

# ARE YOU RETIREMENT READY?

my money after work





**Retirement may seem a long way off, but now is the time to make sure your retirement plans will be achievable. This guide can help you define what your retirement will look like and build your retirement plan.**

**We'll cover:**

- Defining your retirement lifestyle
- Understanding the costs
- Identifying your sources of retirement income
- Getting help





## Defining your retirement lifestyle

Thinking about your retirement lifestyle isn't just daydreaming. It's important to define your expectations clearly, since knowing if your savings are on track depends on a good estimate of your retirement costs.

To help you with this, let's consider these questions:

- What's important to you?
- What will you do in retirement?

If you have a spouse or partner, it's a good idea to sit down together as you think about your answers.

### What's important to you?

Retirement means different things to different people. It could mean more leisure time, more time with friends and family or the chance to start something new.

Dividing your needs, wants and dreams into categories will help you define what retirement means to you and allow you to plan for it. Start with your needs, as they are the foundation of your retirement lifestyle.

#### **NEEDS:**

What will you need for basic day-to-day living? Will this change over time?

**Think about:** Where will you live? Will your needs for food, transportation, clothing and health care change as you age?

#### **WANTS:**

What do you want to do? How will you spend your time?

**Think about:** Will you travel, learn a new hobby or career skill? Will you work part-time, volunteer or join a club?

#### **DREAMS:**

What do you dream of doing?

**Think about:** Will you take special trips or buy a vacation home? Plan a wedding, special anniversary celebration or event?

## What will you do in retirement?

Successful retirement is more than having enough money. It's also about feeling fulfilled and valued.

Start by thinking about what you want to do in this phase of life. Rather than focusing on retiring from something, consider what you'll retire to. For example, will you retire to a new career? Or a new hobby? What will make you happy? Without a full-time job to go to, you'll have a lot of time to do other things. Some people say they will golf or travel – these activities may take a couple of days a week, or a month out of a year. Consider:

- What will you do the rest of the time?
- Will your ideas or priorities change over the years?
- If you have a spouse, does he or she have the same ideas and priorities?

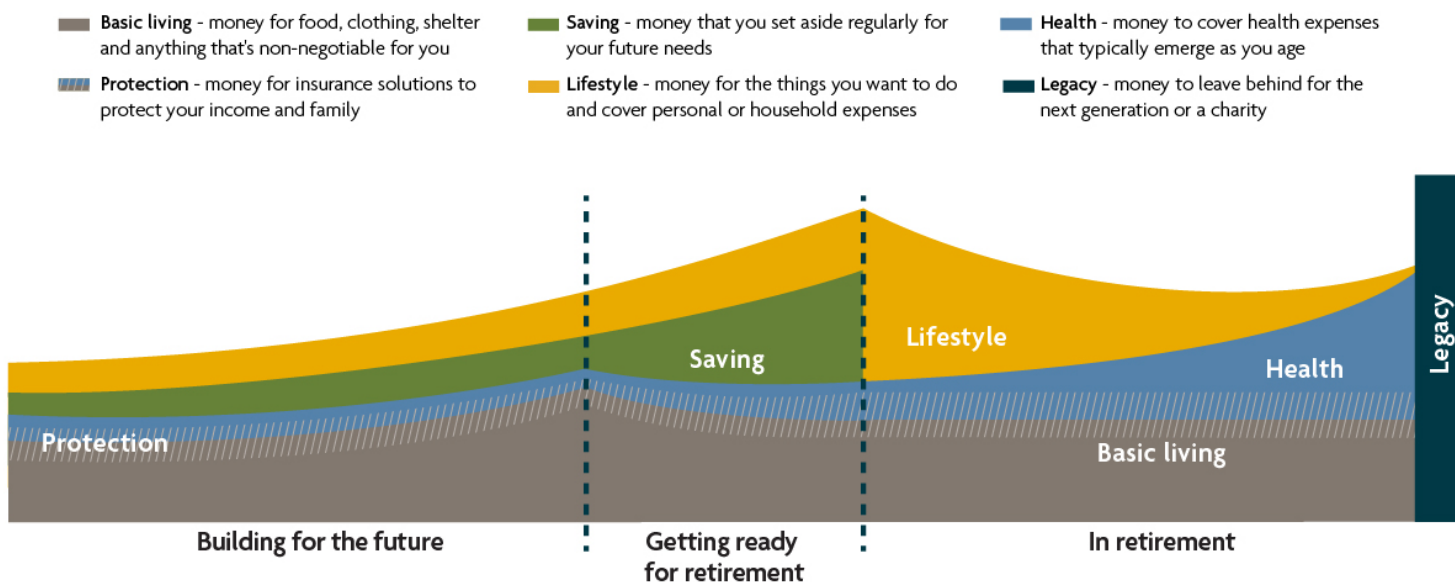
## The phases of retirement

Retirement can span many years – 25, 30 or more. You've already started thinking about your needs, wants and dreams. Remember to take into account how your needs will change along with your age, health, family, the cost of living and market fluctuations.

Early in retirement you may spend more on the fun things you want to do, your desired lifestyle and leisure activities. Later, you'll likely spend less on leisure and more on health care.

## Your retirement lifestyle will change

### Money for Life – your changing needs



### WHAT CAN YOU DO TODAY?

To help you understand what you may want to do in retirement, review the articles under **LEARN & PLAN** on [mysunlife.ca](https://mysunlife.ca).

# Understanding the costs

## What will your needs, wants and dreams cost?

Now that you have determined what your needs, wants and dreams in your retirement lifestyle are, you have a better idea of what your retirement will look like. Next it's important to understand what this will cost you.

You may have heard that you need at least 70 per cent of your pre-retirement income to maintain your lifestyle in retirement. While most retirees only need 50 per cent to live comfortably, if you plan to “live your dreams” in retirement, you may need as much as 100 per cent of your pre-retirement income.

### WHAT CAN YOU DO TODAY?

You can use the *Annual Expenses and Retirement Income Worksheet* in this brochure to help you look at your expenses today and how you think they'll change in retirement.

## How long will your money last?

Thanks to medical advances and healthier lifestyles, there's a good chance you could live well into your 90s. The chart below shows the approximate number of years before your retirement savings will be depleted, based on different rates of return and amounts withdrawn. You can see that even a small difference in the rate of return can make a big difference.

For example, if you have \$100,000 invested, and you withdraw 8 per cent per year (\$8,000), your savings will last for 20 years at 5 per cent rate of return. At a 7 per cent rate of return, your savings would last for 30 years.

### How long will my money last?

This chart shows the approximate number of years before your retirement savings will be depleted, based on different rates of return and amounts withdrawn. You can see that even a small difference in the rate of return can make a big difference in how long your money will last.

For example, let's assume you withdraw 8 per cent of your savings each year as income and you average a 5 per cent annual rate of return on your investments. Based on this scenario, your savings will last for 20 years before they run out. If you receive a 7 per cent annual rate of return instead, your money will last a full 10 years longer.

		Number of years before your assets are depleted							
Original amount withdrawn annually	15%	7	7	8	8	9	9	10	11
	14%	8	8	9	9	10	11	11	13
	13%	8	9	9	10	11	12	13	15
	12%	9	10	11	11	12	14	16	18
	11%	10	11	12	13	14	16	19	25
	10%	12	13	14	15	17	20	26	
	9%	13	14	16	18	22	28		
	8%	15	17	20	23	30			
	7%	18	21	25	33				
	6%	23	28	36					
5%	30	41							
		3%	4%	5%	6%	7%	8%	9%	10%
		ANNUAL TOTAL RETURN							

Assets will not deplete

### DID YOU KNOW?

Inflation also makes a big difference to how long your money will last in retirement. Costs have more than doubled in the past 40 years.

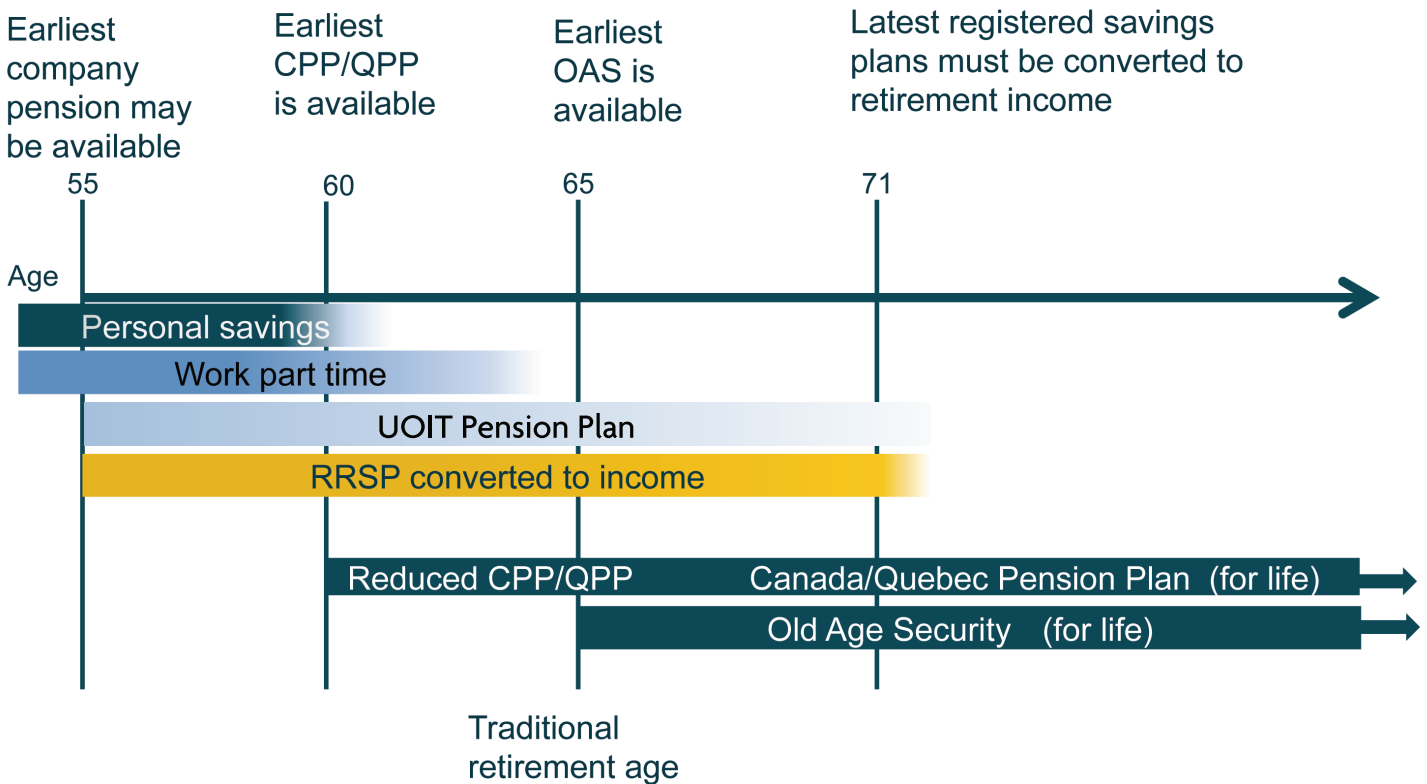
# Identifying your sources of retirement income

To determine if you are on track, you need to compare your estimated expenses in retirement (from your completed *Annual Expenses and Retirement Income Worksheet*) with your expected income.

There are many sources of retirement income, including your personal savings, your University plan and government income sources. Some are available to you right away, some are only available when you reach a specific age. The chart below shows the different sources of income and when they typically become available. The age you decide to start receiving income will affect how much income you'll get.

For most people, not all savings are converted into income at one time. You'll have a continuing need for investments or savings products during retirement.

## Sources of retirement income



## How do personal savings convert to income at retirement?

When you want to start spending the money you've saved, you typically have to “convert” that money into an income account or stream of some kind.

Each type of savings plan gives you a couple of choices for how you can turn it into income. We've listed the different savings plans, and their corresponding income options in this table.

How I save now	Converts to the following income options (some pension jurisdictions may have different options available)
Defined Benefit Pension Plan (DBPP)	Pension paid by employer
Defined Contribution Pension Plan (DCPP)* Simplified Pension Plan (SPP – in Quebec only)	Life Income Fund (LIF) and/or Prescribed Retirement Income Fund (PRIF) - Manitoba and Saskatchewan only and/or Annuity
Registered Retirement Savings Plan (RRSP) Deferred Profit Sharing Plan (DPSP)	Registered Retirement Income Fund (RRIF) and/or Annuity and/or Cash
Employee Profit Sharing Plan (EPSP) Non-registered Savings Plan (NREG)/personal savings Tax-Free Savings Account (TFSA)	Keep invested and/or Cash and/or Annuity

\* There are “unlocking” provisions in certain pension jurisdictions.

## Which is right for you?

### Self-assessment tool – rate your retirement income options

Use this worksheet to rate each statement in the table below. Place an X next to each statement in terms of its importance to you. The column with the most Xs may indicate which retirement income product(s) best meet(s) your needs.

It's important for me to...	RATING		
	Most important	Somewhat important	Least important
...make ongoing investment decisions throughout my retirement.			
...index my retirement income to keep up with inflation.			
...use my retirement savings to build up a larger estate for my heirs.			
...access additional funds to cover emergencies.			
...stay ahead of inflation.			
<b>RESULT</b>	<b>A RRIF, PRIF or LIF may be your best option.</b>	<b>You may want to consider a blend of RRIF, PRIF, LIF AND an annuity.</b>	<b>An annuity may be the best option for you.</b>

## Government retirement income programs

There are three key government retirement income programs you'll want to be familiar with. These programs are intended to provide about 25% of your retirement income:

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

	CPP/QPP	OAS	GIS
<b>What is it?</b>	A monthly lifetime payment to retirees who contributed to CPP/QPP in their working years. It is taxable income.	A monthly lifetime payment to eligible Canadians aged 65 or older. It is taxable income.	The GIS provides a supplement to Old Age Security for lower-income seniors. Not subject to income tax.
<b>Who qualifies?</b>	You must have worked in Canada, made at least one valid contribution, and be at least 60 years old.	You must be 65 and have lived in Canada for a specified number of years to qualify.	Lower-income seniors, 65 years, may apply. An income threshold applies.

### WHAT CAN YOU DO TODAY?

Go to the Canada Revenue Agency website, [servicecanada.gc.ca](https://www.servicecanada.gc.ca), or Government of Quebec website, [rrq.gouv.gc.ca](https://www.rrq.gouv.gc.ca), to request a statement of contributions that will help you see how much income you'll receive from government sources.

Once you have these amounts, use them to fill in the remainder of the *Annual Expenses and Retirement Income Worksheet* in this brochure (or the **Retirement savings calculator** under **LEARN & PLAN > Tools & Calculators** on [mysunlife.ca](https://mysunlife.ca)).



# Annual expenses and retirement income worksheet

## Annual Expenses Worksheet

What will my expenses be at retirement? Fill this out by adjusting your current expenses to reflect the changes inherent to retirement (inflation, reduction of transportation costs, your health and/or the need for emergency funds).

Please enter the expenses you expect to have in retirement thinking comparatively to what you spend today.		
Current age:		
Planned retirement age:		
Estimated inflation rate:	%	
<b>Basic expenses</b>		
<b>Accommodations</b>	<b>Current Monthly</b>	<b>Retirement Monthly</b>
Mortgage / rent:	\$	\$
Utilities (heat, electricity):	\$	\$
Property taxes:	\$	\$
Phone / cable / internet:	\$	\$
Maintenance repairs:	\$	\$
Insurance (home):	\$	\$
<b>Living expenses</b>	<b>Current Monthly</b>	<b>Retirement Monthly</b>
Groceries:	\$	\$
▶ Clothing:	\$	\$
Dependent / family care:	\$	\$
Personal care (Hairstylist, etc.):	\$	\$
Emergency funds:	\$	\$
<b>Health</b>	<b>Current Monthly</b>	<b>Retirement Monthly</b>
▶ Insurance (life and health):	\$	\$
Prescriptions:	\$	\$
Dentist / Chiropractor / Optometrist / etc.:	\$	\$
<b>Transportation</b>	<b>Current Monthly</b>	<b>Retirement Monthly</b>
▶ Car payment / lease:	\$	\$
Car insurance / registration:	\$	\$
Fuel / maintenance:	\$	\$
Public transportation:	\$	\$

Clothing costs may decrease as your emphasis shifts from business attire to casual wear.

Check to see whether the health benefits you received from your last employer will continue to you and a non-working spouse in retirement.

If you own two vehicles, consider whether you'll continue to need both in retirement.

## Annual expenses worksheet continued...

Budget for travel, hobbies, and other leisure activities if they'll be an important part of your retirement lifestyle.

An emergency fund can cover unexpected and occasional expenses.

Basic expenses		
Other/emergency	Current Monthly	Retirement Monthly
	\$	\$
Discretionary		
	Current Monthly	Retirement Monthly
Dining out:	\$	\$
Movies / theatre:	\$	\$
Newspaper / magazines / books:	\$	\$
▶ Sports activities / hobbies:	\$	\$
Travel / vacation:	\$	\$
Further education:	\$	\$
Donations / gifts:	\$	\$
▶ Other / emergency funds:	\$	\$
Emergency funds:	\$	\$

Advisors are here to make it easier and help you with the financial component of the retirement plan.

Keep in mind that expenses will change as you age. There are different phases to retirement. Early on, you will spend more on leisure but that will decrease as you slow down and your priorities change.

## Retirement income worksheet

Please list your annual income from guaranteed sources, and your lump sum savings. If you have a spouse, please list their income and savings information as well.

	Self	Spouse	Total
<b>Annual guaranteed income</b>			
Canada / Quebec pension plan			
Old Age Security			
Defined benefit pension			
Annuity payments			
<b>Total guaranteed annual retirement income</b>			

	Self	Spouse	Total
<b>Lump sum savings</b>			
RRSP(s)			
Defined contribution pension plan			
Deferred profit sharing plan			
Other registered plan (RRIF / LIF / LRIF)			
Non-registered savings			
<b>Total lump sum savings</b>			

# Next steps

Now that you've reviewed this booklet it is time to take action.

**1. Complete the “What can you do today?” tasks indicated in this guide.**

**2. Follow the steps in the Sun Life Financial Retirement-Ready Checklist:**

- Define your vision of retirement.
- Complete a financial check-up on a yearly basis.
- Consider working with an advisor or financial planner to put a financial plan in place.

## **Know your responsibilities**

You're responsible for making investment decisions and for using the tools and information that have been provided to help you make these decisions. You should also decide if seeking advice from a qualified individual makes sense for you.

## **Questions?**

If you have any questions about your retirement income options or your plan, please call **1-866-224-3906** (select option 1) any business day from 8 a.m. to 6 p.m. ET.

# Resources

As you get closer to retirement, you'll have more specific questions and you may need some additional support. Here are some resources and tools to help you navigate your journey to retirement:

You may wish to contact...	How to get in touch...	Find out about...
Government of Canada	<b>servicecanada.gc.ca</b> T: 1-800-277-9914 (English) 1-800-277-9915 (French) 1-800-255-4786 (TTY)	Canada Pension Plan (CPP) Old Age Security (OAS) Guaranteed Income Supplement (GIS) Request a statement of contributions, helping you see how much income you'll receive from government sources.
	<b>hc-sc.gc.ca</b>	Canadian health-related news, including Canada's Food Guide.
Government of Quebec	<b>rrq.gouv.qc.ca</b>	Quebec Pension Plan (QPP). Request a statement of participation, helping you see how much income you'll receive from Quebec Pension Plan.
Sun Life Financial	<b>mysunlife.ca</b> You will need your sign in/ access ID and password	Online retirement planning tools <ul style="list-style-type: none"> <li>• Retirement planner</li> <li>• Investment risk profiler</li> <li>• Pre-retirement calculators</li> <li>• Videos</li> </ul> to help you determine if you're on track, make decisions, and understand your income needs, government benefits and retirement income products.
	<b>Retirement savings calculator</b>	Online retirement planning tool to help you determine your retirement expenses and income. Go to <b>mysunlife.ca</b> and select <b>LEARN &amp; PLAN</b> (located above the Customer sign-in box). Then choose <b>Tools &amp; Calculators</b> .
	<b>LEARN &amp; PLAN</b>	Explore products and advice for every life stage, including pre-retirement and retirement. Go to <b>mysunlife.ca</b> and select <b>LEARN &amp; PLAN</b> (located above the Customer sign-in box).
	<b>Money for Life newsletter</b>	Get regular tips and tools for living brighter today and in retirement. Go to <b>mysunlife.ca</b> and select <b>LEARN &amp; PLAN</b> (located above the Customer sign-in box). Scroll down to <b>Money for Life newsletter</b> and choose <b>Subscribe now</b> .
	<b>1-866-224-3906</b> Any business day from 8 a.m. to 6 p.m. ET. Select option 1	Health benefits, and retirement savings and income products.
Financial Planning Standards Council	<b>FPSC.ca</b>	Find a financial planner and see resources about financial planning.
Canadian Association of Retired Persons (CARP)	<b>CARP.ca</b>	Information, issues and quality of life articles for Canadians over age 50.

To access our *2016 Retirement Now Report* on **mysunlife.ca**, choose **LEARN & PLAN > Quick links > Retirement Now Report**.