your way,
plain and simple®

GROUP RETIREMENT SAVINGS

Destination

Retirement, your way

Desjardins
Insurance
LIFE • HEALTH • RETIREMENT

Table of contents

Preparing
to retire

For many people, retirement is the ideal destination. While everyone has a different vision of retirement, we can all agree that it will include some sort of change. You might stop working full-time, take a part-time job, start your own business, or pursue other activities you've never had time for.

Whatever you do in retirement, you can be sure of one thing – change. Your daily activities, social life, and even where you live can change during retirement. Paycheques will be replaced by other sources of income.

If you have retirement savings from your current employer's plan, a former employer's plan, or some personal savings, now is the time to start consolidating your plans and turning those savings into income.

So what are the next steps?

- Review where you are now. How much have you saved and where is it?
- Prepare a retirement budget with the expenses you'll have when you stop working.
- Complete your investor profile questionnaire to determine how you feel about risk at this stage of your life.
- Find out what income-paying products will be best for your situation.
- Make sure you've done some estate planning for complete peace of mind.

3-5 years before retirement

- Pay off all your debts.
- Review your retirement account and make sure it's properly invested.
- Make a will along with a power of attorney.

A few months before retirement

- Decide when you want to start collecting your Canada Pension Plan (CPP) / Quebec Pension Plan (QPP) pension benefits. The earliest you can do so is age 60.
- Review your will to see if there are any changes you need to make.
- Review your estate plan and revise if necessary.

Estimating
your expenses

Lifestyle

Different lifestyles require different incomes. Financial planners recommend that in order to maintain the same lifestyle in retirement, you'll need 70% of your final salary when you retire. This assumes that your expenses will decrease. For example, your mortgage may be paid off and you may not be spending as much money on parking, gas, public transportation, lunches, or memberships.

If you downsize, sell your house and plan to spend time with family and friends, you may only need 50% of your final salary. But if you want to travel, go to university, or purchase a cottage, you may need 100% or more. It all depends on how much savings you have, and the kind of lifestyle you want.

Your retirement budget

Preparing a budget is a good way to figure out how much money you'll need. Write down approximately how much you currently spend in a year on accommodation, food, entertainment, clothing and so on. Then adjust these amounts based on your future lifestyle. This will give you a pretty good idea of what your expenses will be at retirement.

The 70% rule

The income required to maintain your standard of living at retirement

Annual income prior to retirement	Required retirement income
$20,000	$14,000
$30,000	$21,000
$40,000	$28,000
$50,000	$35,000
$60,000	$42,000
$70,000	$49,000

Do you both have the same goal?

If you have a spouse or partner, consider his or her goals just to make sure you're both on the same page. Re-evaluate your goals from time to time as your needs change.

Setting retirement goals

…some things to think about

According to industry surveys on retirement, the most popular retirement dream is travelling, followed by staying healthy.

Many people look forward to the day when they don't have to set the alarm to get up in time for work. But what happens when the novelty of not working wears off? If you haven't already done so, now is the time to think about what kind of lifestyle you're going to have in retirement. Your lifestyle really depends on how much money you have saved and whether or not you're still carrying some debt. Here are a few other things to think about.

- Know exactly where you stand financially. What kind of lifestyle can you afford?
- What do you want to do with your free time?
- What if you become ill and need special care?
- What if you outlive your savings?

Think about all these things now, when you're in a better position to explore the range of possibilities. Nothing is worse than having to make some hard decisions under stressful circumstances.

Life expectancy after age 65

This chart shows the chances of growing older, after you've reached the age of 65.

	Age 75	Age 80	Age 85	Age 90	Age 95
Men	89%	80%	65%	43%	18%
Women	92%	85%	73%	54%	29%

Source: Based on Mortality Table CPM2014, combined with the projection scale CPM-B. Assumes an age of 65 in 2015.

Understanding different kinds of risk

Inflation risk

Simply put, inflation is the increase in the price of things we buy. If the rate of return on your investments is lower than the rate of inflation, your **real** rate of return will be negative and your purchasing power will be adversely affected. You want your rate of return to counter the effect of inflation so that you can maintain your purchasing power. If the rate of return is higher than inflation, then that helps protect you against other risks, such market risk.

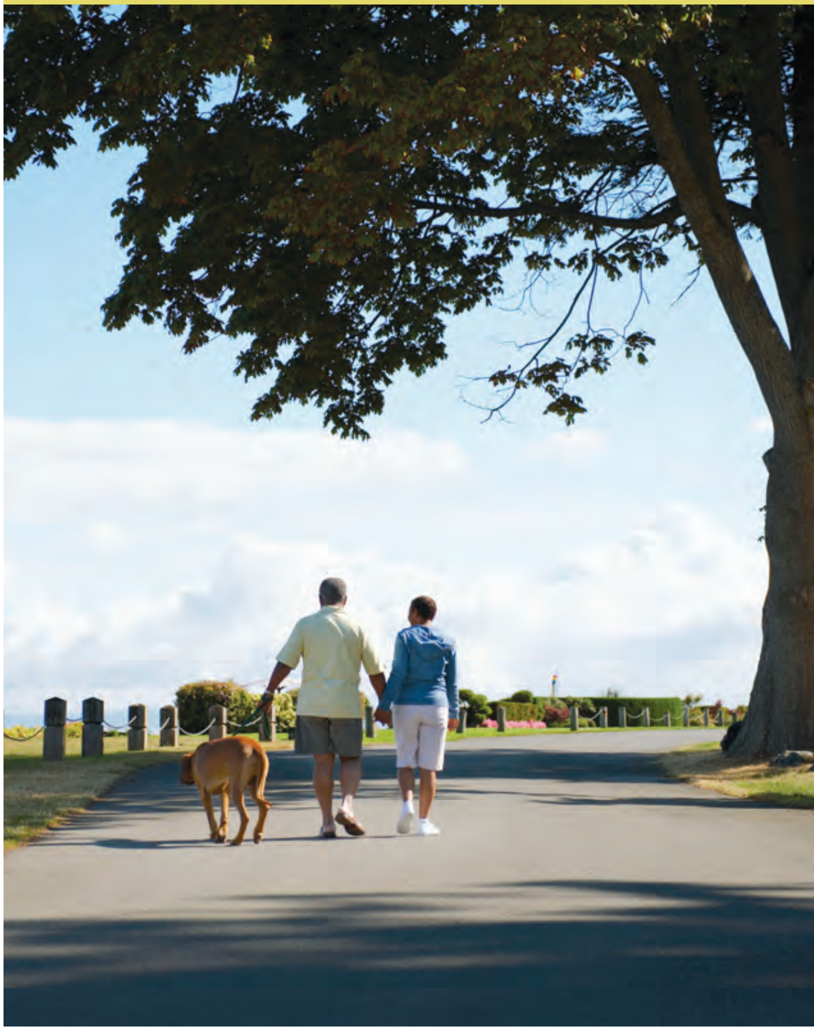
Your investments' rate of return	6%
Minus inflation	2%
Your actual rate of return	**4%**

Interest rate risk

The interest rate risk is the risk that an investment's value will change due to a change in the interest rates. Normally, the change in interest rates inversely affects the investment's value. This risk affects mainly fixed income investments, such as government and corporate bonds.

Market risk

Political changes, world events, technological advances and investor fads are all factors that may affect the stock market. It involves factors that affect the overall economy or stock market without exception. A good example of market risk is the famous stock market crash of 1929.



Sources
of income

Your retirement income may come from a number of different sources:

Government plans and benefits

- Canada Pension Plan (CPP) or in Quebec, the Quebec Pension Plan (QPP)
- Old Age Security (OAS)
- The Guaranteed Income Supplement (GIS)
- Spouse's allowance (if applicable)

Personal savings

- Your personal savings account
- Real estate
- Other investments you made on your own
  - Individual RRSP
  - Individual TFSA

Group retirement programs

You may have contributed to one of these plans when you were working:

- Defined Contribution Plan (DC)
- Simplified Pension Plan (SPP)
- Defined Benefit Plan (DB)
- Registered Retirement Savings Plan (RRSP)
- Deferred Profit Sharing Plan (DPSP)
- Tax Free Savings Account (TFSA)
- Non-Registered Plan
- Voluntary Retirement Savings Plan (VRSP)

Government plans and benefits

Canada Pension Plan and Quebec Pension Plan (CPP and QPP)

The CPP and QPP provide retirement income for workers who have contributed to either plan. They provide contributors and their families with retirement, disability, survivor, death and children's benefits. The CPP is for residents of all Canadian provinces, except Quebec. The QPP is for residents of Quebec.

Eligibility

Everyone living and working in Canada who has contributed to the CPP or QPP is eligible for benefits. At 65, you are entitled to 100% of your benefit if you take it. You can choose to take your benefit as early as age 60. But if you do, your benefit will be reduced based on your age at the time your benefit begins.

On the other hand, if you choose to receive your benefit after age 65 and as late as age 70, your benefit will be increased based on your age at the time your benefit begins.

Old Age Security Program (OAS)

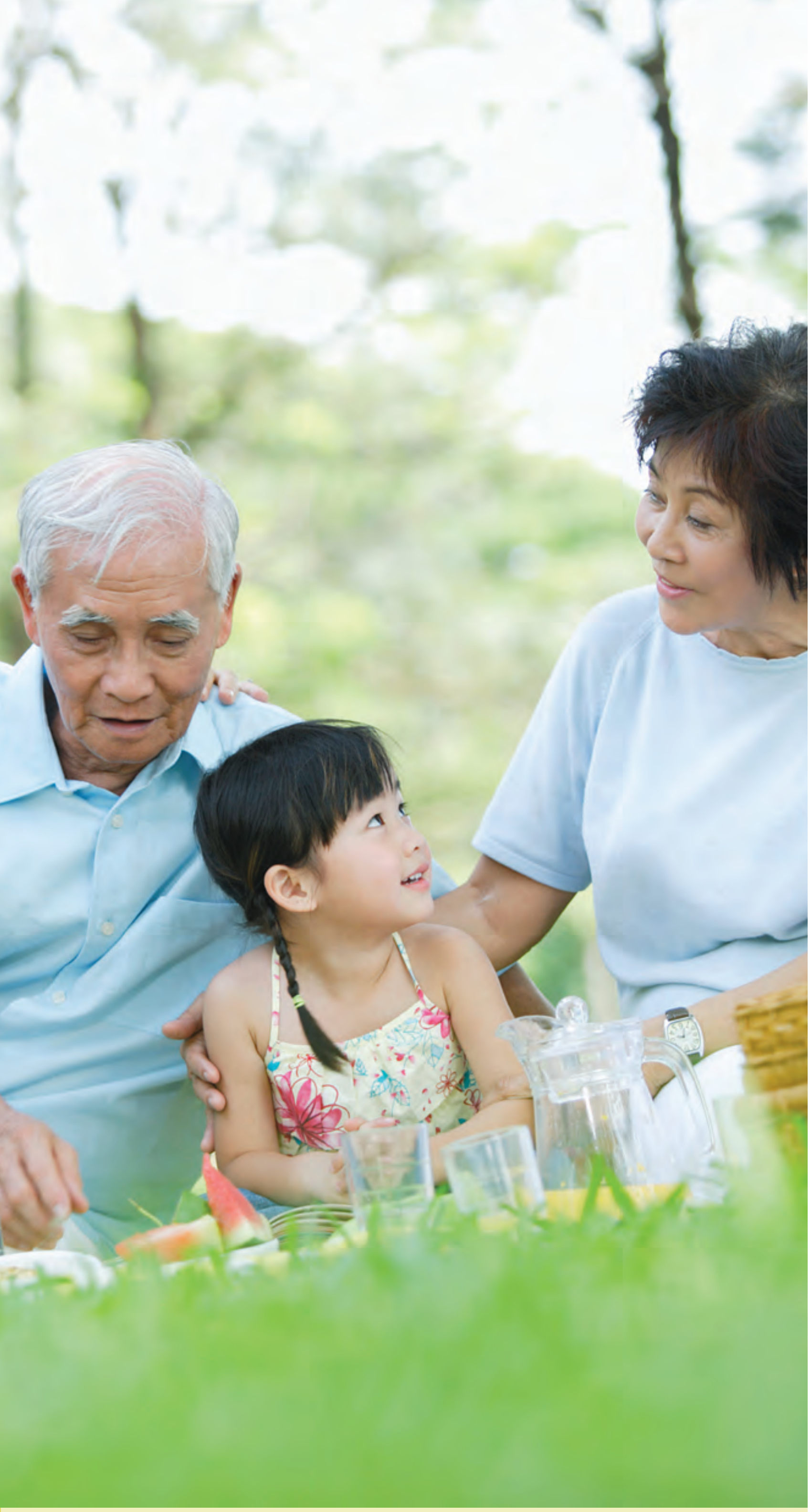
OAS benefit

The OAS benefit is a monthly payment for most Canadians aged 65 and older. If you are eligible, you may receive the OAS benefit even if you are still working or have never worked. The OAS benefit is paid each month for life and is indexed according to the cost of living four times a year.

To be eligible, you must be 65 or older, live in Canada, be a Canadian citizen or a legal resident, and have lived in Canada for at least ten years after the age of 18.

How much will you receive?

Remember that you will have to pay taxes on CPP/QPP and Old Age Security (OAS) benefits. The amount of tax paid will depend upon your total income. You can either register to have income tax deducted before you receive your payment or pay any outstanding taxes when you file your income tax return. Current payout rates for the CPP, QPP and OAS are included in the back pocket of this brochure.



For up-to-date figures and additional details, go to the Public pensions page of the Government of Canada site at **canada.ca**.

Old Age Security Program (OAS) (continued)

You don’t need to register to receive the OAS benefit. Eligible seniors are automatically registered and advised by mail. If you are 65 and have not yet received a letter from Service Canada, complete the applicable form available at canada.ca.

Like the CPP, you can defer your OAS benefit for up to five years past your age of eligibility and receive a higher amount.

If your individual income exceeds the threshold amount established by the CRA, you have to repay part or all of your OAS benefits. This is referred to as the “clawback”. This figure is adjusted each year for inflation.

Guaranteed Income Supplement (GIS)

The GIS provides money, in addition to the OAS benefit, to low-income seniors living in Canada. To be eligible for the GIS, you must be receiving an OAS benefit and have an annual income lower than the maximum annual threshold.

Allowance

The Allowance provides money for low-income seniors who meet the following conditions:

- your spouse or common-law partner receives the OAS benefit and is entitled to the GIS
- you are between the ages of 60 and 64 (the date you are eligible to begin receiving it depends upon the year you were born)
- you are a Canadian citizen or a legal resident at the time your Allowance is approved or when you last lived in Canada
- you have lived in Canada for at least 10 years after turning 18
- in the case of a couple, your combined income is lower than the maximum annual threshold.

Turning your savings
into income

So now it's time to convert your retirement plan savings into something that will generate retirement income that can supplement your government benefits.

The decisions you make today will affect you for the rest of your retirement. Now is the time to seek some guidance from a professional. A financial advisor will take the time to learn about your current situation and your retirement goals. He will then explain your options and carefully answer your questions.

Depending on the source of your retirement savings, you have a number of options for converting your savings into income. For example, you may be able to transfer your savings into an **annuity**, a **retirement fund**, or a **combination**. You may also be able to convert your savings into cash, but would then have to pay the applicable taxes on the entire amount.

But be aware that certain rules apply to the products you purchase. For example, if you have a Defined Contribution Pension Plan, you can transfer it only to a Life Income Fund (LIF), an annuity, or both.

When it comes to retirement, the decisions you make today can have a real impact on your retirement future.

Make sure you understand **ALL** your options, and get some professional advice.

A qualified financial advisor can help you find the best plan of action so that you can have **your retirement, your way**.

Here are the different income payout strategies based on where you have been accumulating your retirement savings.

DCPP
Defined Contribution Pension Plan

SPP
Simplified Pension Plan

LIRA
Locked-in RRSP

→ Annuity
→ LIF

RRSP
Registered Retirement Savings Plan

DPSP
Deferred Profit Sharing Plan

DCPP/DB/SPP
Non locked-in assets

VRSP
Voluntary Retirement Savings Plan

→ Annuity
→ RRIF
→ Cash

DB
Defined Benefit Plan

→ Annuity
→ LIF

Life Income Funds (LIFs)

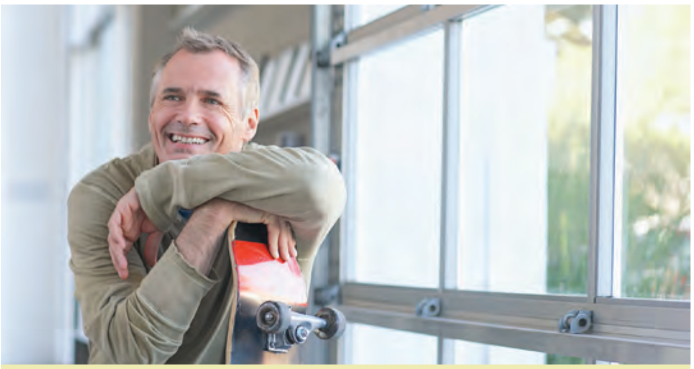
A LIF is a registered plan that's used to hold pension funds that eventually pay out a retirement income.

The rules

Each year, you must withdraw a minimum amount without exceeding the maximum amount determined by the Income Tax Act.

The maximum amount you can withdraw each year varies according to provincial pension rules. The older you are, the higher the withdrawal percentage. These rules were established to ensure you'll have enough funds to provide a lifetime income. Remember that you'll have to pay taxes on the amount of money you withdraw each year.

Example



Brian is 65 years old and lives in Ontario. He has **$150,000** in his Life Income Fund. Here is the amount he can withdraw annually.

Withdrawals for age 65*

Minimum withdrawal is 4%, which equals:	$6,000
Maximum withdrawal is 7.38%, which equals:	$11,070

If he were age 75*:

Minimum allowed is 5.82%, which equals:	$8,730
Maximum allowed is 9.71%, which equals:	$14,565

Registered Retirement Income Funds (RRIFs)

A RRIF is set up by directly transferring assets from a Registered Retirement Savings Plan (RRSP), or a Deferred Profit Sharing Plan (DPSP). Like a LIF, a RRIF is similar to an RRSP in reverse. Instead of putting money into it, you're taking the money out.

The rules

Like LIFs, each year, you must withdraw a minimum amount of money, which will be considered taxable income. But there is no limit on the maximum amount you can withdraw. However, you wouldn't want to withdraw all your money from a RRIF because you would have to pay taxes on it, and it would really add to your total taxable income. In addition, you would deplete your RRIF account.

Example

Alice is 65 years old and lives in British Columbia. She has **$75,000** in her Registered Retirement Income Fund. Here is the minimum amount she can withdraw annually.

Withdrawals for age 65

Minimum withdrawal is 4%, which equals:	$3,000

If she were age 75:

Minimum withdrawal is 5.82%, which equals:	$4,365

* To confirm the most up-to-date withdrawal amounts in your province, call Desjardins Insurance at 1-800-968-3587, or talk to your financial advisor.

Features of LIFs and RRIFs

- You make the investment decisions
- Flexibility:
  - Just like in an RRSP, you have a choice of different types of investments within the LIF (e.g., money market, stocks, etc.).
  - Choose your own payment schedule: monthy, quarterly or yearly.
- Assets grow tax-deferred (same as an RRSP and DC pension plan)
- At death:
  - Your beneficiary receives the account balance, less the taxes
  - Your spouse/common-law partner may transfer assets to a registered plan tax-free and become the holder of the RRIF or LIF if allowed under the applicable legislation, or withdraw the account balance, less the applicable taxes.

Annuities

An **annuity** is a contract between you and an insurance company.

In exchange for a lump sum of money, the insurance company will calculate your guaranteed payments based on the annuity rate at the time of purchase.

The payment amount from an annuity depends on:

- Your age – generally, the older you are, the larger the payments
- Your gender – women are expected live longer than men, so payments for women tend to be smaller
- The amount of capital – the amount of money you had to purchase the annuity
- The annuity rates at the time of purchase

There are different types of annuities and each one has slightly different rules and features. The more money you can put into an annuity – the larger your payments will be. To purchase an annuity, you can use your RRSP assets, your pension plan assets, or any personal savings.

Features of an annuity:

- It's a one-time lump sum purchase
- You receive a defined monthly income
- You're not responsible for managing the investments
- The annuity rate is guaranteed at the time of purchase

Purchase an annuity with savings from:

- **DCPP** (Defined Contribution Pension Plan)
- **LIRA/Locked-in RRSP** (Locked-in Retirement Account and Locked-in Registered Retirement Savings Plan)
- **RRSP** (Registered Retirement Savings Plan)
- **DPSP** (Deferred Profit Sharing Plan)
- **SPP** (Simplified Pension Plan)
- **DB** (Defined Benefit Plan)
- **VRSP** (Voluntary Retirement Savings Plan)

Two types of annuities:

Term-certain annuity

- Guarantees a set monthly income for a specified number of years
- Upon your death, your beneficiary or estate receives the remaining payments
- The source can be non locked-in funds

Life annuity

- Provides a set monthly income until your death
- This is one option for the locked-in assets coming from a DCPP, SPP, DB and LIRA/locked-in RRSP.

The rules

Annuities have some restrictions. Once you purchase an annuity:

- You can't change your mind
- You can't change your payment schedule
- You can't make any extra withdrawals

All payments from annuities are considered income so you will have to pay taxes on the payments you receive.

With a **Life annuity**, you can also purchase different options:

- Joint-and-last survivor option – payments continue until you and your spouse or common-law partner die
- Guaranteed period – ensures you and your beneficiary(ies) receive a certain number of payments for the guaranteed period
- Inflation protection – your income goes up as inflation increases (A Term-certain annuity may also have this protection.)

The more options you include, the lower your monthly payment will be.

Which product
is best for you?

Here's a summary of all the features in these products to help you make a more informed decision.

	RRIF	LIF	ANNUITY
Money from RRSPs	✓		✓
Money from locked-in RRSPs and pension plans		✓	✓
Your investment decisions	✓	✓	
Minimum withdrawal limit	✓	✓	n/a
Maximum withdrawal limit		✓	n/a
Tax-free growth of your money	✓	✓	n/a
Income tax due on minimum withdrawals received	✓	✓	Income tax due on payments
Withholding tax due on amounts paid above the minimum withdrawal limit	✓	✓	Income tax due on payments
Flexibility to choose another product after purchase	✓	✓	
Flexibility to change payment schedule and amounts	✓	✓	
Risk of outliving retirement savings	✓	✓	Depends on type of annuity purchased
At death, payment of your assets to your beneficiary(ies)	✓	✓	Depends on type of annuity purchased

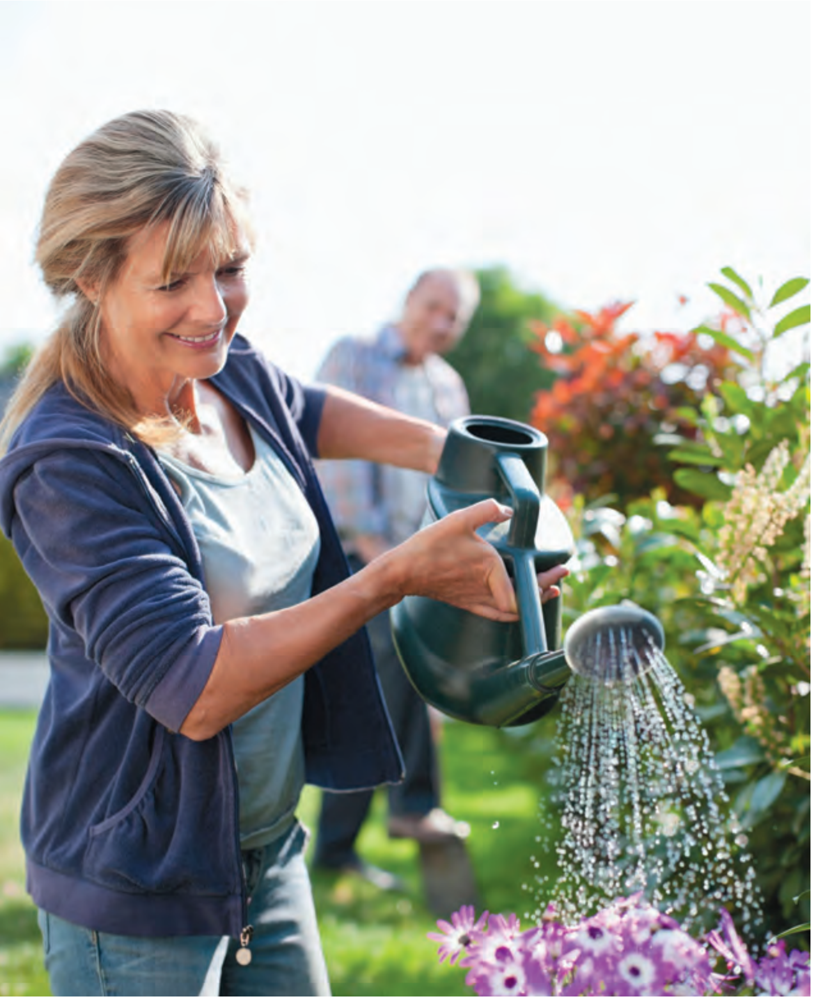
How do these features fit with your own retirement goals?

YOUR RETIREMENT GOALS	RRIF/LIF	ANNUITY
I want a guaranteed steady flow of income in retirement.		✓
I hope to live a long time and don't want to risk outliving my retirement income.		✓
I want to guarantee that my spouse and dependents have income after I'm gone.		✓
I want the opportunity to leave the balance of my account to my beneficiaries.	✓	
I want the flexibility to withdraw different payment amounts.	✓	
I want the flexibility to convert to another type of retirement income paying product.	✓	
I want control over my assets.	✓	
I don't want the responsibility of managing my investments.		✓

Final
thoughts

Over the past 50 years, technology has made a huge impact on our lives. Fewer things are done manually, communication is instant, and we have more leisure time. Research into genetics and other medical advances have increased life expectancy. We have so many more options than our parents did.

Today, most retirees are busy doing the things they want to do. They lead very active lives and find that retirement is the most enjoyable and rewarding time of their lives. No matter what you plan to do when you retire, nobody likes surprises, so a little planning now will help prepare you for the next phase in your life.



Next steps

Estimate what your expenses will be when you retire.

Complete your investor profile questionnaire.

Select the investment products that are right for your particular situation.

If you haven't already done so, talk to a lawyer and make a will.

Look at the kind of lifestyle you will have.

Set some goals for yourself and then…

enjoy your retirement,
your way.

GROUP RETIREMENT SAVINGS

About Desjardins Insurance

Desjardins Insurance offers a wide range of flexible life insurance, health insurance and retirement savings products and services. For more than a century, Desjardins Insurance has been providing innovative services to individuals, groups and businesses. Desjardins Insurance ensures the security of over five million Canadians from offices across the country. It is one of the top five life insurance companies in Canada and is a member of Desjardins Group, the leading cooperative financial group in Canada.

For additional information concerning the Group Retirement Savings plans offered by Desjardins Insurance, please contact us at: **1-800-968-3587**.

desjardinslifeinsurance.com

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