Easy Guide to Retirement Income Options

Wawanesa Life

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Helping You Find Your Unique Retirement Income Solutions

When it comes time to retire, there are probably a number of things you've been looking forward to doing. Have you thought about how much money you will need to live the life you want? It's time to start thinking about where your income is going to come from.

Your Registered Retirement Savings Plans (RRSPs) must be converted to one or more of the following retirement income options by the end of the calendar year in which you turn 71 –

- An Annuity
- A Registered Retirement Income Fund (RRIF)
- A lump-sum cash withdrawal

Within these broad options there is a myriad of investment and retirement choices available. That's where we can help. We understand that not everyone has the time to sort through all the financial choices available. You may have several RRSPs at Wawanesa Life and other financial institutions. Once you start to draw on these savings for your retirement, it can be easier to manage your withdrawals and recordkeeping if all your RRSPs are brought together at one financial institution.

Ask us how we can help you today.

1: Your retirement income choices

During your working years, you save in anticipation of retiring. When it's time to start drawing down your nest egg, there are several ways to convert it into retirement income:

1. Convert your RRSP into an Annuity (Single Premium Immediate Annuity)

If you're looking for a fixed payment at a fixed interest rate, you should consider our Single Premium Immediate Annuity. You can use your RRSP to purchase an annuity to provide regular income for a specified period or for life. Your retirement income is determined at the time you purchase your annuity since the rate of return is based on current interest rates.

There are two main types of immediate annuities available at Wawanesa Life:

1. Life Annuities
2. Term Certain Annuities

Life Annuities are offered with or without guarantees, on one life, or on more than one life. A Single Life Annuity without a guarantee, for example, will provide an income only during the lifespan of the annuitant. Whereas, a Joint and Last Survivor Annuity may provide income throughout the lives of two persons. For a couple this may be preferred since upon the death of one spouse, the income can continue to be paid until the surviving spouse passes away.

As an alternative to a Life Annuity, a registered Term Certain Annuity is a simple solution and can provide benefits up to age 90.

Is there any risk in using an Immediate Annuity for my retirement income?

Yes, although the income payments are guaranteed, there is the risk that inflation will be higher than anticipated thereby eroding the purchasing power of your fixed payments. Once the contract has been entered into it cannot be changed if you happen to change your mind.

2. Convert your RRSP into a RRIF

RRIFs are one of the most popular and flexible ways to convert RRSPs into an ongoing income stream. You can think of them as RRSPs in reverse – your investments can continue to grow tax-deferred and remain in your complete control. However, instead of deciding how much and when to contribute, you decide how much and when to withdraw.

The only requirement is that you withdraw an annual minimum amount, according to a formula set by the Canada Revenue Agency (not applicable in the first year). You can increase this amount or take lump-sum withdrawals any time you choose. You are only taxed on the money you withdraw from your plan each year.

A variety of investments are available to give you a suitable balance of income and growth, including

- Daily Interest Accounts
- Guaranteed Investment Accounts (fixed terms from one to ten years)
- Segregated Funds (participate in the markets with our Index-linked funds)

Importantly, the same types of investments you chose for your RRSP can also be held in your RRIF.

Can I convert my RRSP into a RRIF at any time?

Yes, but you must convert your RRSP by the end of the year in which you turn 71, at the latest.

Turning locked-in retirement accounts into income

If you were a member of an employer's pension plan, you may have savings in a locked-in RRSP. You can convert these retirement savings into income. While similar to RRIFs, the specifics of these programs depend upon the plan's jurisdiction and include:

- Life Income Fund (LIF)
- Locked-in Retirement Income Fund (LRIF)
- Prescribed Retirement Income Fund (PRIF)

3. Apply for government income

As Canadians, we enjoy a secure social benefit system including guaranteed retirement benefits. To assess the impact of these programs on your retirement plan, speak to your financial planner.

	Canada Pension Plan (CPP)/ Quebec Pension Plan (QPP)	Old Age Security (OAS)	Guaranteed Income Supplement (GIS)
Eligibility	Must have contributed to CPP/QPP to apply for benefits Amount received will depend on the amount and number of years you have contributed	Must be a Canadian citizen or landed immigrant and have resided in Canada for at least 10 years since the age of 18	Available to all eligible OAS recipients who have limited financial resources
Age	Age 60 or older	Age 65 or older	Age 65 or older
Tax implications	Benefits are taxable	Benefits are taxable	Benefits are not taxable

4. Use your non-registered investments

During retirement, if you have a RRIF, you will be receiving the required annual minimum amount. If you need more than that, it's generally better to draw the extra income from your non-registered investments first. That way, the money in your RRIF can continue to benefit from tax-deferred growth.

Can I continue to take benefit from tax-advantaged plans after I have withdrawn my minimum RRIF payment?

Yes, Tax Free Savings Accounts allow your savings not only to grow tax free, but to be withdrawn without tax. Moreover, amounts withdrawn won't impact income-based benefits such as Old Age Security.

2: How your immediate annuity works

A Single Premium Immediate Annuity is a type of deposit investment that provides a stipulated amount of money payable:

- Only for a specified period time (a Term Certain Annuity)

or

- At regular intervals throughout the lifetime of one or more persons (a Life Annuity)

As an immediate annuity, payments from your annuity must commence within one year of its purchase.

Your individual amount of payment will depend on your life expectancy. As women tend to live longer than men, the premiums women pay for an annuity must provide for a longer

Can I buy a Life Annuity from any financial institution?

No, Life Annuities are only offered by life insurance companies.

income stream than for men. As a result, the annuity benefit for each $1,000 of premium paid for a male annuitant will be larger than benefits paid to female annuitants.

Annuities purchased when interest rates are high are going to have a higher interest component (and higher overall benefit amount) than annuities purchased when interest rates are low. The risk of buying an annuity in a low-inflation environment is that inflation will rise thereby eroding the purchasing power of your previously stipulated payments.

Generally speaking, the more frequently you receive an annuity payment, the quicker you are accessing your capital, the less capital is available to compound between benefit payments, and the lower your annuity benefit.

Are my annuities protected from creditors?

Yes. Annuity contracts enjoy special creditor protection as long as a spouse, child, grandchild or parent is named as the beneficiary.

3: How your RRIF works

Understanding the government's retirement income rules

You must convert your RRSP into a RRIF by the end of the year in which you turn 71, at the latest. Every year thereafter, you must withdraw a percentage of your RRIF. This is known as your annual minimum RRIF withdrawal and the plan is designed so that this amount should increase gradually each year. How much you receive is based on your age (as of January 1st) and the value of your RRIF at the end of the previous year.

There is no maximum limit to the amount you can withdraw from your RRIF. LIFs and LRIFs have maximum withdrawal amounts based on specific formulas.

How do I know how much to take out of my RRIF every year?

We calculate your required minimum withdrawal and notify you of the amount.

Minimum RRIF Withdrawal Schedule			
Age	**Minimum Annual Withdrawal (%)**	**Age**	**Minimum Annual Withdrawal (%)**
55	2.86	75	7.85
56	2.94	76	7.99
57	3.03	77	8.15
58	3.13	78	8.33
59	3.23	79	8.53
60	3.33	80	8.75
61	3.45	81	8.99
62	3.57	82	9.27
63	3.70	83	9.58
64	3.85	84	9.93
65	4.00	85	10.33
66	4.17	86	10.79
67	4.35	87	11.33
68	4.55	88	11.96
69	4.76	89	12.71
70	5.00	90	13.62
71	7.38	91	14.73
72	7.48	92	16.12
73	7.59	93	17.92
74	7.71	94+	20.00

Income tax and your RRIF

Because RRIF payments are considered to be income, there are tax considerations when you receive these payments.

- Any amount you withdraw from your RRIF is added to your taxable income for that year.
- If you withdraw more than the required minimum amount, we will deduct income tax and forward it to Canada Revenue Agency on your behalf.

We will send you a tax slip reflecting all RRIF income you received in the previous year, which should be included as taxable income on your tax return. The slip will also indicate any tax that was already deducted.

Can I have extra income tax deducted from my RRIF?

Yes, this can help you avoid having to make a large payment at tax time.

4: Comparing immediate annuities and RRIFs

Immediate Annuities offer:

Security

- Regular income payments continue for life or to age 90.
- Can be purchased with a guaranteed payment period.
- Can be indexed to inflation and provide increasing payments.
- Can provide guaranteed income for the lives of you and your spouse.
- No worries about future investment rates.

Unlike RRIF payments, Life Annuity income payments are guaranteed. They can also provide an increasing income if you arrange to have the payments indexed to inflation.

RRIFs offer:

Flexibility

- You can choose either guaranteed or non-guaranteed investment options.

Possibly higher returns (although with higher risk)

- Payments from a RRIF depend on investment performance. Low performance may reduce payments or deplete the fund prematurely. When investment earnings exceed the amount withdrawn each year, the RRIF balance increases. When the amount withdrawn from a RRIF exceeds the investment earnings, the balance decreases.

RRIF or Immediate Annuity?

What should you choose to provide your retirement income, an immediate Annuity or a RRIF? There is no simple answer - it depends on your risk tolerance, investment knowledge and personal circumstances. Risks that should be considered include: the risk that equity markets will decline or underperform, the risk that interest rates will change and the risk that inflation will be higher than expected. To mitigate these risks a combination of Immediate Annuity/RRIF may be used.

5: Why obtain an income from Wawanesa Life?

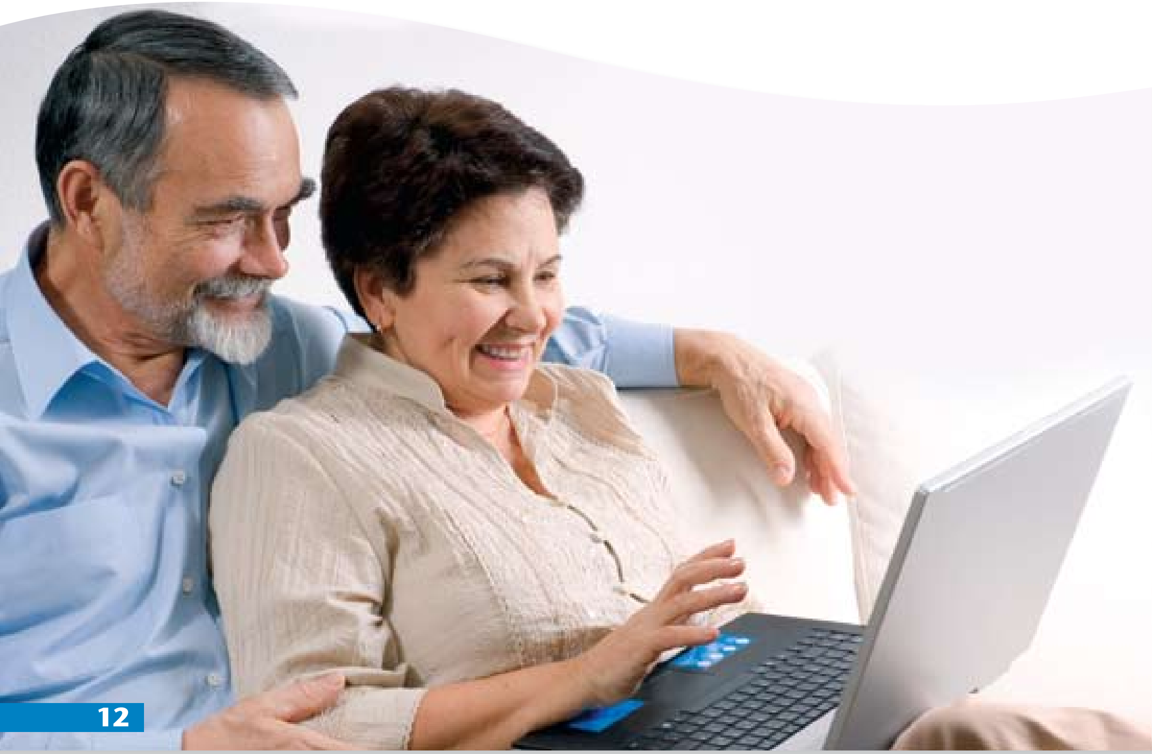
We provide a variety of retirement options and can offer you flexibility, convenience and peace of mind.

Flexibility

With our RRIFs at any time, you can

- Increase your regular withdrawals
- Change how often you receive money
- Take out additional amounts
- Choose from a range of products including:

  1) Daily Interest Accounts
  2) Guaranteed Investment Accounts (our GICs)
  3) Segregated funds offering the ability to participate in both the Equity markets (Canadian, US, or International) and the Bond markets.



Convenience

- Transfer and consolidate your existing RRSPs into your RRIF
- Direct deposit to your chequing or saving account
- Have us withhold and forward income taxes on your behalf

Peace of Mind

- Your financial planner can help you choose the right investment to meet your needs
- The Wawanesa Life Insurance Company has been a proud member of the Wawanesa Group since 1960. Wawanesa Life complements the insurance lines of Wawanesa Mutual and expands the reach of "Earning your Trust since 1896."

  Wawanesa Life's beginnings were first focused on expanding the product offerings available to Wawanesa Mutual's broker network and their clients. Our roots are firmly grounded in the traditions of Wawanesa Mutual and with their support, Wawanesa Life has since expanded its distribution channels to include independent producers, group insurance brokers, third party administrators and managing general agents. Wawanesa Life's product offerings have also expanded and today include a full range of individual life insurance, savings and group insurance products.

To help you find the retirement income solutions that are right for you,

visit one of our qualified, trained professionals or call our toll free customer service department at

1-800-263-6785.

Visit us online at:

www.wawanesalife.com

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