

Retirement Income Planning – services of D.A. Townley

For Members close to their retirement date, it is **critical** to determine the amount of income that they can receive from the Pension Plan. For Members some years away from retirement, it's **smart** to get an idea of the amount of income they may collect from the Pension Plan when they hope to retire.

The first thing a Member should know is that the Pension Plan does not make payments to Members. Instead, when a Member retires they must transfer their funds to a plan of their choice that will make monthly payments to them.

D.A. Townley can provide Members with a “**Personal Retirement Report**”. These reports generally have four sections:

1. Annuities. This is a *fixed payment* which is guaranteed by an insurance company over the lifetime of the Member (and, often, for the spouse's lifetime). Typically, 4-10 different forms of payments are illustrated. Payments for Members under age 65 can include a “bridge payment” to match the expected Old Age Security income at 65 and bridge payments for the expected Canada Pension Plan income, as well.

It is important to get the highest possible payment, so D.A. Townley uses a survey of all annuity rates throughout Canada. D.A. Townley has a special “**group annuity contract**” with rates that are nearly always better than any insurance company in the survey. (This contract also has special rates for anyone with a major health problem.)

2. Life Income Fund (“LIF”). This plan provides payments that vary from year to year, based on investment returns. The funds are invested in one or more funds managed by *Leith Wheeler Investment Counsel*. A typical choice is the “balanced fund”. (Leith Wheeler is one of the investment managers of our plan.)

The report to the Member usually shows 2-4 illustrations of monthly income for 20, 30 or more years, including the monthly income under different investment returns.

The LIF has a *minimum amount* that must be paid from the fund each year, and a *maximum payment allowed* from the fund each year. A LIF can offer Members **increasing monthly income** over the years. And, there is some **flexibility each year** as to the amount of the withdrawals made by a Member. D.A. Townley provides continued advice each year to Members who have this LIF plan.

At any time a Retiring Member can transfer the LIF account to another financial firm or the Member can use these funds to purchase an Annuity (as described above).

Note: the rules that govern your LIF are based on the province you last worked, before your retirement. Some provinces allow Members to “unlock” part of their funds.

3. Registered Retirement Savings Plan (“RRSP”). If a Member has a LIF from a province that permits “unlocking”, they can have this amount transferred to an RRSP account. D.A. Townley has arranged accounts managed by Leith Wheeler to which the Member may transfer these contributions. The report usually shows 2-4 illustrations of monthly income that can be paid from the RRSP account. An RRSP is extremely flexible – there are no restrictions of total withdrawals that can be made, so it is important to plan how long the funds will last over retirement years.

In addition, Members may transfer their personal RRSP funds to this D.A. Townley RRSP plan.

4. Taxes. The report describes special tax features that Members should be aware of with respect to pension income, such as *Pension Income Splitting*, *Pension Income Amount* (tax free income) and *Age Amount* (higher basic personal amounts for Members age 65 or older).

The entire subject of payment alternatives is very complex. But a personalized report to an individual Member is not so complicated. Once specific illustrations are given to a Member, it is not difficult for the Member to decide the arrangement that is best for them.

Deciding how to receive income from their Pension Plan is a one-time decision. So it is important for Members to seek the best possible advice. D.A. Townley has counselled Members for many years. There is no obligation and no cost to receive a “*Personal Retirement Report*”. As with any investment product, there are fees for any product you purchase through this arrangement. Members are free, of course, to use the services and advice of any financial advisor.

A “*Personal Retirement Report*” can be arranged by calling D.A. Townley & Associates Ltd. at 1-800-663-1356: ask for the Pension Department or Craig Drake-Johnson, Retirement Income Planner (at extension is 335).