities Inc.

² Applicants must meet all CIBC lending criteria. Certain conditions and restrictions apply. Credit limit determined by CIBC, in its sole discretion. Available amortization periods depend on the size of your loan.

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