YOUR

RETIREMENT INCOME

As the Retirement Landscape Changes, Financial Advice is Key

Canadians today face a great deal of uncertainty when it comes to their retirement. Historically low interest rates are squeezing fixed-income investments and forcing investors to consider higher-risk alternatives. At the same time, as our population ages, the country's governments are tinkering with public pensions, which will have profound effects on when and how comfortably we can retire.

PUBLIC PENSIONS: UNDERSTANDING THE CHANGES AND IMPLICATIONS

Driven largely by concerns that retiring Boomers will put a strain on public programs, government-provided pensions have changed (or will be changing) in ways that could affect our lives after work. These structures have traditionally supported Canadian retirees, but will now leave them with more factors and options to consider when planning their retirement income strategy.

What's Changed?	How It Affects You?
Canada Pension Plan (CPP): The federal government recently raised the benefit payment to individuals who collect after the age of 65 and reduced it to those who draw on their CPP before 65. At the same time, the government introduced the Post-Retirement Benefit (PRB), which increases the pension income for Canadians aged 60 to 70 who continue to work and contribute to the CPP while receiving a retirement pension.[1]	The decision for when you start to take your CPP now has new significance as it will have a larger impact on your taxable income. The PRB will increase CPP benefits, but could reduce Old Age Security (OAS) or Guaranteed Income Supplement payments for some retirees. The PRB also means more Canadians may consider working longer than they had originally planned.
Old Age Security: Canadians can now defer their OAS pension by up to five years in exchange for a higher monthly benefit. For those born after 1962, the age of eligibility is changing from 65 to 67 for OAS and from 60 to 62 for OAS Allowance and OAS Allowance for the Survivor.[2]	For many Canadians, these changes mean more money must be put aside if they want to retire before they become eligible for OAS benefits. Those who choose to get OAS later for the higher monthly allowance will need to watch their expenses carefully during their non-OAS years.

COMING SOON: NEW PRIVATE AND PUBLIC PENSIONS

Ontario Registered Pension Plan (ORPP): Set to launch in 2017 – starting with the largest employers in the province – the ORPP will require Ontario employers and employees to contribute an equal amount on an employee's annual earnings up to $90,000, with contributions capped at 1.9% each. Benefits paid in retirement will be based on salary and years of contribution.[3]

While the ORPP promises more money for retirement, mandatory contributions will also mean less money for Ontarians to direct while they're working. Another disadvantage is that ORPP contributions have little estate value and unlike private savings, apart from a limited benefit, cannot be passed on to heirs.

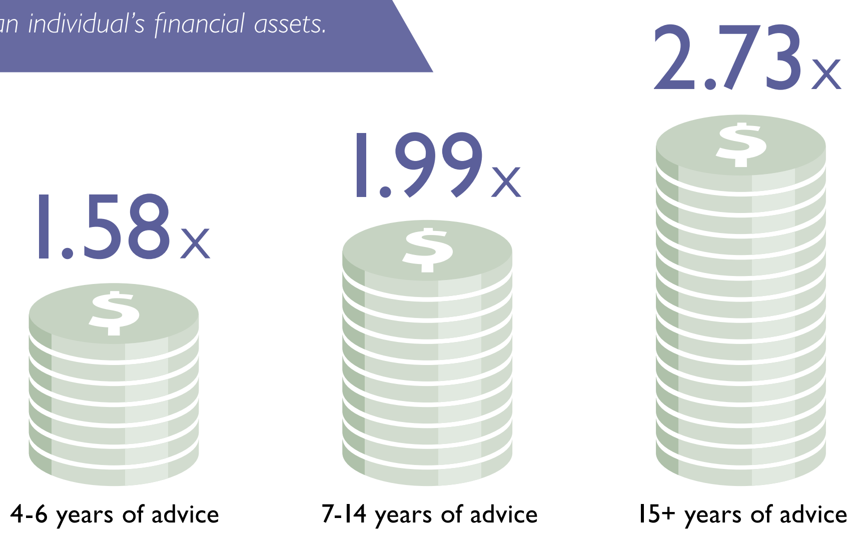
Private Pensions: Canadians can also expect new private pension products in the coming years. Among these is the Personal Registered Pension Plan, which was recently made available to residents of certain provinces.

PROFESSIONAL FINANCIAL ADVICE: CONSTANT BENEFITS IN A CHANGING LANDSCAPE

Even as the retirement income landscape continues to shift, one thing remains constant: the value and benefits of professional financial advice. According to the Conference Board of Canada, the multiple benefits of financial advice include an increase in household savings, reduction of anxiety over retirement readiness, and economic gains for the country over the long term.[4] In a 2012 study, Montreal-based research organization CIRANO found that households who have had professional financial advice for 15 years or longer had 173% or 2.73 times more assets than households that received no financial advice.[5] The CIRANO researchers contended that seeing a financial picture of their retirement under different rates of savings and allocations makes an individual more inclined to save.

The Value of Advice

Advice can have a positive and significant impact on the growth of an individual's financial assets.



Source: CIRANO: Econometric Models on the Value of Advice of a Financial Advisor

HOW MUCH WILL YOU NEED WHEN YOU RETIRE?

Some experts say Canadians should aim for a retirement income equivalent to 70% of their working income, while others say 50% is plenty. While these may be some recommended rules of thumb, there are several other important factors to consider. For instance:

1) how much will you need to save to ensure there is enough money to fund your retirement; and

2) how do you ensure your strategy will allow you to draw income from all the different sources in the most efficient manner.

To determine this, a professional financial advisor typically looks at a whole host of information and scenarios, including factors such as longevity, market fluctuations, and inflation. This comprehensive analysis allows them to build you a solid retirement strategy that includes the right mix of investment and insurance solutions to effectively align it with your goals, objectives and risk tolerance.

Without professional financial advice, determining levels of retirement savings and income can become an exercise in guesswork. Retirement is too important – and fraught with unique risks – to leave to chance.

Designing a strategy that effectively blends all of the different income sources available to an individual in the most effective and efficient way is vital.

Call us to day to learn how we can help you take control of your retirement income plan.

FOOTNOTES

1 Service Canada: Changes to the Canada Pension Plan

2 Service Canada: Changes to the Old Age Security Program

3 Government of Ontario: The Ontario Retirement Pension Plan: Discussing a Made-in-Ontario Solution

4 Conference Board of Canada: Boosting Retirement Readiness and the Economy Through Financial Advice

5 CIRANO: Econometric Models on the Value of Advice of a Financial Advisor

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