

RETIREMENT INCOME

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Are you ready?



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TABLE OF CONTENTS



1. RETIREMENT FACTS	3
2. YOUR GOALS	3
2.1 Retirement Age	3
2.2 Retirement Income	3
3. YOUR CURRENT FINANCIAL SITUATION	4
3.1 Personal Balance Sheet	4
3.2 Personal Budget	4
4. SOURCES OF RETIREMENT INCOME	4
4.1 Government Plans	4
4.1.1 Canada Pension Plan	4
4.1.2 Old Age Security Pension	6
4.2 Supplemental Pension Plans	8
4.2.1 Defined Benefit Pension Plan	8
4.2.2 Defined Contribution Pension Plan	8
4.2.3 Simplified Pension Plan	8
4.2.4 Individual Pension Plan	8
4.2.5 Deferred Profit Sharing Plan	8
4.3 Rental Income	8
4.4 Personal Savings	9
4.4.1 Registered Retirement Savings Plan	9
4.4.2 Tax-Free Savings Account (TFSA)	9
4.4.3 Non-Registered Savings Plans	9
5. RISKS TO WHICH YOU MIGHT BE EXPOSED	10
5.1 Inflation	10
5.2 Longevity	10
5.3 Critical Illness	10
6. DEVELOPMENT OF A SAVINGS STRATEGY	11
7. INVESTMENT EQUALS SAVINGS	12
7.1 Risk	12
7.2 Investment Horizon	12
8. WHEN THE TIME COMES TO RETIRE	13
8.1 Options Offered According to Types of Savings Plans	13
8.1.1 Registered Retirement Income Fund	13
8.1.2 Life Income Fund	13
8.1.3 Annuity	13
On your mark, get set	14

APPENDIX - ASSET CLASSES



You're nearing retirement. Are you ready?



1. RETIREMENT FACTS

The average life expectancy after age 65 is 83 years for men and 86 years for women; 50% of the population lives even longer than that. Pensioners may spend as much time in retirement as they spent in the workforce. It takes a lot of money to live with no salary for 20, 30 and even 40 years.

Government plans alone cannot suffice to meet your income needs and allow you to live comfortably during retirement. Indeed, statistics show that government plans only make up about 37% of most pensioners' income. What's more, no income from government plans is payable prior to age 60.

It is generally recognized that, in order to maintain your standard of living at retirement, you will need at least 70% of your pre-retirement income. That figure takes the following into account:

- › You no longer have any work-related expenses.
- › You have a lower tax rate.
- › You no longer have to make Canada Pension Plan, Supplemental Pension Plan or RRSP contributions, or pay union dues (if any).
- › Your family obligations are reduced.

IF YOU'RE PLANNING TO RETIRE IN 15 YEARS OR LESS, IT'S HIGH TIME YOU TOOK STOCK OF YOUR FINANCIAL SITUATION.

2. YOUR GOALS

2.1 Retirement Age

At age do you want to retire? By answering this question, you will know how many more years you will have to spend accumulating the money you will need at retirement.

2.2 Retirement Income

Estimate the annual income you will require, based on

- › Your non-discretionary expenditures (municipal property taxes or rent, food, electricity, telephone, insurance, health care, etc.).
- › Your discretionary expenditures (travel, leisure activities, etc.).

¹ Statistics Canada, 2009

Follow the steps below to establish a good game plan for retirement.

3. YOUR CURRENT FINANCIAL SITUATION

3.1 Personal Balance Sheet

A personal balance sheet is very helpful in providing a snapshot of your current financial situation. You can see your assets, liabilities and net worth at a glance. This valuable information enables you to determine how far you are from the finish line, i.e. how far you are from achieving your financial goals at retirement. With a little research, a personal balance sheet is easy to prepare. Call on your financial advisor if you need some help.

3.2 Personal Budget

When preparing for retirement, a personal budget can prove to be very useful. This exercise consists of taking a look at all your payments and then discriminating between your discretionary and non-discretionary expenditures and determining the importance that each one has in your personal budget.

By knowing exactly where your money goes, you can come up with possible ways to increase your savings. Moreover, this information gives you a sound basis on which to determine your projected cost of living at retirement. Simply eliminate the expenses that you will no longer have at that time, such as work-related expenses (clothing, meals and commuting costs, RRSP, CPP, SPP contributions and union dues), child care expenses (since the children will eventually become independent), mortgage payments, etc. You can then determine the additional expenses you will incur when you retire, such as expenses for leisure activities, travel, plans to purchase or renovate property, insurance premiums, health care, etc.

4. SOURCES OF RETIREMENT INCOME

The following step involves determining your sources of retirement income, which consist of the following:

- › Government plans
 - › Canada Pension Plan
 - › Old Age Security
- › Employer-provided Supplemental Pension Plans
- › Personal savings
 - › Registered savings (RRSP, LIRA)
 - › Tax-Free Savings Account (TFSA)
 - › Non-registered savings

4.1 Government Plans

4.1.1 Canada Pension Plan

The CPP is a contributory plan, which means that, to be eligible for benefits, you must have contributed to the plan from your employment income. The plan provides a retirement pension, the amount of which is calculated based on retirement age, plan contributions taken from employment income, and the number of months you contributed. The pension is capped, and the maximum amounts are as follows:

CPP benefits starting at age	Maximum monthly pension (2011)
60	\$672.00
65	\$960.00
70	\$1,248.00



Although the normal retirement age is 65, pension eligibility begins at age 60. It is important to note that pensions paid before age 65 are reduced by 0.5% for each month prior to age 65. Therefore, pensions paid as of age 60 are reduced by 30% (60 months x 0.5%). Similarly, pensions paid after age 65 are increased by 0.5% for each month subsequent to age 65, up to age 70, with a maximum increase of 30%.

In spite of the 0.5% reduction for each month prior to age 65, it may be advantageous to apply for the pension at age 60.

Example

In 2011, Paul will turn 60 and retire. He is wondering whether he should apply for his CPP pension at age 60, or if he would be better off waiting until he reaches age 65. Let's assume that Paul's total eligible income during his career was \$1,350,500. Below is a comparison of the pension amounts he would receive if he retired at age 60 or at age 65.

Paul starts receiving his pension at age 60

Contributory period: from 1972 to 2011 = 39 years or 468 months

Drop-out period¹ = 468 x 15% = 70 months

CPP benefit rate: 25%

Calculation of Paul's monthly pension at age 60:
25% x \$1,350,500 ÷ 398 months = \$848.30

Since Paul is age 60, his pension must be reduced by 30%: \$848.30 - 30% = **\$593.81**

¹ 15% of the contributory period may be dropped out from the pension calculation, to exclude months during which earnings were lower.

Paul starts receiving his pension at age 65

Contributory period: from 1972 to 2016² = 44 years or 528 months

Drop-out period = 528 x 15% = 79 months

Calculation of Paul's monthly pension at age 65:
25% x \$1,350,500 ÷ 449 months = **\$751.95**

² Even though Paul does not contribute to the CPP between age 60 and 65, since he is no longer working, these five years (60 months) are included in the calculation of the contribution period.

We can see that Paul will receive an additional \$158.14 per month if he waits until age 65 to retire. Therefore, the reduction applicable to the pension at age 60 is not really 30%, but rather 21% (\$158.14 ÷ \$751.95).

On the other hand, Paul will receive his pension for an additional period of 60 months, which represents \$35,628.60. He will therefore have to wait until age 84 before receiving the same amount under the two scenarios: \$35,628.60 ÷ \$158.14 = 225 months or 18.75 years.

If you don't need your pension, or if you only need a portion of it, you can invest the amounts you receive as of age 60 to generate income.



For information on your projected pension amount at age 60 or at age 65, go to the following websites to read and download your CPP Statement of Contributions or your RRQ Statement of Participation:

Canada Pension Plan:

www.dsc.gc.ca/en/gateways/topics/cpr-gxr.shtml
www.dsc.gc.ca/fr/passerelles/topiques/cpr-gxr.shtml

Régie des rentes du Québec:

<http://www.rrq.gouv.qc.ca/en/>
<http://www.rrq.gouv.qc.ca/fr/>

You will find the employment income that was used to make your contributions and an estimate of the benefits you may receive at retirement if you stop contributing now or if you continue contributing at the same rate as you are now. Take the statement with you when you meet with your advisor.

Lastly, it is important for you to know that the retirement pension is not paid automatically. You have to apply for it.

As long as you meet the required conditions, you can save on the total amount of income tax that you and your spouse pay, if you ask to have your pension income split with your spouse.

CPP Pension Summary



When	As of age 60
How	You have to apply for it
Conditions	<ul style="list-style-type: none"> › You must have made at least one valid contribution › You must have stopped working or be considered to have stopped working¹ › Your employment income was lower than the maximum monthly CPP benefit for two consecutive months
Features	<ul style="list-style-type: none"> › Contributory plan › Monthly payments that cease upon death › Calculated based on earnings recorded in the Plan, age at which benefits start, and number of months in the contributory period › Adjusted in January of each year based on Consumer Price Index (CPI) increases › Capped › Pension represents taxable income

¹ Your employment income may not exceed a fixed amount for a 12-month period beginning the first month when the pension benefits commence. This amount is \$11,800 for 2011.

4.1.2 Old Age Security Pension (OAS)

OAS is a universal, non-contributory plan. This means that it is available to all Canadians who meet the minimum eligibility criteria.

This plan provides for the payment of a monthly benefit starting at age 65. The eligibility conditions for payment of the full amount, which is the same for everyone, are as follows:

- › You must be a Canadian citizen or a legal resident;
- › You must have lived in Canada for at least 40 years after turning 18;
- › Your net personal income, indicated on line 234 of the federal income tax return, must not exceed \$67,668 (amount for January to March 2011). If your income is higher than that amount, the government will claw back 15% of the difference.

Example

In 2011, your net personal income was \$78,000. The amount you have to repay is calculated as follows:

$$\$78,000 - \$67,668 = \$10,332$$

$$\$10,332 \times 0.15 = \mathbf{\$1,549.80}$$

The full OAS amount is clawed back when the pensioner has a net income of \$109,607 or more. Note that amounts that have to be repaid are usually deducted from the monthly benefits before they are issued (amount for January to March 2011).



OAS Pension Summary



When	As of age 65
How	You have to apply for it
Conditions	<ul style="list-style-type: none"> › You must be 65 or more › You must be a Canadian citizen or a legal resident › You must have lived in Canada for at least 10 years after turning 18¹
Features	<ul style="list-style-type: none"> › Non-contributory plan › Monthly payments cease upon the pensioner's death › Quarterly adjustments based on CPI increases › Pension represents taxable income › Subject to a clawback past a certain personal net income level

¹ You must have lived in Canada for at least 40 years in order to be eligible for the full amount.

In addition, low-income seniors who are already OAS pension recipients may qualify for a monthly, non-taxable Guaranteed Income Supplement (GIS) under the plan.

The table below shows the different income levels associated with OAS and GIS. The payment rates shown were in effect during the period from January to March 2011 and are subject to change on a quarterly basis.

2009 Payment Rates	Eligibility	Maximum Monthly Benefit	Maximum Annual Benefit ¹
OAS Pension	See previous chart	\$524.23	— ²
GIS ³			
› Single person	Must be age 65 or over	\$661.69	\$15,888
› Spouse of pensioner	Must be an OAS pension recipient	\$436.95	\$20,976
› Spouse of non-pensioner		\$661.69	\$38,112
Allowance	Must be 60 – 64 Must be the spouse of an OAS pension recipient	\$961.18	\$29,376

¹ No payment is made if the annual income exceeds the amounts indicated, which do not include the OAS pension. When the applicant is a spouse, the couple's income is taken into consideration.

² If the annual income is \$67,668 or more, the OAS pension is subject to a gradual clawback by the federal government. No OAS pension is paid when the income is \$109,607 or more.

³ Non-taxable

Pensioners age 65 or more are eligible to receive the following **maximum** annual CPP and OAS benefits (amounts in effect during the first quarter of 2011):

If CPP benefits started at age 60: From age 60 – 65: $\$672.00 \times 12 = \mathbf{\$8,064.00}$

As of age 65: $(\$672.00 + \$524.23) \times 12 = \mathbf{\$14,354.76}$

If CPP benefits started at age 65: $(\$960.00 + \$524.23) \times 12 = \mathbf{\$17,810.76}$

If CPP benefits started at age 70: $(\$1,248.00 + \$524.23) \times 12 = \mathbf{\$21,266.76}$

According to CPP reports, only about 25% of pensioners receive the maximum pension.

As you can see, people who rely solely on government pensions as retirement income really run the risk of not being able to enjoy the standard of living that they would want.

4.2 Supplemental Pension Plans

In an SPP, an employer makes contributions on behalf of his or her employees to provide for their retirement income. Depending on the type of plan, employees may or may not be required to make contributions. Contributions, which are paid into a pension fund kept in trust outside the company, accrue tax free. Each year, the pension committee issues a statement showing the benefits accrued by the plan member during the last fiscal year and since becoming a member. Make sure you take your most recent statement with you when you meet with your advisor. There are five main types of SPP:

4.2.1 Defined Benefit Pension Plan

The method used to calculate a Defined Benefit Pension makes it possible to estimate the amount in advance. The amount usually consists of a percentage of your eligible salary, multiplied by the number of years of credited service. If, for example, your eligible salary is \$40,000, you have reached the minimum age provided under your plan for an unreduced pension, you have 25 years of credited service, and the pension rate is 2%, your annual pension will be \$20,000 ($\$40,000 \times 2\% \times 25$). The pension may or may not be adjusted based on the CPI. It may also be integrated with CPP benefits. An integrated pension is reduced by an amount equal to the CPP benefit when the pensioner reaches age 65.

4.2.2 Defined Contribution Pension Plan

Under this plan, employer and employee contributions are predetermined, but not the pension amount. Most often, the contributions correspond to a percentage of the employee's salary. The retirement income cannot be predetermined, because it depends on the amounts accrued in the member's retirement account and on the investment income earned. The income remains unknown until the plan member retires. At that time, the plan member's savings can be transferred to a Life Income Fund (LIF) from which the retirement income will be drawn. The plan member's savings can also be used to purchase a life annuity, rather than being transferred to a LIF.

4.2.3 Simplified Pension Plan

This is essentially a Defined Contribution Pension Plan that is set up and administered by a financial institution. The main differences between a Simplified Pension and a Defined Contribution Pension Plan are that no pension committee is required, no annual meeting is held, and the enrolment and administration process is much simpler. When the plan member retires, the accrued savings can be transferred to a LIF or used to purchase an annuity.

4.2.4 Individual Pension Plan

The IPP is a Defined Benefit Pension Plan that is designed and set up for a single person. It enables business executives and key employees to obtain a maximum retirement pension, because it offers the possibility of making much higher contributions than the RRSP cap. The pension amount is predetermined through a formula that is defined when the plan is set up. Contributions are made by the employer. When the plan member retires, the pension is drawn directly from the plan.

4.2.5 Deferred Profit Sharing Plan

A Deferred Profit Sharing Plan (DPSP) is an arrangement by which employers are able to share their business profits with all their employees or with a designated group of employees upon retirement. This plan does not accept contributions from employees. The tax on DPSP earned income is deferred. When the plan member retires or leaves the company, the accrued amounts are transferred to his or her RRSP.

4.3 Rental Income

During your retirement, if you rent out space in your home or if you own rental property, you will have benefit from regular, predictable and (generally) indexed income. This important source of income must, of course, be taken into consideration when planning your retirement.



4.4 Personal Savings

Personal savings are an essential aspect of retirement planning. Your personal savings will make all the difference in the achievement of your goals. As you near retirement, strive to redouble your efforts in order to catch up and close the gap that keeps you from achieving your goals.

4.4.1 Registered Retirement Savings Plan

An RRSP is a savings plan that is registered with the Canada Revenue Agency. It is an individual plan that is mainly used to accumulate tax sheltered capital for retirement. Contributing to an RRSP is one of the most effective ways of achieving your retirement income goals. The maximum annual contribution allowed corresponds to the lesser of:

- › 18% of earned income
- › Annual limit, as follows:

2010: \$22,000	2011: \$22,450
2012: \$22,970	2013 and after: indexed according to the average salary increase

Participation in a Supplemental Pension Plan gives rise to the calculation of a Pension Adjustment, which causes the maximum amount to be reduced.

Since 1991, unused RRSP contribution room can be carried forward indefinitely. If you have unused contribution room, it is usually better for you to invest your savings in an RRSP first, because of the significant benefits associated with RRSPs. Indeed, tax savings and tax-sheltered compounding enable you to grow your retirement savings much more quickly. If you take early retirement, your RRSP will enable you to make up for the reduction in your SPP benefits, and it will make up for the lack of income while you wait for government pensions to become payable.

4.4.2 Tax-Free Savings Account (TFSA)

The Tax-Free Savings Account (TFSA) is a savings plan registered with the Canada Revenue Agency (CRA). It is for individuals who want to accumulate savings tax-free for short-, medium- or long-term projects. The TFSA was launched in January 2009. Here are some of its main features:

- › All Canadian residents 18 and older can contribute to a TFSA.
- › The annual contribution room is the same for everyone, regardless of their income.

2009: \$5,000
2010: \$5,000
2011: \$5,000
2012 +: indexed and rounded off to the nearest \$500 each year

- › Unused contribution room accumulates indefinitely.
- › Investment income is non-taxable.
- › Amounts can be withdrawn at all times, in whole or in part.
- › Withdrawals are non-taxable and amounts withdrawn are converted into contribution room for the following year.
- › Contributions are not tax deductible for income tax purposes.
- › There is no age limit to contribute to a TFSA.

The TFSA is the biggest innovation to encourage personal savings since the creation of the Registered Retirement Savings Plan (RRSP). Accumulating savings tax-free makes the TFSA an ideal savings tool for achieving your goals when all your RRSP contribution room has been used.

4.4.3 Non-registered Savings Plans

When you have used all your RRSP and TFSA contribution room, it is time to look at non-registered savings plans to be able to fully achieve your retirement goals. When the time comes, this capital may make all the difference between having an acceptable standard of living and being well-off.

Whether it's for your RRSP contributions or for contributions to non-registered savings plans, take advantage of the undeniable benefits of a pre-authorized chequing (PAC) plan. In a PAC plan, amounts are deducted from your bank account based on the frequency that you have selected (weekly, monthly or bimonthly), and are used to invest in your savings plans. This method, known as *dollar-cost averaging*, enables you to purchase fewer shares when prices are high and more shares when prices are low. In this way, you are assured of having a lower average cost per share. This systematic savings method also frees you from having to worry about saving every week or every month. Someone else will do it for you!

Your advisor has the tools necessary to calculate the retirement income generated by your savings.



5. RISKS TO WHICH YOU MIGHT BE EXPOSED

Financial planning for retirement cannot be done without taking into account certain risks beyond your control, but which may have a negative impact on the quality of life you would like to enjoy. Here are the main ones

5.1 Inflation

As a result of inflation, which consists of a continuous increase in prices, the level of income that would be sufficient to support your current lifestyle becomes less and less capable of supporting the same lifestyle over time. Between 1950 and 2001, the average annual inflation rate was 4.1%; it rose to over 12% in 1981.

Let's look at the amounts that will be needed in coming years to ensure the same purchasing power as a person would have with a current income of \$50,000.

Income required today: \$50,000			
	Average Annual Inflation Rate		
	2%	3%	4%
5 years	\$55,204	\$57,964	\$60,833
10 years	\$60,950	\$67,196	\$74,012
15 years	\$67,293	\$77,898	\$90,047
20 years	\$74,297	\$90,306	\$109,556
25 years	\$82,030	\$104,689	\$133,292
30 years	\$90,568	\$121,363	\$162,170

The above table clearly illustrates the absolute necessity of taking the effects of inflation into account when determining the amount of income that will be required during retirement, if the same purchasing power is to be maintained. Therefore, your portfolio should include investments with a higher potential yield than the inflation rate.

5.2 Longevity

Thanks to such factors as the adoption of a healthier lifestyle and advances in medicine, life expectancy continues to increase. Life expectancy corresponds to the average number of years of life remaining for a person at a specified age, if the current age-specific mortality rates prevail for the remainder of that person's life. According to statistics, 50% of Canadians will live longer than their life expectancy. You may live longer than you thought you would.

The risk of outliving your assets is associated with increased longevity. As well, health care costs may increase, and long-term care may eventually become a problem. This is what's known as survival risk.

Make sure your retirement plan enables you to be prepared for such events.

5.3 Critical Illness

Being afflicted with a critical illness is undoubtedly one of the worst risks that we may have to face. People who suffer from a critical illness often have to leave their job, experience a significant loss of income, and incur additional health care costs associated with medication, specialized treatments and devices, home renovations to increase accessibility, nursing care, etc. Being afflicted with a critical illness can turn our whole life upside down, as well as that of our family members. It can also jeopardize our retirement goals. Unless you have considerable savings, it is essential that you protect yourself by purchasing Critical Illness insurance.





6. DEVELOPMENT OF A SAVINGS STRATEGY

Once you have gone through the above steps, you will have a good rough idea of your retirement income, and you will be able to compare your foreseeable income and your estimated needs. You may be happy to know that you are well on your way to achieving your goals or even that you are exceeding them! In that case, you will have peace of mind in knowing that all you have to do is stay the course.

However, if you realize that your savings will not be sufficient, the target will be clear. It will be very useful for you to be able to determine exactly how much extra effort you will have to put into saving. You may also realize that you will have to wait a little longer before retiring or scale back your goals.

Given the limited number of years you have left before retirement, take advantage of all the resources at your disposal to help you use your earnings to save for retirement.

- › Review your budget and see where you can cut back.
- › Repay debts on personal-use property (mortgage, car loan, etc.) as quickly as possible.
- › Try to use up any unused RRSP and TFSA contribution room, and see how beneficial it is to have your savings grow sheltered from tax. Start as soon as possible, and if you make a lump sum payment, do it at the beginning of the year; if not, use a PAC plan. You should even consider borrowing to increase your contributions, and use your tax refund to repay the loan.

Example

John has \$70,000 in unused RRSP contribution room. This year, he has managed to save \$8,000. He borrows \$7,000 to increase his contribution to \$15,000. Since John has a marginal tax rate of 46.67%, he should be entitled to a tax refund of \$7,000 ($46.67\% \times \$15,000$), which he will use to repay his RRSP loan.

- › Through income splitting, you can significantly reduce the amount of income tax you pay at retirement. If your spouse earns less than you, he or she will probably have a lower retirement income. Contributions made to an RRSP on your spouse's behalf will be deductible from your income, but withdrawals on retirement will be taxable at a lower tax rate. Similarly, ask to have your CPP benefits split between you and your spouse.

Starting in the 2007 tax year, the federal government allows for income splitting between spouses from the following retirement plans: the pension from a pension plan such as an SPP and, if the individual is age 65 or older, withdrawals from a RRIF or a LIF. Don't forget to take advantage of it when the time comes!

- › Once you have used all your RRSP contribution room, turn your attention to TFSA and non-registered investment vehicles, and use easy methods such as PAC plans to help you build your savings.

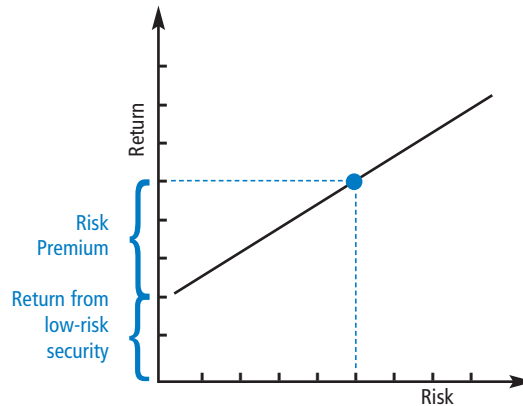


7. INVESTMENT EQUALS SAVINGS

Your hard-won savings now have to work for you. You need an investment strategy that reflects your personal situation, i.e. one that takes your risk tolerance and investment horizon into account.

7.1 Risk

The higher the risk, the higher the expected return (or potential loss). The risk-return relationship is based on the principle that a certain amount is paid to compensate for the risk assumed; the amount increases as the risk increases. However, it is generally in the long term that the potential return will be realized. In the meantime, it's better for you to know your risk tolerance level with regard to downturns in the market. The risk-return relationship is illustrated below.



7.2 Investment Horizon

In the short or medium term, investments may go through periods of low or even negative performance. This is where investment horizons come into play. If invested amounts are required in the fairly near future, there is hardly enough time left to allow your investments to catch up. For that reason, the thought to bear in mind is that the closer we get to retirement, the more "safe money" we should have in our portfolio.

Your investor profile is determined by your risk tolerance and by your investment horizon. Your investment profile must be your guide when establishing your portfolio. Investment products are divided among three broad asset classes:

- › Security
- › Income
- › Growth

Refer to the appendix for further details on the features of each of these classes and the main types of funds from which they are derived.

A well-diversified portfolio should contain a combination of these three classes, and the weighting should be suited to your needs. The portfolio should be reviewed on a regular basis to ensure that it continues to reflect your personal profile. Remember that diversification is the best way of protecting yourself from downturns in the market. The investment market is complex, so you need to have a good level of knowledge in order to be able to make wise choices that are well suited to your needs. Fortunately, through our wide range of Ecoflex investment funds, we are able to offer you a simple way of building a diversified portfolio that is well suited to your personal profile.

Ask an investment advisor to help you establish your investor profile and recommend products suited to your needs.

As you move closer to retirement, remember that it is important for you to keep your investments safe. The reason for this is, of course, that you have less and less time in which to recover from possible downturns in the market.



8. WHEN THE TIME COMES TO RETIRE

Since you are moving from an *accumulation* phase to a payout phase, you have to make choices when you retire. You must now use the money you have saved as retirement income. You have to make certain decisions about the various sources of income available, and you have to determine when and how to use them.

While certain sources of income (such as CPP and OAS) are always paid in the form of a pension, others require you to make a choice. Moreover, it is better to use certain types of savings first, while allowing others to continue working for you. In general, it is better for you to use your non-RRSP savings and leave the other savings to continue growing sheltered from tax.

At this stage, your portfolio may need to be rebalanced so that a portion of your investments produce short-term earnings that are sufficient to meet your needs.

8.1 Options Offered According to Types of Savings Plans

As previously indicated, Defined Benefit Pension Plan members receive their retirement income in the form of a life annuity.

Other plans offer certain choices, as indicated below:

8.1.1 Registered Retirement Income Fund (RRIF)

A RRIF is a vehicle used to disburse funds that have been transferred to it from an RRSP. An RRSP has to be converted to a RRIF by December 31 of the year in which the person reaches age 71. Investment income continues to grow sheltered from tax. However, since it is a disbursement plan, an annual minimum withdrawal is required by law. In principle, a full withdrawal may be made at any time; however, the amounts withdrawn would then be fully taxable the year the withdrawal is made.

8.1.2 Life Income Fund (LIF)

A LIF is a vehicle to which locked-in amounts are transferred from an SPP (other than a Defined Benefit Pension Plan or a Locked-In Retirement Account (LIRA)). It has several of the same features as a RRIF. The difference is that, in addition to a minimum withdrawal, there is a maximum withdrawal. The dual objective is to provide a lifetime income while preventing the pensioner from using up his or her savings too quickly.

8.1.3 Annuity

An annuity is a great choice for people who want to have the security of knowing in advance how much guaranteed income they will have, without having to worry about managing their savings. The retirement capital is transferred to a financial institution, which looks after managing it and which, through a contract, agrees to pay an income for the annuitant's lifetime or for a specific period. Depending on the source of the funds and on the choices the annuitant has made, the annuity may be fixed or indexed, it may have a guarantee period, it may be payable for a limited period, or it may be paid until death. The contract may provide for the annuity to be transferred to the annuitant's spouse on the annuitant's death.

IN SUMMARY Accumulation Plans	Retirement Options ¹
Defined Benefit Pension Plan	Life annuity
Defined Contribution Pension Plan	LIF or life annuity
Simplified Pension Plan	LIF or life annuity
Individual Pension Plan	Life annuity
Deferred Profit Sharing Plan	Full withdrawal, RRSP, RRIF or annuity
LIRA (or locked-in RSP)	LIF or life annuity
RRSP	RRIF, annuity or full withdrawal
TFSA	No restriction. Possibility of purchasing an annuity.
Non-registered plan	No restriction. Possibility of purchasing an annuity.

¹ It is possible and sometimes even beneficial to combine these options. For example, a portion of the capital can be used to purchase an annuity, which provides a regular income that can be used to cover fixed expenses. Any remaining funds can be transferred to a RRIF to be used for special projects.

On your mark,

Get set...

Certain life events are so important that they warrant a certain amount of time and effort. After working for many long years and after making all the sacrifices required by your career, it is only natural and legitimate to expect to be able to choose your lifestyle and to enjoy peace of mind, knowing that you have good financial security.


Good financial security is available to most of us, as long as we do enough to prepare for it. The same way an athlete works with a trainer to prepare for victory, you should benefit from the expertise of a professional financial advisor who can help you come up with a game plan that relates to your situation and can help you be a winner.

It is essential that you establish an achievable plan with goals that you will be able to reach. Review your portfolio periodically along the way to check and see if you are in line with your goals. If you realize that you are moving away from a goal that you had set for yourself, quickly adjust your aim.



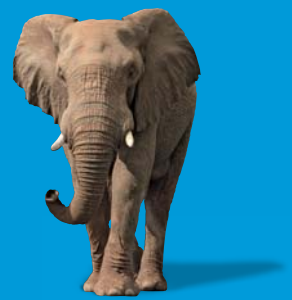
And, by all means... Go!

Appendix

ASSET CLASSES 		
<p>Security</p> <p>Objective: Capital protection Investment horizon: Short or medium term Risk tolerance: Low</p> <p>The assets in this class are the safest. They include term deposits, investment certificates with guaranteed capital, Treasury bills, bankers' acceptances, government bonds or bonds from large corporations.</p>	<p>Income</p> <p>Objective: Capital protection with growth potential Investment horizon: Medium term Risk tolerance: Medium</p> <p>This class includes fixed-income securities such as bonds, mortgage fund shares, preferred shares that pay a high dividend ratio, etc.</p>	<p>Growth</p> <p>Objective: Capital growth Investment horizon: Medium to long term Risk tolerance: Moderately high to high</p> <p>Growth securities are primarily composed of equities (or equity funds) of companies with superior growth potential.</p>



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CASE STUDY

MEG DAVIS

Age	45
Job	Translator
Gross income	\$45,000/year
Canada Pension Plan ¹ (CPP)	
› retirement at 60	\$6,200/year (in today's dollars)
› retirement at 65	\$8,000/year (in today's dollars)
Supplemental Pension Plan ² (SPP)	Yes, defined benefit plan, non-indexed
› projected annuity if retirement at 60	\$15,500/year based on her current income (in today's dollars)
› projected annuity if retirement at 65	\$18,000/year based on her current income (in today's dollars)
RRSP	No RRSP
Planned retirement age	60

¹ According to her latest CPP contribution statement
² According to her latest SPP contribution statement

Meg wants to retire at 60. To determine if she can, she must make the following calculations:

- 1 › Her expected income just prior to retirement age
- 2 › Her estimated retirement needs
- 3 › Her sources of retirement income
- 4 › Her future shortfall, as applicable
- 5 › The necessary savings, starting today, to cover this shortfall

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Let's see if Meg can retire at 60.



All future amounts are calculated on the basis of an annual inflation rate of 3%.

STEP 1

What will Meg's salary be at 60?

Current salary	Number of years	Inflation rate	Result
\$45,000	15	3%	\$70,109*

* $\$45,000 \times (1 + 0.03)^{15} = \$70,108.53$

STEP 2

What are her estimated retirement needs?

Projected salary at retirement	Income replacement rate	Result
\$70,109	70%	\$49,076

STEP 3

What are her expected sources of retirement income?

CPP (according to her contribution statement)

Projected pension at 60	Number of years	Inflation rate	Result
\$6,200	15	3%	\$9,659 ¹

Defined benefits Supplemental Pension Plan

Projected pension at 60	Number of years	Inflation rate	Result
\$15,500	15	3%	\$24,148 ²

¹ $\$6,200 \times (1 + 0.03)^{15} = \$9,659.40$

² $\$15,500 \times (1 + 0.03)^{15} = \$24,148.49$

Total expected income at retirement

Income at 60		Income at 65	
CPP	\$9,659	CPP ($\$9,659 \times (1 + 0.03)^5$)	\$11,197
OAS	\$0 ¹	OAS	\$11,362 ²
SPP ($\$15,500 \times (1 + 0.03)^{15}$)	\$24,148	SPP ($\$15,500 \times (1 + 0.03)^{20}$)	\$27,995
Expected annual income	\$33,807	Expected annual income	\$50,554

¹ The OAS is not paid until age 65.

² Value of the projected annual pension in 20 years (at 65), based on an inflation rate of 3%:
 $(\$524.23^{**} \times 12) \times (1 + 0.03)^{20} = \$11,361.81$

** The amount of \$524.23 is the one in effect for the January-March 2011 quarter and is subject to change every quarter. You can obtain up-to-date amounts at the following website:
<http://www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml>

Meg compares her expected annual income with her estimated needs

At 60		At 65	
Estimated needs	\$49,076	Estimated needs	\$56,893 ¹
	Less		Less
Expected annual income	\$33,807	Expected annual income	\$50,554
Shortfall	\$15,269	Shortfall	\$6,339

¹Estimated needs at 65 = $49,076 \times (1 + 0.03)^5 = \$56,892.53$

What additional amount must Meg save annually to meet her financial goals at 60?

Answering this question requires calculations that combine several variables. Consideration must be given to the return on her accumulated annual savings and the rate of inflation (since each dollar saved today will lose value over time). Also, since the length of retirement depends on age at death and this information is not known, the calculation is based on life

expectancy (e.g. 45 year-old, non-smoker, female: 83 years).

The following table presents the factors that combine these three elements and enables calculation of the fixed annual savings needed to cover the shortfall for the duration of retirement.

Discount Factors*

Current age	Retirement at 60				Retirement at 65	
	Man 60-64	Woman 60-64	Man 65 +	Woman 65 +	Man	Woman
20	33.86	33.48	12.07	10.32	16.62	14.20
25	24.32	24.04	8.67	7.41	12.07	10.32
30	17.19	17.00	6.13	5.24	8.67	7.41
35	11.86	11.73	4.23	3.61	6.13	5.24
40	7.88	7.79	2.81	2.40	4.23	3.61
45	4.91	4.85	1.75	1.49	2.81	2.40
50	2.68	2.65	0.96	0.82	1.75	1.49
55	1.02	1.01	0.36	0.31	0.96	0.82
60	-	-	-	-	0.36	0.31

*Rate of return: 6%. Rate of inflation: 3%. Mortality: Actuarial analysis of the Canada Pension Plan as at December 31, 2003.

To use this table, Meg must locate "45" in the *Current age* column. To provide for the additional income required between ages 60 and 65, she must locate the corresponding factor in the Retirement at 60 – Woman 60-64 column. Answer: 4.85. To provide for the additional income she expects to need

after 65, she must locate the corresponding factor in the Woman 65 + column. Answer: 1.49. She then divides the additional income required for each period by the appropriate factor and she obtains the amount she must annually save to meet her financial goals at 60.

Between 60 and 65		After 65	
Shortfall	\$15,269	Shortfall	\$6,339
	÷		÷
Discount factor*	4.85	Discount factor*	1.49
Additional annual savings	\$3,148	Additional annual savings	\$4,254
Additional annual savings to enable Meg to meet her retirement goals at 60: $\$3,148 + \$4,254 = \$7,402$			

*Choose the factor corresponding to the age closest to the current age.

Meg Davis must save an additional \$7,402 per year for the next 15 years if she wants to meet her retirement financial goals.



Now let's see what happens if Meg works until 65.



STEP 1

What will Meg's salary be at 65 (presumed inflation rate of 3%)?

Current salary	Number of years	Inflation rate	Result
\$45,000	20	3%	\$81,300*

* $\$45,000 \times (1 + 0.03)^{20} = \$81,275.01$

STEP 2

What are her estimated retirement needs?

Projected salary at retirement	Income replacement rate	Result
\$81,300	70%	\$56,900

STEP 3

What are her expected sources of retirement income?

CPP (according to her contribution statement)

Projected pension at 65	Inflation rate	Result
\$8,000	3%	\$14,400*

* $\$8,000 \times (1 + 0.03)^{20} = \$14,448.89$

Supplemental Pension Plan (SPP)

Projected pension at 65	Inflation rate	Result
\$18,000	3%	\$32,500*

* $\$18,000 \times (1 + 0.03)^{20} = \$32,510$

Total expected income at retirement	
Income at 65	
CPP (indexed at 3%)	\$14,400
OAS	\$11,362*
SPP	\$32,500
Expected annual income	\$58,262

*Value of the annual pension in 20 years: $(\$524.23 \times 12) \times (1 + 0.03)^{20} = \$11,361.81$

Meg compares her expected annual income with her estimated needs

Estimated needs	\$56,900
	Less
Expected annual income	\$58,262
Surplus	\$1,362

If Meg delays retirement until 65, all of her financial goals will be met. However, we must not lose sight of the devastating effect of inflation. Although the Canada Pension Plan and the Old Age Security Plan tie their pensions to the consumer price index, Meg is greatly disadvantaged by the fact that her Supplemental Pension Plan is not indexed.

Since her purchasing power will continue to erode over time, it is crucial she plan for additional savings to compensate for this recurrent loss.

With an annual, non-indexed pension of \$32,500, here is how her income shortfall can increase over the years with respect to a pension that is indexed at 3% per year.

Year	Age	Indexed pension	Annual shortfall	Year	Age	Indexed pension	Annual shortfall
0	65	\$32,500	\$0	10	75	\$43,677	\$11,177
1	66	\$33,475	\$975	11	76	\$44,988	\$12,488
2	67	\$34,479	\$1,979	12	77	\$46,337	\$13,837
3	68	\$35,514	\$3,014	13	78	\$47,727	\$15,227
4	69	\$36,579	\$4,079	14	79	\$49,159	\$16,659
5	70	\$37,676	\$5,176	15	80	\$50,634	\$18,134
6	71	\$38,807	\$6,307	16	81	\$52,153	\$19,653
7	72	\$39,971	\$7,471	17	82	\$53,718	\$21,218
8	73	\$41,170	\$8,670	18	83	\$55,329	\$22,829
9	74	\$42,405	\$9,905	19	84	\$56,989	\$24,489

This table shows the extent to which Meg's income will increasingly fall below her goal. After just 10 years, she will have a shortfall of almost \$10,000 in providing for her annual lifestyle.

A little financial number-crunching enables us to calculate that to counterbalance the effect of inflation and maintain her lifestyle until 84 (which is her life expectancy), Meg should save \$2,941 (details of the calculation appended) per year for the next 20 years. This amount represents a minimum, since Meg has a 50/50 likelihood of living beyond her life expectancy.

Never having contributed to her RRSP, Meg has significant unused contributions available. She would be well-advised to enlist the help of a financial planner who can help her establish a good financial plan that gives her all the tools she needs to achieve her goals.

Her financial planner could, for example:

- › Help her establish clear, achievable goals;
- › Review her budget with her, to help her increase her annual savings;
- › Enable her to benefit from several helpful financial strategies, such as:
 - › Sign up for a direct debit plan;
 - › Contribute the maximum to her RRSP;
 - › Use an RRSP line of credit;
- › Advise her on good investments suited to her personal situation;
- › Ensure that she is well-protected against setbacks in life that could threaten her retirement goals (illness, accident);
- › Regularly review things with her to ensure that her financial situation stays in line with her goals.

STEP 4

CONCLUSION

Thanks to help from her financial planner, and provided Meg makes the effort, she could come close to attaining her first goal, i.e. retiring at 60.

One thing is certain. At 45, Meg must review her financial situation with respect to her retirement goals and make the necessary effort to adequately prepare.

APPENDIX



Calculation of the annual savings necessary over the next 20 years to counterbalance the effect of inflation on the SPP income

Note:

- › Discount factor = V^D
where $V^D = (1 + r)^{-D}$
here $V^D = (1 + 0.06)^{-20} = 0.311805$
- › The calculations are based on payments being made at the start of the period.

Current age	45 years	(A)
Retirement age	65 years	(B)
Income at 65	\$32,500	(C)
Duration of income	20 years	(D)
Interest	6 %	(r)
Inflation	3 %	(inf)

Calculations

Funds required at retirement age for an income of \$32,500 for 20 years (E):

$$E = C \times (1 - v^D) \times (1 + r) / r$$

$$E = 32,500 \times (1 - 0.311805) \times (1.06 / 0.06)$$

$$E = \$395,138.79$$

Annual savings required (F):

$$u = [(1 + r)^D - 1] \times [(1 + r) / r]$$

$$u = [(1 + 0.06)^{20} - 1] \times [(1 + 0.06) / 0.06]$$

$$u = 38.99$$

$$F = E / u$$

$$F = \$395,138.79 / [(1 + 0.06)^{20} - 1] \times [(1 + 0.06) / 0.06]$$

$$F = \$10,133.65$$

Capital required at 65 to compensate for inflation over 20 years (G):

$$w = (1 + \text{inf}) / (1 + r)$$

$$w = (1 + 0.03) / (1 + 0.06) = 0.971698$$

$$y = C \times (1 + \text{inf}) \times (1 - w^D) / [(1 + r) \times (1 - w)]$$

$$y = \$32,500 \times (1 + 0.03) \times (1 - 0.971698^{20}) / [(1 + 0.06) \times (1 - 0.971698)]$$

$$y = \$487,447.31$$

$$z = C \times (1 - v^D) / r$$

$$z = 32,500 \times (1 - 0.311805) / 0.06$$

$$z = \$372,772.44$$

$$G = y - z$$

$$G = \$487,447.31 - \$372,772.44$$

$$G = \$114,674.87$$

Annual savings required (H):

$$H = (y - z) / u$$

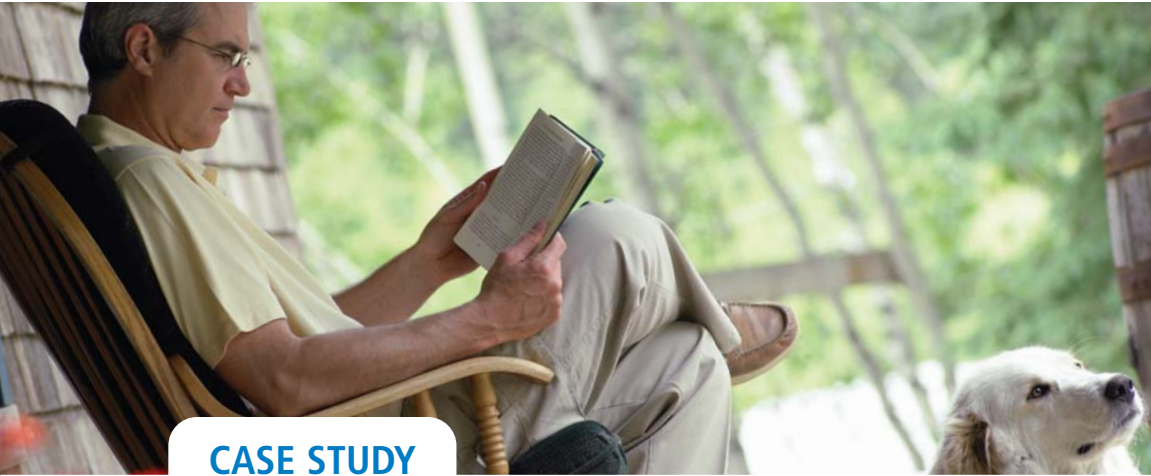
$$H = (\$487,447.31 - \$372,772.44) / 38.99$$

$$H = \$2,941.14$$

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CASE STUDY

PAUL COLE

Age	55
Job	Mechanic
Gross income	\$55,000/year
Canada Pension Plan ¹ (CPP)	
› retirement at 60	\$8,225/year (in today's dollars)
› retirement at 65	\$13,620/year (in today's dollars)
Supplemental Pension Plan (SPP)	No
RRSP	\$100,000
Annual RRSP contributions	\$3,000
Planned retirement age	60

¹ According to his latest CPP contribution statement

Paul wants to retire at 60. To determine if he can, he must make the following calculations:

- 1 › His expected income just prior to retirement age
- 2 › His estimated retirement needs
- 3 › His sources of retirement income
- 4 › His future shortfall, as applicable
- 5 › The necessary savings, starting today, to cover this shortfall

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Let's see if Paul can retire at 60.



All future amounts are calculated on the basis of an annual inflation rate of 3%.

STEP 1

What will Paul's salary be at 60?

Current salary	Number of years	Inflation rate	Result
\$55,000	5	3%	\$63,760*

* $\$55,000 \times (1 + 0.03)^5 = \$63,760.07$

STEP 2

What are his estimated retirement needs?

Projected salary at retirement	Income replacement rate	Result
\$63,760	70%	\$44,632

STEP 3

What are his expected sources of retirement income?

First, we must evaluate the value of Paul's RRSP at 60.

- The value of the amount of \$100,000 already accumulated is projected over 5 years:
 $\$100,000 \times (1 + 0.06)^5 = \$133,823$ (assuming a return of 6%).
- The supplemental amount obtained is calculated based on the annual contributions Paul will make in the next five years:

Year	Contribution	Start of year	Return	End of year
1	\$3,000	\$3,000	6%	\$3,180
2	\$3,000	\$6,180	6%	\$6,551
3	\$3,000	\$9,551	6%	\$10,124
4	\$3,000	\$13,124	6%	\$13,911
5	\$3,000	\$16,911	6%	\$17,926

3 The two results are added, i.e. $\$133,823 + \$17,926 = \$151,749$, then the annual retirement income generated by this amount is calculated. The following table can be used to calculate the future income that can be obtained from a specified amount of savings.

Pension Factors*

Current age	Retirement at 60		Retirement at 65	
	Man	Woman	Man	Woman
20	1.45	1.66	0.93	1.08
25	1.94	2.22	1.24	1.45
30	2.60	2.97	1.66	1.94
35	3.48	3.98	2.22	2.60
40	4.65	5.32	2.97	3.47
45	6.23	7.12	3.97	4.65
50	8.33	9.53	5.32	6.22
55	11.15	12.75	7.11	8.32
60	14.92	17.07	9.52	11.14

* Rate of return: 6%. Rate of inflation: 3%. Mortality: Actuarial analysis of the Canada Pension Plan as at December 31, 2003. The capital is exhausted at expected age of death according to life expectancy.

To use this table, Paul must locate "55" in the *Current age* column. He must then locate the corresponding factor in the Retirement at 60 - Man. Answer: 11.15. He then

divides the amount of the RRSP by this factor to obtain the annual income that will be indexed annually at the rate of 3%: $\$151,749 \div 11.15 = \$13,610$

Total expected income at retirement

Income at 60		Income at 65	
CPP $8,225 \times (1 + 0.03)^5$	\$9,535	CPP $8,225 \times (1 + 0.03)^{10}$	\$11,054
OAS	\$0 ¹	OAS	\$8,454 ²
RRSP	\$13,610	RRSP $13,610 \times (1.03)^5$	\$15,778
Expected annual income	\$23,145	Expected annual income	\$35,286

¹ The OAS is not paid until 65

² Value of the projected annual pension in 10 years: $(\$524.23 \times 12) \times (1 + 0.03)^{10} = \$8,454.26$

*The amount of \$524.23 is the one in effect for the January-March 2011 quarter and is subject to change every quarter. You can obtain up-to-date amounts at the following website: <http://www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml>

Paul compares his expected annual income with his estimated needs

At 60		At 65	
Estimated needs	\$44,632	Estimated needs	\$51,741*
	Less		Less
Expected annual income	\$23,145	Expected annual income	\$35,286
Shortfall	\$21,487	Shortfall	\$16,455

*Estimated needs at 65: $44,632 \times (1 + 0.03)^5 = \$51,740.72$





What additional amount must Paul save annually to make up his shortfall and meet his financial goals at 60?

Answering this question requires calculations that combine several variables. Consideration must be given to the return on his accumulated annual savings and the rate of inflation (since \$1 saved today will lose value over time). Also, since the length of retirement depends on age at death and this information is not known, the calculation is based on life expectancy (e.g. 55 year-old, non-smoker, male: 80 years).

The following table presents the factors that combine these three elements and enables calculation of the fixed annual savings needed to cover the shortfall for the duration of retirement.

Discount Factors*

Current age	Retirement at 60				Retirement at 65	
	Man 60-64	Woman 60-64	Man 65 +	Woman 65 +	Man	Woman
20	33.86	33.48	12.07	10.32	16.62	14.20
25	24.32	24.04	8.67	7.41	12.07	10.32
30	17.19	17.00	6.13	5.24	8.67	7.41
35	11.86	11.73	4.23	3.61	6.13	5.24
40	7.88	7.79	2.81	2.40	4.23	3.61
45	4.91	4.85	1.75	1.49	2.81	2.40
50	2.68	2.65	0.96	0.82	1.75	1.49
55	1.02	1.01	0.36	0.31	0.96	0.82
60	-	-	-	-	0.36	0.31

*Rate of return: 6%. Rate of inflation: 3%. Mortality: Actuarial analysis of the Canada Pension Plan as at December 31, 2003.

To use this table, Paul must locate "55" in the *Current age* column. To provide for the additional income required between ages 60 and 65, he must locate the corresponding factor in the Retirement at 60 – Man 60-64 column. Answer: 1.02. To provide for the additional income he expects to need after 65,

he must locate the corresponding factor in the Man 65 + column. Answer: 0.36. He then divides the additional income required for each period by the appropriate factor and he obtains the amount he must annually save to meet his financial goals at 60.

Between 60 and 65		After 65	
Shortfall	\$21,487	Shortfall	\$16,455
	÷		÷
Discount factor*	1.02	Discount factor*	0.36
Additional annual savings	\$21,066	Additional annual savings	\$45,708
Additional annual savings to enable Paul to meet his retirement goals at 60: \$21,066 + \$45,708 = \$66,774			

*Choose the factor corresponding to the age closest to the current age.

Paul Cole must save an additional \$67,099 per year for the next 5 years if he wants to meet his retirement financial goals. This is more than his annual income! Mr. Cole will probably not be able to save such amounts. He will have to consider waiting until he is 65 to retire, and perhaps even lower his income goals.



Now let's see what happens if Paul works until 65.



STEP 1

What will Paul's salary be at 65?

Current salary	Number of years	Inflation rate	Result
\$55,000	10	3%	\$73,915*

* $\$55,000 \times (1 + 0.03)^{10} = \$73,915.40$

STEP 2

What are his estimated retirement needs?

Projected salary at retirement	Income replacement rate	Result
\$73,915	70%	\$51,741

STEP 3

What are his expected sources of retirement income?

First, we must evaluate the value of Paul's RRSP at 65.

- The value of the amount of \$100,000 already accumulated is projected over 10 years:
 $\$100,000 \times (1 + 0.06)^{10} = \$179,084.77$ (assuming a return of 6%).
- The supplemental amount obtained is calculated based on the annual contributions Paul will make in the next ten years:

Year	Contribution	Start of year	Return	End of year
1	\$3,000	\$3,000	6%	\$3,180
2	\$3,000	\$6,180	6%	\$6,550.80
3	\$3,000	\$9,550.80	6%	\$10,123.85
4	\$3,000	\$13,123.85	6%	\$13,911.28
5	\$3,000	\$16,911.28	6%	\$17,925.96
6	\$3,000	\$20,925.96	6%	\$22,181.51
7	\$3,000	\$25,181.51	6%	\$26,692.40
8	\$3,000	\$29,692.40	6%	\$31,473.95
9	\$3,000	\$34,473.95	6%	\$36,542.38
10	\$3,000	\$39,542.38	6%	\$41,914.93

- The two results are added, i.e. $\$179,085 + \$41,915 = \$221,000$, then the annual retirement income generated by this amount is calculated.
- Using the *Pension factors* table (page 3), Paul locates the factor corresponding to his current age in the Retirement at 65 – Man. Answer: 7.11. He then divides the amount of the RRSP by this factor and obtains the annual income that will be indexed at the annual rate of 3%, i.e. $\$221,000 \div 7.11 = \$31,082.98$

Total expected income at retirement

Income at 65	
CPP \$13,620 x (1.03) ¹⁰	\$18,304
OAS	\$8,454 ¹
RRSP	\$31,083
Expected annual income	\$57,841

¹ Value of the projected annual pension in 10 years: $(\$524.23 \times 12) \times (1 + 0.03)^{10} = \$8,454$

Paul compares his expected annual income with his estimated needs

Estimated needs	\$51,741
	Less
Expected annual income	\$57,841
Surplus	\$6,100

As we can see, if Paul waits until 65 to retire, he will meet his financial goals. He can even expect a small surplus. Of course, he must ensure he contributes \$3,000 to his RRSP every year.

However, we must not overlook the fact that the calculation of income from his RRSP anticipates his capital will be exhausted at the age corresponding to his life expectancy, i.e. at 80. It would no doubt be sensible for Paul to step up his savings effort, since he has a 50/50 likelihood of exceeding his life expectancy.

He would be well-advised to enlist the help of a financial planner who can help him establish a good financial plan that gives him all the tools he needs to achieve his goals.

His financial planner could, for example:

- › Help him establish clear, achievable goals;
- › Review his budget with him to help him increase his annual savings;

- › Enable him to benefit from several useful financial strategies, such as:
 - › Sign up for a direct debit plan;
 - › Use all of his RRSP contribution room.
- › Use an RRSP line of credit;
- › Once the RRSP is maximized, invest savings in a Tax-Free Savings Account (TFSA);
- › Once the RRSP and the TFSA are maximized, invest savings in non-registered investments;
- › Advise him on good investments suited to his personal situation;
- › Ensure that he is well-protected against setbacks in life that could threaten his retirement goals (illness, accident);
- › Regularly review things with him to ensure that his financial situation stays in line with his goals.

STEP 4

CONCLUSION

Thanks to help from his financial planner, and provided Paul manages to substantially increase his annual savings, he could come close to attaining his first goal, i.e. retiring at 60.

One thing is certain. At 55, Paul must review his financial situation and, if necessary, double-up on savings to guarantee a retirement that meets his goals.

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