

PLAN FOR
RETIREMENT
NOW

WELCOME



Why do I need to plan for retirement?

1 longer life expectancy

2 maintaining lifestyle

3 protection against uncontrollable events

WE'LL DISCUSS

how much you'll need for retirement

sources of income at retirement

how to protect your retirement fund

importance of having a financial plan

PLANNING FOR RETIREMENT

**What does your
retirement
lifestyle
look like?**



PHASES OF RETIREMENT

When people age, needs, wants, and dreams will change.



Spending often shifts from leisure to health care

What percentage of your working income will you need at retirement?

70%

“You’ll need at least **70%** of your pre-retirement income to maintain your lifestyle in retirement.”

50%

“Most retirees only need **50%** of their pre-retirement income to live comfortably.”

100%

“If you plan to travel, you may need **100%** or more of your pre-retirement income to live your dreams in retirement.”

YOUR EXPENSES IN YOUR RETIREMENT

Expenses that will likely stay the same
(keeping in line with inflation)

Groceries, property taxes, homeowner's insurance, utility bills, rent, vehicle, life insurance

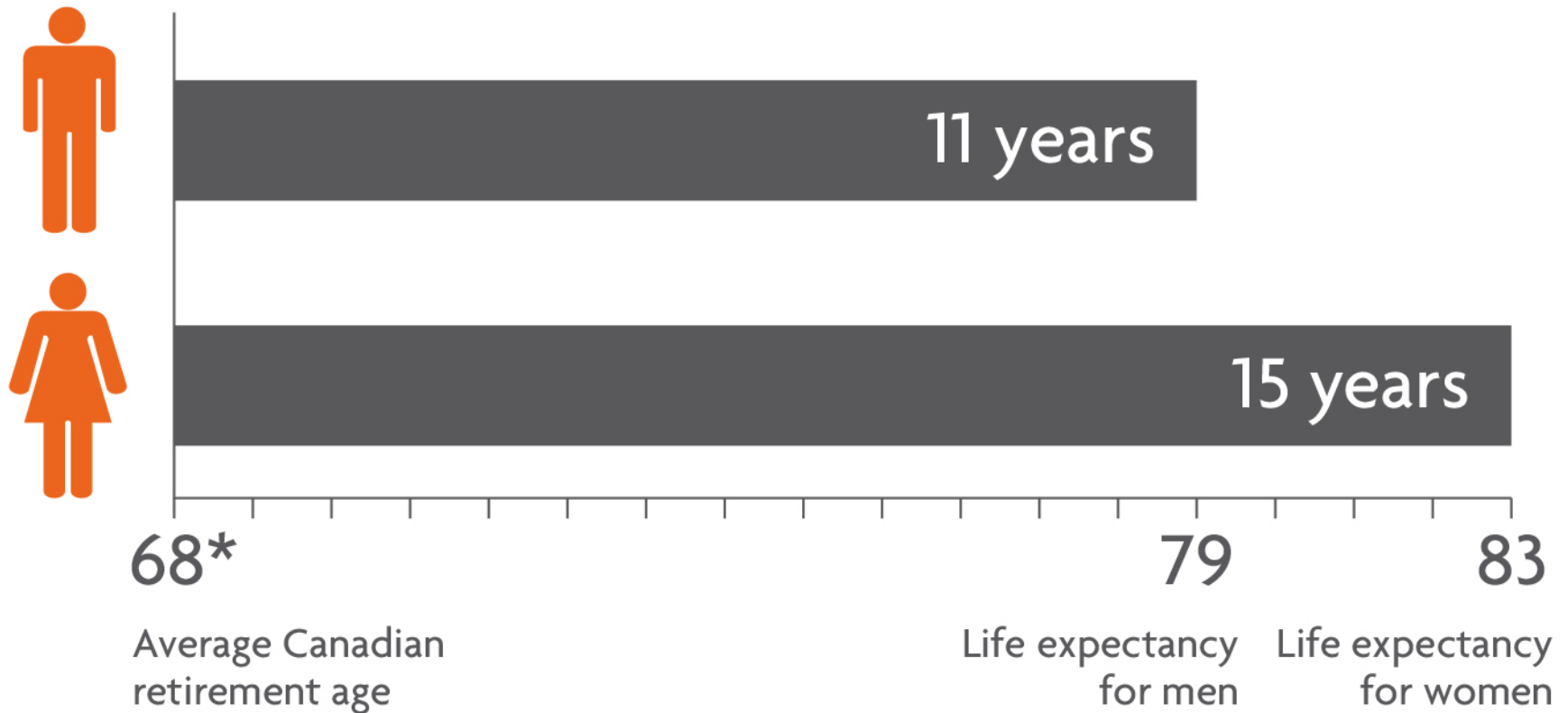
Expenses that will likely decrease

Mortgage, savings for retirement, savings for pension plan, no CPP/QPP, EI payments, commuting/parking, work-related expenses, taxes

Expenses that will likely increase

Hobbies, entertainment, travel, health care

Number of years in retirement



Sources : Statistics Canada 2011 & the 2012 Sun Life Canadian Unretirement Index Report

DON'T FORGET INFLATION!

Income Replacement



groceries



daily coffee



car



home

2012	\$100	\$1.60	\$25,000	\$369,677
2035	\$157	\$2.52	\$39,000	\$582,943

Assumes 2% inflation rate

Source: Bank of Canada, 2012, www.bankofcanada.ca/rates/related/inflation-calculator/

SOURCES OF INCOME AT RETIREMENT

**Where will my
retirement
money come
from?**



SOURCES OF INCOME AT RETIREMENT

GOVERNMENT

CPP/QPP/OAS/GIS/allowance

PRIMARY

Company retirement program
Personal RRSP

SECONDARY

Home/rental property
Other savings

RETIREMENT PLANNING PYRAMID



Income solutions

Retirement needs

Protection solutions

GOVERNMENT PROGRAMS

CPP/QPP

OAS

GIS

Eligibility

Age 60 or older
Made a contribution

Age 65 or older
Lived in Canada for at least 10 years after reaching age 18
Canadian citizen or legal resident

Must be receiving OAS and have an income less than \$16,368 (single) or \$21,648 (couple)

Payments

Based on how much and how long you contributed

Based on how long you lived in Canada as a Canadian citizen or legal resident

Only available for low income Canadians

NEWS ON OAS & CPP RULES

OAS

Age for OAS eligibility to be gradually increased from 65 to 67 starting April 2023

CPP

- No work interruption
- Employees under 65: Employers must deduct CPP contributions
- Employees between 65 & 70: Employee election
- Employees 70+: No CPP deductions permitted
- Higher penalty for early application

**Payments (2012)

CPP/QPP

OAS

GIS

**Maximum
monthly
payment**

\$986.67

\$544.98

\$738.96

**Average
monthly
payment**

\$529.00

\$514.74

\$493.70

***Government will index some of the above amounts quarterly according to inflation.*

For more information: 1-800-277-9914 Source: www.hrdc-drhc.gc.ca

**Primary
sources
of income**



Your employer savings plan

who is eligible

when can you join

contributions

vesting

What is an RRSP?

RRSP = Registered Retirement Savings Plan

- savings plan that is registered with the Canada Revenue Agency
- contributions are 100% **tax deductible**
- gains are **tax deferred** until funds are withdrawn
- each dollar withdrawn is included as income

What is an RRSP?

GUARANTEED
INVESTMENT
CERTIFICATES

SEGREGATED
FUNDS

ETC...

SAVINGS BONDS

BANK ACCOUNTS

MUTUAL FUNDS

STOCKS



Why enrol in a **group RRSP?**

convenience

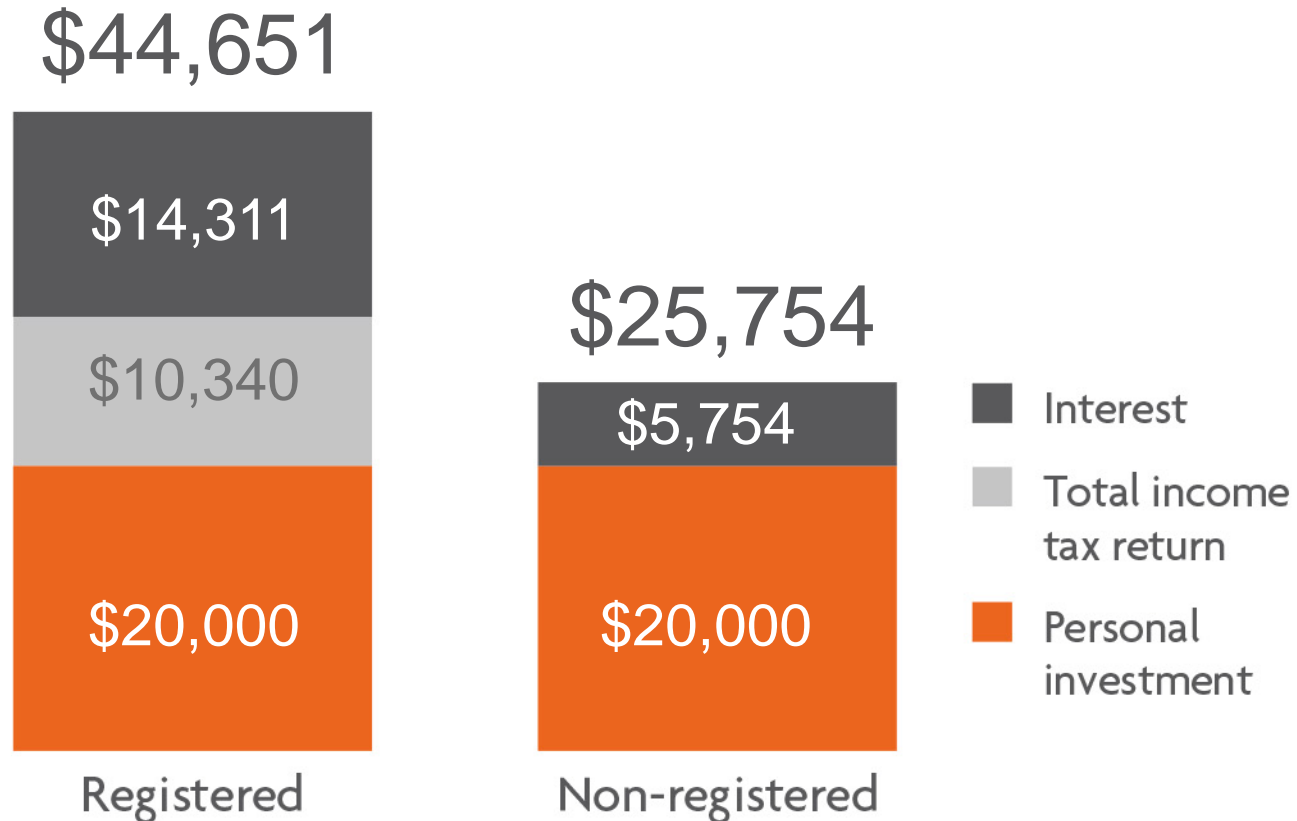
RRSP may provide tax savings

diversification

lower management fees

Take advantage of RRSPs

\$2,000 per year for 10 years



Annual deposit of \$2,000 in a registered and a non-registered investment for 10 years. □ Reinvesting the tax return in the registered – Interest taxable at 100% in the non-registered - □ 35% income tax rate - ROI of 7%.

Your RRSP limits

Lesser of 18% of previous year's earnings or \$22,970 (2012)

— Pension adjustment (PA)



+ Unused RRSP room (if any)

The “spousal RRSP”

- the contributor receives the tax deduction
- subject to RRSP limit of contributor
- registered under the lower-income spouse’s name
- helps balance retirement income between spouses to minimize tax upon retirement
- caution - the 3 year rule

**Secondary
sources
of income**



Real estate



Other savings

tax-free savings account

non-registered savings

stocks

artwork, collections

cash surrender value or investments
within a life insurance policy

TFSA

Tax-Free Savings Account

Canadian residents 18 or older can contribute to a TFSA

- in provinces or territories where the age of majority is 19, accumulation of contribution room will start at age 18 but they can't open a TFSA until age 19

while invested in the plan, your money grows without paying taxes

current contribution room limit is \$5,000 per year

- the contribution room can be carried over indefinitely if you don't use it

Permanent life insurance: an investment vehicle



Protecting your retirement fund



You have been diagnosed with cancer.

Provincial health care will cover the cost of treatment, but there is a long waiting list in Canada. A new experimental drug is now available, but the cost is \$50,000 and it is not covered by the provincial health care plan.

You have this amount in your RRSP.

What do you do?

A life saving treatment of **\$50,000** at age 49 will have cost you **\$386,968** in retirement savings at age 69.

There are ways of protecting your retirement savings
Talk to your advisor!

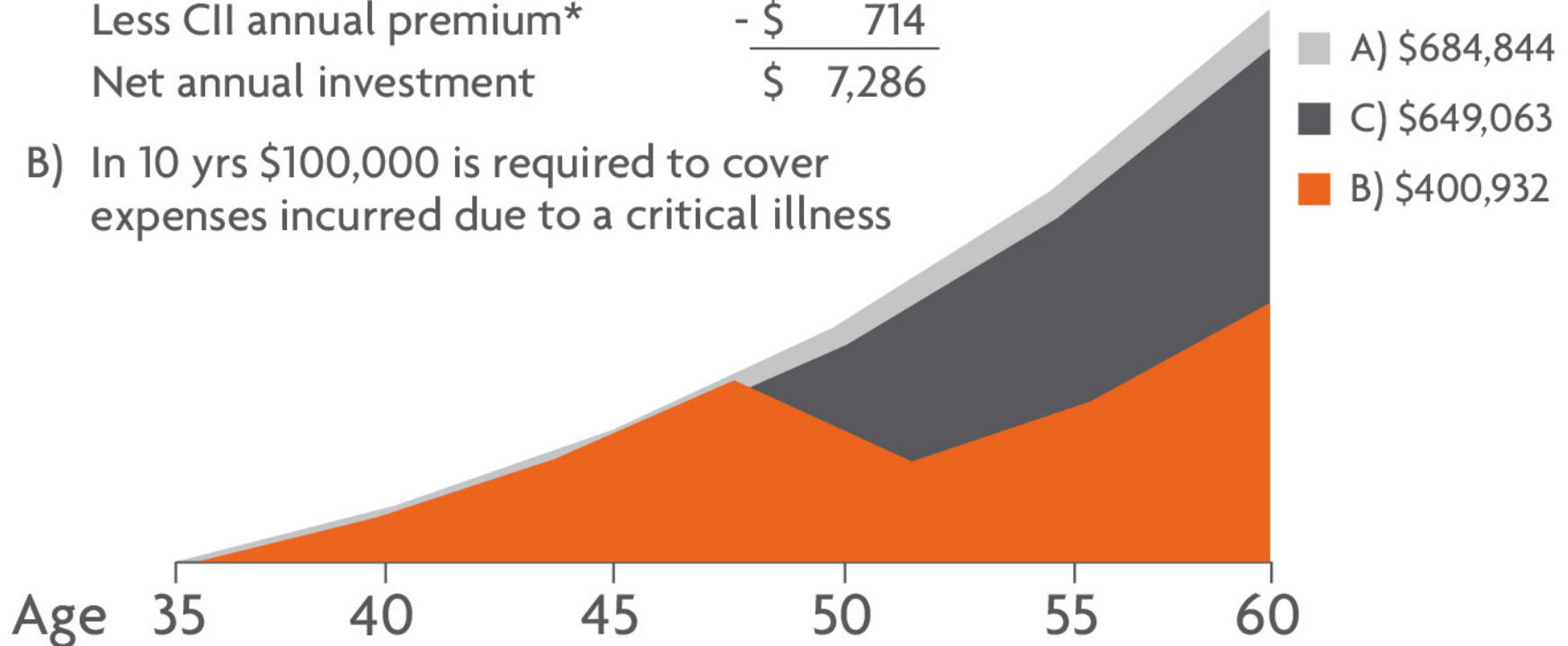
*\$50,000 (after taxes) corresponds to a RRSP withdrawal of \$100,000
Annual investment of \$5,000 from age 29 to 69, annual interest of 7%*

Using your savings is expensive

A) Annual investment \$8,000, assume 5% annual return

C) Annual investment	\$ 8,000
Less CII annual premium*	- \$ 714
Net annual investment	\$ 7,286

B) In 10 yrs \$100,000 is required to cover expenses incurred due to a critical illness



* Sun CII T100 for 5-year-old daughter, \$100,000 with ROPC

KEY POINTS COVERED TODAY

- how much you'll need when you retire
- sources of income when you retire
- ways to protect your retirement fund
- importance of having a retirement plan

THE NEXT STEPS

Questions

Putting your plan
into action

- How I can help

Feedback forms

