

Q: question R: retraite

OCTOBER, FINANCIAL PLANNING
FOR RETIREMENT MONTH

Saturday, October 23, 2004

PARTNERS FOR RETIREMENT FINANCIAL SECURITY

In our lifetimes, we carry out many projects, whether personal or work related. Retirement, an inevitable event in our lives, is a project like any other. When you have a project, you need a plan. That's why Question Retraite chose "I have a plan" as the theme for this year's Financial Planning for Retirement Month.

Who has a retirement plan? Who can say that when the time comes, they will receive approximately this or that amount of money every month to take it easy, or take on other projects?

Question Retraite, a public-private organization that promotes financial security in retirement, is made up of 18 partners. It encourages and runs activities designed to inform Quebecers and make them aware of the importance of financial security in retirement.

Question Retraite put the same question to Quebecers. The answer? Barely one out of every six Quebecers aged 25 to 44 has an action plan for his or her retirement, a plan that can achieve an income objective when it's time to retire. The same survey, conducted last November in conjunction with the Régie des rentes du Québec, also shows that one quarter of Quebecers aged 25 to 44 who do not have a plan are counting mainly on the government for their old age.

Expectations

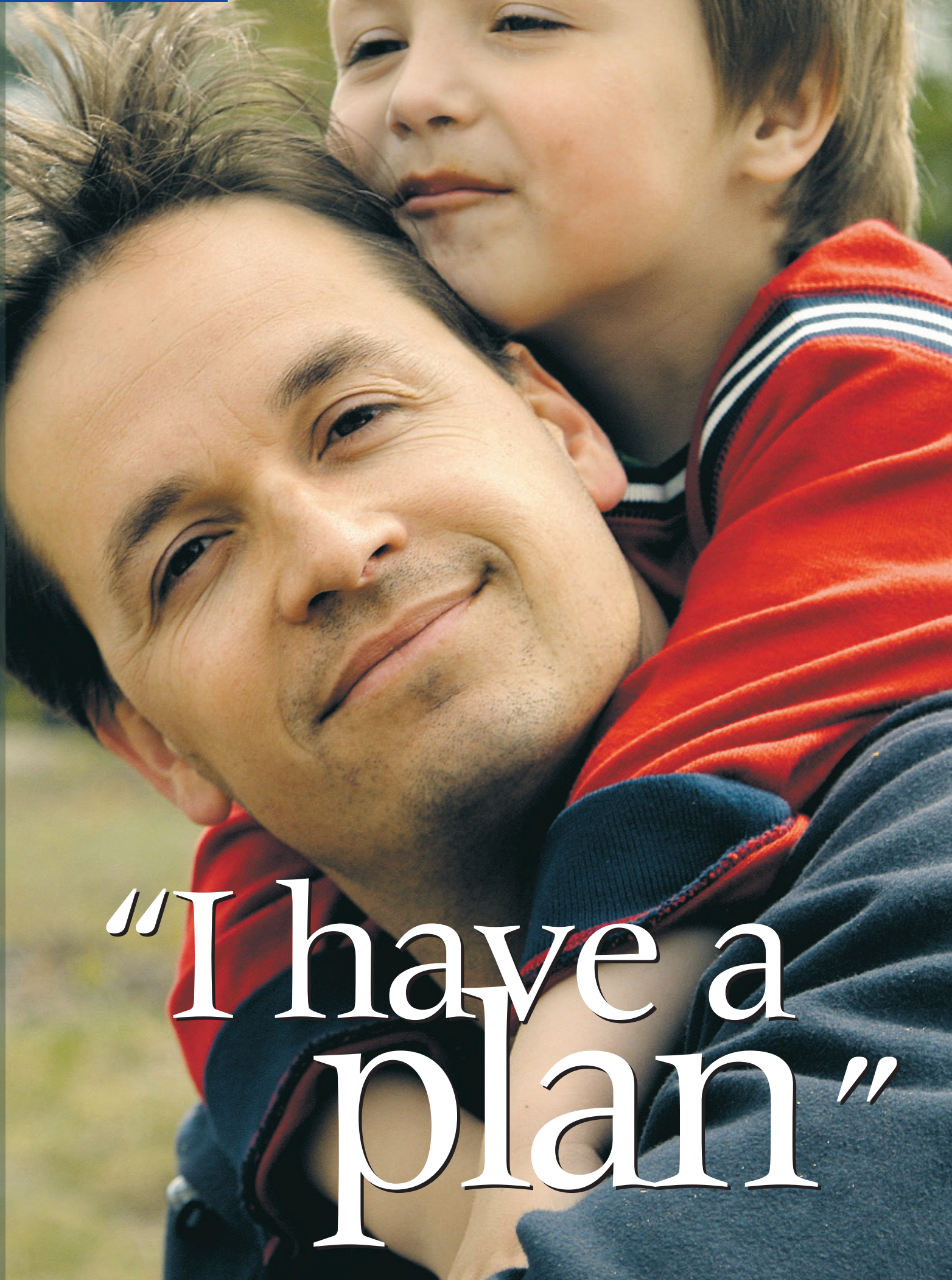
We all hope for a retirement free from financial worry. Another survey* shows that 80% of all Quebecers have never taken the time to calculate how much they would need to save to reach this goal. In addition, two-thirds of them believe they will maintain the same standard of living in retirement, whereas 44% of adult Quebecers do not know how much they will receive from the federal Old Age Security program and the Québec Pension Plan.

Within ten years, there will be close to 40% more retirees in Québec. However, a large fraction of "baby boomers" are approaching this stage in their lives without proper financial preparation. While it is never too early to plan for retirement, it is also never too late to try to improve it.

It is not easy to estimate your financial needs in 30 or 40 years with any accuracy. This booklet provides you with a few tools. Remember, doing nothing won't improve your outlook.

That's why it's so important to have a plan!

* Survey conducted for the Régie des rentes du Québec in 2001.



"I have a plan"

ADVERTORIAL

At 29, Simon has a plan

House and family are big projects, but Simon hasn't forgotten to prepare for retirement.

Page 4

Retirement is different for women

Women's situation vis-a-vis retirement is different from men's.

Page 9

A new tool: ÉducRetraite

Question Retraite has designed a user-friendly learning tool on financial planning for retirement.

Page 4

All of a sudden, 40 years old

When she turned 40, Mireille Soumillard's financial situation changed.

Page 5

SMB Special: SIPP

An even simpler, more flexible simplified pension plan.

Page 8

Quebecers are confident, insecure, worried and optimistic

We find that Quebecers have four attitudes toward retirement.

What is your attitude toward retirement?

Answer a few questions and find out your attitude toward retirement and its financial aspects.

Page 3



Jocelyne Houle-LeSarge

You just have to keep on talking and talking about it!

“We can’t talk enough about the importance of preparing for retirement, both materially and mentally.”

Ms Houle-LeSarge is the President of Question-Retraite, a group of government institutions, associations, private companies, employers’ organizations and unions dedicated to a single goal: helping people prepare for and organize their retirement.

“It’s amazing to see all these organizations working together,” she says. “Unions and boards of trade all want to make their members aware of the need to prepare for retirement.”

Ms Houle-LeSarge points to a finding by the Régie des Rentes du Québec, which indicated that 40% of all workers make no contributions to RRSPs or pension funds at their place of work.

The same study showed that just 55% of young workers have started to save for retirement. In fact, the vast majority, young and old alike, have never really calculated what they need to save in order to retire with their usual standard of living.

Investing in oneself and one’s employees

“In particular, we hope to raise awareness among people 25 to

40 years of age with incomes between \$25,000 and \$50,000,” she says. “I understand that they are not concerned about retirement. They’re thinking about career, marriage, children, family, two cars, education, etc. When all the bills are paid, there’s not a cent left.”

“At the end of every month,” she goes on to say, “they pay the bills, but they never think about investing in themselves. It only takes \$10 or \$15 a week, but it has to be every week. You have to get into the habit of saving right at the start. That’s the key.”

“We are also trying to make employers, especially small businesses, more aware of the need to invest in their employees and show that they appreciate them by creating a group RRSP or setting up a pension fund. There are different formulae. In fact, just by putting part of a raise into retirement you can help employees, especially young ones, get into the habit of saving.”

“Of course, this is all about money,” she says, “but you also have to prepare mentally for re-

tirement. It all fits together, and the preparation has to be all-inclusive. This is especially important today as people are living better, are in better health, and tend to live longer.”

Ms Houle-LeSarge points out that higher life expectancy creates higher demand for health care. “Where will our health care system be then?” she asks.

To find out more, *Question-Retraite* strongly recommends that you consult a financial planner. “They are the experts,” says Jocelyne Houle-LeSarge, “and there are 7,000 of them in Québec, working in institutions, banks, trusts, financial planning firms and even as independents. The financial planning process basically involves counselling and analysis; it is not a selling process.”

It’s never too late to prepare for retirement, “but the longer you wait, the harder it gets,” the *Question-Retraite* President cautions.

www.questionretraite.qc.ca

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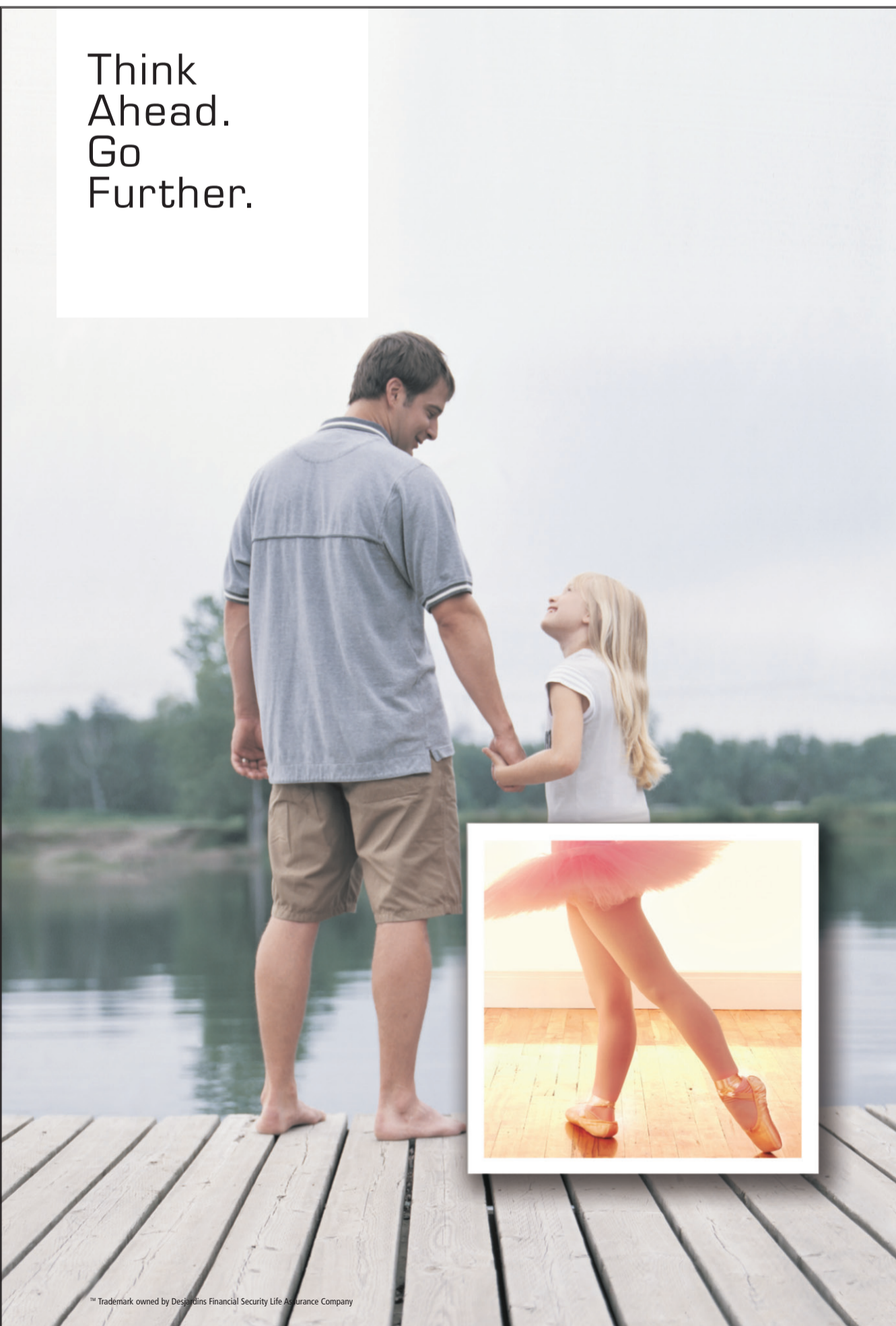
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What kind of retirement saver are you?

A In general, what are your feelings about retirement?

- Negative
- Positive

B In general, how interested are you in financial planning for retirement?

- 1) not at all interested
- 2) somewhat interested
- 3) fairly interested
- 4) very interested

C How would you describe your knowledge about sources of disposable retirement income?

- 1) poor
- 2) average
- 3) good
- 4) excellent

D Have you already taken steps to plan financially for retirement (reading, lectures, consultation, etc.)?

- 1) never
- 2) not very often
- 3) fairly often
- 4) very often

E In general, how do you feel about setting objectives in terms of the income you would like to have when you retire?

- 1) very difficult
- 2) difficult
- 3) easy
- 4) very easy

F How do you feel about making a plan of action to achieve your retirement income objectives

- 1) very difficult
- 2) difficult
- 3) easy
- 4) very easy

G Currently, how financially prepared do you feel you are for retirement?

- 1) poor
- 2) average
- 3) good
- 4) excellent

H What standard of living do you expect to have in retirement?

- 1) I have no idea.
- 2) I expect standard of living to worsen in retirement.
- 3) I expect my standard of living to improve in retirement.
- 4) I believe it will remain the same as before retirement.

Do you want to make sure you can save enough for your retirement? Building your saver profile is a fun, helpful way to identify your attitudes and behaviour when it comes to retirement. Find out whether you are “confident,” “optimistic,” “worried” or “insecure” about your retirement financial planning by answering a few questions. It’s a step in the right direction!

To find out your profile:

1 Add up your points for questions B to H, bearing in mind that choice 1) is worth one point, choice 2) is worth two points, choice 3) is worth three points and choice 4) is worth four points

1) = 1 pt 2) = 2 pt 3) = 3 pt 4) = 4 pt

2 Look up your profile in the table below by comparing your total with the answer you gave to question A.

For example, if you obtain 15 points and don't look forward to retirement, you have a “worried” profile. On the other hand, if you do look forward to retirement, you have an “optimistic” profile.

Your answer to question A	Your points total for questions B to H	
	7 - 19 points	20 - 28 points
Negative	Worried	Insecure
Positive	Optimistic	Confident

You are « confident » about retirement. In other words, you look forward to retirement, you are interested in retirement financial planning and you take concrete measures to prepare for it. Keeping informed, setting retirement income objectives and formulating an action plan to reach our objectives are just some of the things we can do to try to maintain our standard of living in retirement. We can only encourage you to keep working in this direction

You are "optimistic" about retirement. You look forward to retirement, but you seem to be only a somewhat or not very interested in retirement financial planning. Nor are you about to take measures to prepare for retirement. A positive outlook is certainly a good thing when it comes to a major event like retirement, but it is probably not enough to prevent your standard of living from worsening in retirement. The reason for your optimism is perhaps that you contribute to a generous pension plan, or that you have a private fortune. If not, we encourage you to take every opportunity available to find out more about retirement financial planning.

You are "worried" about retirement. You don't look forward to retirement, you are somewhat or not very interested in retirement financial planning and you are not inclined to take measures to prepare for retirement. As a rule, interest in an issue is sufficient to cause someone to take action. We hope that this booklet on retirement financial planning will be of interest to you.

You are "insecure" about retirement. You don't look forward to retirement, despite a demonstrated interest in retirement financial planning and measures you have already taken to prepare for retirement such as, for example, seeking information, setting retirement income objectives and formulating an action plan to achieve them. If you knew more about the retirement income security system, you would probably feel more reassured.



In a world of confident but insecure, worried and optimistic people!

Quebecers aged 25 to 44 adopt four different attitudes toward retirement. This is what a poll conducted last November by Question Retraite in partnership with the Régie des rentes du Québec revealed.

We found:

- people who are confident
- people who are optimistic
- people who are insecure
- people who are worried

Confident people

In this age group, two out of five people are confident about their retirement. Men (at 53%) are a little more confident than women. These people have taken concrete steps to plan financially for their retirement.

75% have already consulted to obtain advice about retirement, and a third of them say they have a precise plan of action. In addition, the poll revealed that 56% have personal income greater than \$40,000.

More than 90% invest in an RRSP, and two thirds of 25 to 44 year-olds who say they are confident have both an RRSP and a supplemental pension plan (SPP) at work. Fully 41% of them have contributed to an RRSP for more than ten years, while the vast majority contribute regularly, half of them even more than once a year.

Just over half (55%) say they can draw on personnel assets for retirement.

And the others...

On the other side of the coin are people who are worried (15%) that they have not taken concrete measures, people who are insecure (14%), who are still worried even though they have taken concrete measures, and people who are optimistic (28%), who have done nothing, but remain confident nevertheless.

There are slightly more women in these three groups, which are also made up of persons living alone or single-parent families in almost one-third of cases. Moreover, among both men and women,

worriers are more frequent in the 25-34 year-old group, while 35-44 year-olds tend to be more confident.

More than two-thirds earn less than \$40,000; 75% contribute to an RRSP; and nearly half contribute to both an RRSP and an SPP. Barely one-quarter of them have contributed for more than 10 years; and 83% do so regularly, while just over one-third of them contribute more than once a year.

Two out of five of them will draw on their personnel assets in retirement, and 29% will rely mainly on government pensions.

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At just 29, Simon has a plan

Simon* is 29 years old. Ever since he was 17, he has been working full-time and studying part-time. In the past few years, he shifted the balance, studying public administration full-time and working part-time.

When he was 22 years old, he got into the habit of saving and investing in an RRSP—not a lot of money, but regularly. He also used the HBP program to become the owner of a duplex.

“I got into the habit of saving,” he says, “by setting myself the goal of purchasing property. Personally, I don’t plan to retire before I’m 65. The kind of work I can do in my specialty is contractual, and my wife’s is the same. So I have to think about

organizing my old age myself.” “I have my father’s example to follow. He had a business, and started investing in an RRSP a bit late. He used to tell me: “*Look son, I am going to have to work a long time before I can retire.*” There are also my uncles, who work in construction

as craftsmen. They’re 55 years old and don’t have a pension plan. They’re starting to tire of it. When I see what’s happening to them, it makes me think.”

He has a plan

“Even though I have to pay for my

house, and even though starting a family will mean more costs, I’m very determined to reach my goal. I made a plan to save what I need for retirement. To begin with, I’m not counting on the government. My main sources will be my RRSP investments, income generated by

my property and, lastly, government sources like the Québec Pension Plan and the federal Old Age Security Program.

“I am currently being advised by the family’s accountant, but I may eventually see a financial planner to fine tune the plan.”

Simon is off to a good start. He has a plan that he can revise as life places different demands on his resources.

*The name is fictitious, but the case is real.

Do the math

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ÉducRetraite: a new online training tool

Question Retraite has developed a user-friendly learning tool for retirement financial planning, ÉducRetraite. Retirement, like a long journey, must be planned and prepared for well in advance. This is why the travel theme is used to describe the steps in retirement planning.

There are three modules in this training course, which is available at www.questionretraite.qc.ca. The modules help you to:

- Examine the factors that may influence your retirement age;
- Establish the level of finances needed to maintain your standard of living in retirement;
- Determine what you plan to do during retirement;
- Understand provincial and federal sources of revenue;
- Understand supplemental pension plans;
- Evaluate your retirement plan.

Guided by Helen, a virtual travel agent, you are asked to complete a variety of interactive training activities (crossword puzzles, a labyrinth, etc.) to uncover the secrets of effective retirement planning.

www.questionretraite.qc.ca

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I'm consulting a financial planner!

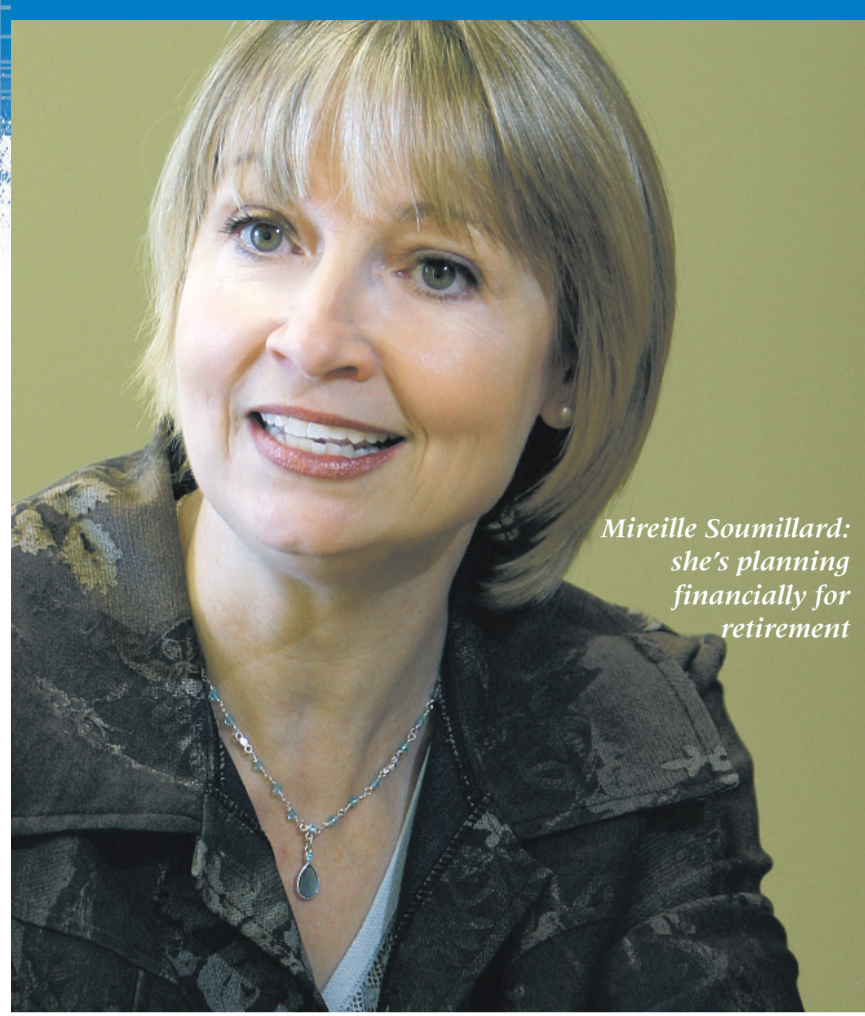
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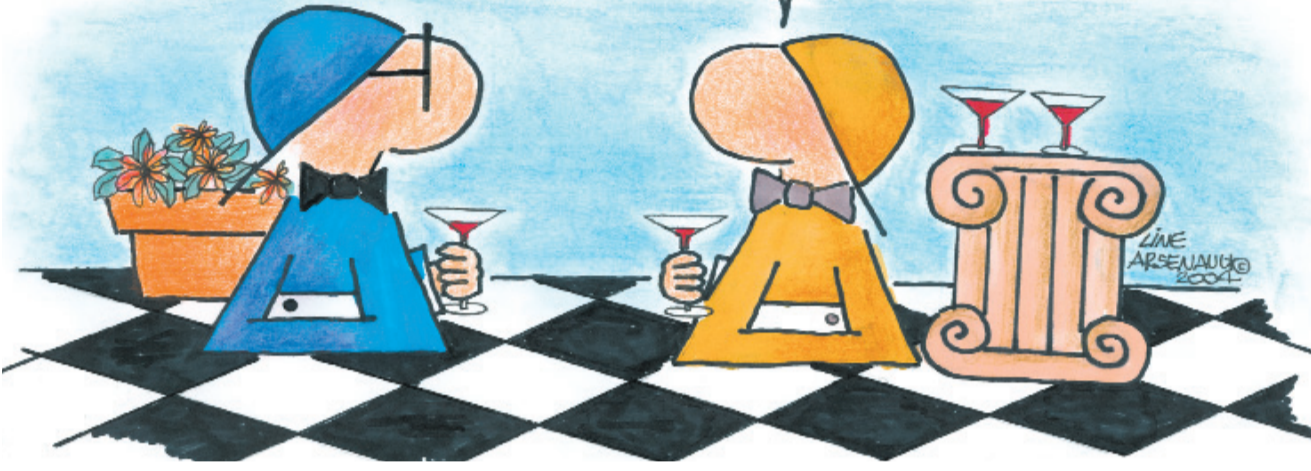
All of a sudden, 40 years old

It's never too late to realize that you have to plan financially for retirement. Mireille Soumillard, an administrative assistant, learned this lesson, and agreed to talk about her experience.



Mireille Soumillard:
she's planning
financially for
retirement

You know, Bill, I'm way behind in my retirement finances. I had expected to win the lottery at least two years ago.



"Until I was 40, I had a comfortable life and didn't worry about retirement at all. I was married and had two children. I always worked but never contributed to a company pension plan. However, I occasionally put some money into an RRSP, and that's about all.

But when I was 40, I got a divorce,

and my financial situation changed completely. That was when I realized that I would have to rely on myself, on my salary, in preparing for retirement, especially because I don't want to become a burden for my children.

Then, a little later, I was laid off when the company was restructured. One of the benefits offered to

those of us who were laid off was access to a tax specialist. I then realized that I had a lot of catching up to do for my retirement. I was afraid I would never have enough resources to really finance my retirement.

I also realized at that time that public plans were a lot less generous than I had thought. It was a big surprise!

Help from a financial planner

At the time, I didn't even know financial planners existed. When I took a new job, I learned what a financial planner was and what services he could provide. I decided to consult one. He did a thorough review of my financial situation, explained the choices available to me, and proposed several different scenarios.

My plan is a flexible solution that allows for the ups and downs of life and the goals I want to reach. I am able to put aside 20% of my present annual salary. Half goes into the company's simplified pension plan, and the rest into various other investments so that I can become a homeowner or deal with those unexpected bumps in the road of life.

Now, I have a much better idea what to expect. I am targeting 70% of my gross income in retirement, and I have every expectation of getting there.

An example for the children

My experience will benefit my children.

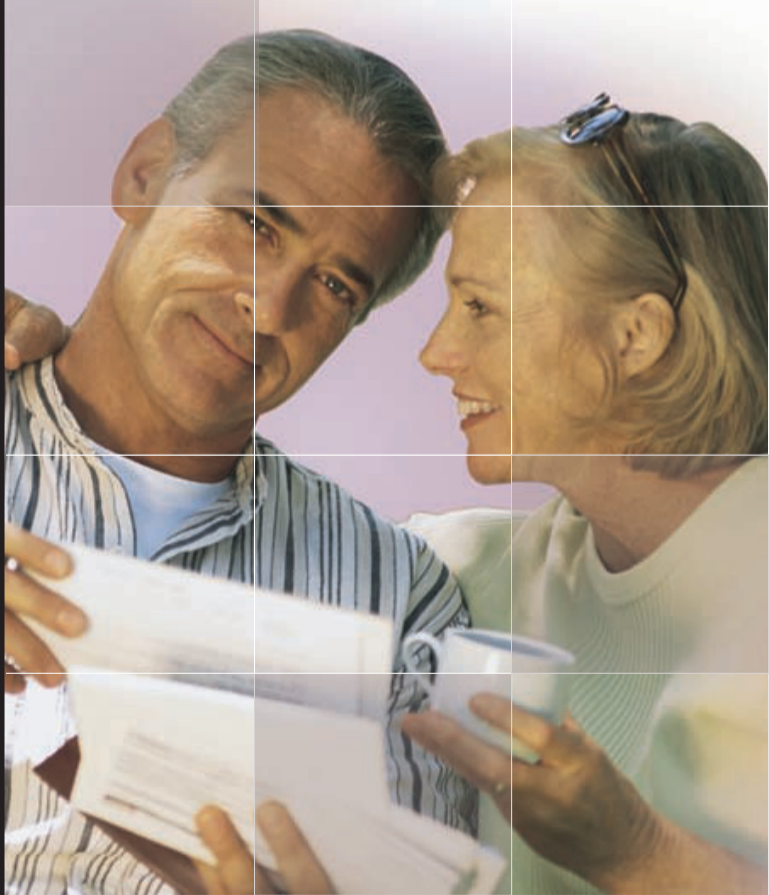
To my great surprise, my son started putting money aside for his old age as soon as he began work at 19 years of age. He was hardly what you would call a saver. I think that young people are a lot more aware about these issues than we are.

My daughter has just entered the job market, and she has also started putting money aside. Both of them understood that the earlier you start saving for retirement, the less the financial burden each year."

Mireille is now 50 years old. Her plan is for retirement at 65. At least once a year, she meets with her financial planner to review the situation and make any necessary adjustments.



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Income Security Programs

■ Old Age Security

is a pension available to people aged 65 or older who meet the residence requirements and the legal status.

■ Guaranteed Income Supplement

is a benefit for seniors with low income; it is in addition to the Old Age Security pension.

■ Allowance

is a benefit for the 60- to 64-year-old spouse or common-law partner of someone who is eligible for the Guaranteed Income Supplement.

■ Allowance for the Survivor

is a benefit to a spouse or common-law partner who is 60 to 64 years old and whose partner has died.

■ Canada Pension Plan

Workers in Quebec contribute to the Pension Plan (Régime de rentes du Québec), while workers in other provinces contribute to the Canada Pension Plan.

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5 steps for planning a comfortable retirement

Actually, I've been investing 90% of my salary for 10 years now. But I'm going to wait a little longer before moving out of my parent's home.



There are many ways to determine how much you have to save each year for your retirement plans. The method used by Régie des rentes du Québec, which is especially simple, has five steps. It is explained in detail in the *Guide to Financial Planning for Retirement*.

Here is a summary:

1 Decide the age at which you wish to retire

If you want to retire at 55 rather than 65, you may have to bear a heavy financial burden. The choice must be made with care.

For 55 year-olds, there is no public pension program (QPP or OAS). The retiree can only draw on his personal savings to live. If he contributed to a supplemental pension plan (SPP) at work, he may be entitled to a life annuity for early retirement, normally at 55. Early retirement usually means a lower pension, since it has to be paid over a longer period.

A reduced QPP benefit may start to be paid at 60. At 65, the retiree is entitled to the Old Age Security Pension (OAS).

Other factors also have to be considered, such as state of health and family constraints

2 Determine the income you will need when the time comes

The specialists say that in general a person needs about 70% of his average gross annual income over the last three years of work to maintain his standard of living during retirement. For example, for an average gross annual income of \$30,000, a retiree will need \$21,000 in retirement.

As a rule, work-related expenses will decrease or be eliminated. As a result, the re-

How much will you need for retirement?

With an average gross annual income	You will need...
\$20,000	\$14,000
\$30,000	\$21,000
\$40,000	\$28,000
\$50,000	\$35,000
\$60,000	\$42,000
\$70,000	\$49,000
\$80,000	\$56,000

tiree will pay less tax, he will no longer contribute to the QPP or his employer's pension fund, and family spending will probably drop. On the other hand, he will pay more for

health care, life insurance premiums and social and recreational activities.

The public plans are designed to provide a minimum protection in retirement. Let us assume an average gross annual income for the past three years of \$30,000, and suppose that \$21,000 (70% of \$30,000) will be sufficient to maintain the retiree's standard of living. Public programs only meet 25% of the estimated needs for retirement at 60 years of age. If the person retires at 65, things improve: coverage can be up to 71% of estimated needs (\$15,000 in this case).

This is much better, but there is still a difference to be made up from the employer's pension, personal savings, or both.

3 Determine sources of income

Sources of income in retirement are explained elsewhere in this booklet in greater details. They include:

- The Old Age Security Pension
- The Québec Pension Plan's retirement pension
- The pension from one or more supplemental pension plans
- Personal savings (including RRSPs)

4 Compare expected income with estimated needs

Now you have to compare expected income (step 3) with estimated needs (step 2). If the result is positive, odds are your retirement will be comfortable. However, a negative result indicates a shortfall, which you can define in step 5. You need to make a plan.

5 Determine how much to save for your plan

The last step is to establish how much additional savings will be needed to make up for the lack of income shown by the comparison.

The *Guide to Financial Planning for Retirement* has tools you need to complete steps 4 and 5 comfortably. A few concrete examples will help you understand the many situations you may have to deal with. It is available from the website at www.questionretraite.qc.ca, or you can order it by calling toll-free 1 866 883-3258.

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The federal Old Age Security program

The Old Age Security Pension, Guaranteed Income Supplement, and Allowance Program are administered by *Social Development Canada* (SDC). To reach the office closest to you, consult the blue pages in the telephone directory, call 1 800 277-9915 or visit www.dsc-sdc.gc.ca.

How to make a budget

For years, the Associations coopératives d'économie familiales (ACEF) have given courses on budgeting. Enrolment in a course costs from \$30 to \$50.

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Training programs on retirement planning

Cégep Marie-Victorin, in conjunction with the Cégep network in Québec, offers courses on retirement planning for persons aged 45 and over, and financial security planning for 25-45 year-olds in the workplace, in French and English across Québec.

Cégep Marie-Victorin:

(514) 278-3535, extension 230

Toll-free: 1 800 700-0623, extension 230

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Retirement financial planning

To check whether a financial planner holds a diploma from the Institut québécois de planification financière (IQPF), contact the IQPF.

www.iqpf.org

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How will you finance your retirement? To begin with, you can count on the federal Old Age Security program and the Québec Pension Plan. The 42% of workers who contribute to a supplemental pension plan will receive a life annuity from their "pension fund." Lastly, personal savings really give you the power to choose.

The Old Age Security Pension = \$466,63 per month*

After 65 years of age, every Canadian citizen who applies and meets the residence requirements receives a pension of \$466.63 a month. It is taxable income. Low-income earners may receive a *Guaranteed Income Supplement*, which is established on the basis of income and family situation. Above an income threshold of \$59,790, the Old Age Security Pension becomes progressively refundable.

The QPP retirement pension

A person who has paid into the Québec Pension Plan and requests it is entitled to a pension after 60 years of age. It is taxable income. The amount of this pension is calculated on the basis of employment income recorded with the Pension Plan and the age at which you begin receiving it. The retirement pension has a ceiling.

It is important to understand that there are ceilings to the pensions paid by under the QPP, and that only a few people qualify for the maximum amounts. When doing financial planning for retirement, you have to be realistic. In 2003, only 17% of retirees received the maximum pension, whether the "normal"

* Amounts payable from July to September 2004.

QPP RETIREMENT PENSION

Age applied	Maximum monthly pension in 2004
60 years	\$569,92
65 years	\$814,17
70 years	\$1,058,42

pension at 65 years, the early pension between 60 and 64 years, or the pension applied for after 65 years. In 2003, for example, the average pension was \$394.85 a month

Every four years, the QPP sends each contributor a summary of contributions that shows his or her anticipated pension at 60 and 65 years

Supplemental pension plans (SPPs)

To receive the retirement pension from your SPP at work, you must be within ten years of "normal retirement age." In other words, you must be at least 55 years of age, since the normal retirement age is 65 years in most SPPs. The retirement pension is generally paid each month until death.

There are three major categories of SPP:

↳ **Defined benefit plan.** The simplest of plans for the participant, because he or

she can set the pension amount.

↳ **Defined contribution plan.** Unlike the previous type, the pension in a defined contribution plan is not set beforehand. What is set is the amount of the participant's contribution (for example, 5% of salary) and the employer's contribution.

↳ **Simplified pension plan.** A defined contribution plan set up by the employer and managed by a financial institution. The Régie des rentes du Québec made great improvements to this plan in 2004 (see page 8 in this booklet)

The RRSP and other personal savings

This is where the comfort level of retirement is determined, because it varies according to how much has been saved. This source is very important, since most workers in Québec do not have an SPP.

Saving is not always easy, but there is a wide range of financial products that encourage retirement savings. The RRSP (registered retirement savings plan) is the best known of these, and it comes in several forms (see page 8 in this booklet).

Retirement at 60 or 65?

The two tables below show the income from public plans when you take retirement at 60 or 65 years of age—a huge difference that has to be considered in calculations when making your plan.

60 year-old single person in 2004

Average annual career income*	QPP	OAS**	GIS**	Annual total	% of income replaced by public plans
\$15,000	\$2,625	\$0	\$0	\$2,625	18%
\$20,000	\$3,500	\$0	\$0	\$3,500	18%
\$25,000	\$4,375	\$0	\$0	\$4,375	18%
\$30,000	\$5,250	\$0	\$0	\$5,250	18%
\$35,000	\$6,125	\$0	\$0	\$6,125	18%
\$40,000	\$6,839	\$0	\$0	\$6,839	17%
\$45,000	\$6,839	\$0	\$0	\$6,839	15%
\$50,000	\$6,839	\$0	\$0	\$6,839	14%

65 year-old single person in 2004

Average annual career income*	QPP	OAS**	GIS**	Annual total	% of income replaced by public plans
\$15,000	\$3,750	\$5,600	\$4,780	\$14,130	94%
\$20,000	\$5,000	\$5,600	\$4,155	\$14,775	74%
\$25,000	\$6,250	\$5,600	\$3,530	\$15,380	62%
\$30,000	\$7,500	\$5,600	\$2,905	\$16,005	53%
\$35,000	\$8,750	\$5,600	\$2,280	\$16,630	48%
\$40,000	\$9,770	\$5,600	\$1,770	\$17,140	43%
\$45,000	\$9,770	\$5,600	\$1,770	\$17,140	38%
\$50,000	\$9,770	\$5,600	\$1,770	\$17,140	34%

* Average increased annually at the same rate as the maximum pensionable earnings under the QPP (\$40,500 in 2004).

** Amounts payable from July to September 2004. The GIS is non-taxable. To receive the GIS amounts shown, the person must not have any income other than the OAS and the QPP retirement.

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The Régie des rentes du Québec has developed an interesting tool to help with your retirement financial planning.

CompuPension is an online electronic simulator that can establish the income you will receive when you are retired. CompuPension also enables you to determine how much you need to save today to reach your financial objectives. You can test different assumptions by changing variables such as your retirement age and the yield on your investments.

CompuPension is provided free-of-charge. To protect your personal data, the Régie will send you a personal access code (PAC), which you can order online on the Régie's website.

There are many good reasons why you should use CompuPension:

- It's free, intelligent and innovative.
- It can help identify all the sources of income for your retirement.
- It's effective in helping make informed decisions now for later.
- It's designed to allow you to compare different scenarios.

See for yourself how CompuPension can help you.

www.rrq.gouv.qc.ca

RRSPs offer undeniable advantages

The Registered Retirement Savings Plan (RRSP) is a very effective way to put money aside for retirement.

The RRSP offers several advantages:

- up to the legal limit, full deduction of all contributions you make;
- possibility of including a wide range of financial products: term deposits, guaranteed investment certificates, savings bonds, mutual funds, shares in workers' funds, shares listed on the stock market, etc.;
- tax sheltered accumulation of interest, dividends and capital gains;
- possibility of using RRSP money to finance the purchase of a first home or to return to school;
- possibility of conversion to a pension or registered retirement income fund;
- possibility of developing strategies to balance out pension income by contributing to a spouse's RRSP.

\$100 a month saved in an RRSP up to age 60

If you start saving at...	Interest rate	Interest rate	Interest rate
	4%	6%	8%
25 years	\$89,992	\$137,360	\$215,257
35 years	\$50,885	\$67,629	\$90,899
45 years	\$24,466	\$28,691	\$33,761

Of all these advantages, the greatest is probably tax sheltered accumulation of interest, dividends and capital gains.

The simplified pension plan: advantages for the employer and employee

The Régie des rentes du Québec has made extensive improvements to the simplified pension plan (SIPP) in order to make it more attractive to businesses and their employees.

The SIPP has been around for several years, but the Régie was concerned about its lack of popularity. After broad survey of retirees, it decided to better meet the specific needs of Québec small and medium-sized businesses with an even simpler, more flexible SIPP. What is unique about the SIPP is that it is inexpensive and easier to manage than a traditional plan, but offers participants the flexibility of group RRSPs and deferred profit sharing plans and, in terms of protection of rights, it is exempt from seizure. Fundamentally, the SIPP is a de-

financed contribution plan. The employer's and employee's contributions are determined and paid on behalf of the employee. The amount of retirement income will depend on accumulated contributions and the plan's financial performance. A financial institution manages the plan for the small business. The employer's job is therefore reduced to a minimum. The financial institution is responsible for investing the money based on the options selected by the employee, establishing annual statements and handling relations with the Régie.

Advantages

In addition to its ease of administration, this plan exempts the employer from paying payroll taxes on the contributions paid, unlike the situation with a group RRSP. The employer can decide not to lock in payroll contributions, thus allowing his employees to use funds not locked in for an HBP (Home Buyers' Plan) or the LLP (Lifelong Learning Plan). With the SIPP, the employer is able to offer a quality retirement savings instrument that can attract new employees and help retain existing employees.

In addition to the possibility of investing in an HBP or LLP, the SIPP offers the employee a number of advantages. First and foremost, it offers protection for retirement. The SIPP can generate a life income at retirement. In the event of the participant's death, the balance of his accounts will be paid to his spouse or, if there is no spouse, to his heirs. The employee can also make additional contributions to his account. Full information on the SIPP is available from financial institutions and the Régie des rentes du Québec (418) 643-8282 or www.rrq.gouv.qc.ca

Financial security for your retirement

The Quebec system compares favourably with those in other industrialized countries

The Québec financial security system for retirement compares favourably with those in the major industrialized countries belonging to the OECD, according to a study carried out by the Régie des rentes du Québec*.

Our system was compared to the US, Japanese, French, Italian, Dutch, British, German and Swedish systems. All these countries, including Canada and Québec (except the United States) have birth rates below their population replacement rates. They must all cope with the fact that there will be fewer workers for a larger number of retirees, and these retirees will live longer. Québec stands out from the other countries in terms of the economic well-being of its elderly population. "If we compare the nine countries, the report read, the OECD considers

Canada (and therefore Québec) to be the country that has the least difficulty in providing economic well-being for retirees and protecting vulnerable categories of persons" According to the report, the strong points of the Québec financial security system for retirement are:

- a flexible system, made up of three components (public plans, private plans, and personal savings), which allows diversification of risks and respects the choices of employers and workers.
- lower public spending than in most countries.

- effectively fights poverty among the elderly.
- A Québec Pension Plan with a long-term financing plan, which provides stability.
- the act accommodates supplemental pension plans.
- integrated fiscal measures that encourage saving.

A few weak points were also noted:

- a large proportion of private sector workers are not covered by a supplemental pension plan.

- the phased retirement measures are not very effective and, especially, not widely used.

- since RRSPs are not locked in, the money can be used for purposes other than retirement.

Structure of retirement system	Country
Compulsory basic system and supplemental plans, at employer's or individual's discretion.	Canada, United States, Germany, United Kingdom and Japan
A more generous public plan and compulsory supplemental plans.	France and Netherlands
A public plan covering the greater part of retirement needs.	Sweden and Italy

* Evaluation of the Quebec's financial security system at retirement in relation to that of other industrialized countries, a study coordinated by Pierre Plamondon, Régie des rentes du Québec, 2004.

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It's different for women

The baby's arrival will have an effect on my retirement

Q: I am 31 years old, expecting a child, and after talking it over with my spouse, I want to stay home for one year. Is it true that having a baby will have a direct effect on the amount of my retirement income?

Your spouse can also invest in your RRSP, and at the same time benefit from the usual tax deduction.

The extra effort is worth it. The \$2,000 you do not invest in your RRSP during the five years you spend at home, at 7% interest, represents \$62,423 in lost earnings 25 years later!

It's different for women

The extra effort is also worthwhile because the retirement picture for women is different from the picture for men. In general, women's retirement incomes are lower than men's. Here is why:

- Women earn less than men.

Statistics Canada reports that in 2000, average earnings for women working full time amounted to

71.7% of men's earnings. The pension paid by the QPP is calculated on the basis of registered contributions and earnings. It is therefore no wonder that in 2003, the average monthly pension paid to women (\$291.70) was lower than the average for men (\$495.60).

- Women live longer than men. In 2003, the life expectancy of girls at birth was 82.1 years compared to 76.8 years for boys. As a result, for an equal amount of money, the life annuity purchased by a woman will be smaller than a man's. Another consequence is that women must have more savings than men for the same retirement age, since they will live longer.

- Family responsibilities can be a financial burden. The years mothers spend at home are years they are not saving for retirement.

- Women must face greater job insecurity. Many hold temporary jobs or are self-employed, or work on fixed-price contracts or part time, without job security or employment benefits. As a result, they have to develop their own retirement savings strategies.

- In addition, there are four times as many widows as widowers in Canada. Yet many women still leave financial planning for retirement to their spouses.

R: Your question is very interesting, because it shows there is a great difference between men and women as regards to retirement.

The answer is yes, because any absence from the labour market, for men or women, has an impact on savings capacity and decreases contributions to the public plan and supplemental pension plans. The

impact on the Québec Pension Plan can be lessened in a number of ways. You can also continue to contribute to your pension plan during at least part of your leave from work, as allowed by the *Act respecting labour standards*.

In the same way you plan for baby's arrival, you can also plan your savings by making temporary supplementary contributions to an RRSP before or after your absence from the labour market.

I'm really too young and I have too many things to buy now

Q: I am 26 years old, and I've really just begun to work. I went into debt for my studies. I want to buy a car. In a while, I want to start a family. I will need money. Why should I think about retirement now?

R: For a very simple reason: the sooner you start, the easier it will be to save. Time is on your side. The sooner you start to save, the faster your retirement capital accumulates.

In an RRSP, the effect can be quite impressive. If you start putting money aside too late, even large amounts of money, you could be caught without enough savings at 60 or 65.

There are public plans, of course, but they offer only minimal financial protection. If you want to retire with only the Québec Pension Plan (QPP) and the federal Old Age Security pension (OAS), you could be in for disappointment further down the road. For a comfortable retirement, you will need other sources of income.

There are a number of other reasons why it is important to start saving early.

Many people aged 40 and under will have two

or more careers in their working lives. It is not uncommon for people to go back to school or change professions.

These transition periods may be accompanied by a temporary drop in income, which will tend to slow down your savings. However, the negative impact on your retirement capital will be smaller if you have already built up a cushion, because the accumulated funds will go on working for you. If, on the other hand, your cushion is too thin when you go back to school, the "savings deficit" could have a serious impact on your retirement capital.

Take a look at the table entitled "\$100 a month saved in an RRSP up to age 60", on page 8. It shows without any doubt the benefits of starting to save early in life.

The choice is yours. You can turn your back on the challenge and put off financial preparations for your retirement until tomorrow. Or you can act now and start saving for your future, your golden years.

Prepare today to live well tomorrow!



Created by and for government employees in 1940, **La Capitale** has developed unparalleled expertise in retirement plans and employee benefits specific to the public and broader public sectors.

This means we are the best equipped to precisely analyze your current and retirement financial situations, make appropriate recommendations, and generally paint a clear picture for you.

To help you prepare the retirement you want, whether or not you are a government employee, contact your La Capitale financial security advisor or **call us toll free at 1-866-665-0500**.



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The **mission** of the CPBI is to provide members and other interested individuals and groups with an opportunity to **discuss** and **debate**, to obtain **information** about pensions, employee benefits and other related issues through a network of regional and national programs.

Canadian plan sponsors, service providers, consultants and regulators involved in pensions, benefits and investments look to CPBI as their **PREMIER FORUM** for continuing education and information sharing opportunities. Founded in 1960, the CPBI now has nearly 3000 members across Canada, with over 800 located in Quebec.



81% of Quebecers have never done the calculation!

Maintaining your standard of living in retirement

Question Retraite was created for a single reason: not enough Quebecers are aware of the need to plan their retirement finances.

The results of two polls conducted by the Régie des rentes du Québec in 2001 and in 2003 are surprising:

81% of Quebecers have never calculated how much they need to save to maintain their standard of living in retirement.

44% have no idea how much governments will contribute to their retirement.

53% want to know how much to save each year to maintain their standard of living in retirement.

Seeing a need for action, 18 partners from a variety of sectors are joining forces

to provide Quebecers with the information and tools they need to act as early as possible during their working lives, because their standard of living in retirement depends on it.

Question Retraite, a non-profit organization, has taken on the task of informing Quebecers and making them more aware of the importance of financial security

during retirement, as well as different ways to achieve it.

The organization focuses mainly on workers aged 25 to 45 with incomes above \$25,000.

Through their activities, the partners in Question Retraite seek to make employers and employees more aware of the importance of supplemental pension plans.

Our values

Sharing

The partner organizations undertake to share knowledge and expertise in the pursuit of a common objective: to make the Québec public more aware of the importance of good retirement planning.

Expertise

Question Retraite has expertise in financial planning for retirement, which makes it the perfect reference.

Respect

The different partners cooperate in full respect of each one's missions and autonomy.

Neutrality

All retirement financial planning information disseminated is neutral and objective.

Our main achievements

This past year, the partners in Question Retraite set up committees to carry out a number of projects:

www.questionretraite.qc.ca

This website has proved to be one of the organization's main vehicles of information. The purpose of the site is to provide any information likely to improve Quebecers' knowledge about financial security in retirement. The site also promotes the organization and its activities.

ÉducRetraite

Question Retraite has designed a user-friendly learning tool on financial planning for retirement. This tool can be used for do-it-yourself learning on the Internet. It is accessible to all Quebecers.

Guide to Financial Planning for Retirement, 2004 edition

This document is one of Question Retraite's main promotional vehicles. The 2004 Guide supports the partners' objectives, which are to provide Quebecers with all applicable information and appropriate tools to encourage them to act as early as possible during their working lives in order to ensure financial security in retirement. The Guide is available in electronic format on the Question Retraite site. You can order the printed version by calling toll free 1 866 883-3258.

Financial Planning for Retirement Month

Financial Planning for Retirement Month in October is designed to channel the communication efforts by the partners in the organization into a major promotional activity

for financial security in retirement. The 2003 campaign reached 20% of the adult population via different media. In other words, just over 1 million adult Quebecers saw, heard, or read messages about the Financial Planning for Retirement Month.

Surveys and polls

Question Retraite regularly monitors changes in Quebecers' perceptions and intentions about their financial security in retirement. The assessment is done with omnibus polls, conducted two or three times a year.

Information sessions

Question Retraite runs a one-hour information session on retirement financial planning for groups. Complete details on how to participate will appear on the www.questionretraite.qc.ca website.



Partners

Government agency

Régie des rentes du Québec

Financial services organizations and the associations that represent them

- Canadian Bankers Association
- Bâtirente-Fondation CSN
- Desjardins Financial Security
- Épargne Placements Québec
- Fonds de solidarité FTQ
- Institut québécois de planification financière
- La Capitale Financial Group
- Mercer Human Resource Consulting
- SSQ Financial Group

Employees' and employers' associations and all other organizations

- Cégep Marie-Victorin
- Industrial Alliance Chair in Insurance at Laval University
- Confédération des syndicats nationaux
- Conseil du patronat du Québec
- Fédération des Chambres de commerce du Québec
- Fédération des travailleurs et des travailleuses du Québec
- Regroupement des consultants en avantages sociaux du Québec
- Regroupement des jeunes gens d'affaires du Québec

www.questionretraite.qc.ca

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- Use the online training module: *ÉducRetraite*.
- Find the websites of all our partners.



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planning for retirement
means working for
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Test your knowledge!

- 1 80% of Quebecers are counting on the government for their retirement.
- 2 Women receive the same QPP monthly pension on average as men.
- 3 The federal Old Age Security Pension is taxable.
- 4 For 2004, the maximum monthly QPP pension, at age 65 is \$1,058.42.
- 5 In Quebec, the majority of workers contribute to a supplemental pension plan at work.
- 6 It is possible to receive an QPP pension at 60 years of age.
- 7 Only 17% of retirees receive the maximum QPP pension.
- 8 Persons aged 65 years automatically receive the federal Old Age Security Pension.
- 9 The amount of the Federal Old Age Security Pension is \$566.63 a month.
- 10 44% of Quebecers do not know how much the public plans will pay them when they retire.

True False

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Answers
 1: false (pages 1 and 3) . 2: false (page 9) 3: true (page 7)
 4: false (page 7) 5: false (page 2) 6: true (page 7) 7: true (page 7)
 8: false (page 7) 9: false (page 7) 10: true (page 10).

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Régie des rentes Québec

Question Retraite... I have a plan

My savings
and retirement
pension

Québec Pension
Plan

Canada Old Age
Security
Program



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Q: question
R: retraite
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