

On behalf of Sun Life, welcome to our Save for retirement now session. The focus of this topic is to introduce you to retirement planning.

Retirement planning is the process of reviewing, assessing and developing goals and actions to meet your personal financial needs after work. Years ago, finances were simpler. People stayed in one job for a lifetime and there was few choices of financial products. Today, there is career flexibility, many financial products and complex family units. This means there are many decisions to make in managing your finances. We're living longer than earlier generations. There are choices to make about lifestyle in retirement. And protecting retirement funds against uncontrollable events are all key points of retirement planning.

When planning for retirement, it's important to think about what you see yourself doing in retirement. Your desired lifestyle has a major influence on your retirement planning. Some people want to work part time in retirement. Others don't. Some people want to stick close to home, while others want to travel the world. It's essential for you to think about your needs, wants and dreams. What makes up your retirement vision? Once you've done that, it's time to think about what those activities will cost. And where the money will come from to pay for them.

Retirement can span many years – 25, 30, or even more. Over that time, your income needs will change. This may be due to age, health, or the death of a spouse. If you have children, grandchildren, or elderly parents, this may also increase your spending. And costs for home repairs or renovations, vehicle replacement and higher than expected inflation should all be considered. The phases of retirement are often referred to as "Go-Go," "Slow-Go" and "No-Go." The exact timing of each will vary for everyone. But most of us can expect our spending to shift from lifestyle and leisure towards health care and housing costs as we move through our retirement years.

In retirement, some of your expenses will stay the same, some will go down, and some will go up. Consider how common expenses may shift throughout your retirement. Basic needs of living may stay the same, only increasing as they do today with inflation. Work related expenses will decrease, such as commuting and saving for retirement. And lifestyle and health-care expenses may shift as you age.

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Stay the same:

- Groceries, vehicles
- Property taxes, homeowner insurance
- Utility bills, rent
- Life insurance

Decrease:

- Mortgage, savings for retirement
- No Canada Pension Plan (CPP), Employment Insurance (EI)
- Work-related expenses
- Taxes

Increase:

- Hobbies
- Entertainment
- Travel
- Health Care

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It's important to consider inflation when projecting your retirement income needs. Assuming a 2% inflation rate, groceries that cost you \$100 in 2023 will cost \$158 in 2046. That means \$35,000 in today's dollars, will really be \$55,000 if you plan to retire in 23 years.

<On the slide:> Inflation's impact on various item:

Groceries: 2023: \$100; 2046: \$158

Daily coffee: 2023: \$2.50; 2046: \$3.90

Car: 2023: \$30,000; 2046: \$47,000

Home: 2023: \$400,000; 2046: \$631,000

Figures used for illustration purpose only. Future values assume 2% inflation rate. <End slide>

In Canada there are typically three sources of income at retirement. There are government sources, such as Canada Pension Plan and Old Age Security. There are primary sources, such as company sponsored retirement programs and personal RRSPs. And there are secondary sources such as properties and other savings.

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**Government:**

- Canada Pension Plan (CPP)/Quebec Pension Plan (QPP)
- Old Age Security (OAS)/Guaranteed Income Supplement (GIS)
- Allowance

**Primary:**

- Company retirement program
- Personal Registered Retirement Savings Plan (RRSP)

**Secondary:**

- Home
- Rental property
- Other savings

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Let us begin by reviewing the government sponsored programs. These were designed to provide a basic level of retirement income. The Canada Pension Plan and Quebec Pension Plan retirement pensions are two of Canada's largest pension programs. They are known as CPP and QPP and are funded through employee and employer contributions. How much you will receive is based on your average earnings throughout your working life, your contributions to the program and when you decide to start receiving the benefit. The standard age to start the

pension is 65. However, you can start receiving it as early as age 60. For each month before your 65th birthday, there is a 0.6% reduction in the benefit. On annual basis, that means a decrease of 7.2%. If you take the benefit at age 60, it's 36% less than at age 65. You can also choose to delay receiving your payments. For each month that you wait, you will get an extra 0.7% in income. On an annual basis, that means an increase of 8.4%. If you wait to age 70, that's an extra 42%. Old Age Security, also known as OAS, is the Government of Canada's largest pension program. Funded through general tax revenues, it is a major source of retirement income for millions of Canadians. To qualify for an OAS payment, you must be at least 65 years old. You must have resided in Canada for a minimum of 10 years after the age of 18. And you must be a Canadian Citizen or Legal Resident. How much you will receive is based on :how long you've lived in Canada after age 18, when you decide to start receiving the benefit, and how much your income is in retirement. Picture OAS as a pie with 40 pieces. For each year that you live in Canada, after the age of 18, you earn one slice of the pie. If you've been in Canada for 40 or more years after age 18, you qualify for the whole pie. If you don't have the full 40 years, you can still receive a partial amount. For example, 20 years equals 50%, and 10 years would equal 25%. The earliest OAS starts paying is age 65. You can also choose to delay receiving your payments. For each month that you wait, you will get an extra 0.6% in income. On annual basis, that means an increase of 7.2%. If you wait until age 70, it's an extra 36%. The timing of when to start your CPP/QPP and OAS payments is a very important point to consider. Some Canadians also qualify for the Guaranteed Income Supplement (GIS). GIS is a tax-free government benefit for low-income seniors. To qualify for a GIS payment: you must be living in Canada, you must be receiving the OAS benefit, and you must have low income. How much you will receive and the income threshold for qualifying is based on: whether you are single or married (or in a common law relationship), whether your spouse is in receipt of OAS and/or GIS, and how much your income, or combined income, is. The supplement and the income thresholds for qualifying change over time. It's important to note that many more people qualify than it may first appear. The income used to qualify for GIS does not include OAS income. There is a calculator on Canada.ca that can help you learn if you qualify. Government pensions are not automatic. You must apply to receive most pensions. Apply about six months before you're eligible to start benefits.

Listed on this slide are payment amounts current at the time of recording. You can confirm current CPP and OAS amounts on Canada.ca. For QPP, please refer to [retraitequebec](http://retraitequebec.ca).

<On the slide:> Payments 2022

CPP/QPP:

- Maximum monthly payment: \$1,253.59
- Average monthly payment<sup>1</sup>: \$639.32

OAS:

- Maximum monthly payment: \$642.25
- Average monthly payment<sup>1</sup>: \$603.72

GIS:

- Maximum monthly payment: \$959.26
- Average monthly payment<sup>1</sup>: \$623.52

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

1CPP Payments OAS/GIS – Jan-Mar 2022

Source: [www.esdc.gc.ca](http://www.esdc.gc.ca) For more information: 1-800-277-9914 <End slide>

Next, we'll explore the primary sources of retirement income.

An RRSP is a savings plan that is registered with the Government of Canada. It allows you to save for retirement on a tax deferred basis with before-tax earnings. Tax deduction means reducing your taxable income as a result of your contributions. That helps you pay less income tax. Your RRSP contributions can be invested in a variety of investment options. Any growth is tax-free until you make a withdrawal. You must convert your RRSP savings into an income stream by December 31 of the year you turn 71. Once you start withdrawing, each dollar withdrawn is included in your taxable income. Most Canadians have lower income in retirement than during their working years. So RRSPs help us save on taxes.

The benefit of tax-free growth really adds up over time as we can see from this chart.

<On the slide:> Annual deposit of \$2,000 in a registered and non-registered investment for 10 years. 35% income tax rate. Annual return: 5%. Income tax return invested in the registered account. Registered total: \$39,082. Non-registered total: \$23,947 <End slide>

You can contribute to your own plan, one set up in your spouse's name (called a spousal RRSP), or a combination. A Spousal RRSP is an excellent income-splitting opportunity. It's the same as a regular RRSP, except that it's registered in your spouse's name. You, as the contributing spouse, take a full tax deduction for all contributions. This means that contributions are subject to your personal RRSP contribution limit, not your spouse's. A withdrawal from a spousal RRSP is taxed back to you if withdrawn before 3 years have passed since the last spousal contribution. The timing of contributions and withdrawals should be considered carefully.

Now we will explore secondary sources of income.

Secondary sources of income in retirement can include real estate such as rental property. It can also include selling or downsizing your principal residence. And it can include borrowing on the equity of your home to invest in non-registered investments. Other types of savings you may use to save for retirement are Tax-free savings accounts (TFSAs), Stocks and bonds, and Some life insurance policies.

Canadian residents 18 or older with a valid Social Insurance Number can contribute to a TFSA. In provinces or territories where the age of majority is 19, contribution room will start at age 18, but they can't open a TFSA till age 19. TFSA Contribution limit has changed over the years. We anticipate it will continue to do so from time to time in the future. Contribution room is carried over to the next year if you don't use it. Contributions to a TFSA are not deductible for income tax purposes. However, growth is tax-free, even when withdrawn. TFSAs are not just

high interest bank accounts! A wide range of investments options exist in a TFSA. For example: mutual funds, securities listed on a designated stock exchange, Guaranteed Investment Certificates (GICs), and bonds. TFSAs allow you to save for vacations, emergency funds, car purchases, or a home. They can also be used for retirement savings. They allow you to save additional funds in addition to your registered contributions. For retirees, they provide a way to make major purchases without making large withdrawals from a registered account. This is useful for those who are receiving the Guaranteed Income Supplement or are at a higher income level. It can help a retiree avoid the OAS recovery tax, as withdrawals from a TFSA are not added into income for tax purposes.

We've provided you with a lot of information today. You might be wondering about your own situation and how this information may apply to you. There are many tools at Sun Life to assist you. We encourage you to explore them. This is also a good time to reach out to your advisor if you have one, or to find one if you don't. A financial advisor can help by answering your specific questions, help you build a plan to meet your short and long-term goals, and to identify any gaps that may prevent you from reaching them. We'd be happy to set up a meeting over the phone or by video conference. We hope you have found this information helpful. Thank you for your attention today.

<On the slide:> The information provided is of a general nature and can not be construed as personal financial or legal advice. Neither Sun Life or its affiliates guarantees the accuracy or completeness of any such information. This information should not be acted on without obtaining counsel from your professional advisors, including a lawyer, notary, tax professional, or financial advisor (registered as Financial Security Advisors in Quebec) as may be applicable to your individual situation.

Group Retirement Services are provided by Sun Life Assurance Company of Canada, a member of the Sun Life group of companies. <End slide>