MAKING RETIREMENT WORK
Planning for your lifestyle

You in Retirement
What Changes?
Ingredients of a Successful Retirement

Planning for your financial future

Set a Retirement Income Target
Identify Sources of Income
Determine Savings Required
Invest Your Money

Action Plan

Q&A
PLANNING FOR YOUR LIFESTYLE
How do you perceive retirement?

What about retirement sounds good to you?

What about retirement worries you?

What do you think you might miss most about your working life?
WHAT CHANGES?

Finances
• Take charge
• Monitor regularly

Health
• Physical
• Mental

Lifestyle
• Purpose & fulfillment
• Activities

Relationships
• Social life
• Boundaries
WHAT CHANGES?

PURPOSE & FULFILLMENT

▸ Look inward:
  ▸ Who am I?
  ▸ What gives meaning to my life?

▸ Take stock of what gives you the greatest satisfaction at work and leisure
  ▸ What keeps your brain sharp?
  ▸ What are your most satisfying social interactions?
  ▸ How do you keep your body healthy?
  ▸ What activities make you feel useful and needed?
  ▸ What would you miss most about leaving work?

Seek to replicate these conditions in retirement
A NEW BEGINNING

▸ ...not an end to your working life!

Have realistic expectations

▸ Do your homework to identify and prepare for the changes you may encounter.

Stay as healthy as you can

▸ Look for ways to protect your health.

Identify what gives you satisfaction at work

▸ Replicate these factors into conditions or activities in retirement.

Recognize that the transition to retirement is a process that takes time

▸ Give yourself time and permission to go through that process.
PLANNING FOR YOUR FINANCIAL FUTURE
SET A RETIREMENT INCOME TARGET: STEP 1

Creating a Budget

- T-4 slip or pay stub
- RRSP/TFSA contribution receipt
- Property taxes
- Vehicle insurance
- Utilities/Cable/Phone Bills
- Notice of Tax Assessment

<table>
<thead>
<tr>
<th>Categorize...</th>
<th>Create...</th>
<th>Divide...</th>
<th>Monitor and Adjust...</th>
</tr>
</thead>
<tbody>
<tr>
<td>...all your current expenses, including income tax and payroll deductions, and list them all. The grand total of all expenses should add up to your gross income.</td>
<td>...a retirement budget, identify expenses that will be lower, higher or entirely disappear compared to now.</td>
<td>...your anticipated retirement expenses into three categories: Must Have, Nice to Have and Luxury to Have, so you know where the trade offs, if any, need to be.</td>
<td>...your budget throughout your retirement years as the pattern of your spending may change over time.</td>
</tr>
</tbody>
</table>

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RetirementWorks
financial education | pension governance
# Sample Budget

<table>
<thead>
<tr>
<th></th>
<th>Current Actual (Annual $)</th>
<th>Anticipated in Retirement (Annual $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>You</td>
<td>Your Spouse</td>
</tr>
<tr>
<td>Gross Income</td>
<td></td>
<td>$125,000</td>
</tr>
<tr>
<td>Income Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Employment insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Canada Pension Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Union dues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Life insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Medical insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Workplace</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• RRSP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• TFSA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• RESP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Non-registered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing (Principal and Secondary)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>$125,000</td>
<td></td>
</tr>
<tr>
<td>Gross Income Minus Grand Total</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>
SET A RETIREMENT INCOME TARGET: LAST STEP

BEFORE RETIREMENT

Gross income $125,000

Disposable Income $84,000

Taxes $30,000

Savings $7,000

Payroll deductions $4,000

(68%)

AFTER RETIREMENT

Gross income $85,000

Disposable Income $67,000*

Taxes $18,000

(80%)

*Based on an individual’s budget or target income
IDENTIFY SOURCES OF INCOME

▸ Government Plans
  CPP, OAS, GIS

▸ Workplace Plans
  Registered pension plans, Group RRSPs, Savings programs

▸ Personal Plans
  RRSPs, TFSA, non-registered savings, Employment

$15,000 ➔ $70,000

TOTAL

$15,000

$70,000

RETIREMENT INCOME
DETERMINE SAVINGS REQUIRED

▸ A really simplistic starting point ...
  ▸ Save 25x the retirement income you need
  ▸ 25 x $70,000 ➞ Save $1,750,000

WHY?!

▸ Earn 4% investment return every year and your money can last forever
  ▸ 4% x $1,750,000 ➞ generates $70,000 every year

▸ Earn 0% investment return every year and your money lasts 25 years
  ▸ $1,750,000 divided by $70,000 ➞ 25 years

REALITY CHECK:
YOU’LL LIKELY END UP SOMEWHERE BETWEEN 25 YEARS AND FOREVER
DETERMINE SAVINGS REQUIRED ... WHAT IF

▸ What if you think your investments can earn more than 4% per year?
▸ What if you don’t need your money to last as long as 25 years?
  ▸ Save 20x your ret. income  ▸ Earn 5% per year
▸ What if you are worried you can’t make as much as 4% per year?
▸ What if you want your money to last longer than 25 years?
  ▸ Save 33x your ret. income  ▸ Earn 3% per year

REALITY CHECK:
YOU’LL LIKELY MAKE ADJUSTMENTS AS YOU GO
## SAMPLE CASES

### LET’S LOOK AT THREE EXAMPLES

<table>
<thead>
<tr>
<th>Age</th>
<th>35</th>
<th>51</th>
<th>60</th>
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</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>$80,000 increasing to $125,000 by age 58</td>
<td>$125,000</td>
<td>$125,000</td>
</tr>
<tr>
<td><strong>Current balance in SFU Academic Pension Plan</strong></td>
<td>$47,000</td>
<td>$260,000</td>
<td>$364,000</td>
</tr>
<tr>
<td><strong>Target Savings</strong></td>
<td>$1,750,000</td>
<td>$1,750,000</td>
<td>$1,750,000</td>
</tr>
</tbody>
</table>
Data:
- Salary is $80,000, increasing to $125,000 at 2.0% per year by age 58
- Current account balance is $47,000 (all from SFU contributions)

Assume:
- Retire at 65
- Investment return averages 6% per year
- Ignore inflation

<table>
<thead>
<tr>
<th>SFU Contributions</th>
<th>Savings Rate</th>
<th>Projected Account Balance at Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10% of salary</td>
<td>$1,150,000</td>
</tr>
<tr>
<td>Employee voluntary contributions</td>
<td>8% of salary (maximum permitted)</td>
<td>$691,000</td>
</tr>
<tr>
<td>Total in SFU Academic Plan</td>
<td></td>
<td>$1,841,000</td>
</tr>
</tbody>
</table>
Data:
- Salary is $125,000 per year
- Current account balance is $260,000 (all from SFU contributions)

Assume:
- Retire at 67
- Investment return averages 5.5% per year
- Ignore inflation

<table>
<thead>
<tr>
<th>Savings Rate</th>
<th>Projected Account Balance at Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFU Contributions</td>
<td>10% of salary</td>
</tr>
<tr>
<td>Employee voluntary contributions</td>
<td>8% of salary (maximum permitted)</td>
</tr>
<tr>
<td>Total in SFU Academic Plan</td>
<td></td>
</tr>
</tbody>
</table>

Balance needs to come from personal savings
**AGE 60**

- **Data:**
  - Salary is $125,000 per year
  - Current account balance is $364,000 (all from SFU contributions)

- **Assume:**
  - Retire at 71
  - Investment return averages 5% per year
  - Ignore inflation

<table>
<thead>
<tr>
<th></th>
<th>Savings Rate</th>
<th>Projected Account Balance at Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SFU Contributions</strong></td>
<td>10% of salary</td>
<td>$858,000</td>
</tr>
<tr>
<td><strong>Employee voluntary contributions</strong></td>
<td>8% of salary (maximum permitted)</td>
<td>$163,000</td>
</tr>
<tr>
<td><strong>Total in SFU Academic Plan</strong></td>
<td></td>
<td>$1,021,000</td>
</tr>
</tbody>
</table>

**BALANCE NEEDS TO COME FROM PERSONAL SAVINGS**
PERSONAL SAVINGS

- Equity in your home and other real estate assets
- RRSP
- Tax Free Savings Accounts
- Non-registered Savings
- Other assets
WHY VOLUNTARY CONTRIBUTIONS?

▸ Similar tax treatment as for RRSP
  ▸ Contributions are tax deductible

▸ Advantages
  ▸ Ease of payroll deductions
  ▸ Immediate tax benefit
  ▸ Access to professional fund managers
  ▸ Substantially lower expenses compared to retail market
  ▸ Robust governance and oversight
  ▸ Increased potential savings
Asset mix refers to the portions of your portfolio that are allocated to:

- Stocks
- Bonds
- Money Market (Cash)
- Other

The asset mix decision is often more important than selection of individual investments.
## SAMPLE INVESTMENT FUNDS

<table>
<thead>
<tr>
<th>Fund</th>
<th>2017 Return</th>
<th>Av. Return (10 years)</th>
<th>The Best and The Worst</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Min</td>
</tr>
<tr>
<td>Balanced Fund</td>
<td>10.7%</td>
<td>6.9%</td>
<td>-14.8%</td>
</tr>
<tr>
<td>Cdn Equity*</td>
<td>10.5%</td>
<td>8.2%</td>
<td>-21.2%</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>11.3%</td>
<td>11.6%</td>
<td>-22.5%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>16.2%</td>
<td>7.4%</td>
<td>-26.5%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>2.6%</td>
<td>5.1%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>SLF Money Market</td>
<td>0.8%</td>
<td>1.1%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*Beutel Goodman Cdn Equity fund

As at December 31, 2017
ACTION PLAN

▸ Give thought to what “retirement” means to you
▸ Quantify your living standard by preparing a budget now and in anticipation of retirement
  ▸ Set your retirement income target
▸ Identify sources of income and the amount of income from each source
▸ Determine gap, if any, between your income target and anticipated income from these sources
▸ Close the gap, if any, by saving more
  ▸ Take advantage of opportunity offered by the SFU Academic Pension Plan to make voluntary contributions
▸ Review your investments regularly