Imagine the impact

Health-care costs can seriously affect your available retirement income

Meet Danielle and Marc

- Danielle is 55 and Marc is 57.
- They have two adult children, both with careers and young children of their own.
- Danielle and Marc are planning to retire at age 65.
- They are mortgage-free.
- Their retirement income and other government sources will cover their basic expenses during retirement.

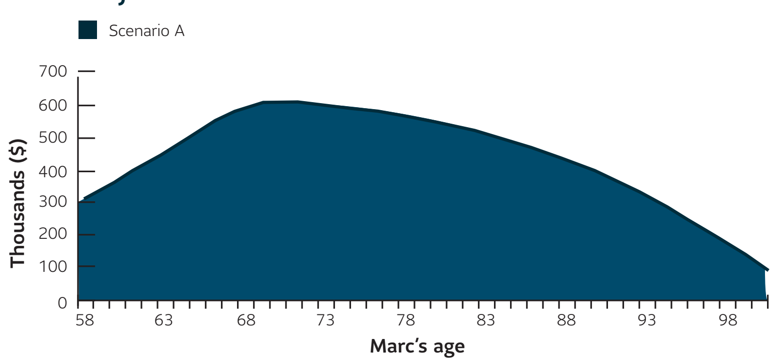
Together, they have saved $300,000 in RRSPs to afford their chosen retirement lifestyle. This will include travelling abroad and visiting their three grandchildren, as well as supporting their favourite charities and community events.

Danielle plans to continue to contribute $5,000 to RRSPs annually and Marc an additional $3,000 to non-registered assets for the next 10 years.

Assuming a 5% growth on these contributions, they should accumulate approximately $555,000, after tax. They plan to start redeeming a monthly retirement income for a total amount of $15,000 per year once Danielle retires.

The graph below shows how their net monthly income will continue beyond age 100, as long as no significant financial challenges come up (Scenario A).

Projected value of investments



Featuring

Sun Long Term Care Insurance

Sun Life

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The scenario

Helping to protect Marc and Danielle's retirement income against health-care costs.

Marc and Danielle are increasingly aware of how their health might impact them and their family as they grow older.

Marc could suffer a debilitating stroke in his late 70s and Danielle could develop osteoporosis or heart disease as she ages. Both Marc and Danielle are committed to providing care and support for each other as they grow old. Marc's main concern is that helping with his physical care, due to a stroke or any other health event, will be too much for Danielle to handle on her own.

Neither parent wants to disrupt their daughter's career and family or cause their son to worry from afar by asking them to provide the required care. A long-term care facility might be their only option, but that means living apart from one another and without the comforts of home and friends. The alternative is to hire professionals to provide the appropriate level of care at home.

Here is a potential plan of care for a recovering stroke patient and associated costs.

Housekeeping services to help with cleaning and laundry	Three hours per week	***$24 per hour***
Personal care services to help with bathing and dressing	Seven hours per week	***$22 per hour***
Adult day care program to provide respite for family caregiver	Two days per week	***$20 per day***

Sykes Assistance Services Corporation, 2018

Twenty years from now, these costs could be even more significant considering the health-care rate of inflation.

There could be other expenses to consider as well, depending on the level of government support available at that time:

- Medications for prevention of a second stroke, pain management and management of depression
- Physical and occupational therapy to set up a daily home exercise program with follow-up two times a year for reassessment and modification of the program as needed
- Equipment and supplies such as shower chair, grab bars, toilet arm support, hand splint and a four-wheel rollator

More than 62,000 strokes occur in Canada each year.

Nine in 10 Canadians have at least one risk factor for heart conditions, stroke or vascular cognitive impairment.

Sun Life's experience with health-care inflation is that the rate has averaged 4% across Canada over the past 10 years.[1]

In 2018, more than 500,000 Canadians were living with dementia. By 2031, this figure will reach 937,000.[2]

In 2018, the cost of caring for Canadians with dementia was $10.4 billion. By 2031, this is expected to rise to $16.6 billion.[2]

[1]Source: Sun Life Financial Homecare Survey, 2017

[2]Source: Alzheimer Society of Canada, 2018

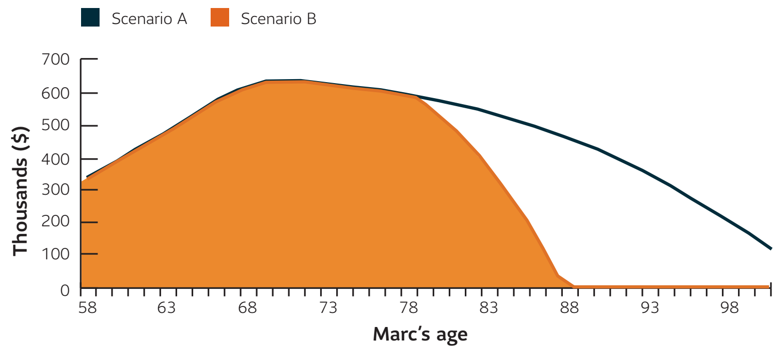
The challenge

Marc's extra health-care expenses put strain on their monthly retirement income.

Danielle and Marc would continue to use their retirement income to maintain their home and cover other expenses. They would need to divert money from their retirement income to afford the level of care Marc required.

This graph demonstrates how much faster the increased withdrawals will deplete their retirement savings. The $15,000 income from their savings will be completely depleted by the time Marc reaches the age of 88 (Scenario B).

Projected value of investments



Assumptions:

- Total weekly long-term care expenses of $275, with a tax saving of 22%, for an after-tax cost of $215
- 4% health-care inflation rate

The solution

Planning ahead using Sun Long Term Care Insurance

As they are currently in their 50s, Danielle and Marc may qualify to include long-term care insurance in their retirement planning. The first payment bonus and weekly income-style benefit can help them if they need ongoing care due to a significant health event or progressive medical condition.

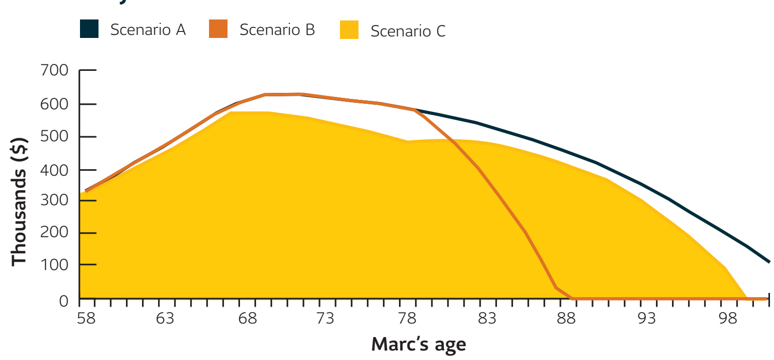
An income-style benefit is flexible. It's available to help cover the cost of care and expenses – in their home or in a facility of their choice – helping to relieve strains on their retirement income. It also allows them to age with dignity by having choice and control, and reduces some of the burden on their family.

The result

Marc and Danielle have used a portion of their retirement income to fund Sun Long Term Care Insurance coverage for Marc. Having long term care insurance in place allows Danielle and Marc help protect their chosen retirement until age 100.

This graph demonstrates what happens with Sun Long Term Care Insurance solution in place (Scenario C).

Projected value of investments



Assumptions:

- Sun Long Term Care Insurance plan a $750 weekly benefit amount, an unlimited benefit duration, a 90-day waiting period (with first payment bonus of $9000) and a lifetime premium payment period
- 4% health-care inflation rate

It's important to have a realistic expectation of what your needs may be if you're unable to care for yourself in the future. Your advisor can help you clearly understand long-term care issues, costs and coverage available in your area. Together, you can customize a plan that will ensure your future is protected.

Talk to your advisor about Sun Life today!
For more information and resources visit **sunlife.ca** or call **1-877-786-5433.**

Sun Life

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