IG PRIVATE WEALTH MANAGEMENT SYRJA & ASSOCIATES

Syrja & Associates Retirement Guide

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Introduction

I'm Scott Syrja, the Executive Financial Consultant of Syrja & Associates Private Wealth Management. Our firm is dedicated to offering personalized wealth management solutions tailored to the unique needs of executives, pre-retirees and retirees, business owners, startup founders, and angel investors.

As you approach retirement or begin planning your exit from the day-to-day demands of your business, strategic wealth management becomes even more essential. I understand the complexities you face—from managing corporate and personal finances to ensuring a smooth transition into retirement, while securing your financial future.

At Syrja & Associates, our mission is to empower you with financial strategies that integrate your professional success with your personal aspirations, ensuring a prosperous retirement. We believe in a holistic approach, blending your business goals with your personal dreams, so that you can confidently enjoy the next phase of life.

With a proven track record of serving over 350 families across the Greater Toronto Area, including many business owners preparing for or recently transitioning into retirement, we have the experience and expertise to guide you through these pivotal moments. Our deep understanding of these transitions allows us to offer invaluable insight as you prepare for life beyond full-time work.

In this guide, you will find comprehensive insights and expert advice on critical topics, including:

- **Your Retirement Checklist**
  As you prepare for retirement, it's important to evaluate your savings, investment portfolio, and lifestyle goals. Ensure legal documents like wills and power of attorney are updated, and consider shifting investments to lower-risk options.

- **Navigating Multiple Income Streams During Retirement**
  A well-rounded retirement plan should include diverse income sources, such as government benefits, pensions, savings, or part-time work. Establishing a tax-efficient withdrawal strategy can help maximize your income over time.

- **Pension Options at Retirement**
  When reviewing your pension options, you'll need to consider choices like taking a lump sum, opting for a monthly pension, or transferring funds to a LIRA. Each option carries different tax consequences and levels of control over your retirement funds.

My experience working closely with retirees has shown me the immense value of having a trusted advisor by your side. This guide aims to share the knowledge and expertise that can help you make informed decisions, optimize your financial position, and ultimately achieve your vision of success.

Thank you for joining me on this journey. If you're ready to unlock the full potential of your business and personal wealth, contact us today to schedule a consultation. Let's work together to create a prosperous future for you and your family.

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CHAPTER 1: YOUR RETIREMENT CHECKLIST

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Your Retirement Checklist

The sources of your retirement income and your strategy for withdrawing your savings can have a significant impact on your cash flow and tax burden. We can help you calculate your current expenses, project them over your retirement, and develop the customized withdrawal strategy that works best for you.

Here are some retirement income sources you need to consider:

Government Sources

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

Employee Related Sources

- Company pension plans
- Group RRSPs
- Deferred profit sharing plans

Personal Sources

- Registered investments (RRSPs, RRIFs, LIRAs, LIFs, PRIFs, TFSAs)
- Non-registered investments
- Annuities

Other Sources

- Part-time employment or income from a second career
- Income from rental property
- Business assets
- Other savings

Multiple retirement income sources multiply the complexity

Throughout your career, you very likely have received a paycheque from your employer or business. When you retire, you could instead receive multiple paycheques made up of government benefits, employer-sponsored plans and personal savings.

Financial management can be challenging when your income is from multiple sources. At IG Wealth Management, we break retirement income planning down into four steps to help you get a firm grip on your retirement income and ensure you live your retirement on your terms.

Step 1: Understand Canada's retirement income system

Canada's retirement income system consists of three tiers. Understanding them can help ensure a financially secure retirement.

Tier 1: Government benefits

Old Age Security (OAS) is available to everyone who has resided in Canada for at least 10 years after the age of 18. OAS benefits can begin at age 65, although the government allows for the voluntary deferral of OAS benefits for up to five years to receive a higher annual benefit. OAS is "clawed back" in increasing amounts as your individual net income climbs above a threshold amount, until it disappears entirely at an upper income level. The OAS amount and claw back threshold are is adjusted annually, so speak with us for more details.

The Guaranteed Income Supplement (GIS) is available to those who have little or no income apart from OAS. GIS benefits are typically based on income for the previous year and are not taxable.

An allowance is available to low-income earners between the ages of 60 and 64 who are widowed, or the spouses or common-law partners of low-income seniors.

The Canada Pension Plan / Quebec Pension Plan (CPP / QPP) is available to every employee or self-employed person who contributed to the plan while working. You may choose to start receiving CPP/QPP benefits any time between the ages of 60 and 65, but your benefit is reduced; if you start to receive CPP or QPP benefits between ages 65 and 70, the amounts are increased. CPP / QPP has historically

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You know it's important to have an effective investment strategy. It's equally important to have a detailed plan for withdrawing retirement income from the investments you've nurtured over the years.

intended to provide about 25 per cent of your average annual employment earnings during your working life, up to certain limits. Starting in 2019, the 25 per cent has been gradually increasing to eventually reach 33 per cent after a number of years.

Tier 2: Private pension plans and group RRSPs

Many Canadians belong to employer pension plans and/or group RRSPs. The retirement income from these sources will depend on the type of plan(s) you have and many other factors, such as the amount you and/or your employer have paid into the plan(s) and your years of service. Some pension plans provided a guaranteed income payment for life, while retirement income provided by group RRSPs and other types of pension plans will depend on the amounts accumulated in the plans.

Tier 3: Personal savings

Government benefits and employer pension plans are meant to provide a foundation, but your personal savings are the essential building blocks that can help provide financial security through your retirement years. Your personal savings could include RRSPs, TFSAs, other investments or savings accounts, cash value life insurance plans and real estate that can generate income during retirement.

All of these investments can provide various amounts of money on a variety of schedules and will often demand that you make informed decisions to keep them producing the income you need.

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In retirement, your personal savings will still need to grow and to outpace inevitable cost-of-living increases.

Step 2: Develop a retirement income plan

You know it's important to have an effective investment strategy. It's equally important to have a detailed plan for withdrawing retirement income from the investments you've nurtured over the years. Otherwise, your retirement income may end up being a lot less than you expected and not last as long as you need.

Establish the level of income you'll need in retirement. Some people use a rule of thumb that you'll need 70 to 80 per cent of your current household income to maintain your lifestyle in retirement. But you may need more or less, depending on your personal retirement vision. To see how much income you will need, we merge your retirement vision with the financial realities of your retirement life.

- We will help you identify expenses that can be decreased or eliminated – things like commuting costs and, perhaps moving from two cars to one. Your budget will break out essential expenses (the money you need to live) and discretionary expenses (the money for your fun, activities such as travel).
- We can calculate the income from government benefits plus employer sponsored plan(s) benefits you expect to receive in retirement. The gap between your expenses and this income will need to be filled by income from your personal savings.

Let us design your plan for retirement. In retirement, your personal savings will still need to grow and to outpace inevitable cost-of-living increases.

At the same time, your plan needs to guard against market volatility, especially a market decline early in retirement that could significantly reduce how much income can be generated from your investments. This doesn't mean relying only on fixed income investments such as guaranteed income certificates (GICs) that are "safe" but deliver low returns. We can help design your portfolio to include a mix of investments that help protect against the downturns while also delivering a cash flow that will sustain your retirement lifestyle.

Your plan should create a steady income stream. Keep in mind that you may require an income for 30 years or more. Our process includes an assessment of the potential longevity of your retirement income. We then recommend retirement income solutions to help ensure you'll have a steady income stream throughout your retirement.

When meeting with us, be sure you identify all your sources of retirement income and when you can expect to receive money from each source (weekly, monthly, yearly). You will want to ensure your guaranteed income sources meet your essential expenses where possible, giving you peace of mind that your retirement is secure.

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Step 3: Be tax-efficient

An effective retirement savings withdrawal plan can allow you to take full advantage of tax benefits, such as the age credit, the pension income credit and other tax credits, while possibly avoiding OAS claw backs.

Here are a few of your options:

- Splitting income with your spouse when possible can help not only increase tax credits, but may also shift income to a lower tax bracket.
- Investing in mutual funds that allow you to receive a portion of the income stream from fund earnings and a portion from a return on your initial investment. Your capital is not considered income and is not subject to tax in the year it is received.
- Withdrawing only the minimum for your RIF and other fully taxable investments or, depending on your age, withdrawing just enough to maximize the value of the pension income credit.
- Non-registered investment choices that offer preferential tax treatment.
- Knowing how to manage TFSA withdrawals to provide a tax-free source of cash flow in retirement.
- Working part-time or consulting past your official retirement date.

Step 4: Consolidate and simplify

As you move toward retirement, start thinking about simplifying the administration of your assets by consolidating your various investments, savings accounts, registered plans, and insurance plans. When you have a number of investments and income sources, it's easy to lose track and miss opportunities to enhance your retirement income or reduce taxes. It's often possible to achieve consolidation without financial penalties or incurring tax on capital gains.

We can help you simplify your various sources of retirement income, minimize taxes and develop the right retirement savings withdrawal plan for your unique situation and retirement goals. We will also revisit your plan regularly to account for potential life transitions such as caring for parents or your own health care needs. And if you'd like to continue planning your life in retirement around a regular paycheque – just as you did during your career – we can do that for you, too.

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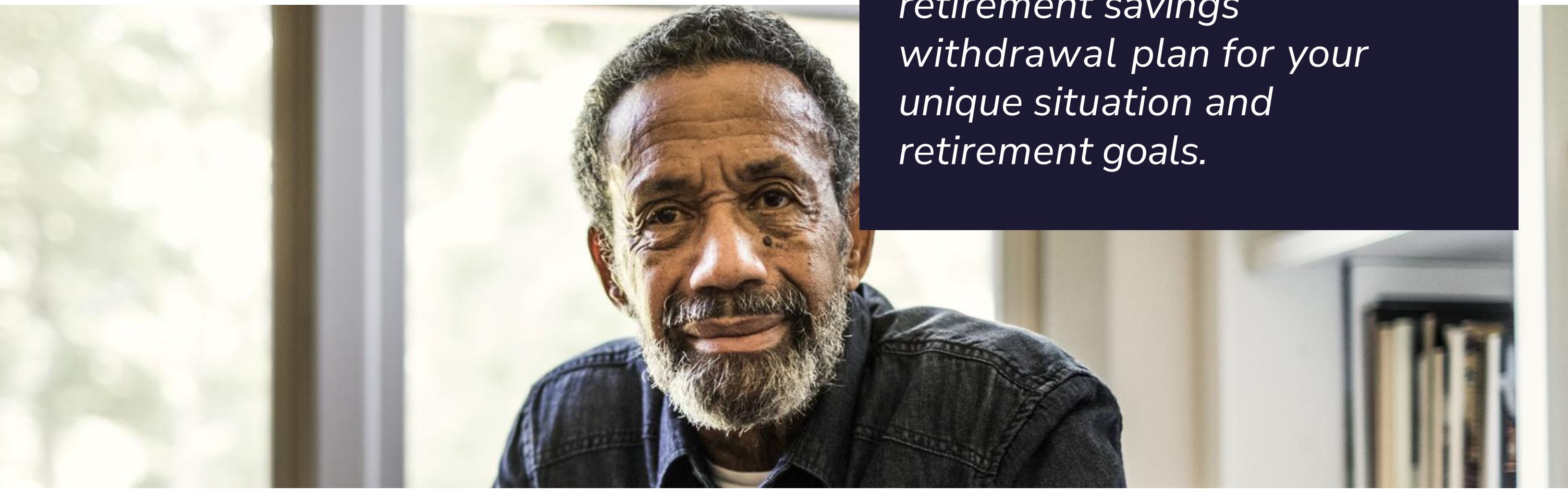

CHAPTER 2:
PENSION OPTIONS BEFORE RETIREMENT

Considering your pension options when leaving an employer?

There are generally three options to choose from when members of a defined benefit pension plan have the option to commute their pension:

Take the pension and commence monthly payments on a date allowed by the plan (usually between age 55 and 65).

Transfer the pension's commuted value to another registered pension plan (if the new employer's plan permits a transfer).

Transfer the pension's commuted value to a locked-in account, where the commuted value of a defined benefit pension represents the present value of the lifetime pension payments as calculated under the plan's benefit formula. This benefit is usually comprised of an amount that can be transferred to a locked-in account (under provincial or federal pension legislation) on a tax-deferred basis and an excess amount that is subject to immediate taxation.

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Pension options

- Is there a reduction of the pension benefit if the payments start prior to the normal retirement date?
- Is the pension indexed to inflation before and after retirement? If so, is there a cap on the annual pension increase?
- What is the amount of the pension benefit that will be paid to the surviving spouse?
- Does the plan provide for a guarantee period where the remaining monthly pension payments in the period will be made to the estate or beneficiaries if the plan member and spouse dies? How long is the guarantee period?
- Does the plan provide for a bridging benefit, for example, a supplemental pension paid only to age 65?
- Is the pension plan in a significant deficit position that could create a significant risk to the client if the sponsor becomes bankrupt?
- Are there benefits that will be stopped if the Pension Option is not elected? If so, what would it cost to fund these benefits independently? (i.e., group life, extended health care, dental, vision care plans).
- Are there health concerns that could shorten life expectancy?

ADVANTAGES	DISADVANTAGES
• Retirement benefits are guaranteed for life	• Payment amounts cannot be increased or decreased
• Pension may provide inflation protection with indexation	• Payments could be less than the actuarial value of the benefits earned if normal life expectancy is not attained
• Possible bridging benefits and enhanced survivor benefits	• No estate value
• No investment risk or investment decisions	• No investment control
• Payments from the pension plan are eligible for pension income splitting at any age	

Transfer the commuted value to a locked-in account

- Does the commuted value have an excess amount that would be subject to immediate taxation?
- If so, is there RRSP carry-forward room to shelter some of this amount?
- What is the required minimum rate of return to produce a sustainable payment from the investment assets that is equal to the retirement income the Pension Option will provide?
- What asset mix is reasonable to generate this minimum rate of return and is this consistent with your risk tolerance?
- What other current and post-retirement income sources are available?
- Is re-employment, which could delay the start of withdrawals, a consideration?

ADVANTAGES	DISADVANTAGES
• Control of the investments • Flexibility when payments can start and amount of payments • Potential for enhanced estate value • Possible unlocking of 50% of the assets • Conversion to a life annuity at any time	• Long-term investment performance of the locked-in assets could be lower than anticipated and therefore payment amounts are not guaranteed • Significant portion of the transferred assets may be subject to immediate taxation • Future payments from a Life Income Fund (LIF) are subject to maximum annual payout restrictions • Payments from a LIF, LRIF or PRIF will not be eligible for pension income splitting until age 65 • Other Employer benefits such as group life and health coverage may be discontinued

Types of risk

Mortality Risk

Mortality risk is the possibility that the individual, and the surviving spouse if applicable, will not live to the anticipated life expectancy. This means the total pension payments could be less than the actuarial value of the benefits earned by the plan member under the pension plan. In a LIRA, LIF, PRIF or LRIF, mortality risk is not an issue, as the full value of the LIRA, LIF, PRIF or LRIF is payable to the beneficiary or estate at death. It is possible to provide a hedge against the mortality risk when selecting the Pension Option by purchasing a "last-to-die" life insurance policy, which will provide a tax-free lump sum benefit to the beneficiaries of the surviving spouse. Mortality risk can also be mitigated if the pension provides a guarantee period.

Sustainability Risk

The sustainability of the invested assets is a factor to be considered with respect to the Transfer Option. The higher the annual payouts, given an assumed investment return, the higher the risk that the invested assets will be depleted during the client's lifetime. The sequence of investment returns is also an important consideration. During the accumulation phase, it does not matter that the returns will be higher in some years and lower in others, provided that the long-term rate of return is equal to or exceeds the assumed rate of return. However, when regular payments start, the sequence of returns become important. Investment losses in the first few years of the payment period could result in a higher risk of depleting the retirement assets.

Investment Risk

Investment risk is the possibility that if the Transfer Option is chosen, the long-term investment performance of the locked-in assets might be lower than anticipated. Investment risk is not a factor with respect to the Pension Option, as the payouts are guaranteed, and may be indexed.

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In conclusion, planning for retirement is one of the most significant financial decisions you will make, and having a comprehensive strategy can help ensure a smooth transition into this new chapter of life. At Syrja & Associates, we are committed to guiding you through the complexities of retirement, from managing multiple income streams to ensuring tax efficiency and investment growth.

<u>Key Takeaways</u>

Diverse Income Sources: Ensure your retirement plan includes multiple income streams, such as government benefits, pensions, personal savings, and potential part-time work.

Tax Efficiency: A tax-efficient withdrawal strategy can significantly enhance your retirement income by maximizing available tax credits and minimizing unnecessary losses.

Customized Investment Strategy: Keep your personal savings growing throughout retirement to outpace inflation while protecting against market volatility.

Simplify and Consolidate: Organize and consolidate your financial accounts to reduce complexity and maximize retirement income potential.

Tailored Financial Planning: Each retirement plan should be customized to fit your unique financial situation, lifestyle, and long-term goals.

We encourage you to reach out and let us help tailor a retirement plan that secures your financial future, so you can fully embrace this exciting new phase with peace of mind.

Let’s work together to create a prosperous future for you and your family!

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