Retirement income options using your SFU Group LIF/RRIF
Key Topics

• Your retirement income needs
• Where will your retirement money come from?
• Retirement accounts and products
• Sun Life Financial’s retirement services
Income at retirement
Retirement income comes from many sources

Earliest company pension may be available

Earliest CPP/QPP is available
Average retirement age

Earliest Old Age Security is available

Latest registered “savings” plans must be converted to retirement “income” plans

Your personal savings

Work part time

Employer pension (defined contribution)

RRSP converted to income

Savings converted to income for life

Reduced CPP/QPP

Canada/Quebec Pension Plan (for life)

Old Age Security (for life)
Your retirement lifestyle will change

• Retirement lifestyle will be impacted by:
  – Age / health / life events

• Income requirements will be impacted also
Your retirement has many parts

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

- Groceries
- Property taxes
- Homeowner’s insurance
- Utility bills
- Rent
- Vehicle
- Life insurance

Expenses that will decrease

- Mortgage
- Savings for retirement
- No CPP/QPP/EI payment
- Commute/parking
- Work-related expenses
- Taxes

Expenses that will increase

- Hobbies
- Entertainment
- Travel
- Health care
Inflation impact of the cost of groceries is measured by the CPI sub-index for food purchased from stores; inflation impact on the cost of a car and house is based on the aggregate CPI. Data source: Statistics Canada

<table>
<thead>
<tr>
<th>Cost of Groceries*</th>
<th>1980</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$21</td>
<td>$50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of a car</th>
<th>1980</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$6,715</td>
<td>$18,490*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of a house</th>
<th>1980</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$110,292</td>
<td>$303,700**</td>
</tr>
</tbody>
</table>

- The rule of 72: Divide your estimated inflation rate into 72 — that is approximately how many years it will take inflation to double your costs.

* Inflation impact of the cost of groceries is measured by the CPI sub-index for food purchased from stores; inflation impact on the cost of a car and house is based on the aggregate CPI. Data source: Statistics Canada

* Canadian MSRP for a 2010 Honda Civic Sedan DX with air conditioning

** Average price for a detached bungalow in Canada, as at September 30, 2009
How long should my money last?

Retirement 65

50% chance one spouse will live to age 91

91

25% chance one spouse will live to age 95

95

Source: Canadian Institute of Actuaries – 1994 Uninsured Pensioner Mortality Table Projected to 2020.
How much will you need?

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

70%

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

50%

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

100%
Retirement income options
Your SFU savings plans may include:

<table>
<thead>
<tr>
<th>How I save now</th>
<th>Converts to…</th>
<th>Income once retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Pension Plan (DBPP)</td>
<td>Guaranteed pension based on formula</td>
<td>Pension paid by employer</td>
</tr>
<tr>
<td>Defined Contribution Pension Plan (DCPP)</td>
<td>Locked-in savings</td>
<td>Annuity Life Income Fund (LIF)</td>
</tr>
</tbody>
</table>
Your SFU savings plans may include:

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<tr>
<td>Group Registered Retirement Savings Plan (RRSP)</td>
<td>Non-locked savings</td>
<td>Annuity Registered Retirement Income Fund (RRIF)</td>
</tr>
<tr>
<td>Tax Free Saving Account (TFSA)</td>
<td>Non-registered savings</td>
<td>Annuity Keep invested Cash</td>
</tr>
</tbody>
</table>
## Retirement income options

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUITY</strong></td>
<td>A contract issued by a life insurance company. A fixed sum of money paid to someone each year, typically for the rest of their life.</td>
</tr>
<tr>
<td><strong>LIF/RRIF</strong></td>
<td>Holds savings from a Registered Pension Plan (LIF) or and RRSP (RRIF). Minimum and maximum withdrawals apply but customizable.</td>
</tr>
<tr>
<td><strong>Guaranteed Minimum Withdrawal Benefit (GMWB)</strong></td>
<td>Adds insurance coverage to your retirement savings. Provides guaranteed income for life. Your retirement income won't decline due to market fluctuations.</td>
</tr>
</tbody>
</table>

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**YOU CAN USE A COMBINATION OF THESE OPTIONS**
Retirement income options for your SFU DCPP

- Annuity
- Life Income Fund (LIF)
Retirement income options for your SFU DCPP

Annuity

Life Income Fund (LIF)
Annuity - Overview

• Series of future payments in exchange for a lump sum today
• Irrevocable once purchased
• Sensitive to interest rates at time of purchase
• Once your beneficiary passes on, payments will cease under most circumstances
• Does not require active management
• Is not affected by financial markets
Annuity - Features

• **Life annuity** - Annuity continues for your entire life

• **Joint life or last survivor** - Includes your spouse and only ends once the last person dies

• **Guarantee period** - The length of time that the annuity payment is guaranteed to be paid to your estate

• **Inflation protection** – Increases each year by inflation to protect your purchasing power throughout retirement

Call the SLF Customer Care Centre for a quote
What is $100,000 worth - Single Life Annuity

Source: my money annuity premium calculator
Assumptions: Single Life Annuity – Amount is guaranteed to be paid for a minimum period of 10 years.
What is $100,000 worth - Joint Life Last Survivor

Source: my money annuity premium calculator

Assumptions: Joint Life Last Survivor – Amount is guaranteed to be paid for a minimum period of 10 years, and payable at the rate of 60% of the initial amount to your spouse.
Retirement income options for your SFU DCPP

- Annuity
- Life Income Fund (LIF)
Life Income Fund (LIF) - Overview

• Money in a LIF continues to grow tax deferred as long as there is money in the plan.
• Money can be invested in various options (e.g., mutual funds, stocks, bonds, GICs).
• Begin to draw a retirement income from the account:
  – Annual minimum amount applies (from Income Tax Act).
  – Annual maximum amount applies (from Pension Acts).
Life Income Fund (LIF) - Features

• A beneficiary can be designated
• Upon death, the balance of your account is transferred to your beneficiary on a locked in basis
• An annuity can be purchased at any time

Call the Client Solutions Centre at 866-224-3906 to understand your options
Life Income Fund / Registered Retirement Income Fund

<table>
<thead>
<tr>
<th>Attained age</th>
<th>Minimum</th>
<th>LIF Maximum (British Columbia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 60</td>
<td>3.33%</td>
<td>6.70%</td>
</tr>
<tr>
<td>Age 65</td>
<td>4.00%</td>
<td>7.20%</td>
</tr>
<tr>
<td>Age 70</td>
<td>5.00%</td>
<td>7.90%</td>
</tr>
<tr>
<td>Age 75</td>
<td>7.85%</td>
<td>9.10%</td>
</tr>
<tr>
<td>Age 80</td>
<td>8.75%</td>
<td>11.50%</td>
</tr>
</tbody>
</table>

*Greater of 1) the result using the factor and 2) the investment returns from the previous year*
What’s $100K worth?

• **Minimum** withdrawal required – at age 65 it is 4% of the market value on January 1st.

• **Maximum** withdrawal restriction is the **greater of**:
  
  - The previous year’s investment earnings; or
  
  - The maximum established by a government formula – at age 65 – 7.20%
What’s $100K worth?

• $100,000 account balance
• **Minimum** annual withdrawal is 4% or $4,000
• **Maximum** annual withdrawal
  ÷ **Year 1** is 7.20% at age 65 or $7,200
  ÷ **Year 2** and on going:
    ÷ The greater of 7.30% (age 66) or the investment performance from Year 1
Retirement income options for your SFU RRSP

- Annuity
- Registered Retirement Income Fund (RRIF)
Registered Retirement Income Fund (RRIF) - Overview

• Money in a RRIF continues to grow tax deferred as long as there is money in the plan
• Money can be invested in various options (eg. mutual funds, stocks, bonds, GICs)
• Begin to draw a retirement income from the account
  – Annual minimum amount applies (from Income Tax Act)
  – Annual maximum does not apply!
Registered Retirement Income Fund (RRIF) - Features

• Can close anytime and take cash (less tax)
• A beneficiary can be designated
• An annuity can be purchased at any time

Call the Client Solutions Centre at 866-224-3906 to understand your options
## Annuity vs. LIF/RRIF

### Minimum Guaranteed Withdrawal Benefits

<table>
<thead>
<tr>
<th>FEATURE / RISK LEVEL</th>
<th>ANNUITY</th>
<th>LIF/RRIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUARANTEED INCOME</td>
<td>Guaranteed for life</td>
<td>Not guaranteed for life</td>
</tr>
<tr>
<td>INVESTMENT CHOICE</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>MARKET RISK</td>
<td>None</td>
<td>Some</td>
</tr>
<tr>
<td>INFLATION RISK</td>
<td>Varies</td>
<td>Some</td>
</tr>
<tr>
<td>DEATH BENEFIT</td>
<td>Varies</td>
<td>Market Value</td>
</tr>
</tbody>
</table>
How Sun Life Financial can help in retirement
The SFU Group LIF and Group RRIF

• Due to your participation in your group plan, you can join the SFU Group LIF or Group RRIF

• Benefits:
  – Investment fees are substantially lower than retail products (like you’re used to with your current group plan)
  – Same great investment options
  – Continued access to the Customer Care Centre and Plan Member website
  – Fees: $40 annual fee
Fee advantages

• One of the greatest benefits of transferring your retirement savings into a LIF or RRIF through the SFU plan is the low fund management fees you pay for your investment funds.

• You’ll pay fund management fees that are significantly lower than those you would pay as an individual investor at a mutual fund company or other financial institution.

• That’s the benefit of belonging to a group plan- more bargaining power than you would have on your own. That fee difference can have a large impact on the growth of your retirement income.
## Fee advantages

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market</td>
<td>.30%</td>
</tr>
<tr>
<td>Bond/Fixed Income</td>
<td>.35% - .55%</td>
</tr>
<tr>
<td>Balanced</td>
<td>.35% - 1.19%</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>.24% - 1.19%</td>
</tr>
<tr>
<td>U.S Equity</td>
<td>.25% - 1.02%</td>
</tr>
<tr>
<td>International Equity</td>
<td>.60% - 1.59%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>.33% - 1.19%</td>
</tr>
</tbody>
</table>
Online information and tools
Calculating your savings and expenses?

- Retirement expense calculator: [www.myretirementcafe.ca](http://www.myretirementcafe.ca)

- Calculate your retirement expenses using the worksheet in your handout

- Government booklet(s)
Advice and ongoing support

Client Solutions Centre’s Financial Services Consultants

- Dedicated to serving group plan members approaching and entering retirement
- Licensed to provide advice
- Knowledgeable on all income and savings products (RRSP, NREG, TFSA, RRIF, LIF,) and life and health coverage options
- Available toll free 1-866-224-3906
Thank you!