Retirement planning

Retirement toolkit 2023

These are the years you've worked hard for

Let's make sure you enjoy them!

Only 10% of Canadians plan for the retirement lifestyle they want.[1] Are you one of them? Whether it's health, inflation or job changes, life never moves in one direction and that can affect your future.

That's why we created this Retirement Tool Kit to give you a place to start. Whether you're happy with your plan but have questions, looking for fine-tuning or a new beginning, you'll find articles and insights to help.

What's Inside:

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

[1] 33 Canadian Retirement Savings Statistics to Keep You Warm in 2022, "Reviewlution", October 2022.

Retirement planning doesn't have to be complicated

Step 1: Defining your retirement income goal

What retirement lifestyle do you want to live?

Before determining your income goal, think about how you want to live and what you want to do in retirement.

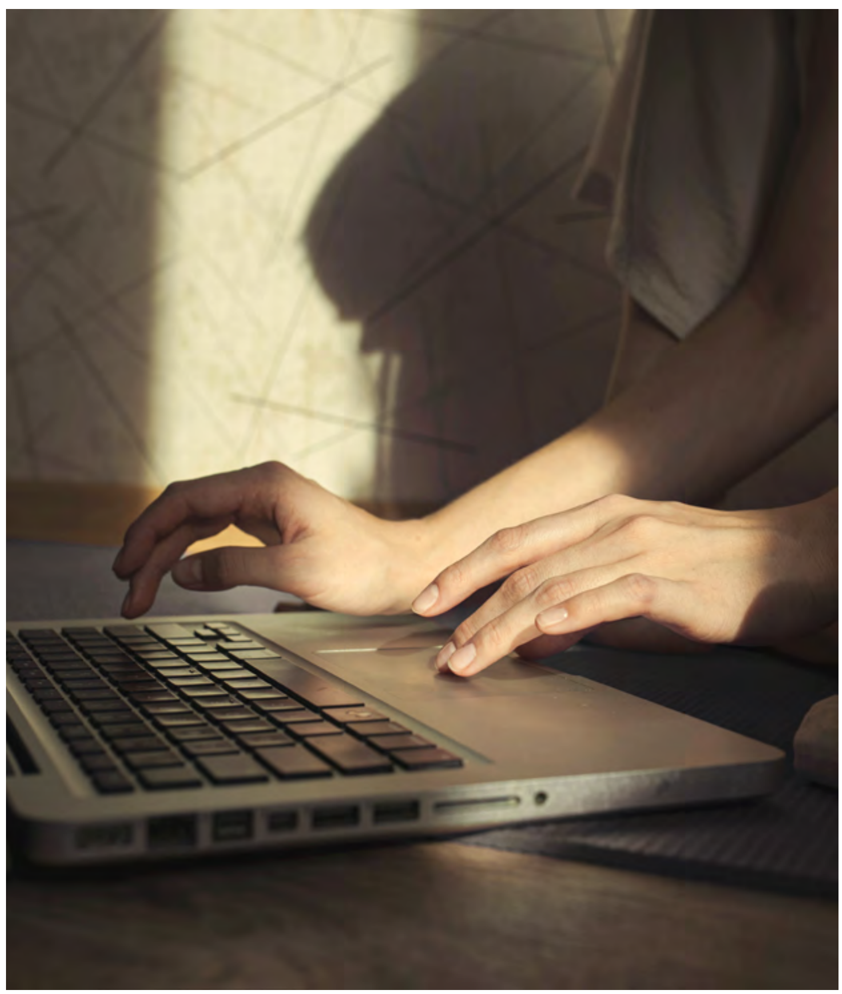
- What's important to you? Retirement means different things to different people. Think about your needs, wants and dreams to help you define what retirement means to you.
- What will you do in retirement? Retirement often means spending more time doing the things you already enjoy: Travel, sports, gardening, volunteering, hobbies, family time. You might also decide to continue working part-time doing something you love. Think about the financial costs that go along with how you plan to spend your time.
- How will your financial priorities change throughout retirement? Some costs will stay the same in retirement, while others will increase or decrease.

Percentage of pre-retirement income needed based on selected retirement lifestyle

50%
Most retirees only need 50% to live comfortably

60-70%
You'll likely need 60% to 70% to maintain your lifestyle

80%
You may need 80% or more to live your dreams in retirement



Step 2: Assessing your retirement readiness

The next step is assessing how ready you are for retirement. This involves more than just making sure you have enough money. It's also about learning and making decisions during your working years to help you prepare for retirement.

In Canada, you typically have three sources of retirement income:

Where will your retirement income come from?

Workplace plans - money you and your employer have contributed to a workplace-sponsored plan. You may also have past employer plans to consider.

Personal savings - money you have in personal accounts. This might include the value of your home, or income from part-time work.

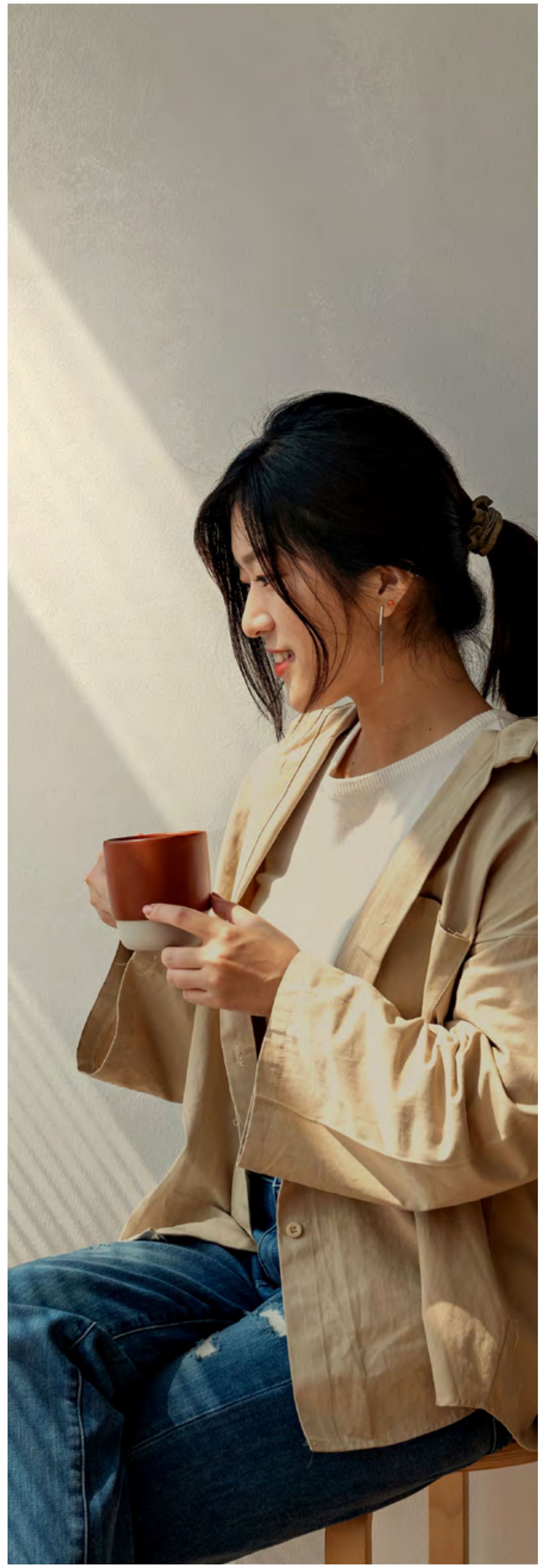
Government programs - money from government-sponsored programs that provide a basic level of retirement income.

When is it a good idea to apply for income products and government benefits?

Aim to set up your income products and government benefits early. Starting as early as 6 months before retirement helps ensure you begin receiving income as close to your retirement date as possible. If you'll be receiving income from a workplace plan, you may encounter holdups. The processing of final contributions may delay the start of your income payments beyond your last day of work. You should plan for this when reviewing your finances.

Step 3: Designing your Retirement Income Roadmap

The final step of your retirement journey involves putting your plan into action. A licensed Sun Life retirement consultant can guide you using a personalized Retirement Income Roadmap.



Retirement planning checklist

Creating your own personalized Retirement Roadmap in one call.

Your Sun Life retirement consultant[1] can help you in 3 easy steps

1. Set up or confirm your retirement goals
2. Evaluate how ready you are for retirement
3. Create your personalized retirement roadmap

To make the most out of your consultation, make sure you have all of these details in hand.
If you want a joint roadmap with your spouse, please have their information available.

About you

- [ ] At what age would you like to retire (you can specify age and date)?
- [ ] What is your ideal retirement lifestyle?
- [ ] How much income will you need each year to live your ideal retirement lifestyle?
- [ ] Based on your current income and lifestyle, how much income do you think you would need bi-weekly at retirement?

Your savings at other financial institutions

- [ ] What type of savings product(s) do you have?
  - [ ] Defined Contribution Pension Plan (DCPP)
  - [ ] Locked-In Retirement Account (LIRA)
  - [ ] Registered Retirement Savings Plan (RRSP)
  - [ ] Non-Registered Savings Plan (NREG)
  - [ ] Tax-Free Savings Account (TFSA)
- [ ] What fees are you paying (e.g. Management Expense Ratios (MERs) or other account fees)?
- [ ] Are you making ongoing deposits and, if so, how much and how frequently?
- [ ] Do you have any other assets you plan on using for retirement (sale of a property, inheritance)?
- [ ] What are the current account balances and values of your other assets?

Your Pensions

Canada/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS)[2]

- [ ] How many years have you worked in Canada?
- [ ] Do you know when you want to start receiving your government pensions?

Other pension income

- [ ] Do you have any Defined Benefit Pension Plans (DBPPs), annuities or other fixed income sources?

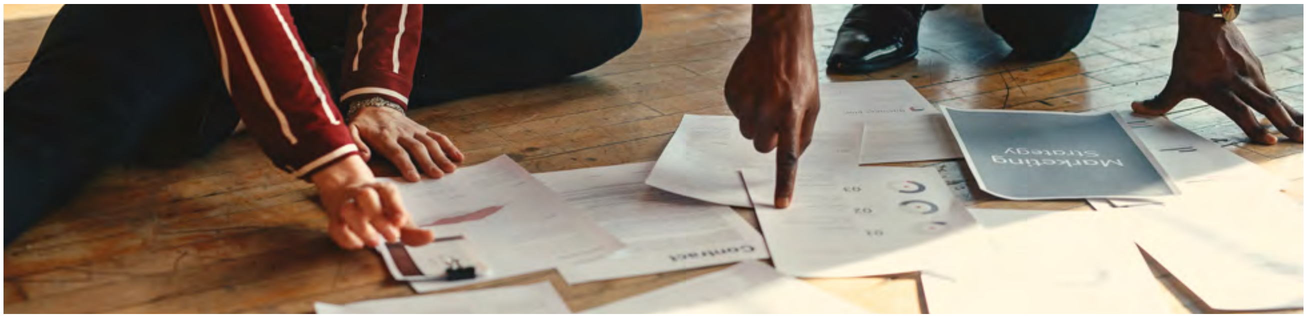
Insurance – Include any coverage information you have

- [ ] Life insurance
- [ ] Health insurance
- [ ] Critical illness insurance

Are you ready?

call **1-866-224-3906** (option 1) to book an appointment with your Sun Life retirement consultant.

[1] Registered as a financial security advisor in the province of Quebec
[2] Timeline is included for informational purposes only and may contain products that are not available in your workplace savings plan. For a list of available products, please review your plan



Converting savings to retirement income

When you're ready to begin using the money you've saved for retirement, you can convert that money into income

Like many people, you may have questions about how to make that change and what products you can use to do it. We're here to help you make well-informed decisions.

Frequently asked questions:

What is a RRIF (Registered Retirement Income Fund)?

A RRIF is a plan that provides income from savings originating from a Registered Retirement Savings Plan (RRSP), Deferred Profit-Sharing Plan (DPSP) or unlocked portions of a pension plan. It is tax-deferred as long as the money stays in the plan. There are minimum withdrawal limits in a RRIF, but no maximums.

What is a LIF (Life Income Fund)?

A LIF[1] is a plan that provides income from savings originating from a pension plan. You can select from several investment options and your money continues to remain invested with the potential to grow (depending on market conditions). It is tax-deferred as long as the money stays in the plan. There are minimum and maximum withdrawal limits in a LIF.

What is a payout annuity?

An annuity[2] is an insurance contract where you pay a lump sum of money and in exchange receive guaranteed income payments for as long as you choose. You can set it to pay out for the rest of your life or the life of yourself and your spouse. Once you've purchased an annuity, you don't have to worry about how that money is invested or how long your income will last.

A payout annuity can be part of your overall retirement income. It can help reduce the worry of covering vital expenses like food and shelter by giving you a guaranteed income.

Are there minimum and maximum withdrawal amounts?

RRIF and LIF products have legislated minimum withdrawal percentages, while LIFs also have maximums that vary by province. Speak with a Retirement Consultant to find out the withdrawal percentages that apply to you.

Please note that there may be tax implications if you elect to unlock and receive a lump-sum cash withdrawal.

Do I have to start taking income right away, even if I don't need it?

No, you can defer receiving your income to the end of the year you turn 72. Because the percentage you are required to withdraw depends on your age, you can also minimize taxable income by basing withdrawals on the age of a younger spouse.

How difficult is it to convert my retirement savings to an income?

It's easy. Just give us a call and we'll guide you through the process. In some cases, we can take care of everything in one phone call!

You can also have a live video conference with a Retirement Consultant[3] any business day between 8 a.m. and 8 p.m. ET. These are held in a secure virtual environment where the Retirement Consultant can share their screen to display web pages, illustrations, online tools and forms.

Can I unlock my locked-in assets?

In some cases, you can unlock assets, based on rules that vary by the jurisdiction in which you were employed. Call a Retirement Consultant today to discuss your personal circumstances.

Please note that there may be tax implications if you elect to unlock and receive a lump-sum cash withdrawal.

How can I minimize my taxes?

There are some tax-minimization strategies that may apply to you, such as:

- Basing withdrawals on the age of a younger spouse
- Choosing a specific start date for receiving your retirement income based on other income streams
- Making a final RRSP contribution

What income solutions does Sun Life offer?

Sun Life offers a variety of income solutions to meet your retirement needs including annuities, LIFs, and RRIFs.

Are there benefits to choosing a Sun Life income solution?

Yes, depending on the solution you choose, you benefit from:

Convenience: A Retirement Consultant can guide you through the enrolment process over the phone. You can also access your accounts and helpful retirement planning tools and information online 24/7 via **mysunlife.ca**.

Access to diverse and well-managed investment funds: You can choose from more than 70 investment options, all managed by qualified fund managers. These funds are selected for their operational transparency, financial stability, and market demand.

Competitive rates and fees: You benefit from competitive rates on annuities and group plan investment management fees on RRIFs and LIFs when compared to similarly managed mutual funds.

Spousal access and the ability to consolidate assets: To take advantage of the fees and features offered, you may transfer in assets you and your spouse hold at other financial institutions.

Ongoing support and objective guidance: You have access to confidential one-on-one guidance by phone from our Retirement Consultants.

[1] Depending on the pension legislation governing your locked-in savings, you may need to use one of these products instead of LIF: Locked-In Retirement Income Fund (LRIF), Prescribed Retirement Income Fund (PRIF) or Restricted Life Income Fund (RLIF).

[2] Annuity payments depend on various factors such as your account balance, your age, and the annuity purchase rates in effect at that time.

[3] Registered as financial security advisors in Quebec.

How to keep more of your retirement income and pay less tax.

Congratulations! You've planned diligently for your retirement and you're on track to meet your savings target. But planned savings is just the first half of your retirement picture. The other half is planned spending. That means working out a strategy for turning your savings into as much retirement income as you can.

How? One way is to think tax. That is, look at your retirement income plan through a tax lens.

Which types of retirement income get taxed?

To begin with, taxes work a bit differently in retirement. Like employment income, most retirement income is taxable. That includes Canada Pension Plan (CPP), Old Age Security (OAS) and company pension payments. It includes income from annuities and RRIFs. It doesn't, however, include withdrawals from your tax- free savings account (TFSA). But past a certain taxable income level, the government will ask you to return some of your OAS payments. If your income is high enough, you'll have to give it all back.
And generally speaking, past December 31 of the year you turn 71, you can't use RRSP contributions to reduce your tax bill.

Estimating taxes in retirement

How you pay your taxes works differently in retirement, too. When you were working, your employer probably deducted your income tax "at source." It came straight off your paycheque and never went into your bank account. But as a retiree with no paycheque from an employer, you have several options for paying your taxes:

- You can arrange for income tax to come off at source from your company pension, CPP and OAS payments.
- You can pay tax on income from investments, rentals, self-employment or some pension payments in regular installments.
- You can wait until you file your tax return to find out how much you owe. Bear in mind, though, that if you owe more than $3,000 in federal income tax ($1,800 for residents of Quebec) the Canada Revenue Agency (CRA) will require you to pay tax in installments. There are different thresholds for provincial and territorial tax, depending on where you live.

The good news is that there are withdrawal strategies and retirement-related tax deductions that you can use to help you keep as much of your money as you can. The effectiveness of these strategies depends on your individual circumstances, and we encourage you to seek more detailed advice about which are appropriate for you.

Strategy no. 1: Split your pension Income.

Couples can split up to 50% of eligible pension income between them as long as the one sending income to the other is at least age 65 during the year. That could be a real tax saving if one of you has a significantly higher income than the other. And if you share a certain percentage one year, you don't have to share the same percentage the next year. That gives you flexibility. Remember to get independent tax advice on splitting income, to make sure you do it right.

Strategy no. 2: Buy an annuity.

Are you concerned about your retirement savings running out? Think about using some of your savings to buy a life annuity. A life annuity will give you tax-effective retirement income for the rest of your life. A "term certain" annuity will pay you for a certain period (like 30 years). Both types spread out the income from your retirement savings to lessen the tax you pay each year. If you buy an annuity with "non-registered" money (from investments outside of an RRSP, or from your savings account, for example), only part of the income you get from it is taxable. (How much and when depends on the tax treatment the annuity qualifies for.) If you buy an annuity with "registered" money (from an RRSP, DCPP or DPSP), the income from it is fully taxable in the year you get it. If you're using RRSP money, the Income Tax Act also specifies how long the term certain or guaranteed period can be for a term certain or life annuity, respectively.

Strategy no. 3: Take advantage of tax breaks.

You may have taken advantage of various tax deductions and credits while you were working. Now it's time to pay close attention to those that apply to retirees. The pension income amount, for example, is a credit that you could get if you received eligible pension, superannuation, or annuity payments other than CPP or OAS. Using the credit can save you about $300 in taxes on your federal tax return. You can also save more on your provincial or territorial return, depending on which province or territory you live in. Other potential tax savings include:

- the age amount
- the home accessibility tax credit
- the medical expense tax credit
- the disability tax credit

An accountant can help you navigate the long list of allowable federal tax credits and deductions. You can also get help finding ways to save on provincial taxes. A well-crafted tax strategy can help ensure your money lasts as long as you need it.

Health insurance in retirement: how to pay for your health costs

When you're developing a retirement budget, remember to factor in costs that your province's health plan doesn't cover. And figure out your options for how to pay what's not covered with health insurance.
As Canadians, we tend to be proud of our government health insurance. And many of us think it covers more than it does.

Because of this, many of us aren't aware of – or prepared for –out-of-pocket medical expenses in retirement. The good news is, you can do something about it before it's too late. Here's how you can plan for it.

What does the Canadian government cover regarding health care?

Government health care plans vary from province to province. However, most don't cover:

- Dental services
- Paramedical services (e.g., massage therapy, physiotherapy, chiropractic care)
- Glasses or contact lenses
- Medical Equipment
- Home Care

Beyond coverage provided by government plans, there are *3 main sources* of health insurance available once you retire:

1. Employer-sponsored group plans

Your employer may offer an extension of your employee health benefits into your retirement. But don't count on it. Retiree health benefits are an expensive perk that many private-sector employers no longer offer.

The cost of health insurance tends to be considerably higher for retirees than for active employees. And many employers offering retiree health coverage may require former employees to pay all or part of their insurance costs.

Check with your employer before you retire to see what options you may have.

2. Transition plans

Transition plans are for people who had group benefits through their employer or association. If you're a former group plan member, you can often opt into a transition plan. You usually need to do this within a certain period (e.g. 60 days) after you leave the group.

You may not need to complete a medical questionnaire or submit to a medical examination to qualify. So, a transition plan may be worth looking into if you have pre-existing health problems that could make you ineligible for health insurance elsewhere.

3. Personal health insurance

Personal health insurance plans require you to provide medical information. Depending on the health and lifestyle information provided the policy may be be subject to changes. Speaking with a licensed Sun Life professional, specialized in insurance can help you determine the best possible options.
How much you pay for coverage each month will depend on:

1. The plan you choose.
2. Your health.
3. Your age when the policy comes into affect.

What's the difference between a transition plan and personal health insurance?
When comparing transition plans with personal health insurance, here are some questions to ask:

- How comprehensive is the plan? Will this plan meet your current and future needs?
- Will the cost of the plan fit my budget?
- If I apply for spousal coverage, do I get a price break?

For personal health insurance, peace of mind looks different for everybody. When deciding the kind of coverage you need, compare:

- What you are paying out-of-pocket now
- What the premium quoted will cover for you later.

Life insurance
In addition to health insurance, life insurance is a critical component to a financial plan. Having the right life insurance in place can help when transferring your estate and eliminating possible tax burdens.

Get health and life insurance from Sun Life with one of these two options:

1. Get a free personal health insurance quote.
2. Apply for Choices life and health insurance. Are you leaving a workplace insurance plan with a Canadian insurance company? You can apply for Sun Life Choices insurance within 60 days by calling **1-877-893-9893.**

Ready to retire?

You've picked the date, now what do you do next?

These 5 steps will help you get ready for your last day of work

1. Let your employer and Sun Life know you plan to retire.

If you haven't already, share your retirement date with your employer and us. Take advantage of the personalized support our team of licensed retirement consultants[1] can provide.

2. Review your retirement plan

It's always a good idea to review your available income sources. This can include your workplace savings plan, personal savings and any government benefits you're entitled to. A Sun Life retirement consultant can help you go over your retirement plan to ensure you're still on track.

3. Set up your retirement income

Aim to set up your income products and government benefits early. Starting as early as 6 months before retirement helps ensure you begin receiving income as close to your retirement date as possible. If you'll be receiving income from a workplace plan, you may encounter holdups. The processing of final contributions may delay the start of your income payments beyond your last day of work. You should plan for this when reviewing your finances.

4. Make sure you're protected

Health and life insurance coverage can help ensure you and your loved ones are protected.

5. Focus on what is important. You!

Transitioning to retirement can be emotionally difficult for some. Having a strong social network and activities to keep you busy can help.

How long does it take to receive income?

The timeline below provides an estimated number of business days required to begin receving income from each retirement product.[2]

Start

120 days
Government benefits

60 days
Defined benefit pension plan

45 days
Defined contribution pension plan

3-5 days
Registered retirement savings plan/ tax free savings

First income payment

Please note: Timeline is for information purposes only and may not reflect the products you currently hold in your account. Time frames may vary based on investment types and account set up.

[1] Registered as a financial security advisor in the province of Quebec
[2] Timeline is included for informational purposes only and may contain products that are not available in your workplace savings plan. For a list of available products, please review your plan

Need some extra support? We're here for you!

3 ways a Sun Life retirement consultant can help:

1. Explain retirement solutions and help you complete any forms

2. Answer any retirement questions you have

3. Combine your savings to simplify your income sources

Talk to a retirement consultant today!

Call **1-866-224-3906** (Option 1), 8 a.m. to 8 p.m. ET, Monday to Friday, email us at **CSC.Retirement@sunlife.com** or visit **sunlife.ca/choices**

Life's brighter under the sun