



**Capital Pension Plan
Retirement Primer
Workbook 2012**

Retirement Primer Workbook 2012

This guide is for the use of members of the Capital Pension Plan within the Saskatchewan jurisdiction exclusively. The guide provides information and basic processes to project potential retirement income, estimate future expenses and determine any anticipated shortfalls. Information provided in this guide may not cover all situations or circumstances. The Capital Pension Plan does not provide financial advice.

Effective retirement preparation involves ensuring that you will have enough income to sustain your lifestyle throughout retirement. Everyone's retirement lifestyle will be unique. Your obligations, priorities and interests will be different from your co-worker, your neighbour or your siblings. Your retirement preparation needs to be based on your own circumstances and lifestyle needs.

About this guide

This guide is designed to help you understand your sources of retirement income and introduces various tools to help you prepare estimates. The guide also provides worksheets and tables to help you estimate retirement lifestyle costs and determine whether you are currently on track with your retirement preparation.

The Toolbox

Throughout this guide, the Toolbox will indicate required information and tools available for the calculations.

Required information may include your Capital Pension Plan account balance and copies of your bills.

Tools may be a pocket calculator, a calculator available on the web, or worksheets and tables provided in this guide.

The toolbox will also indicate any standard assumptions used in the calculations and/or analysis.

Planning for the "Unknown"

Preparing for retirement involves preparing for a future event. Many are unsure how to handle factors such as future investment returns, inflation or expenses. A common method to deal with unknown factors is to use assumptions. Assumptions are essentially your best estimates about these future events.

The closer your assumptions are to actual future events, the more valid your analysis will be. However, since no one has a crystal ball to predict the future, it is very likely that your assumptions will differ from actual future events. You can plan for these inevitable differences by purposely under-estimating factors that impact income, such as investment returns or indexing and over-estimating factors that impact costs such as inflation. With this method, errors in your assumptions can work in your favour.

General Assumptions Used

Inflation Assumptions:

- 2% inflation when impacting income (i.e. Canada Pension Plan and Old Age Security benefits);
- 3% inflation when impacting costs (i.e. estimating lifestyle costs in the future);

Investment Performance:

- 5% annual rate of return for Diversified Fund and general investment growth;
- 2% annual rate of return for Pre-Retirement Fund

Life Expectancy:

- life expectancy to age 90

Retirement Primer Workbook 2012

Estimating Retirement Income

The Capital Pension Plan

The Capital Pension Plan is a defined contribution (money purchase) pension plan. Your contributions and your employer's contributions are deposited into an individual account in your name with the Plan. These funds are invested and accrue investment earnings over time. When you are ready to retire, you use your accumulated account balance to provide regular retirement income. The amount of regular retirement income you can receive from your account depends on:

- the contributions to the Capital Pension Plan;
- how long your money has accumulated investment earnings in the Plan;
- the investment performance of the Plan's investment funds (e.g. the Diversified Fund and/or the Pre-Retirement Fund); and
- the age you decide to retire.

Rob Retirement

Rob is currently 52 years old. He is a member of the Capital Pension Plan and currently has \$275,000 in his account. Rob has a spouse, Anne, who is also 52 years old. Anne belongs to a different pension plan.

Rob and Anne would like to retire when they are age 60.

Capital Pension Plan Retirement Criteria

You can retire from the Capital Pension Plan:

- under normal retirement provisions at age 65; or
- under early retirement provisions at age 50; or
- before age 50 under age plus service retirement provisions when your age plus your pensionable service equals 75 or more.

You **must** begin receiving retirement income from your Capital Pension Plan account by the end of the calendar year in which you turn age 71.

Estimating Future Value of Your Account

Toolbox

- **Your account balance** (available on your last Capital Pension Plan Member's Annual Statement, or by logging into your account at www.capitalpension.com>Capital MemberWEB);
- **Retirement Savings Calculator** (at www.capitalpension.com).

Assumptions:

- use 5% rate of return if invested in the Diversified Fund;
- use 2% rate of return if invested in the Pre-Retirement Fund

Retirement Primer Workbook 2012

Starting Amount: enter your account balance.

Years: enter the number of years from now until you wish to retire.

Additional contributions: if you are still contributing to the Plan, enter your monthly contribution amount (member + employer) and choose “per month” (if you contribute twice per month, or every two weeks, add these amounts together). If you are no longer contributing to the Plan, enter “0”.

Rate of Return: use the assumptions listed in the toolbox. Choose the “compound annually” option.

Click “Calculate”

Savings Calculator

Your savings is worth \$465,135.04 after 8 years.

If you save \$500.00 per month your savings may grow to \$465,135.04 after 8 years. This includes a starting balance of \$275,000.00 and a 5.00% annual rate of return.

Results Summary	
Starting amount	\$275,000.00
Years	8
Additional contributions	\$500.00 per month
Rate of return	5.00% compounded annually
Total amount you will have contributed	\$323,000.00
Total at end of investment	\$465,135.04

Savings Balance by Year

Year	Additions	Interest	Balance
Start	\$275,000		\$275,000
1	\$6,000.00	\$13,911.29	\$294,911.29
2	\$6,000.00	\$14,906.83	\$315,818.12
3	\$6,000.00	\$15,952.19	\$337,770.31
4	\$6,000.00	\$17,049.81	\$360,820.12
5	\$6,000.00	\$18,202.28	\$385,022.40
6	\$6,000.00	\$19,412.42	\$410,434.82
7	\$6,000.00	\$20,683.03	\$437,117.85
8	\$6,000.00	\$22,017.19	\$465,135.04

Rob Retirement

Based on these assumptions, Rob will have approximately \$465,135 in his Capital Pension Plan account at age 60.

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Estimating Retirement Income from Capital Pension Plan

There are rules about how retirement income can be received from a pension plan. Federal rules outlined in the *Income Tax Act* (Canada) are common to all jurisdictions. However, each provincial jurisdiction has its own pension legislation and those rules vary among provinces.

Which Provincial Jurisdiction Affects You

The provincial rules that impact you depend on the province you worked in while contributing to the Capital Pension Plan.

If you worked in Saskatchewan while contributing to the Capital Pension Plan, **you are in the Saskatchewan jurisdiction**, even if you are living in another province or another country.

Retirement Income Options for Saskatchewan Jurisdiction

Retirement income options available from the Capital Pension Plan to members within the Saskatchewan jurisdiction include:

- A **Variable Benefit**, which provides for flexible retirement income; or
- a **Life Annuity** which provides for guaranteed lifetime income; or
- splitting your account balance and combining both of the above options.

A Prescribed Registered Retirement Income Fund (PRRIF) is an option available from financial institutions. Life annuities are also available from life insurance companies.

The Variable Benefit

(more details are available in the Variable Benefit Information and Application Guide at www.capitalpension.com)

The key features of the Variable Benefit are:

- you can receive regular retirement income directly from your Capital Pension Plan account. You have the flexibility to decide how much income you wish to receive and can periodically change this amount;
- you can make lump sum withdrawals to cover unexpected expenses;
- all regular payments and lump sum withdrawals are fully taxable in the year received;
- minimum withdrawal amounts must begin at age 72.
- the Variable Benefit does not provide guaranteed income. It is up to you to manage your Variable Benefit payments and withdrawals to receive adequate income throughout your retirement.

If you have a spouse (married or common-law), your spouse must complete a Spouse's Waiver and Consent Form. Your spouse is your specified beneficiary, so in the event of your death, your spouse can continue receiving regular retirement income from the Variable Benefit (the spouse can waive this right).

If you do not have a spouse, in the event of your death, the remaining value in your Variable Benefit account will be paid in a lump sum to your beneficiary(ies) or your estate (fully taxable).

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Calculating a Variable Benefit Estimate

Toolbox

Variable Benefit Calculator available at www.capitalpension.com

Estimate at a Glance available on pages 27 and 28

Assumptions:

- use an estimated 5% rate of return if invested in the Diversified Fund or an estimated 2% rate of return if invested in the Pre-Retirement Fund
- a standard assumption is that retirement income should last to age 90.

Birth date: enter your birth date (mm/dd/yyyy).

Start date: enter the date you wish to begin your variable benefit (mm/dd/yyyy).

Initial Investment Amount: enter your estimated projected account balance, calculated with the Retirement Savings calculator.

Interest Rate: enter the estimated return for the appropriate investment fund as outlined in the toolbox.

Payment Options: choose "Maximum annual payment for ___ years. Subtract your retirement age from 90 (e.g. 90-60 = 30).

Begin in first year? choose "Yes"

Click "Calculate"

Variable Benefit (RRIF) Analysis

Maximum payment for 30 years is \$2,455.47 per month .

If you draw payments over a period of 30 years your monthly payment will be \$2,455.47 (\$29,465.62 per year). An annual interest rate of 5.00% has been used. Your payments start immediately. Payments are assumed to happen at the beginning of each month with interest compounded annually.

Results Summary	
Start date	03/31/2020
Age as of Jan 1st of start date	60
Initial investment amount	\$465,135
Interest rate	5.00%
Variable Benefit runs out	runs out before you are 91

Variable Benefit Payment Schedule

Age	Interest Earned	Annual Payment	Closing Balance
60	\$16,880.65	\$22,099.22	\$459,916.43
61	\$22,203.74	\$29,465.62	\$452,654.55
62	\$21,840.66	\$29,465.62	\$445,029.59
63	\$21,459.40	\$29,465.62	\$437,023.37
64	\$21,059.09	\$29,465.62	\$428,616.84
65	\$20,638.76	\$29,465.62	\$419,789.98
66	\$20,197.41	\$29,465.62	\$410,521.77
67	\$19,734.01	\$29,465.62	\$400,790.16
68	\$19,247.42	\$29,465.62	\$390,571.96

For an "Estimate-at-a Glance", please see pages 27 and 28.

Capital Pension Plan
Retirement
Retirement > Retirement Calculators
Variable Benefit Payment Calculator

A Variable Benefit is essentially a P-RRIF/RRIF except your funds remain invested with the Capital Pension Plan. You can make periodic withdrawals while the remaining balance remains tax deferred. Amounts paid out of a Variable Benefit are taxable upon receipt.

It is mandatory that you convert all your registered funds (i.e. pension plan funds and RRSPs) by December 31st in the year your turn age 71. The latest you are allowed to take your first payment is December 31st in the year your turn 72.

Once you turn age 72, the Canada Revenue Agency stipulates that a minimum payment must be withdrawn from your Variable Benefit each year and reported as income.

Birth date (mm/dd/yyyy) 03/31/1960
Start date (mm/dd/yyyy) 03/31/2020
Initial investment amount 465,135
Interest rate 5%

Choose one of the following **Payment Options**

Minimum required payment
 Fixed payment amount _____ monthly.
 Maximum annual payment for 30 years.

For monthly payments and maximum payments: check here to start payments immediately

Reset Calculate

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Rob Retirement

Based on these assumptions, Rob could withdraw approximately \$2,455/month from his Variable Benefit account until age 90. This assumes no lump sum withdrawals.

Variable Benefit Advantages and Disadvantages

The major **advantages** of a Variable Benefit are:

- your funds remain invested during retirement and accumulate investment earnings tax-deferred. This may help with inflation;
- you have income flexibility. You can periodically change your regular payment amounts, or make lump sum withdrawals to meet changing needs or cover unexpected expenses (minimum withdrawal amounts take effect at age 72).

The major **disadvantages** of a Variable Benefit are:

- your income is not guaranteed. If your withdrawals regularly exceed your investment earnings, the value of your Variable Benefit account will decrease over time.
- a Variable Benefit requires more management than a life annuity. It is up to you to manage your payments and withdrawals to ensure you continue to receive adequate income throughout your retirement.

The Life Annuity

(more details about a Life Annuity are available on our website at www.capitalpension.com)

The key features of the Life Annuity are:

- you receive guaranteed lifetime income -- you don't have to worry about out-living your funds.
- you enter into a life annuity contract and receive fixed, regular payments (that will not increase or decrease) based on the annuity rate, your retirement age and mortality tables;
- there are minimum payment periods of 5 years, 10 years or 15 years that guarantees payment of survivor benefits in the event you die sooner than anticipated;
- in the event of your death, your spouse can receive guaranteed survivor benefits for his/her lifetime;
- once you enter into a life annuity contract, your decision is irrevocable -- you cannot change your mind.

If you have a spouse (married or common-law), pension legislation requires that a Joint & Last Survivor life annuity contract be established, unless your spouse waives his/her rights. In the event of your death, your spouse will receive a lifetime survivor benefit that is at least 60% of the benefit you were receiving. There are options to provide survivor benefits greater than 60% to your spouse.

If you do not have a spouse, you can enter into a Single Life Annuity contract. In the event of your death, a lump sum survivor benefit would be payable to your beneficiary(ies) or your estate during the minimum payment period only.

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Calculating a Life Annuity Estimate

Toolbox

Life Annuity Calculator

- www.capitalpension.com

Assumptions:

- the annuity rate in the calculator automatically defaults to the annuity rate currently in effect.
- annuity rates are updated weekly and are based on federal long-term bond rates.

The screenshot shows the Capital Pension Plan website's Retirement Annuity Calculator. The page has a navigation bar with links for home, contact us, faqs, glossary, about us, and site map. The main heading is "Retirement" in a large, stylized font. Below the heading, the page is titled "Retirement > Retirement Calculators > Annuity Calculator". The calculator form includes the following fields and values:

Name*	Rob Retirement
Date of Birth* (ie 12-AUG-1967)	31-Mar-1960
Spouse's Date of Birth (ie 12-AUG-1967)	31-Jan-1960
Retirement Date* (ie 31-AUG-2045)	31-Mar-2020
Amount to Purchase Annuity*	465,135
Annuity Rate*	2.12 % (Current)

On the right side of the form, there is a vertical menu with the following links: [Capital Member WEB](#), [Member Information](#), [Investments](#), [Retirement](#), [Online Calculators](#), [Member Forms](#), [Publications](#), [Outside Links](#), and [Employers](#).

At the bottom of the form, there is a disclaimer: "This information is provided for illustration purposes only and has no official sanction. Your actual entitlement will vary depending on your particular circumstances, rates of interest and the applicable annuity rate. Official pension estimates must be prepared by the Capital Pension Plan directly." Below the disclaimer are two buttons: "Calculate" and "Cancel".

A life annuity estimate provides various minimum payment period and survivor benefit (if you have a spouse) combinations. The amount of monthly retirement income you will receive from the life annuity depends on which combination you choose. Generally, the longer the minimum payment period and/or the higher the survivor benefit option chosen, the lower the monthly retirement income amount.

Name: you can enter your name if you wish, although it is not required. If you do choose to enter your name, it will appear at the top of your estimate.

Date of Birth: enter your date of birth as DD-MMM-YYYY.

Spouse's Date of Birth: if you have a spouse, enter your spouse's date of birth in the same format as above. If you do not have a spouse, leave this field blank.

Amount to Purchase Annuity: enter your estimated projected account balance, calculated with the Retirement Savings calculator.

Annuity Rate: this is the rate used in the calculation of the annuity payments. The calculator defaults to the current annuity rate in effect. Annuity rates are based on federal long-term bond rates and are updated weekly in the calculator. When an annuity is actually purchased, the annuity rate is fixed and does not change during the term of the annuity.

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Estimate of Monthly Pension Income

Rob Retirement

Basic Data used for this estimate

Date of Birth:	31-Mar-1960	SIN:	
Retirement Date:	31-MAR-2020	Amount to Purchase Annuity:	\$ 465,135.00
Date of first Payment:	30-APR-2020	Mortality Table:	UP9415
Age at date Purchased:	60.0000	Unisex Percentage:	50 %
Spouse's date of Birth:	31-Jan-1960	Annuity Rate:	2.12 %
Spouse's age at date Purchased:	60.1644	Date Prepared:	16-APR-2012

Type of Life Annuity	Minimum Payment Period			
	0 Years	5 Years 31-MAR-2025	10 Years 31-MAR-2030	15 Years 31-MAR-2035
Single Life				
To Pensioner	2,247.58	2,238.17	2,204.74	2,142.80
Joint and Survivor 100%				
To Pensioner for Life	1,945.64	1,945.49	1,943.77	1,936.91
To Spouse after Pensioner's Death				
- To end of minimum payment period	1,945.64	1,945.49	1,943.77	1,936.91
- After minimum payment period	1,945.64	1,945.49	1,943.77	1,936.91
Joint and Survivor 75%				
To Pensioner for Life	2,013.25	2,011.24	2,003.04	1,984.58
To Spouse after Pensioner's Death				
- To end of minimum payment period	2,013.25	2,011.24	2,003.04	1,984.58
- After minimum payment period	1,509.94	1,508.43	1,502.28	1,488.44
Joint and Survivor 66 2/3%				
To Pensioner for Life	2,036.84	2,034.15	2,023.60	2,000.99
To Spouse after Pensioner's Death				
- To end of minimum payment period	2,036.84	2,034.15	2,023.60	2,000.99
- After minimum payment period	1,357.89	1,356.10	1,349.07	1,333.99
Joint and Survivor 60%				
To Pensioner for Life	2,056.13	2,052.87	2,040.38	2,014.33
To Spouse after Pensioner's Death				
- To end of minimum payment period	2,056.13	2,052.87	2,040.38	2,014.33
- After minimum payment period	1,233.68	1,231.72	1,224.23	1,208.60

Based on these assumptions, if Rob chooses a Joint & Survivor 75% life annuity with a 15 year minimum payment period, he will receive **\$1,984/month** for his lifetime.

In the event of his death in the first 15 years, Anne will continue to receive **\$1,984/month** for the remainder of the 15 year minimum payment period. After the minimum payment period has lapsed, Anne will receive **\$1,488/month** for her lifetime (which is 75% of Rob's benefit).

If both Rob and Anne pass away in the first 15 years of the life annuity, a lump sum payment representing the present value of the remainder of payments to the end of the minimum payment period will be paid to the beneficiary(ies) or estate of the last survivor.

Life Annuity Advantages and Disadvantages

The major **advantages** of a Life Annuity are:

- your income is guaranteed for your lifetime. You do not have to worry about outliving your money;
- survivor benefits to your spouse are also guaranteed.

The major **disadvantages** of a Life Annuity are:

- your income is fixed and will not increase, so inflation may impact your purchasing power over time;
- once you enter into an annuity contract, the contract is irrevocable, so you cannot change your mind.

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Combining Retirement Income Options with the Capital Pension Plan

It is possible to split your account balance and receive retirement income from both a Variable Benefit and a Life Annuity.

Transferring other Registered Funds to your Capital Pension Plan Account

If you wish to consolidate your funds, you may transfer money from other registered sources into your Capital Pension Plan account. This includes funds held in RRSPs and possibly funds from other registered pension plans. It's important to note that the Capital's Variable Benefit option can only receive eligible funds within the Saskatchewan jurisdiction. This includes funds held in RRSPs and/or money from pension plans that are registered in Saskatchewan. If you have registered funds that are deemed to be from another jurisdiction (such as a pension plan in another province), a Variable Benefit is not an eligible option with these funds.

I'm Ready to Retire -- When should I start?

The answer to this question is subjective. You may wish to begin checking estimates 6 months to a year prior to retirement. To set up your retirement payments, the Capital Pension Plan needs:

- a **Notice of Termination** and your **final contribution** from your employer; (if you are still contributing to the Plan); and
- the **completed forms** to establish your payments, based on the option(s) you choose (e.g. Variable Benefit and/or life annuity forms).

Regular payments from a life annuity and Variable Benefit are made on the last business day of the month. All appropriate forms and documentation must be received no later than the end of the second week of the month for payments to begin at the end of the same month.

Capital Pension Plan

Federal Pension Programs

The Federal pension programs include the Canada Pension Plan (CPP) and the Old Age Security (OAS) Program. This guide will outline eligibility and benefit calculation basics. This information can be used to estimate CPP and OAS Program benefits for you and your spouse, if applicable. The information and assumptions used for CPP and OAS were applicable as at March 31, 2012.

If you require more information, or have specific questions, please contact the Canada Pension Plan/Old Age Security Program directly at 1-800-277-9914 or check on-line at www.servicecanada.ca.

Canada Pension Plan

The Canada Pension Plan is a social insurance program. Canada Pension Plan benefits are determined by:

- how much you have contributed;
- how long you have contributed; The contributory period is from age 18-70 for everyone; and
- your age when you begin receiving the benefits.

Canada Pension Plan benefits are fully taxable in the year they are received.

The Canada Pension Plan is designed to provide a benefit that is approximately 25% of the average industrial wage in Canada. This average industrial wage is known as the Year's Maximum Pensionable Earnings (YMPE) and is announced by the Plan each year (usually in January). For 2012, the YMPE is \$50,100. Canada Pension Plan benefits are adjusted periodically for the cost of living.

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Starting Canada Pension Plan Benefits at age 65

You are eligible to receive an unreduced benefit from the Canada Pension Plan at age 65. *Maximum benefit at age 65: \$986/month (\$11,832/year) for 2012.*

Drop-out Period

For 2012, the drop-out period increases to 16% or up to 7.5 years of lowest income. In 2014, the drop-out period increases to 17% or up to 8 years of lowest income. The additional drop-out period for raising children under age seven remains in effect.

Benefit Reduction for Starting before age 65

You can begin receiving Canada Pension Plan benefits before age 65, the reduction factor will gradually increase to 0.60% by 2016. For Canada Pension beginning in the following years, the reduction factors are:

- for 2012, 0.52%/month age is less than 65 years;
- for 2013, 0.54%/month age is less than 65 years;
- for 2014, 0.56%/month age is less than 65 years;
- for 2015, 0.58%/month age is less than 65 years; and
- for 2016 and beyond, 0.60%/month age is less than 65 years.

Work Cessation Test

Beginning in 2012, the work cessation test is eliminated. This means that you can begin receiving your Canada Pension Plan benefits as early as age 60 without quitting work.

Contributions While Receiving Canada Pension Benefits

If you are working while receiving Canada Pension benefits and you are under age 65, contributions to the Canada Pension Plan are mandatory.

If you are working while receiving Canada Pension benefits and you are age 65 or older, contributions to the Canada Pension Plan will be voluntary. However, you **will contribute**, unless you notify the Canada Pension Plan of your intention to **opt out**.

Post-Retirement Benefit

Beginning in 2012, if you contribute while receiving Canada Pension benefits, the Post Retirement Benefit (PRB) will be added automatically to your payment beginning in the following year.

When Should You Begin?

When you should begin receiving your Canada Pension benefit is an individual decision. Some things to consider are:

- **taxation** - Canada Pension Plan benefits are fully taxable and once you begin receiving the benefit, it cannot be suspended. If you plan on continuing employment, receiving Canada Pension will increase your taxable income.
- **'break even' age** - based on the 2012 reduction factor, if you wait until age 65 to begin receiving Canada Pension, it takes until approximately age 77 to make up the difference from taking the CPP benefit at age 60. Based on the 2014 reduction factors, the 'break even' age reduces to age 74.

Estimating Canada Pension Plan Benefits

**Canada Pension Plan and Old Age Security Program
Estimated Projections (table on page 12).**

Assumptions:

- amounts based on the maximum monthly benefit.
- estimated projections assume cost of living increases at 2% annually

Based on these assumptions, if Rob chooses to receive his Canada Pension at age 60 (in 2020), his estimated benefit would be **\$753/month**.

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Old Age Security Program (OAS)

The Old Age Security Program is a social benefit provided by the Government of Canada from general tax dollars. It is a flat rate benefit. **For 2012, the benefit is \$540/month (6,480/year).** The benefit is fully taxable. Benefits are reviewed quarterly and periodically increase for cost of living.

Current Eligibility for OAS

Currently, eligibility for OAS is at age 65 (no sooner) and is based on years of Canadian residency. You are eligible for the full OAS benefit with 40 years of Canadian residency after age 18. There are partial benefits available for less than 40 years of residency (new rules). OAS benefits may continue for a period of time if you leave Canada. If your OAS benefits are suspended for non-residence, you can apply and benefits will resume once you become a resident of Canada again.

OAS Clawback

Although OAS benefits are provided to all eligible individuals, some may have to repay some or all of their OAS benefit, depending on their net income. The clawback begins when individual net income from all sources (including Canada Pension Plan benefits and OAS benefits) reaches a threshold (\$69,562 for 2012). It is calculated as 15% of your actual net income minus the threshold. OAS is totally clawed back when individual net income reaches \$112,772 for 2012. The clawback is determined at tax time. If you are subject to clawback, your OAS benefit for the following year will be reduced by a corresponding amount.

Announced Changes to OAS Eligibility

Changes to OAS eligibility were announced in the 2012 Federal budget. Beginning in April 2023, the eligibility age will begin to increase from age 65 to age 67. This measure will affect individuals born in April 1958 and later. The change will be phased in, with the eligibility age increasing by one month for every two months of elapsed time. The age 67 eligibility will apply to those born in or after February 1962.

Counting on OAS Benefits?

If you decide not to include the OAS benefit in your retirement preparation analysis and do receive the benefit in retirement, having more money than you counted on is an easier issue to deal with than having less.

Retirement Primer Workbook 2012

Canada Pension Plan and Old Age Security Estimated Monthly Benefits

(assumed cost of living increases @ 2%/year)

Payments begin	Canada Pension Plan					
	age 65	age 64	age 63	age 62	age 61	age 60
2012	\$986	\$924	\$863	\$801	\$740	\$678
2013	\$1,006	\$941	\$875	\$810	\$745	\$680
2014	\$1,026	\$957	\$888	\$819	\$750	\$681
2015	\$1,046	\$974	\$901	\$828	\$755	\$682
2016	\$1,067	\$990	\$914	\$837	\$760	\$696
2017	\$1,089	\$1,010	\$932	\$853	\$775	\$710
2018	\$1,110	\$1,030	\$950	\$871	\$791	\$724
2019	\$1,133	\$1,051	\$970	\$888	\$806	\$738
2020	\$1,155	\$1,072	\$989	\$906	\$823	\$753
2021	\$1,178	\$1,094	\$1,009	\$924	\$839	\$768
2022	\$1,202	\$1,115	\$1,029	\$942	\$856	\$784
2023	\$1,226	\$1,138	\$1,049	\$961	\$873	\$799
2024	\$1,250	\$1,160	\$1,070	\$980	\$890	\$815
2025	\$1,275	\$1,184	\$1,092	\$1,000	\$908	\$832
2026	\$1,301	\$1,207	\$1,114	\$1,020	\$926	\$848
2027	\$1,327	\$1,231	\$1,136	\$1,040	\$945	\$865
2028	\$1,354	\$1,256	\$1,159	\$1,061	\$964	\$883
2029	\$1,381	\$1,281	\$1,182	\$1,082	\$983	\$900
2030	\$1,408	\$1,307	\$1,205	\$1,104	\$1,003	\$918
2031	\$1,436	\$1,333	\$1,230	\$1,126	\$1,023	\$937
2032	\$1,465	\$1,360	\$1,254	\$1,149	\$1,043	\$955

Old Age Security	
2012	\$540
2013	\$551
2014	\$562
2015	\$573
2016	\$585
2017	\$596
2018	\$608
2019	\$620
2020	\$633
2021	\$645
2022	\$658
2023	\$671
2024	\$685
2025	\$699
2026	\$713
2027	\$727
2028	\$741
2029	\$756
2030	\$771
2031	\$787
2032	\$802

Grey indicates OAS @ age 65
Green indicates shift in eligibility to age 67

Rob's estimated Canada Pension Benefit @ age 60 (in 8 yrs)

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Taxation

All income is fully taxable in the year received. This includes income from the Capital Pension Plan, RRSP income, Canada Pension Plan benefits and Old Age Security Program benefits.

Tax Rates

Taxation occurs at two levels. Federal tax rates are common throughout Canada. Provincial rates are determined by the province of residence and vary throughout Canada. All tax rates are progressive, which means that higher rates are paid on higher incomes.

2012 Marginal Tax Rates

Federal Rates		Saskatchewan Rates	
first \$42,707	15%	first \$42,065	11%
> \$42,707 to \$85,414	22%	>\$42,065 to \$120,185	13%
> \$85,414 to \$132,406	26%	> \$120,185	15%
> \$132,406	29%		

Combined Marginal Tax Rates (Saskatchewan)	
first \$42,065	26%
> \$42,065 to \$42,707	28%
>\$42,707 to \$85,414	35%
>\$85,414 to \$120,185	39%
> \$120,185 to \$132,406	41%
> \$132,406	44%

Estimating Tax for Retirement Preparation Purposes

While one cannot predict future tax rate increases (or possibly decreases), using the current tax rates as your assumptions will provide a degree of tax planning in your estimates.

Deductions and Tax Credits

Some basic deductions and tax credits include:

- the personal deduction/exemption;
- the age amount, which becomes available at age 65;
- the spousal tax credit (if spouse's income is below a certain amount);
- medical expense tax credit, if medical expenses are in excess of 3% of net income over a 12 month period;
- the pension credit, a deduction of \$2,000 (federal) plus \$1,000 (Saskatchewan), available beginning at age 65 if income is received through a Variable Benefit or P-RRIF, or at any age if retirement income is received through a life annuity (Canada Pension Plan and Old Age Security benefits are NOT eligible for the pension credit).

Retirement Income Splitting with a Spouse

Depending on your circumstances, you may be able to take advantage of retirement income splitting and allocate up to 50% of your retirement income to your spouse (married or common-law) if:

- your spouse resides with you; and
- you are age 65 or older if you are receiving income through a Variable Benefit/P-RRIF (income from a life annuity is eligible at any age, Canada Pension Plan/OAS income is NOT eligible for income splitting).

The retirement income splitting is performed at tax time. Care must be taken to ensure you do not allocate too much income to your spouse as this may reduce or eliminate eligibility for the spousal tax credit, or increase your spouse's tax rate to a point that is not advantageous.

Estimating Income Needs

There is no “one size fits all” retirement plan. Each individual may have different obligations, different priorities and different interests in retirement.

Estimating Cost of Your Retirement Income Lifestyle

Some individuals do not know where to begin when trying to estimate the cost of their retirement lifestyle. This guide utilizes a three-step process.

Toolbox

Estimating Income Needs Worksheet

- pages 19 & 20 of this guide.

Projected Monthly Cost of Retirement Lifestyle

- table provided on page 20 of this guide.

Copies of your latest utility bills/mortgage statement, etc.

Small booklet/envelope to track incidental expenses for 1-2 months

Calculator

Assumptions:

- inflation will impact the future cost of your lifestyle expenses @ 3%/year.

Step 1: Determine Cost of Current Lifestyle

The goal of retirement preparation for many is to maintain their current lifestyle. Many of your current expenses will remain into retirement. Therefore, a good place to begin estimating the cost of your retirement lifestyle is to determine the actual cost to maintain your current lifestyle. The worksheet provided on the following pages will help you do this.

A quicker (although less accurate) option may be to begin with your take home pay.

Tracking Incidental Expenses

Certain costs, such as mortgage payments or utilities are quite easy to determine. Tracking incidental expenses, such as coffee purchases, or eating out may be a bit more difficult. A technique to help you track your incidental expenses may be to take a small book or envelope and keep track of your incidental expenses for a month or two. Every time you make a purchase or withdraw cash from the ATM, write it down. This small exercise will help you determine your incidental costs that may or may not continue into retirement. This exercise may also help you determine where you can potentially trim expenses if you wish to save more for retirement (purchasing a \$7.50 lunch twice per week adds up to \$780 in a year).

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Step 2: Use Current Costs to Estimate Retirement Lifestyle Costs

Now that you have determined the cost to sustain your current lifestyle, you now have quite a lot of information to help you estimate the costs of your retirement lifestyle.

There are some expenses that will likely remain the same in retirement (e.g. costs for electricity, heat, home insurance), etc. At this point, you can copy these costs into the "Estimated @ Retirement" column at their current amount (we'll adjust for cost of living later).

Some expenses may be eliminated in retirement. Perhaps you have a mortgage today, but your current plan is to have your mortgage paid off by the time you retire. If this is the case, you can enter "\$0.00" for a mortgage cost in the "Estimated @ Retirement" column.

Other expenses will likely continue in retirement, but the actual cost in retirement may be lower. For example, your gasoline expense will likely decrease when you are not driving to work every day. You will likely still drive places, but perhaps your estimated gasoline costs will be reduced by 30-40%. Enter this reduced cost into the "Estimated @ Retirement" column.

Some expenses may actually increase in retirement. For example, maybe you plan on taking more trips when you retire. Determine the cost of an average trip today and enter this into the "Estimated @ Retirement" column (Hint: if you plan on taking a trip every 2 years, divide the total amount by "2", if you plan on taking a trip every 3 years, divide by "3").

Other expenses may be new in retirement. For example, if you have employer paid health or dental coverage, you will likely have to either purchase your own coverage, or pay your own expenses. Research the current cost of insurance coverage, or estimate your average healthcare/dental costs and enter this into the "Estimated @ Retirement" column.

Review each expense separately and make your best estimate about whether the expense is likely to continue during retirement and if so, whether you anticipate the cost in retirement to increase, decrease or stay the same (excluding inflation at this point).

Once you have finished this exercise, total the costs in the "Estimated @ Retirement" column.

Step 3: Adjust for Inflation

So far, you have determined the current cost of your anticipated retirement lifestyle. The next step is to estimate the future cost by adjusting for inflation. You can do this by using the table "Projected Monthly Cost of Retirement Lifestyle" provided on page 20.

In the first column, find the amount that is closest to your estimated expenses at retirement. Then, along the top row, find the closest number of years from today that corresponds with when you wish to retire. Where these two intersect is the estimated future cost of your retirement lifestyle.

Rob and Anne completed the "Estimating Income Needs" worksheet. Based on their best estimates, they determined that the current cost of their anticipated retirement lifestyle is **\$3,485/month**. With inflation estimated at 3%, this will be **\$4,300/month** when they plan to retire at age 60.

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Estimating Income Needs for Rob Retirement

Lifestyle Expenditures Worksheet (per month)

Expenses	Today	at Retirement
Shelter		
Mortgage/Rent	1500	0
Property Taxes	400	400
Condo Fees		
Home Insurance	75	75
Maintenance/Upkeep	50	50
Yard	50	50
Other _____		
Utilities		
Heating	150	150
Power	150	150
Water	85	85
Telephone	125	125
TV (cable)	85	85
Groceries	700	500
Other _____		
Transportation		
Car payment	400	400
Auto Insurance	100	100
Package Policy	20	20
Gas	250	175
Maintenance	35	35
Public Transportation		
Sub-total (continued)	4,140	2,400

Shelter

Rob and Anne estimate that they will not have a mortgage payment in retirement, but that their other shelter-related expenses will remain the same.

Utilities

Rob and Anne estimate that their grocery costs will decrease in retirement since they currently have one child at home, but expect their other utility-related expenses will remain the same.

Transportation

Rob and Anne estimate that they will need to purchase a different car at some point during their retirement, so they decided to include a car payment (they may just save this amount so they can purchase a car when they need it). They anticipate that their cost for gas will decrease since they will not be driving to work every day, but expect their other transportation-related expenses will remain the same.

continued.....

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Estimating Income Needs for Rob Retirement (continued)

Lifestyle Expenditures Worksheet (per month)

Expenses	Today	at Retirement
Sub-total (previous page)	4,140	2,400
Medical Expenses/Insurance		
Prescription Drugs	0	100
OTC Drugs	0	0
Medical/Travel Insurance	0	50
Life Insurance	0	15
Dental Expenses	0	50
Eyecare Expenses	0	50
Other _____		
Other Expenses		
Clothing	200	100
Entertainment	75	100
Eating Out	100	50
Gifts	150	200
Recreation	100	250
Fees/Memberships	0	0
Bank Fees	0	0
Credit Card Interest	0	0
Other _____	20	20
Other _____	175	100
TOTAL	4,960	3,485

Projected Cost of Retirement Lifestyle (see page 20)	\$4,400
---	----------------

Medical Expenses/Insurance

Rob and Anne are both relatively healthy. They each have health coverage through their employer, so they do not currently have any out of pocket medical or insurance expenses. Since their employer coverage does not extend into retirement, they decide to include some estimates for medical expenses and insurance coverage during their retirement.

Other Expenses

Rob and Anne both purchase clothes for work and many have to be dry cleaned. They estimate that they may need about half of this expense in retirement. They estimate that they will eat out less frequently in retirement, but that their costs for entertainment, vacations and gifts will increase.

Projected Cost of Retirement Lifestyle

Rob and Anne estimate that the total current cost of their anticipated retirement lifestyle is about \$3,500/month. With inflation estimated at 3%, this \$3,500 will be about \$4,400 in 8 years when they plan to retire at age 60 (see page 20).

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Lifestyle Expenditures Worksheet (per month)

Expenses	Today	at Retirement
Shelter		
Mortgage/Rent		
Property Taxes		
Condo Fees		
Home Insurance		
Maintenance/Upkeep		
Yard		
Other _____		
Utilities		
Heating		
Power		
Water		
Telephone		
TV (cable)		
Groceries		
Other _____		
Transportation		
Car payment		
Auto Insurance		
Package Policy		
Gas		
Maintenance		
Public Transportation		
Sub-total (continued)		

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Lifestyle Expenditures Worksheet (per month)

Expenses	Today	at Retirement
Sub-total (previous page)	_____	_____
Medical Expenses/Insurance		
Prescription Drugs		
OTC Drugs		
Medical/Travel Insurance		
Life Insurance		
Dental Expenses		
Eyecare Expenses		
Other _____		
Other Expenses		
Clothing		
Entertainment		
Eating Out		
Gifts		
Recreation		
Fees/Memberships		
Bank Fees		
Credit Card Interest		
Other _____		
Other _____		
TOTAL	_____	_____
Projected Cost of Retirement Lifestyle (see page 20)		

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Projected Monthly Cost of Retirement Lifestyle

Estimated Inflation @ 3%

Current Cost	Years from Today																	
	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
500	546	563	580	597	615	633	652	672	692	713	734	756	779	802	826	851	877	903
750	820	844	869	896	922	950	979	1,008	1,038	1,069	1,101	1,134	1,168	1,204	1,240	1,277	1,315	1,355
1,000	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469	1,513	1,558	1,605	1,653	1,702	1,754	1,806
1,250	1,366	1,407	1,449	1,493	1,537	1,583	1,63	1,680	1,730	1,782	1,836	1,891	1,947	2,006	2,066	2,128	2,192	2,258
1,500	1,639	1,688	1,739	1,791	1,845	1,900	1,957	2,016	2,076	2,139	2,203	2,269	2,337	2,407	2,479	2,554	2,630	2,709
1,750	1,912	1,970	2,029	2,090	2,152	2,217	2,283	2,352	2,422	2,495	2,570	2,647	2,726	2,808	2,892	2,979	3,069	3,161
2,000	2,185	2,251	2,319	2,388	2,460	2,534	2,610	2,688	2,768	2,852	2,937	3,025	3,116	3,209	3,306	3,405	3,507	3,612
2,500	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360	3,461	3,564	3,671	3,781	3,895	4,012	4,132	4,256	4,384	4,515
3,000	3,278	3,377	3,478	3,582	3,690	3,800	3,914	4,032	4,153	4,277	4,406	4,538	4,674	4,814	4,959	5,107	5,261	5,418
3,500	3,825	3,939	4,057	4,179	4,305	4,434	4,567	4,704	4,845	4,990	5,140	5,294	5,453	5,616	5,785	5,959	6,137	6,321
4,000	4,371	4,502	4,637	4,776	4,919	5,067	5,219	5,376	5,537	5,703	5,874	6,050	6,232	6,419	6,611	6,810	7,014	7,224
4,500	4,917	5,065	5,217	5,373	5,534	5,700	5,871	6,048	6,229	6,416	6,608	6,807	7,011	7,221	7,438	7,661	7,891	8,128
5,000	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512	8,768	9,031

approx. \$4,400/month

Are You on Track?

Your Spouse's Pension Plan

If your spouse belongs to a pension plan, you may wish to contact that plan to request an estimate for his/her pension.

Toolbox

Canada Revenue Agency Payroll Deductions on-line calculator

- <https://apps.cra-arc.gc.ca/ebci/rhpd/startLanguage.do?lang=English>; (assumes current tax rates will continue into retirement;

or

Current Marginal Tax Rates

See Combined Marginal Tax Rates for Saskatchewan on page 13.

Are You On Track? Worksheet

- on page 24 of this guide.

Additional Savings @ Retirement Table

- on page 24 of this guide.

Assumptions:

- no income splitting with spouse;
- 5% annual return, 3% inflation
- life expectancy to age 90

Assessing Your Situation Worksheet

With this worksheet, you can compare the estimated retirement income with your estimated income needs. This worksheet will help you determine if you are currently on track with your retirement preparation, and if not, how much more you may need to set aside to meet your estimated retirement lifestyle expenditures.

Projected Net Retirement Income: use this section to summarize your estimated gross pension income from all sources. Include the retirement income estimates for your estimated Capital Pension Plan account and your estimates from the Canada Pension Plan. It is your choice whether you include estimated income from the Old Age Security Program (remember, OAS benefits do not begin until age 65). You can also include estimates for your spouse, if applicable.

(Subtract Taxes): You can use the calculator on Canada Revenue Agency's website, or the estimated average tax percentages to determine a tax payable estimate.

Net Retirement Income, Combined: Once you have subtracted the estimated tax amount, you will have an estimate of your after-tax pension income.

(Subtract Lifestyle Expenditures): take this amount from the "Estimating Income Needs" worksheet you completed in the previous section.

Annual Shortfall (negative), or surplus (positive): subtract the "Retirement Lifestyle Expenditures" from the "Net Retirement Income, Combined". A negative result indicates a shortfall. If you have a positive amount, your retirement appears to be on track.

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Assessing Your Situation for Rob Retirement

Are You On Track Worksheet -- Sample

Projected Net Retirement Income (estimated annual)		
Capital Pension Plan	\$29,460	(\$2,455/month x 12)
Canada Pension	\$9,036	(\$753/month x 12)
Old Age Security	\$0	
Other Income	\$0	(e.g. from RRSPs)
(Subtract Tax)	(\$10,009)	(@ 26% combined rate)
Net Retirement Income	\$28,487	
Spouse's Pension	\$18,000	(\$1,500/month x 12)
Spouse's Canada Pension	\$9,036	(\$753/month x 12)
Spouse's Old Age Security	\$0	
Other Income	\$0	(e.g. from spouse's RRSPs)
(Subtract Tax)	(\$7,029)	(@ 26% combined rate)
Spouse's Net Retirement Income	\$20,007	

Are You On Track?		
Net Retirement Income (Combined)	\$48,494	(\$27,173 + \$20,385)
(Subtract Lifestyle Expenditures)	(\$52,800)	(\$4,400/month x 12)
Annual Shortfall (negative) or Surplus positive	(4,306)	

Anticipated Retirement Timeframe

Rob is currently age 52 and plans to retire at age 60.

Projected Net Retirement Income (estimated annual)

Rob prepared a projection using the Retirement Savings Calculator and estimated his account could grow to about \$465,135 (page 3). He then prepared a Variable Benefit estimate (page 5), and estimated his retirement income to be about \$2,455/month (\$29,460/year). Rob estimated his Canada Pension Plan benefit at \$753/month (page 12). Since he plans to retire at age 60, Rob did not include estimates for Old Age Security in his estimates. Anne contacted her pension plan to request an estimate (\$1,500/month or \$18,000/year). Anne estimated that her Canada Pension Plan benefits would be \$753/month (equivalent to Rob's estimated amount).

Estimated Taxes

Rob and Anne used an estimated average tax of 26%.

Estimated Net Pension Income (Projected Annual)

Rob subtracted the estimated tax from the estimated gross pension income to determine this amount.

Projected Lifestyle Expenditures

Rob carried forward the "Total Projected Retirement Lifestyle Expenditures" amount from the worksheets (pages 16 and 17).

Annual Shortfall or Surplus

Based on their assumptions, Rob and Anne have an annual shortfall of about \$4,400. Using the "Shortfall @ Retirement" table on page 24, Rob finds his expected retirement age along the left column and the approximate amount of his shortfall along the top row. According to the assumptions, they will need about \$100,000 of additional retirement savings.

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Are You On Track Worksheet

Projected Net Retirement Income (estimated annual)		
Capital Pension Plan	_____	Monthly estimate page 5, multiplied by 12
Canada Pension (federal)	_____	Monthly estimate page 12, multiplied by 12
Old Age Security (if applicable)	_____	Monthly estimate page 12, multiplied by 12
Other Income (if applicable)	_____	(e.g. from RRSPs)
(Subtract Tax)	_____	Combined marginal tax rates page 13
Net Retirement Income		
Spouse's Pension	_____	Contact spouse's pension plan for estimate
Spouse's Canada Pension	_____	Monthly estimate page 12, multiplied by 12
Spouse's Old Age Security	_____	Monthly estimate page 12, multiplied by 12
Other Income	_____	(e.g. from RRSPs)
(Subtract Tax)	_____	Combined marginal tax rates page 13
Spouse's Net Retirement Income		

Are You On Track?		
Net Retirement Income (Combined)	_____	Net Retirement Income + Spouse's Net Retirement Income
(Subtract Lifestyle Expenditures)	_____	Subtract Estimated Lifestyle Expenditures page 19
Annual Shortfall (negative) or Surplus positive	_____	Check table on page 24 for additional savings required

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Additional Savings @ Retirement

Assumptions: 5% Annual Return, 3% inflation, Life Expectancy to age 90

Retirement Age	Annual Shortfall												
	(500)	(1,000)	(2,000)	(3,000)	(4,000)	(5,000)	(6,000)	(7,000)	(8,000)	(9,000)	(10,000)	(11,000)	(12,000)
50	\$14,091	\$28,182	\$56,364	\$84,546	\$112,728	\$140,909	\$169,091	\$197,273	\$225,455	\$253,637	\$281,819	\$310,001	\$338,183
51	\$13,855	\$27,709	\$55,418	\$83,128	\$110,837	\$138,546	\$166,255	\$193,964	\$221,674	\$249,383	\$227,092	\$304,801	\$332,510
52	\$13,614	\$27,227	\$54,455	\$81,682	\$108,909	\$136,137	\$163,364	\$190,592	\$217,819	\$245,046	\$272,274	\$299,501	\$326,728
53	\$13,368	\$26,736	\$53,472	\$80,209	\$106,945	\$133,681	\$160,417	\$187,153	\$213,889	\$240,626	\$267,362	\$294,098	\$320,834
54	\$13,118	\$26,235	\$52,471	\$78,706	\$104,942	\$131,177	\$157,413	\$183,648	\$209,884	\$236,119	\$262,355	\$288,590	\$314,826
55	\$12,863	\$25,725	\$51,450	\$77,175	\$102,900	\$128,625	\$154,350	\$180,075	\$205,800	\$231,525	\$257,250	@282,975	\$308,700
56	\$12,602	\$25,205	\$50,409	\$75,614	\$100,819	\$126,023	\$151,228	\$176,433	\$201,638	\$226,842	\$252,047	\$277,252	\$302,456
57	\$12,337	\$24,624	\$49,349	\$74,023	\$96,697	\$123,371	\$148,046	\$172,720	\$197,394	\$222,068	\$246,743	\$271,417	\$296,091
58	\$12,067	\$24,134	\$48,267	\$72,401	\$96,534	\$120,668	\$144,801	\$168,935	\$193,068	\$217,202	\$241,335	\$265,469	\$289,603
59	\$11,791	\$23,582	\$47,165	\$70,747	\$94,329	\$117,912	\$141,494	\$165,076	\$188,659	\$212,241	\$235,823	\$259,406	\$282,988
60	\$11,510	\$23,020	\$46,041	\$69,061	\$92,082	\$115,102	\$138,123	\$161,143	\$184,163	\$207,184	\$230,204	\$253,225	\$276,245
61	\$11,224	\$22,448	\$44,895	\$67,343	\$89,791	\$112,238	\$134,686	\$157,133	\$179,581	\$202,029	\$224,476	\$246,924	\$269,372
62	\$10,932	\$21,864	\$43,727	\$65,591	\$87,455	\$109,319	\$131,182	\$153,046	\$174,910	\$196,773	\$218,637	\$240,501	\$262,365
63	\$10,634	\$21,268	\$42,537	\$63,805	\$85,074	\$106,342	\$127,611	\$148,879	\$170,148	\$191,416	\$212,685	\$233,953	\$255,222
64	\$10,331	\$20,662	\$41,323	\$61,985	\$82,647	\$103,308	\$123,970	\$144,632	\$165,293	\$185,955	\$206,617	\$227,278	\$247,940
65	\$10,022	\$20,043	\$40,086	\$60,086	\$80,172	\$100,216	\$120,259	\$140,302	\$160,345	\$180,388	\$200,431	\$220,474	\$240,517

Rob has an estimated shortfall of \$4,400 and will need approximately \$100,000 in additional savings (based on the assumptions used).

Strategies for a Shortfall

Many may discover that after they complete their assessment, they do have a shortfall. There are several strategies to handle a shortfall. You may wish to explore one, or a combination of the following strategies to make up for any shortfall you may have.

Save more in registered savings

The term “registered savings” refers to savings in which you can defer taxation, which are essentially RRSPs. You may already have some RRSPs to help handle a shortfall, or you may wish to contribute to an RRSP.

If you are still contributing to the Capital Pension Plan through your employer, you may have the opportunity to make voluntary contributions to the Capital Pension Plan.

The advantage of contributing to an RRSP or making voluntary contributions to the pension plan is that you receive tax savings today since the amount you contribute is deducted from your taxable income.

These funds are fully taxed when they are withdrawn (presumably in retirement). This may be a disadvantage as this increases your tax liability in retirement.

The amount you can contribute to your registered savings is limited to 18% of your earned income each year to a maximum dollar amount. Your member and employer contributions to the Capital Pension Plan also count towards this limit.

Save more in non-registered savings

You may choose to save more in nonregistered savings. Nonregistered savings are essentially your after-tax savings or investments, such as a savings account you may have. The advantage of saving more in nonregistered savings is that there are no limits (i.e. you can save as much as you want). Depending on the type of investment you choose, you may be able to defer the tax on investment earnings until you withdraw the funds.

Since these are after-tax dollars, you may have less tax owing when you withdraw these savings (presumably in retirement), since the initial amount has already been taxed. The main disadvantage of nonregistered savings is that you receive no tax advantages today.

Tax Free Savings Accounts (TFSAs)

The Tax Free Savings Account (TFSA) can be a useful tool if you wish to save more in nonregistered savings and can help manage your taxation in retirement. A TFSA can almost be viewed as the opposite of an RRSP. With a TFSA, you invest after-tax dollars today and are able to make tax-free withdrawals of principal and earnings in the future.

There is a \$5,000 contribution limit, beginning in 2009. Any unused TFSA contribution room can be carried forward and used in future years. Any amounts withdrawn from your TFSA are also added to your contribution room for future years.

Postpone retirement

It may be that you need to work a little longer to meet your retirement needs, obligations and interests. The main advantage of postponing retirement is that you have more time for savings and investment earnings to accumulate. As well, since you are older, there fewer years in retirement for the funds to last. The main disadvantage is that you are continuing to work. Another issue to consider may be your health.

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Semi-retire

Another option may be to supplement your retirement income with employment income for a few years through semi-retirement. Maybe you want to try something new or work part-time.

With this strategy, you have less reliance on your retirement savings by supplementing your retirement income with employment income for a while. You may also be able to continue saving, since you would continue to accumulate RRSP room on your employment income.

Of course, the main disadvantage of this strategy is that you are continuing to work. With this strategy, you would likely require flexibility in your retirement income (such as a Variable Benefit) to adjust your reliance on this income as well as to manage your tax liability.

Reduce retirement lifestyle expenditures

It may be that you are trying to fund a retirement lifestyle that is not affordable. You may have to review the “extras” such as recreation or vacation expenditures. You may have an opportunity to access additional funds by downsizing your housing.

The advantages of this strategy is that you could possibly retire sooner, but you can only take this so far. There are many expenses that are required in retirement.

Overall, you may require a combination of strategies to meet your retirement goals.

Moving Forward

This guide has been prepared using specific assumptions and provides **estimates only**. Changing the assumptions will yield different results.

Variances between the assumptions used and actual events will also yield different results.

It is recommended that you review your retirement preparation initiatives periodically (i.e. every 5 years or sooner as retirement approaches) to revise and update your assumptions as required.

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Estimate-at-a-Glance

Estimated Monthly Income

Assumptions: 5% Estimated Annual Return, Life Expectancy to Age 90

All Estimates are Before Tax

Retirement Age	Account Balance @ Retirement										
	50,000	75,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000
50	\$231	\$347	\$463	\$694	\$925	\$1,156	\$1,388	\$1,619	\$1,850	\$2,081	\$2,313
51	\$233	\$350	\$466	\$700	\$933	\$1,166	\$1,399	\$1,632	\$1,866	\$2,099	\$2,332
52	\$235	\$353	\$471	\$706	\$941	\$1,176	\$1,412	\$1,647	\$1,882	\$2,117	\$2,353
53	\$237	\$356	\$475	\$712	\$950	\$1,187	\$1,425	\$1,662	\$1,900	\$2,137	\$2,375
54	\$260	\$360	\$480	\$719	\$959	\$1,199	\$1,439	\$1,679	\$1,919	\$2,158	\$2,398
55	\$242	\$364	\$485	\$727	\$969	\$1,212	\$1,454	\$1,696	\$1,939	\$2,181	\$2,423
56	\$245	\$368	\$490	\$735	\$980	\$1,225	\$1,470	\$1,715	\$1,960	\$2,206	\$2,451
57	\$248	\$372	\$496	\$744	\$992	\$1,240	\$1,488	\$1,736	\$1,984	\$2,232	\$2,480
58	\$251	\$377	\$502	\$753	\$1,004	\$1,256	\$1,507	\$1,758	\$2,009	\$2,260	\$2,511
59	\$254	\$382	\$509	\$763	\$1,018	\$1,272	\$1,527	\$1,781	\$2,036	\$2,290	\$2,545
60	\$258	\$387	\$516	\$774	\$1,033	\$1,291	\$1,549	\$1,807	\$2,065	\$2,323	\$2,581
61	\$262	\$393	\$524	\$786	\$1,048	\$1,310	\$1,573	\$1,835	\$2,097	\$2,359	\$2,621
62	\$266	\$400	\$533	\$799	\$1,065	\$1,332	\$1,598	\$1,865	\$2,131	\$2,397	\$2,664
63	\$271	\$406	\$542	\$813	\$1,084	\$1,355	\$1,626	\$1,897	\$2,168	\$2,439	\$2,710
64	\$276	\$414	\$552	\$828	\$1,104	\$1,380	\$1,656	\$1,932	\$2,208	\$2,484	\$2,760
65	\$282	\$422	\$563	\$845	\$1,126	\$1,408	\$1,689	\$1,971	\$2,252	\$2,534	\$2,816

The estimates provided are for information purposes only and are based on a specific set of assumptions. Any changes to the assumptions used will yield different results.

continued

Retirement Primer Workbook 2012

Estimate-at-a-Glance

Estimated Monthly Income based on Variable Benefit Option
 Assumptions: 5% Estimated Annual Return, Life Expectancy to Age 90
 All Estimates are Before Tax

Retirement Age	Account Balance @ Retirement									
	550,000	600,000	650,000	700,000	750,000	800,000	850,000	900,000	950,000	1,000,000
50	\$2,544	\$2,775	\$3,006	\$3,238	\$3,469	\$3,700	\$3,951	\$4,143	\$4,394	\$4,625
51	\$2,565	2,798	\$3,032	\$3,265	\$3,498	\$3,731	\$3,964	\$4,197	\$4,431	\$4,664
52	\$2,588	\$2,823	\$3,058	\$3,294	\$3,529	\$3,764	\$3,999	\$4,235	\$4,470	\$4,705
53	\$2,612	\$2,850	\$3,087	\$3,324	\$3,562	\$3,799	\$4,037	\$4,274	\$4,512	\$4,749
54	\$2,638	\$2,878	\$3,118	\$3,357	\$3,837	\$3,597	\$4,077	\$4,317	\$4,557	\$4,796
55	\$2,666	\$2,908	\$3,151	\$3,393	\$3,635	\$3,878	\$4,120	\$4,362	\$4,605	\$4,847
56	\$2,696	\$2,941	\$3,186	\$3,431	\$3,676	\$3,921	\$4,166	\$4,411	\$4,656	\$4,901
57	\$2,728	\$2,976	\$3,224	\$3,472	\$3,720	\$3,968	\$4,216	\$4,464	\$4,712	\$4,960
58	\$2,762	\$3,013	\$3,264	\$3,516	\$3,767	\$4,018	\$4,269	\$4,520	\$4,771	\$5,022
59	\$2,799	\$3,054	\$3,308	\$3,563	\$3,817	\$4,072	\$4,326	\$4,581	\$4,835	\$5,090
60	\$2,840	\$3,098	\$3,356	\$3,614	\$3,872	\$4,130	\$4,388	\$4,647	\$4,905	\$5,163
61	\$2,883	\$3,145	\$3,407	\$3,669	\$3,931	\$4,193	\$4,455	\$4,718	\$4,980	\$5,242
62	\$2,930	\$3,196	\$3,463	\$3,729	\$3,995	\$4,262	\$4,528	\$4,794	\$5,061	\$5,327
63	\$2,981	\$3,252	\$3,523	\$3,794	\$4,065	\$4,336	\$4,607	\$4,878	\$5,149	\$5,420
64	\$3,037	\$3,313	\$3,589	\$3,865	\$4,141	\$4,417	\$4,693	\$4,969	\$5,245	\$5,521
65	\$3,097	\$3,379	\$3,660	\$3,942	\$4,223	\$4,505	\$4,786	\$5,068	\$5,350	\$5,631

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