



## Financial management: Laurentian Bank has some good advice for couples

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MONTREAL, Feb. 14, 2014 /CNW Telbec/ - For Valentine's Day, Laurentian Bank surveyed Québecers<sup>1</sup> on their habits with respect to managing their personal finances when living as a couple. According to the findings of this poll, close to four out of 10 Québecers do not take their spouse's situation into account when planning for retirement.

The proportion of respondents to which this result applied varied depending on age bracket:

31% of respondents between the ages of 18 and 34  
26% of respondents between the ages of 35 and 54  
15% of respondents aged 55 and over

"We often see younger people do long-term financial planning independently of their spouse," explains Guylaine Dufresne, F.P., Senior Manager of Investment and Financial Planning at Laurentian Bank. "At a younger age, it is more difficult to envisage the future and plan for one's senior years. People often tend to include their spouse in their financial planning only when purchasing a property or upon the arrival of a child."

However, there are certain benefits to accounting for a spouse's situation, particularly as one grows older and earns a higher income. It can also be advantageous to begin financial planning as a couple, even at a younger age. This is because it allows for developing the habit of joint financial planning on an everyday basis, while establishing the foundations for planning for a major life event like retirement together.

### Contributing to a Spousal RRSP

Whether it be for an RRSP or a TFSA, everyone is entitled to contribute the maximum amount. Since 2013, the maximum annual contribution for a TFSA has been \$5,500, and it is in the order of 18% of income earned in the previous year for an RRSP (up to a maximum of \$24,270 in 2014). For a spouse who earns a higher income or who has made a major gain (employment bonus, sale of an asset, etc.), this strategy can be very advantageous. "There are numerous benefits to contributing to a spousal RRSP," underlines Guylaine Dufresne. "In addition to planning for retirement together, it allows for a better distribution of savings among the couple and for sharing the taxable retirement income." It is important to note, however, that the money invested in a spousal RRSP belongs to the spouse, and in the event of a separation of the couple, the consequences could prove undesirable.

### Splitting Income

The splitting of pension income with a spouse has a particular impact for couples in which one of the spouses has substantial retirement income and the other's is more modest. In certain cases, the annual tax savings could amount to several thousand dollars. "By splitting income with a spouse, the taxpayer with the higher income can often see their tax rate dip to lower levels," Ms. Dufresne points out. "Given this lower rate, the couple could enjoy a substantial overall tax reduction."

### Everyday Financial Management

When it comes to everyday financial management, the survey indicated a certain coherence in the results. In fact, similar to the case of retirement planning, approximately one in four Québecers manages their finances independently of their spouse.



"Although some couples want to conserve their financial independence, joint planning of spending can prevent many heated discussions," emphasizes Guylaine Dufresne. For example, dividing shared expenses prorated to each spouse's salary allows for taking each's financial capacity into account thus making room for a certain degree of financial freedom for personal expenses. Ultimately, once the shared expenses are paid, there should be the same proportion of money remaining for each spouse.

It can sometimes be difficult to address money-related questions within a couple. Nevertheless, open discussion combined with proper planning that takes each spouse's needs and situation into consideration makes for a perfect Valentine's Day gift for both.

### **About Laurentian Bank**

Laurentian Bank of Canada is a pan-Canadian banking institution that has \$34 billion in balance sheet assets and \$37 billion in assets under administration. Founded in 1846, Laurentian Bank was selected in 2012 as one of the 10 winners of the Canada's Passion Capitalists program in recognition of its sustained success in creating "Passion Capital" among its people. The Bank employs more than 4,200 people.

Recognized for its excellent service, proximity and simplicity, Laurentian Bank serves more than one million clients in market segments in which it holds an enviable position. In addition to occupying a choice position among consumers in Québec, where it operates the third largest branch network, the Bank has built a solid reputation across Canada in the area of real estate and commercial financing thanks to its teams working out of more than 35 offices in Ontario, Québec, Alberta and British Columbia. Its subsidiary, B2B Bank, is a Canadian leader in providing banking products as well as investment accounts and services to financial advisors and brokers, while Laurentian Bank Securities is an integrated broker, widely recognized for its expertise and effectiveness nationwide.

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<sup>1</sup> The survey was conducted by CROP between December 4 and 9, 2013 among a Web panel of 1,000 Québécois.

SOURCE Laurentian Bank of Canada

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