

Target **INCOME** Plan



HANDS-FREE
INVESTING
FOR THE
**RETIREMENT
INCOME**
YOUR PLAN
MEMBERS WANT

No two plan members are the same, even if they're both the same age.

So, why invest them in the same fund?

Think back

When Capital Accumulation Plans (CAPs) in their current form gained popularity in the 1980s, they were designed as 'additional' savings – often to encourage employees to supplement the guaranteed income they could expect from government income programs and Defined Benefit (DB) pension plans.

Fast forward

Today, the role of CAPs is far more critical, with an increasing number of Canadians relying on CAPs as a major source of retirement income. The issue? Plans aren't targeting income. CAP plan designs are based on what CAPs were decades ago, not on the role they play today.

Switch the focus

Make a move for your plan members – away from investment choice complexity, rates of return and account balance growth, to the simplicity of a solution that focuses on a single target: sustainable income during retirement – and giving plan members meaningful choices to achieve it.

Even better – make it personal

We have access to better data and technology than ever before. Let's use it to give your plan members the most personal and relevant investment experience possible. Age-based funds were just the beginning – now we're taking it a step further, factoring in contribution rates, progress toward retirement goals, salary, account balance and any other retirement income to provide a personalized investment, just for your plan members.

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INTRODUCING TARGET INCOME PLAN™ FROM SUN LIFE

MAKE **INCOME** THE OUTCOME

Target Income Plan is an investment solution for today's CAPs. It's the first and only truly 'do it for me' investment approach for retirement savings in Canada that provides members with a personalized investment path to help them achieve their target retirement income goal.

How Target Income Plan works

Target Income Plan takes the best of target date funds – one-stop investing and simplicity for plan members – and adds dynamic personalization while shifting the target from a retirement date to total retirement income at career's end.



HERE'S HOW IT WORKS.

1 Get started – it's easy

For each plan member, Target Income Plan uses a variety of information to personalize their experience. It pre-populates plan member data we already have, such as their age, savings balance, contribution rate, salary, plus income they can expect from the Canada/Quebec Pension Plan and Old Age Security.

To put plan members on the best investment path to help get them closer to their goals, we then ask them a few straightforward questions to determine:

- **Their target retirement age**
- **Their target retirement income goal**
- **How much more they could potentially contribute per month**

It helps them understand the trade-offs between contribution rates, retirement date and income goal – and it guides them in making an initial decision. It also asks about any other retirement income sources they may have, like a DB plan, to show plan members the most complete picture of their retirement.

2 Invest – automatically

Once a plan member decides to use Target Income Plan, they make no investment decisions and complete no risk tolerance questionnaire. Target Income Plan automatically puts the plan member on an investment path based on their progress towards their target retirement income goal.

- Those farther away from hitting their target are put on an investment path that increases their risk, **to grow their money and help them reach their goal.**
- Those closer to hitting their target are put on an investment path that **reduces their risk to help protect their savings.**

When plan members are within 12 to 22 years of their target retirement date (depending on their investment path), we introduce measures to protect their target retirement income against inflation and interest rate changes.

3 Take action – when needed

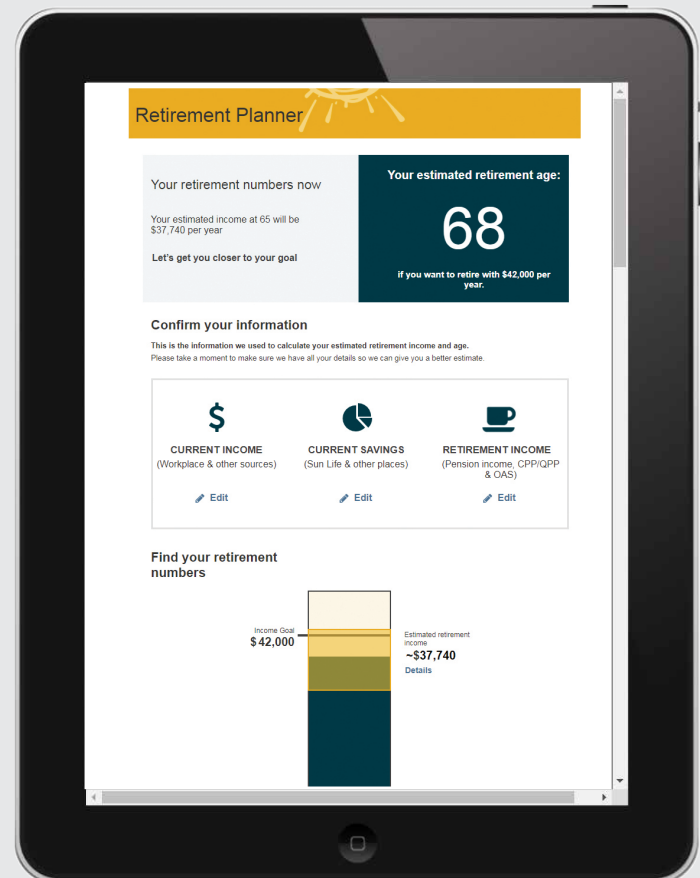
We regularly review how the plan member is progressing toward their goal. As their personal circumstances change, **we automatically move them between investment paths when necessary.** The solution also dynamically adjusts the asset mixes within each investment path in response to changes in market performance and interest rates.

We report each plan member's progress annually on their account statement. If they are falling short of their goal, we encourage them to use the Retirement Planner to get personalized, actionable alternatives for closing their retirement income gap – like saving more or retiring later.

To make it easy, the **Retirement Planner** gives plan members suggestions about how much to contribute or when they can retire.

THE PLAN MEMBER EXPERIENCE – A FOCUS ON INCOME

Simple, intuitive user interface



A new, smarter default investment option

Target Income Plan is the natural evolution of target date funds, which is an investment option that more than 95% of new Sun Life plan sponsors include in their fund lineups. Since target date funds are also the default investment option of choice for many, Target Income Plan is the next step in default option effectiveness. Its 'do it for me' investing, focus on realistic retirement income goals, and personalized asset mix make Target Income Plan a smart default fund for your retirement plan.

THE PLAN SPONSOR EXPERIENCE – IMPROVED RETIREMENT READINESS

Retirement readiness – when plan members are on target to meet their retirement timeline and income goals – doesn't just benefit plan members. It's of primary importance to plan sponsors, for succession planning, workforce renewal, and to ensure that employees who continue to work after their expected retirement age do so out of choice, not out of need.

In Sun Life's October 2017 Retirement Survey, 52% of Canadians believed they'll still be working full-time at age 66 and of these, 44% will be working because they need to, not because they want to. That's a significant number of employees who are planning to stay on the job well past their 'normal' retirement date simply because they're insecure about their income for retirement.

As a result, many retirement-age workers will be hanging on to employment out of financial need, costing disproportionate amounts in benefits and salaries and blocking the career paths of younger workers. Employers should consider what 'on time' retirement means for their workforce and align their plan design to encourage a focus on realistic retirement income goals.

That's exactly how Target Income Plan can help. By encouraging plan members to think more about the income they want each month or year during retirement and less about investing strategies and accumulating large sums of money, you can improve the likelihood that your plan members will be retirement ready.

4 REASONS

FOR TARGET INCOME PLAN'S EFFECTIVENESS

1 Plan members understand income

You're a 50-year-old plan member with an account balance of \$200,000. Is that enough to live on in retirement at age 65, assuming you continue saving? It's hard to say. But when Target Income Plan shows that your savings and current contributions have you on track to generate between \$1,900 to \$2,500 per month of retirement income, that's useful and easily understood information.

2 Personalized investing

Target Income Plan factors in more than just age to give members an investment experience personalized to them. Even without the member adding any information, we have a wealth of data at our disposal to make Target Income Plan a more relevant and personal reflection of each plan member and their retirement goals.

3 Plan members can take action

For those not on track for their income goal, Target Income Plan outlines a clear course of action for them to make a change. The Target Income Plan shows how an increase in contributions or a later retirement date can improve the outcome.

4 Simplicity leads to higher engagement, better results

The "big pile of money" approach always comes down to the investing process – what funds you're invested in, how those funds are performing, and whether your account balance is growing. It can be complex and unsuccessful for many plan members. Target Income Plan is an investment solution that provides clear, guided messages that focus on getting them to a monthly or yearly income goal – and gives them action steps to improve it. The result? More saving in the workplace and higher income replacement rates for plan members.

LEARN MORE

Speak to your Sun Life Financial representative about integrating Target Income Plan into your workplace savings plan today.

Life's brighter under the sun

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