question retraite

GUIDE

TO FINANCIAL PLANNING FOR RETIREMENT

2013 – 2014 EDITION

START PLANNING TODAY FOR TOMORROW

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TODAY FOR TOMORROW

This is the latest edition of the *Guide to Financial Planning for Retirement*. The partners who make up the Question Retraite group have worked together to combine the best of their knowledge to ensure that your financial planning for retirement is pleasant, simple and uncomplicated.

The Guide contains information and advice prepared specifically for people aged 25 to 45 to help you put your retirement planning on a solid foundation, based on your retirement goals.

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FSC

LIFE CAN BE HECTIC:
FAMILY ACTIVITIES, WORK RESPONSIBILITIES, BUSY SCHEDULES.
WE HAVE TO PLAN FOR THIS, ARANGE FOR THAT…

And where does retirement fit into all of that? When was the last time you thought about it? Do you tend to put it off until tomorrow? Taking action now could give you the power to choose later!

You can, for example, check with your employer to find out if you have access to a pension plan. If this is the case, why not sign up immediately, even for small amounts? If you don't have access to this type of plan, contact your financial institution to request that each month a fixed amount be transferred to a special retirement savings account. Or you could call a financial planner and sign up for a program that allows automatic transfers of fixed amounts into an RRSP or TFSA. It's that simple, but it could improve your standard of living and give you the power to choose!

WHY THINK ABOUT RETIREMENT NOW?

1 Time is on your side. The sooner you start saving, the more time your retirement capital will have to grow. In an RRSP or TSFA, the effect can be quite remarkable.

2 Public pension plans provide only minimum financial security. To retire comfortably, you will need other sources of income.

Income fluctuations can have a big impact on your retirement income. That's why the golden rule is to save early and regularly to shelter your savings. Think about it!

The choice is yours.

TABLE OF CONTENTS

THE BIG QUESTION:

HOW MUCH SHOULD I SET ASIDE EACH YEAR?

There are a number of methods to determine the amount of money you should put away each year for retirement. The method proposed by the Régie des rentes du Québec is simple and involves only four steps.

1
Determine your retirement age

2
Determine the income you will need in retirement

3
Determine the sources of income you will be able to rely on

4
Determine your savings needs

1 DETERMINE YOUR RETIREMENT AGE

If you choose to retire between the ages of 55 and 67, there may be a financial cost.

This guide is mainly for people aged 25 to 45. For that reason, our examples are generally based on individuals who are currently age 35.

If you are closer to retirement, take a look at the information in Tables 1 and 2 of our feature «La retraite en 2013» (French only) for people aged 60 to 65 in 2013. The feature is available on our Web site.

AT AGE 55, you are not yet eligible for a public pension plan (Québec Pension Plan and Old Age Security). You will have to rely on your personal savings to get by. Will you have enough? Remember, you won't be entitled to a pension under the Québec Pension Plan (QPP) for another five years, and a reduced pension at that. You'll also have to wait at least ten years to qualify for an Old Age Security (OAS) pension. The situation may be easier if you have an employer-sponsored supplemental pension plan (SPP). But be careful: the normal retirement age under an SPP is generally 65. At age 55, your retirement income will often be lower than it would be if you retired at age 65. Why? Because you will have contributed to the pension plan for fewer years than projected and you will be receiving a retirement pension for a longer period of time.

AT AGE 60, you become eligible for a retirement pension under the QPP (see Table 1). If you apply for a pension at that age, the QPP pension will be less than the amount you would have been entitled to if you had applied at age 65. The decrease is permanent (see page 11).

TABLE 1 > SINGLE PERSON AGE 35 RETIRING IN 2038 AT AGE 60

Annual income*	QPP	OAS**	GIS***	Annual total	% of income replaced before taxes
$15,000	$2,434	$0	$0	$2,434	16%
$20,000	$3,217	$0	$0	$3,217	16%
$25,000	$3,986	$0	$0	$3,986	16%
$30,000	$4,742	$0	$0	$4,742	16%
$35,000	$5,483	$0	$0	$5,483	16%
$40,000	$6,211	$0	$0	$6,211	16%
$45,000	$6,924	$0	$0	$6,924	15%
$50,000	$7,624	$0	$0	$7,624	15%
$55,000	$7,776	$0	$0	$7,776	14%
$60,000	$7,776	$0	$0	$7,776	13%

Note that results are expressed in today's dollars and take into account the fact that salaries generally increase at one percentage point above the rate of inflation.

** We assume that your annual employment earnings increase each year in step with the QPP maximum pensionable earnings ($51,100 in 2013).*

*** OAS – Old Age Security. You must be age 67 or over to receive an OAS pension.*

**** GIS – Guaranteed Income Supplelment. An individual must be age 67 or over to receive the GIS.*

AT AGE 67, you have access to all of the available sources of retirement income (see Table 2). You can receive an Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS), if you are eligible.

TABLE 2 > SINGLE PERSON AGE 35 RETIRING IN 2045 AT AGE 67

Annual income*	QPP	OAS**	GIS***	Annual total	% of income replaced before taxes
$10,000	$2,777	$4,766	$5,044	$12,587	126%
$15,000	$4,166	$4,766	$4,003	$12,935	86%
$20,000	$5,554	$4,766	$3,245	$13,565	68%
$25,000	$6,943	$4,766	$2,551	$14,260	57%
$30,000	$8,331	$4,766	$1,857	$14,954	50%
$35,000	$9,720	$4,766	$1,162	$15,648	45%
$40,000	$11,109	$4,766	$468	$16,343	41%
$45,000	$12,497	$4,766	$0	$17,263	38%
$50,000	$13,886	$4,766	$0	$18,652	37%
$55,000	$14,191	$4,766	$0	$18,957	34%
$60,000	$14,191	$4,766	$0	$18,957	32%

Note that results are expressed in today's dollars and take into account the fact that salaries generally increase at one percentage point above the rate of inflation.

** We assume that your annual employment earnings increase each year in step with the QPP maximum pensionable earnings ($51,100 in 2013).*

*** The OAS pension and the GIS increase each year with inflation, while salaries generally increase at one percentage point above the inflation rate. To account for this assumption, we have multiplied the amount of the OAS pension and the GIS in today's dollars by a discount factor of 1% from now through 2045 (6,553 × 0.7273 = $4,766).*

**** Amounts payable for April to June 2013. The GIS is not taxable. To receive the GIS, an individual must not have income other than the OAS pension and a retirement pension paid under the QPP.*

SETTING YOUR RETIREMENT AGE IS A GOOD STARTING POINT. BUT LIFE CAN SOMETIMES THROW YOU A CURVE. HERE ARE TWO EXAMPLES:

YOUR HEALTH

Stress in today's workplace and the frantic pursuit of excellence and productivity can wear you down sooner than anticipated. Your work environment can make you ill, cause backaches, headaches, exhaustion, etc. In short, sometimes retirement must begin sooner than originally planned.

FAMILY OBLIGATIONS

If you're thinking about having children at age 35, bear in mind that they will only be about 20 years old when you turn 55. If they are students or still living at home, this could mean an extra financial burden. You may have to put off retirement. If you have to care for a family member, you may be forced to leave the labour market sooner than projected. If this is the case, you have a choice. You can retire completely or leave full-time employment and take on part-time work instead. In both cases, you will have to accept the fact that your income will decrease.

OTHER INFORMATION

LIFE EXPECTANCY AND FINANCIAL PLANNING
Life expectancy is the average number of years you can expect to live. But it is only an average: some people die very young while others live beyond age 100. So you need to plan for retirement carefully!

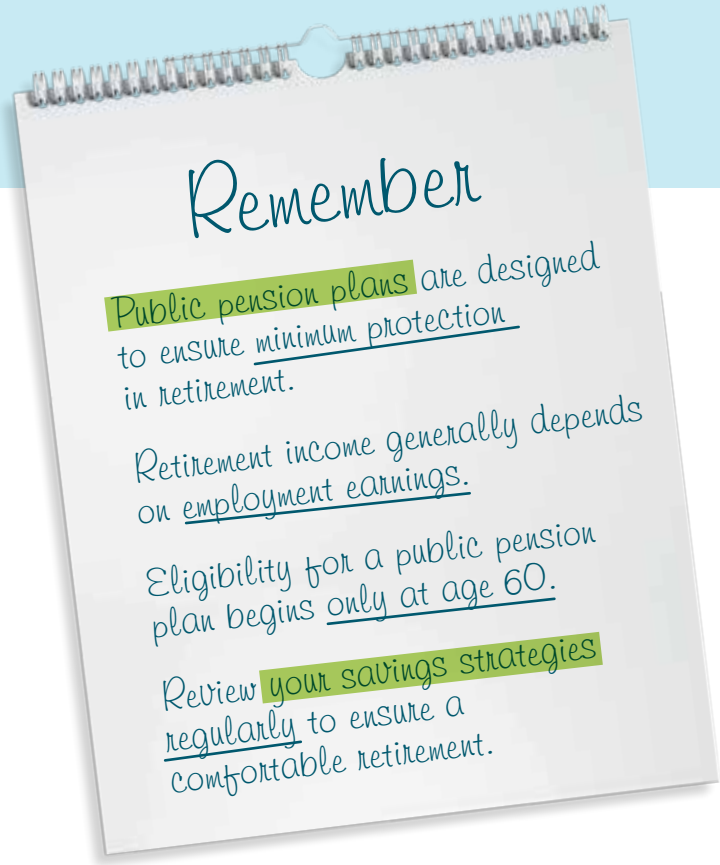
REGULAR UPDATES
Remember also that your financial plan for retirement is not set in stone. You must reevaluate it at different phases of your life, such as the birth of a child, a sabbatical leave, part-time work, loss of employment or startup of a business. It is also important to ensure that you have all of your official documents in order (will, designation of beneficiaries, mandate in case of incapacity, etc.) and that they respect your wishes.

THE PERSON FIRST... THE COUPLE SECOND
Throughout this guide, we stress financial planning for retirement for individuals, not couples. Your personal objectives can then be integrated with those of your spouse. Spousal RRSP contributions are an example of this.

IT'S DIFFERENT FOR WOMEN
Studies show that women have less retirement income than men. Why? Because:

> When a child is born, it is often women who take maternity leave and have their income drop for an extended length of time. During this period, they do not necessarily save for retirement.

> If you are a woman, you will probably have to live longer on your savings than if you were a man. According to the Régie des rentes du Québec, in 2013, life expectancy for men and women age 67 was 85 and 88 years of age respectively.



2 DETERMINE THE INCOME YOU WILL NEED IN RETIREMENT

Specialists agree that in general, an individual will require approximately 70% of the gross annual income earned during the last three years of work to maintain the same standard of living in retirement. For example, for an average gross annual income of $30,000, $21,000 will be required in retirement.

However, the "70% rule" does not apply to everyone: it depends on your employment income and your post-retirement plans.

SO WHY WOULD YOU NEED 70% AND NOT 100% OF YOUR INCOME? GENERALLY, BECAUSE:

> some expenses will decline or disappear all together (e.g., work-related expenses);

> you will be paying less tax;

> you will no longer be contributing to the Québec Pension Plan or an employer-sponsored supplemental pension plan (SPP);

> your family expenses will have likely declined.

On the other hand, costs for health care and social and recreational activities will go up (see Table 4).

TABLE 3 > HOW MUCH WILL YOU NEED IN RETIREMENT?

With an average gross annual income of...	You will need...
$20,000	$14,000
$30,000	$21,000
$40,000	$28,000
$50,000	$35,000
$60,000	$42,000
$70,000	$49,000
$80,000	$56,000

TABLE 4 > CHANGES IN EXPENSES DURING RETIREMENT

Expenses	Eliminated	Reduced	Unchanged	Increased
Social and recreational activities				■
Food			■	
SPP contributions	■			
RRSP contributions	■	■		
TFSA contributions	■	■		
Québec Pension Plan contributions	■			
Professional membership fees and union dues	■			
Employment insurance contributions	■			
Parental insurance contributions	■			
Vehicle maintenance			■	
Transportation expenses		■		
Expenses for travel				■
Income tax		■		
Lodging			■	
Health care				■
Clothing		■		

USE PAGES 49 AND 50 TO HELP YOU DETERMINE YOUR EXPENSES IN RETIREMENT.

WHAT DO PUBLIC PENSION PLANS OFFER?

The general rule of 70% is common in the field of retirement planning. It is important to realize that public programs, such as the Québec Pension Plan (QPP), federal Old Age Security (OAS) pension and Guaranteed Income Supplement (GIS), generally do not provide all of the funds necessary to cover this 70%. You will have to rely on your personnal savings or income from an SPP to make up the difference.

EXAMPLE (for a single person age 35)

Suppose your average gross income during the last three years of employment before leaving the workforce was $40,000 (in today's dollars) and you have not saved for retirement.

IF YOU RETIRE IN 2038 AT AGE 60...

> Public pension plans will replace 16% of your employment income (see Table 1 on page 5);

> For the rest of your life, you will only receive 64% of your retirement pension under the QPP;

> You will not yet be eligible for an OAS pension or the GIS.

However, when you turn 67, you will receive an OAS pension (and the GIS if your income is low).

IF YOU RETIRE IN 2045 AT AGE 67...

Public pension plans will replace approximately 41% of your employment income (see Table 2 on page 6).

Also:

> You will receive a retirement pension under the QPP, and its amount will be 16.8% higher than the pension you would have received if you had retired at age 65;

> You will receive an OAS pension (and the GIS if your income is low).

Remember

An individual will generally require 70% of the gross annual income earned during the last three years of work to maintain the same standard of living in retirement. You can use a higher or lower percentage based on your personal situation, taking into account your salary and your retirement goals.

When you retire, your work-related expenses will decrease or disappear, but expenses for health care and social and recreational activities will increase.

At whatever age you retire, public plans will only replace a portion of your income. You can make up the difference with your personal savings, a retirement plan or a combination of the two.

CHART 1 >
INCOME REPLACEMENT RATE UNDER PUBLIC PLANS
Single person age 35 retiring in 2045 at age 67

Notes: 1. Results are expressed in today's dollars and take into account the fact that salaries generally increase at one percentage point above the rate of inflation.

2. The GIS is affected by your RRSPs.

3 DETERMINE THE SOURCES OF INCOME YOU WILL BE ABLE TO RELY ON

How will you fund your retirement? The federal Old Age Security (OAS) program and the Québec Pension Plan (QPP), if you have contributed, will be there for you. If you contribute to a supplemental pension plan (SPP), you will receive a life income from your pension fund. You should also be able to count on the personal savings you have accumulated throughout your working life.

3.1 THE FEDERAL OLD AGE SECURITY (OAS) PROGRAM

This program provides three types of benefits: the OAS pension, the Guaranteed Income Supplement (GIS) and the Allowance. They are described below.

1 THE OLD AGE SECURITY PENSION

You can apply for this pension as of age 67. However, you must have legal status in Canada and have lived in Canada for at least 10 years after age 18. The pension is paid monthly and is indexed to the cost of living four times a year. The pension is taxable income.

Remember that this guide was prepared specifically for people aged 25 to 45. In general, the examples and tables provided assume that eligibility for the OAS pension begins at age 67. However, if you were born before February 1962, you could receive the OAS pension earlier. Consult www.servicecanada.gc.ca for details regarding your situation.

VOLUNTARY DEFERRAL OF THE OAS PENSION

Since July 1, 2013, you can defer payment of the OAS pension for up to five years. The amount of your pension will increase by 0.6% for each month you defer payment, up to a maximum of 36% (60 months).

Before you decide to defer payment of your OAS pension, you should take a look at your situation. Be sure to consider the fact that you will not be eligible for the GIS and your spouse will not be entitled to the Allowance while you defer payment of your OAS pension.

TABLE 5 > OLD AGE SECURITY PROGRAM

Type of benefit	Beneficiaries	Average monthly payment (January 2013)	Maximum monthly payment*	Maximum annual income**	Maximum annual income for additional benefits**
Old Age Security pension (OAS)	All beneficiaries	$515.48	$546.07	see note	not applicable
Guaranteed Income Supplement (GIS)	Single person	$501.34	$740.44	$16,560	$4,496
	Spouse of pensioner	$480.21	$490.96	$21,888	$7,456
	Spouse of non-pensioner	$316.35	$740.96	$39,696	$7,456
	Spouse of Allowance recipient	$407.79	$490.96	$39,696	$7,456
Allowance	All beneficiaries	$424.27	$1,037.03	$30,672	$7,456
Allowance for the Survivor	All beneficiaries	$620.45	$1,161.01	$22,320	$4,496

** The maximum monthly payment includes the new additional enhancements to the GIS and the allowances that took effect on April 1, 2012.*

*** The maximum annual income does not include the OAS pension or the first $3,500 of employment income.*

Note: Pensioners whose net personal income is over $70,954 in 2013 do not receive the maximum monthly OAS benefit. The full OAS pension is recovered if a pensioner's net income is at least $114,640 in 2013.

OTHER INFORMATION

If, after age 18, you have lived in Canada for more than 10 years but less than 40 years, your OAS pension will be reduced. However, the *Old Age Security Act* prescribes other conditions for entitlement to a full pension. Be sure to find out!

The OAS program also provides for an Allowance for the Survivor. For more information, see Service Canada's Web site at **www.servicecanada.gc.ca**.

2 THE GUARANTEED INCOME SUPPLEMENT

You must be receiving the OAS pension to apply for the GIS. Your annual personal income—or your combined income, if you are in a conjugal relationship—must not exceed a certain amount. The GIS is calculated based on income and civil status and is paid monthly. This tax-free benefit is indexed to the cost of living four times a year.

3 THE ALLOWANCE

If you are married, in a civil union or have a de facto spouse, you can apply for the Allowance if your spouse is receiving an OAS pension and your combined annual family income does not exceed a certain amount. The Allowance is calculated based on income and currently can be paid monthly from age 60 until your 65th birthday. However, as with the OAS pension, the ages at which a person can receive the Allowance will increase in the years ahead. Throughout a transitional period for people born between 1963 and 1967, the range of ages at which the Allowance can be paid will increase from 60-64 to 62-66. This tax-free benefit is indexed to the cost of living four times a year.

3.2 THE QUÉBEC PENSION PLAN (QPP)

The QPP provides workers and their families with basic financial protection in the event of retirement, death or disability.

A QPP retirement pension will replace about 25% of the employment earnings on which you made contributions, if you apply for the pension at age 65.

ELIGIBILITY REQUIREMENTS

To be eligible for a retirement pension, you must:

> be at least 60 years of age;

> have contributed to the QPP;

> have, if you are between 60 and 65 years of age:

  > reached an agreement with your employer to reduce your salary by at least 20% in view of retirement;

  OR

  > stopped working.

As of January 1, 2014, persons age 60 or over who have contributed to the QPP for at least one year will be able to apply for a retirement pension even if they are still working.

AMOUNT OF THE RETIREMENT PENSION

The amount of your pension will depend on the age at which you apply for it, the number of years you contributed to the QPP and the employment earnings on which you made contributions.

RETIRING BEFORE AGE 65

Currently, if you retire before age 65, your pension is reduced by 0.5% for each month between the date of your retirement and the date of your 65th birthday. As of **January 1, 2014**, the maximum reduction will depend on the year in which you retire.

TABLE 6 > ADJUSTMENT FACTOR (IF YOU RETIRE BEFORE AGE 65)

Year	Minimum reduction	Maximum reduction
2014	0.5% a month	0.53% a month
2015	0.5% a month	0.56% a month
2016 and after	0.5% a month	0.60% a month

The adjustment factor will vary according to the amount of your pension. It will remain around 0.5% if the amount of your pension is low, gradually increasing to 0.6% if you receive the maximum pension.

IMPORTANT!
These changes do not apply to people born before January 1, 1954. Since there will be changes until 2016, you should consult your Statement of Participation.

RETIRING AT AGE 65
The "normal" retirement age is 65. This means that your pension will not be reduced or increased if you start receiving it at age 65.

RETIRING AFTER AGE 65
Currently, if you apply for your pension after age 65, it is increased by 0.7% for each month between the date of your 65th birthday and the date of your retirement, up to 70 years of age.

TABLE 7 > QPP RETIREMENT PENSION

You apply for your pension at...	Maximum monthly pension in 2013
Age 60	$708.75
Age 65	$1,012.50
Age 67	$1,082.60
Age 70	$1,437.75

Important! Very few people receive the maximum pension.

In 2012, only 5% of new retirees received the maximum pension, including a "regular" pension at age 65, an early retirement pension between age 60 and 64, or a pension applied for after age 65. For example, the average pension in 2012 was $465 a month.

A retirement pension under the QPP is taxable and indexed to the cost of living each year.

OTHER INFORMATION

APPLYING FOR YOUR PENSION

You must apply to receive your pension. You can apply online up to one year in advance at www.rrq.gouv.qc.ca/retraite. You can also download an application form on the Régie des rentes du Québec's Web site or call the Régie to request one.

IF YOU ARE WORKING

If you are receiving a retirement pension, are continuing to work or have returned to work and earn more than $3,500 a year, you must contribute to the Québec Pension Plan again. In return, your annual pension will be increased by an amount equal to 0.5% of the earnings on which you contributed for the previous year.

IF YOU BECOME DISABLED

If you are disabled and you are receiving a retirement pension that you can no longer cancel to receive a disability pension, you could receive a benefit known as the **additional amount for disability**.

IF YOU WORKED ABROAD

If you worked in another country, even for a few months, you may be entitled to a retirement pension from that country. If Québec has signed a social security agreement with the country in question, the Régie des rentes du Québec may be able to assist you.

IF YOU WILL BE WORKING ABROAD

If your employer has temporarily assigned you to another country, the employer can obtain a certificate of coverage from the Régie des rentes du Québec's Bureau des ententes de sécurité sociale. This certificate will allow you to continue paying contributions to Québec social security programs, including the QPP. If you are a self-employed worker who will be working in a country that has signed a social security agreement with Québec, you can also request a certificate of coverage.

AGREEMENT CONCERNING QPP CONTRIBUTIONS AND PHASED RETIREMENT

If you are an employee between 55 and 70 years of age, you can work less while making the same QPP contributions. This enables you to reduce your hours of work and continue to contribute to the QPP as though you were earning the same salary. The amount of your future retirement pension will therefore not be reduced. However, you must reach an agreement with your employer.

THE STATEMENT OF PARTICIPATION: AN EFFECTIVE PLANNING TOOL

If you would like to know what the amount of your pension will be when you retire at age 60 or 65, consult your Statement of Participation, which is a good source of information at any age.

The Régie des rentes du Québec sends you a Statement of Participation every four years, until you apply for your retirement pension. If you do not apply for it, the Régie will send you a Statement of Participation a few months before your 70th birthday. The statement shows the employment earnings on which you contributed to the Plan and an estimate of the benefits that could be paid to you.

Régie des rentes Québec

Québec Pension Plan

Statement of Participation

Date of issue: **9 March 2012**
Client number:
Date of birth: **11 December 1963**

You can consult your statement at any time via the My Account online service at **www.rrq.gouv.qc.ca/mondossier**.

The Québec Pension Plan is a compulsory public insurance plan. It provides basic financial protection in the event of retirement, disability or death. This document provides an estimate of the benefits that you and your family could receive.

The estimate takes into account:

- the information you provided concerning the periods during which you were eligible for family benefits;
- partition of employment earnings between you and your former spouse.

When you retire

Once you turn 60, a retirement pension can be paid **at the age you choose.** The amount varies according to:

- your age when you retire;
- your years of contribution;
- the employment earnings recorded under your name (see next page).

Estimate of the amount of your retirement pension (monthly)

		Age 60	Age 65		
»	If you stopped making contributions today	$262 [redacted]	$344 [redacted]	<	This is an estimate of the amount of the pension you could receive at the age indicated if, as of today, you do not make any more contributions to the Plan. This could be **because you stop working or because your employment earnings no longer exceed 3 500 $** a year until you retire.
»	If you continue making contributions	$389 [redacted]	$578 [redacted]	<	This is an estimate of the amount of the pension you could receive at the age indicated if you continue making contributions to the Plan on **earnings that are similar** to your earnings in the last few years.

Age at retirement

Statement of Participation in the Québec Pension Plan | Page 1 of 4

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TO CONSULT YOUR STATEMENT, USE THE *MY ACCOUNT* FREE ONLINE SERVICE ON THE RÉGIE DES RENTES DU QUÉBEC'S WEB SITE.

Your benefits are calculated using the pensionable earnings recorded in your file.

Your pensionable earnings are shown in the table at right. For years in which partition was carried out, they correspond to the **earnings that were partitioned** between you and your former spouse.

For years in which partition was not carried out, they correspond, in general, to one of the following:

- **Your actual employment earnings**, if they were between the minimum required in order to contribute to the Québec Pension Plan or the Canada Pension Plan (3 500 $ in 2012) or the maximum on which contributions can be made (50 100 $ en 2012);
- **Earnings that are less than your actual employment earnings**, if they were greater than the maximum on which contributions can be made. If, for example, you earned more than 50 100 $ in 2012, pensionable employment earnings of 50 100 $ will be entered in your file.

Double–check the earnings –and your date of birth on the first page –in order to receive the amounts to which you are entitled. To notify us of an error, call the telephone number in the "How to reach us" section.

Note

A This year's income is not definitive and may change, or Revenu Québec (and, if applicable, the Canada Pension Plan administration) will send us the information concerning your earnings for this year at a later date. If they are not accurate, you do not have to request a correction.

B Your actual employment earnings exceed the maximum pensionable earnings for this year. The amount shown is the maximum.

Pensionable earnings

Year	Québec Pension Plan	Canada Pension Plan	Total	Note
2011	–		–	A
2010	22 436 $	12 564 $	**35 000 $**	A
2009	18 182 $	6 818 $	25 000 $	
2008	0 $	0 $	0 $	
2007	30 590 $	13 110 $	**43 700 $**	B
2006	0 $	15 621 $	15 621 $	
2005	0 $	0 $	0 $	
2004	17 042 $	0 $	17 042 $	
2003	10 596 $	0 $	10 596 $	
2002	0 $	0 $	0 $	
2001	4 704 $	0 $	4 704 $	
2000	10 338 $	0 $	10 338 $	
1999	13 138 $	0 $	13 138 $	
1998	13 886 $	0 $	13 886 $	
1997	11 854 $	0 $	11 854 $	
1996	11 955 $	0 $	11 955 $	
1995	6 299 $	0 $	6 299 $	
1994	21 681 $	0 $	21 681 $	
1993	17 112 $	0 $	17 112 $	
1992	19 499 $	0 $	19 499 $	
1991	15 250 $	0 $	15 250 $	
1990	20 649 $	0 $	20 649 $	
1989	20 350 $	0 $	20 350 $	
1988	18 250 $	0 $	18 250 $	
1987	15 625 $	0 $	15 625 $	
1986	12 900 $	0 $	12 900 $	
1985	1 761 $	18 061 $	19 822 $	
1984	0 $	13 200 $	13 200 $	
1983	10 514 $	1 938 $	12 452 $	
1982*	14 288 $	0 $	14 288 $	

* The years recorded begin with your 18th birthday.

If you worked in another Canadian province or territory, your earnings were recorded under the Canada Pension Plan. These earnings are taken into account in the calculation of your pension under the Québec Pension Plan.

Are the figures for the last few years different from the ones you have? This may very well be the case. When the Régie prepared your statement, it might not have yet received the most recent data from Revenu Québec.

3.3 PRIVATE PENSION PLANS

Private pension plans provide employees with a retirement income that complements income provided by public plans. There are various types of private plans, each with its own characteristics. This is why it is so important to learn about your plan before you begin your financial planning for retirement.

THREE TYPES OF PLANS

There are three main types of plans. Can you recognize yours?

1 **SUPPLEMENTAL PENSION PLANS**

A supplemental pension plan (SPP), also called a "pension fund," is a plan into which an employer pays contributions on behalf of employees to provide income for their retirement. Employees can also make contributions, depending on the terms of the plan. Sums must be paid into a pension fund that is not connected to the employer.

There are two types of supplemental pension plans:

> **Defined contribution plan**

In this type of plan, your and your employer's contributions are determined in advance. However, your retirement income is not known in advance since it will depend on the investment income accumulated in your account, the interest rate in effect when you purchase a life annuity or the interest rates for withdrawals from a life income fund. A simplified pension plan (SIPP) is a defined contribution plan administered by a financial institution that allows you, as a member, to choose your investments depending on your investor profile.

> **Defined benefit plan**

Under such a plan, your pension is set in advance using a specific formula. It is generally a percentage of your pensionable employment earnings multiplied by your years of recognized service. Contributions are adjusted periodically to fund the benefits promised. If your pension is harmonized with the QPP, it will typically decrease at age 65 to take into account the QPP pension you will receive. The pension may be indexed to compensate in whole or in part for inflation, or it may not be indexed at all.

AN SPP CAN ALSO BE ADVANTAGEOUS FOR AN EMPLOYER BY:

> creating a favorable work environment. Employees see their employer as a contributor to their financial well-being in retirement;

> attracting employees who recognize this financial advantage and keeping them within the company;

> giving the company and employees the resources necessary to adapt the organization of work according to needs.

Employers who do not offer an SPP to their employees should consider a simplified pension plan (SIPP). This is a plan managed by an authorized financial institution, which manages the investments chosen by members, sends out statements, produces the necessary documents, etc. The employer therefore has minimal administrative duties. Employees gain an important advantage: membership in a real SPP to which the employer contributes.

2 **GROUP RRSP**

A group RRSP is a collection of individual RRSPs to which contributions are generally made through payroll deductions. Its purpose is to facilitate contributions to individual RRSPs. Your employer may also contribute on your behalf.

3 **DEFERRED PROFIT SHARING PLAN (DPSP)**

Although it is not technically a pension plan, a deferred profit-sharing plan (DPSP) often complements group RRSPs, receiving employer contributions.

NEW INITIATIVE...

On May 8, 2013, the Gouvernement du Québec tabled Bill 39, which would create voluntary retirement savings plans (VRSPs) for all workers, whether salaried or self employed, who do not have access to a group retirement savings plan. In particular, the Bill would provide that, within a predetermined time limit, the approximately 90,000 businesses with at least five employees would have to offer a VRSP to their employees. Then, each employee would choose whether to become a member of the plan.

TABLE 8 > GENERAL FEATURES OF THREE TYPES OF PRIVATE PENSION PLANS

	Supplemental pension plans		Group RRSP	DPSP
	Defined benefit plan	Defined contribution plan		
Amount of the pension known in advance	Yes	No	No	No
Basic employer contribution	> Employer pays the sums necessary to fund the benefits promised > Locked-in > Unseizable	> Minimum 1% of total payroll > Standardized for everyone (depending on employment category or other recognized criteria) > Locked-in > Unseizable	> No (discretionary) > Not locked-in > Seizable or unseizable, depending on the context	> Varies according to the plan > Not locked-in > Seizable or unseizable, depending on the context
Basic member contribution (employee contribution)	> Compulsory or non-compulsory, at the employer's discretion > Locked-in > Unseizable	> Compulsory or non-compulsory, at the employer's discretion > Locked-in (**SIPP:** locked-in or not, at the employer's discretion) > Unseizable	> Generally non-compulsory > Not locked-in > Seizable or unseizable, depending on the context	N/A
Voluntary contributions when allowed	> Not locked-in > Unseizable	> Not locked-in > Unseizable	> Not locked-in > Seizable or unseizable, depending on the context	N/A

Withdrawal/transfer by member during employment	> Not allowed, unless it is a voluntary contribution and the plan allows it	> Not allowed, unless it is a voluntary contribution and the plan allows it
		SIPP:
		> Locked-in portion: no refund; transfer allowed as of age 55
		> Portion not locked-in:
		  > Employee contribution: at the employer's discretion
		  > Voluntary contribution: Yes
			> Yes, except if special agreement with employer	> Yes, if plan allows

Administration	> Pension committee (or employer if fewer than 26 members and beneficiaries)	> Pension committee (or employer if fewer than 26 members and beneficiaries) **SIPP:** > Financial institution	> Employer, union or professional association	> Employer via a trust
Choice when membership ends	**Portion not locked-in** > RRSP, RRIF > Annuity > Cash refund (taxable) > Other pension plan	**Portion not locked-in** > RRSP, RRIF > Annuity > Cash refund (taxable) > Other pension plan	> RRSP, RRIF > Annuity > Cash refund (taxable) > Other registered plan	> RRSP, RRIF > Cash refund (taxable) > Payment over ten years or single lump-sum payment > Other registered plan
	Locked-in portion Before age 55: > LIRA, LIF > Life annuity > Other pension plan As of age 55: > Life annuity Possible refund in certain situations	**Locked-in portion** > LIRA, LIF > Life annuity > Other pension plan Possible refund in certain situations	N/A	N/A

FINDING INFORMATION ON YOUR PLAN

Since the income that will be provided by your plan depends on several factors (type of plan, length of membership, contributions made, etc.), be sure you know all about your plan. For more information, consult your plan's brochure or talk to your employer.

To help you with financial planning for retirement, you can also consult the statement sent periodically by the plan administrator, financial institution or your employer that gives the sums accumulated under your name.

WHEN CAN YOU BEGIN RECEIVING A RETIREMENT INCOME?

Generally, a retirement pension under an SPP begins to be paid at the normal retirement age set by the plan (usually age 65). However, a pension can be paid earlier (often as of age 55) or later if the plan allows. The amount will then be adjusted accordingly.

DEATH BENEFIT

If you die *before receiving a retirement pension* from your SPP, your plan must pay a death benefit to your spouse, unless he or she has waived the right to it. If you do not have a spouse, or if your spouse has renounced the death benefit, it is paid to your designated beneficiary or your heirs. This benefit is usually paid in a lump sum. Where a death benefit is payable to the spouse, it can also be paid in the form of a pension.

If you die *while you are receiving a pension* from your SPP, your spouse will receive a pension, unless he or she has waived the right to it. This pension is usually 60% of the amount that you were receiving. But be sure to check with your SPP administrator to see how your plan defines "spouse," as the definition of spouse varies from one law to another.

TRANSFER RIGHT

You can generally transfer pension benefits accumulated in an SPP to:

> a locked-in retirement account (LIRA);

> a life income fund (LIF);

> your new employer's SPP, if transfers are accepted;

> a life annuity contract from an insurer.

PHASED RETIREMENT

If you are a member of a supplemental pension plan, you could be eligible for phased retirement, if your plan so provides. Phased retirement could allow you to receive your pension while working part-time. Ask your employer about it!

OTHER INFORMATION

The retirement income offered under some pension plans depends on the amounts accumulated. You should therefore review your retirement finances regularly.

The amounts you pay into a private pension plan may or may not be locked-in. You can use amounts that are not locked-in for purposes other than retirement. But be careful! If you plan to use those amounts, do not take them into account when calculating your retirement income.

In addition, although membership in a pension plan can give you a headstart, make sure that the income it will provide will be enough to meet your needs in retirement.

The sooner you begin saving, the less effort will be required in the leadup to retirement. Personal savings are important for everyone but are especially important for the majority of workers who do not have a private pension plan. These savings often mean the difference between achieving or falling short of retirement income goals.

But at the end of the month, how much money is left over once you've paid all your fixed (rent, electricity, telephone) and personal expenses? Saving is not always easy… That's why we suggest you use a method that allows savings to be directly deducted at the source. The process is painless because money is set aside before you can get your hands on it.

3.4 YOUR PERSONAL SAVINGS

TYPES OF PERSONAL SAVINGS

You can build your personal savings in two savings vehicles: registered investments and unregistered investments.

REGISTERED INVESTMENTS

1 RRSP

An RRSP is a savings plan with tax advantages that encourages investment for retirement purposes. An RRSP can include several types of investments: stock shares, bonds, guaranteed investment certificates, etc. The amount invested in an RRSP is deducted from your net income, which lowers your taxes, and the growth of the RRSP over time is not taxed. However, withdrawals from an RRSP are taxable income.

In 2013, the maximum annual RRSP contribution was up to 18% of earned income or $23,820 (less if you contributed to an SPP). To find out how much you can contribute to your RRSP, consult the Notice of Assessment that you receive annually from the Canada Revenue Agency.

An RRSP offers a number of advantages:

> the possibility of using funds in an RRSP to finance, under certain conditions, the purchase of your first home* (Home Buyers' Plan – HBP) or further your education (Lifelong Learning Plan – LLP);

> the possibility of converting it into an annuity or registered retirement income fund (RRIF);

> the possibility of drafting strategies to split income at retirement through a spousal RRSP.

** Under certain conditions, you can participate in the HBP even if you already owned a home a few years earlier.*

2 TFSA

Available since January 1, 2009, the tax-free savings account (TFSA) is becoming one of the most useful tools for building up savings for retirement. The types of investments available for TFSAs are generally similar to those available for RRSPs. Anyone 18 or over can contribute to a TFSA, whether or not he or she has employment income. The maximum annual contribution had been set at $5,000 since the TFSA was created, but that amount has been increased to $5,500 in 2013 to account for inflation. Unused TFSA contribution room can be carried forward. No amount (capital or interest) withdrawn from a TFSA is taxable, and the amounts withdrawn free up more contribution room for future years. TFSA contributions are not tax deductible.

When it comes to taxes, the advantages of using a TFSA for your retirement savings are undeniable: since withdrawals are tax-free, they do not negatively affect the various calculations for amounts received from social programs (for example, the Guaranteed Income Supplement, the Old Age Security pension or employment insurance). Also, the amounts accumulated in a TFSA before retirement can be used in an emergency, and any withdrawals create new TFSA contribution room as from the following year.

RRSP OR TFSA?

Many believe that an RRSP is better than a TFSA because RRSP contributions are tax-deductible. The reality is that an RRSP and TFSA are equivalent investment options if your tax rate remains constant. When choosing between an RRSP and a TFSA, you should also consider the effect that withdrawals made in retirement will have on your eligibility for social programs. This effect is known as the marginal effective tax rate (METR). Talk to a specialist to find out which option is best for you.

A proven tip to maximize savings: put all of your loose change into a piggy bank at the end of the day (that's right, a piggy bank!). Since change now includes $1 and $2 coins, you'll be surprised how much you can save in just a few weeks. Each month, deposit this money in an RRSP account or a TFSA.

Depending on your situation, a strategy that combines the benefits of an RRSP and a TFSA can be a smart idea. Find out how!

OTHER INFORMATION

AGE LIMIT FOR RRSP CONTRIBUTIONS

You can contribute to an RRSP until December 31 of the year in which you reach **age 71**. Three options are then available: withdraw the entire amount of your RRSP (rarely to your advantage), purchase an annuity or convert your RRSP into a registered retirement income fund (RRIF).

You can also combine these strategies. An RRIF is similar to an RRSP in that it allows your savings to grow tax-free. The main difference is that you must withdraw a minimum amount every year, which is then considered taxable income.

Even if you can no longer contribute to your RRSP, you can continue to contribute to a spousal RRSP with all the tax advantages. You must have RRSP contribution room and you will receive the tax refund. Your spouse's RRSP contribution room will not be affected. From a legal standpoint, the amounts contributed however, belong to your spouse. This may have consequences in the event of the breakdown of the couple's union if the couple is not subject to the rules of partition of family patrimony.

There is no maximum age limit for contributing to a TFSA.

Dipping into your RRSP

You may be tempted to dip into your RRSP before retirement. To help you resist that temptation, consider the following:

> Any money withdrawn from your RRSP is deemed to be taxable income. The cost could be high. For example, at a 40% tax rate, a withdrawal of $5,000 will cost you $2,000 in taxes.

> Any funds you withdraw today will deprive you of much larger sums that would otherwise be available in retirement. For example, at an average annual rate of return of 5%, a withdrawal of $5,000 made today will deprive you of $21,610 in 30 years. Think it through!

Contribute each month

It is generally better to contribute a little each month to your RRSP or TFSA rather than make one large contribution at the end of the year. Why? Because each month, interest accrues tax free on every dollar invested in an RRSP and you may be able to profit from fluctuations in financial markets.

Even more importantly, saving regularly is often the best practice for contributing to an RRSP or a TFSA because it eliminates the stress of scrounging for a large amount for a last-minute annual contribution. Monthly contributions also make it significantly easier to manage your budget.

TABLE 9 > MONTHLY CONTRIBUTION

	If you start at...	Interest rate 3%	Interest rate 5%	Interest rate 7%
Savings of $100 a month in an RRSP until age 60	Age 25	$73,547	$110,846	$171,141
	Age 35	$44,349	$58,573	$78,304
	Age 45	$22,624	$26,482	$31,110

As you can see, by saving a little each month, you accumulate money easier without undue pressure on your budget. If you are disciplined, you can save money from each pay cheque and accumulate even more.

UNREGISTERED INVESTMENTS

If you have maximized your RRSP and TFSA contributions, there is no reason you cannot save more for retirement by making unregistered investments outside an RRSP or TFSA.

One common strategy is to:

> put all interest-bearing investments into an RRSP or TFSA.

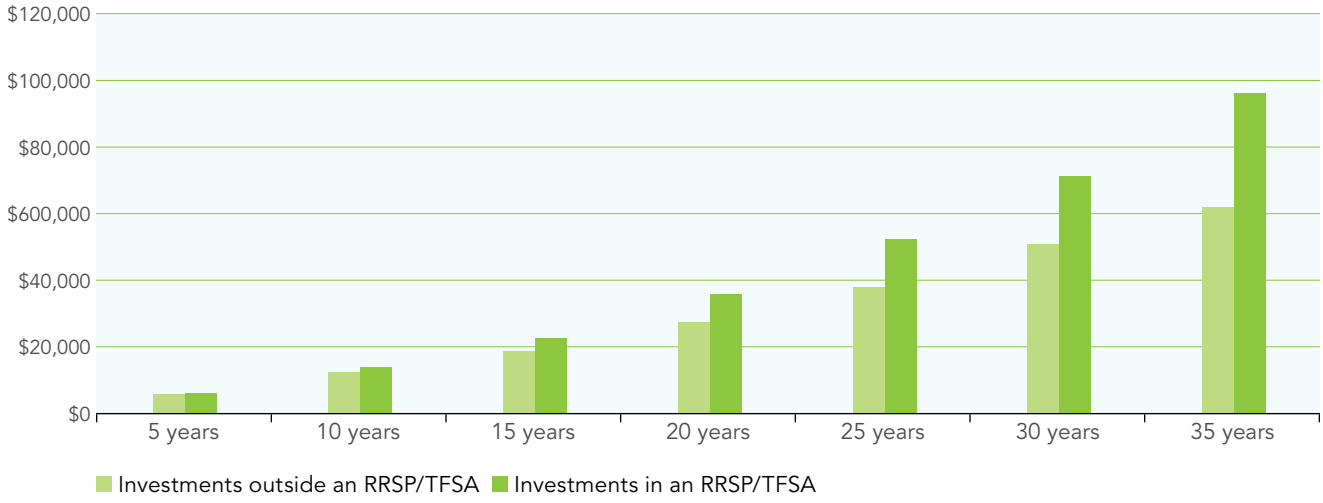
> put all investments that pay capital gains into an unregistered account.

For tax purposes, interest income is not treated the same as dividends or capital gains. Therefore, the taxes payable on interest earnings are greater than the taxes that apply to dividend and capital gains income.

In your RRSP or TFSA, investments such as publicly-traded shares or certain mutual fund shares generate dividend income or capital gains. You therefore lose the tax break you would be eligible for otherwise. A financial planner can help you draft an investment strategy that weighs these factors.

The following chart shows the growth of investments in two interest-bearing vehicles, one registered, the other not. We took into account both the tax reduction obtained (40%) by contributing to the RRSP and the income taxes payable (40%) by withdrawing the amounts from the RRSP.

CHART 2 > THE REGISTERED SAVINGS ADVANTAGE*



** Growth of an annual contribution of $1,000 in an RRSP or TFSA and in an unregistered savings vehicle. The assumptions are as follows: annual rate of return 5%, marginal tax rate of 40%, payments made at the beginning of the year.*

PLAN ONLINE!

Discover SimulR and CompuPension, two tools that enable you to simulate your retirement income. Kill two birds with one stone and consult *My Account*. There you will find information on your participation in the Québec Pension Plan as well as the amounts you could receive when you retire (www.rrq.gouv.qc.ca).

4 DETERMINE YOUR SAVINGS NEEDS

INFLATION AND HOW IT IMPACTS RETIREMENT
Why does the same service cost more now than it used to? The answer: inflation, which is the rising cost of consumer goods. It is an important factor to consider when planning for retirement.

The following table shows what it will cost in the coming years to maintain your current standard of living, based on the cost of inflation.

TABLE 10 > INCREASE IN THE COSTS OF GOODS (ANNUAL INFLATION OF 2.5%)

Initially, your average annual expenses are…

Number of years	$10,000	$20,000	$30,000	$40,000	$50,000
1	$10,250	$20,500	$30,750	$41,000	$51,250
5	$11,314	$22,628	$33,942	$45,256	$56,570
15	$14,483	$28,966	$43,449	$57,932	$72,415
25	$18,539	$37,079	$55,618	$74,158	$92,697
35	$23,732	$47,464	$71,196	$94,928	$118,660

WHAT DOES THIS TABLE MEAN?
If you are currently spending $20,000 a year, it will cost you $28,966 to purchase the same goods in 15 years, based on an average annual inflation rate of 2.5%. The pages that follow explain how to make this calculation.

You now know the impact that inflation has on your expenses. By the time you retire, your salary should have increased. But what will happen to your retirement pension if it is not adjusted to inflation? The table that follows provides an explanation.

TABLE 11 > LOSS OF PURCHASING POWER (ANNUAL INFLATION OF 2.5%)

Initially, your pension is …

Number of years	$10,000	$20,000	$30,000	$40,000	$50,000
1	$9,756	$19,512	$29,268	$39,024	$48,780
5	$8,839	$17,677	$26,516	$35,354	$44,193
15	$6,905	$13,809	$20,714	$27,619	$34,523
25	$5,394	$10,788	$16,182	$21,576	$26,970
35	$4,214	$8,427	$12,641	$16,855	$21,069

WHAT DOES THIS TABLE MEAN?
If your pension is $20,000 at age 55 and if it is not adjusted to inflation, your purchasing power will be equal to only $10,788 after 25 years.

Did you know that a man age 60 has a 62% chance of living until age 80 and that that percentage increases to 73% for a woman the same age?

AN INDEXED PENSION IS COSTLY

Now that you know the effect that inflation has on the cost of goods and the corresponding decline in the purchasing power of your retirement pension, you would probably like to ensure that your pension is adjusted to inflation. What kind of indexed pension would you receive in retirement if you currently have $50,000?

To get an idea, consult Table 12. Note that the amounts are different for men and women because women have a longer life expectancy.

Suppose you are a man and have $50,000. You are currently age 45 and would like to retire at age 67. You could draw an indexed annual life annuity starting at $6,177 in today's dollars. If you opt for a non-indexed pension, the amount you receive will be higher ($7,379), but will remain at that level until your death. After 20 years of retirement, the indexed pension will have increased to $10,124 (6,177 × 1.639) whereas the non-indexed pension will remain at $7,379. After only eight years of retirement, the indexed pension will be higher than the non-indexed pension. If you are a woman, it will take nine years before the indexed pension becomes higher than the non-indexed pension.

TABLE 12 > INDEXED PENSION VS. NON-INDEXED PENSION

	Indexed pension at age 67		Non-indexed pension at age 67	
Current age	Men	Women	Men	Women
25	$10,002	$8,336	$11,949	$10,265
35	$7,860	$6,551	$9,390	$8,067
45	$6,177	$5,148	$7,379	$6,340
55	$4,854	$4,046	$5,799	$4,982

The assumptions are as follows: rate of return 5%; inflation rate 2.5%. Mortality table for 2013 taken from the Actuarial Report of the Québec Pension Plan *as at 31 December 2009.*

Since the initial amount of the indexed pension is lower than the amount of the non-indexed pension, it is more expensive to obtain the same initial amount. That is why it is better to distribute the cost over a longer period. You can, for example, invest a fixed percentage of your salary for retirement. **The pension that you could generate by contributing 5% of your salary each year is as follows**.

TABLE 13 > INDEXED PENSION AT AGE 67 BY SAVING 5% OF INCOME

	Income – Men		Income – Women	
Current age	$30,000	$50,000	$30,000	$50,000
25	$8,022	$13,370	$7,107	$11,844
35	$5,323	$8,872	$4,716	$7,860
45	$3,203	$5,338	$2,837	$4,729
55	$1,536	$2,560	$1,361	$2,268

The assumptions are as follows: rate of return 5%; inflation rate 2.5%. Mortality table for 2013 taken from the Actuarial Report of the Québec Pension Plan *as at 31 December 2009.*

FOUR TABLES FOR YOUR CALCULATIONS

Discover *Mon plan, je le fais maintenant!* (French only), a simple and easy-to-use calculator that can help you make your own savings plan for retirement. It is available on Question Retraite's Web site.

WANT TO KNOW HOW MUCH YOU WILL RECEIVE IN RETIREMENT? READ ON!

We now have enough information to examine the cases of Caroline and Xavier. Don't worry, we haven't forgotten about you! In the section "Your Calculation Tables" on page 46, you will find the tools you need to make your own projections.

Before examining Caroline's and Xavier's situations, and before launching into your own calculations, familiarize yourself with the following four tables. They are essential to understanding the calculation process.

TABLE A > INFLATION AND SALARY INCREASE FACTORS (2.5% AND 3.5% PER YEAR)

Period (year)	Inflation	Inflation and salary	Period (year)	Inflation	Inflation and salary	Period (year)	Inflation	Inflation and salary	Period (year)	Inflation	Inflation and salary
1	1.025	1.035	11	1.312	1.460	21	1.680	2.059	31	2.150	2.905
2	1.051	1.071	12	1.345	1.511	22	1.722	2.132	32	2.204	3.007
3	1.077	1.109	13	1.379	1.564	23	1.765	2.206	33	2.259	3.112
4	1.104	1.148	14	1.413	1.619	24	1.809	2.283	34	2.315	3.221
5	1.131	1.188	15	1.448	1.675	25	1.854	2.363	35	2.373	3.334
6	1.160	1.229	16	1.485	1.734	26	1.900	2.446	36	2.433	3.450
7	1.189	1.272	17	1.522	1.795	27	1.948	2.532	37	2.493	3.571
8	1.218	1.317	18	1.560	1.857	28	1.996	2.620	38	2.556	3.696
9	1.249	1.363	19	1.599	1.923	29	2.046	2.712	39	2.620	3.825
10	1.280	1.411	20	1.639	1.990	30	2.098	2.807	40	2.685	3.959

Use this table to determine the future cost of goods, services, salary, etc. based on an annual inflation rate. To simplify your calculations, an annual inflation rate of 2.5% over the next few years and a salary increase of one percentage point above the inflation rate are assumed.

Example: How much will an item that costs $200 today cost in five years?

A. **Find** "5" in the "Period (year)" column.

B. **Find** the corresponding rate of inflation.
Answer: 1.131.

C. **Multiply** $200 by 1.131.
Answer: $226. So, an item that sells for $200 today will cost $226 in five years, assuming a 2.5% annual inflation rate.

The **Inflation and Salary Increase Factors table** is used to calculate:

> the future value of your salary;

> the future value of a QPP pension;

> the future value of an OAS pension;

> the future value of a pension from a defined benefit SPP;

> the future value of a pension from a defined contribution SPP;

> the future value of your RRSPs.

TABLE B > PENSION FACTORS*

	Retirement at age 60		Retirement at age 65		Retirement at age 67	
Current age	Men	Women	Men	Women	Men	Women
20	2.43	2.68	1.64	1.84	1.39	1.57
25	3.10	3.42	2.09	2.34	1.77	2.00
30	3.96	4.37	2.67	2.99	2.26	2.55
35	5.05	5.57	3.41	3.82	2.89	3.26
40	6.45	7.11	4.35	4.87	3.68	4.16
45	8.23	9.08	5.55	6.22	4.70	5.31
50	10.51	11.58	7.08	7.94	6.00	6.77
55	13.41	14.78	9.04	10.13	7.66	8.65
60	17.11	18.87	11.53	12.93	9.77	11.03

** The assumptions are as follows: pension will be paid monthly as of the beginning of retirement age; pension will be indexed; rate of return 5% (after management fees); inflation rate 2.5%. Mortality table for 2013 taken from the* Actuarial Report of the Québec Pension Plan *as at 31 December 2009.*

Use this table to calculate the income your current savings will generate in the future, assuming that no other funds are added in the years to come. Note that the factors are different for men and women because women have a longer life expectancy.

Example: You are a man age 35 who would like to retire at age 60. You have $20,000 in an RRSP. What annual indexed income could you draw from your current RRSP if you retired at age 60?

A. **Find** "35" in the "Current Age" column.

B. **Find** the corresponding factor in the "Retirement at age 60 – Men" column.
Answer: 5.05.

C. **Divide** $20,000 by 5.05.
Answer: $3,960 per year (indexed). When you are 60, your RRSP, currently worth $20,000, will generate an annual income of $3,960, indexed at 2.5% inflation. An income of $3,960 is equal to $2,136 in today's dollars, because inflation between today and your retirement in 25 years will reduce your purchasing power ($3,960 ÷ 1.854 (table A) = $2,136).

The **Pension Factors table** is used to calculate:

> future income from an RRSP;

> future income from contributions accumulated in a defined contribution SPP.

TO HELP YOU IN YOUR PLANNING, retirement income calculators are also provided at www.questionretraite.qc.ca

TABLE C > FUTURE INCOME FACTORS*

	Age 60		Age 65		Age 67	
Current age	Men	Women	Men	Women	Men	Women
20	3.98	3.61	5.59	4.98	6.42	5.69
25	3.25	2.95	4.63	4.13	5.35	4.74
30	2.60	2.36	3.78	3.37	4.39	3.89
35	2.03	1.84	3.03	2.70	3.55	3.14
40	1.52	1.38	2.36	2.10	2.80	2.48
45	1.07	0.97	1.77	1.58	2.14	1.89
50	0.67	0.61	1.24	1.11	1.55	1.37
55	0.31	0.29	0.78	0.69	1.02	0.91
60	–	–	0.37	0.33	0.56	0.50

** The assumptions are as follows: salary increases at one percentage point above the rate of inflation; accumulated payments begin at the start of the period; accumulated payments are fixed and yearly; rate of return 5% (after management fees); inflation rate 2.5%. Mortality table for 2013 taken from the* Actuarial Report of the Québec Pension Plan *as at 31 December 2009.*

Use this table to estimate the projected amount of your life annuity if you contribute to an RRSP or if you are a member of a defined contribution supplemental pension plan. It takes into account your contributions and your employer's contributions. Note that the factors vary according to whether you are a man or a woman because women have a longer life expectancy.

Example: You are a 35-year-old man, earning $40,000 a year and contributing 4% of your annual income to your RRSP. What will be the amount of your indexed life annuity from your RRSP if you retire at age 60?

A. **Project your current income**. In the Inflation and Salary Increase Factors table (Table 1), find the factor that corresponds to the number of years (in this case, 25) before you retire. Answer: 2.363. Multiply your current income by 2.363. Answer: $40,000 × 2.363 = $94,520. When you are age 60, your income adjusted to inflation should be $94,520.

B. In the Future Income Table (Table C), find "35" in the "Current age" column, then find the future income factor in the "Retirement at age 60 – Men" column.
Answer: 2.03.

C. **Multiply** the factor 2.03 by 4%.
Answer: 8.12%.

D. **Multiply** $94,520 by 8.12%.
Answer: $7,675. If you retire at age 60, your RRSP will provide you with a life annuity of $7,675, indexed each year.

The **Future Income Factors table** is used to calculate:

> the projected amount of a life annuity based on your current RRSP contributions;

> the projected amount of a life annuity based on your and your employer's contributions to a defined contribution SPP.

You will need to save more if the retirement pension offered by your employer is not indexed or if you live longer than the life expectancy indicated on page 7.

The calculations assume that all funds are in an RRSP. Saving funds in a TFSA requires a similar effort. However, if your investments are in a vehicle where the sums accumulated are taxable, you will need to save more.

TABLE D > PRESENT VALUE FACTORS*

	Retirement at age 60				Retirement at age 67	
Current age	Men 60-66	Women 60-66	Men 67+	Women 67+	Men	Women
20	29.19	28.91	16.86	14.58	20.50	18.16
25	21.07	20.86	12.17	10.52	15.09	13.37
30	14.91	14.77	8.61	7.45	10.96	9.71
35	10.27	10.17	5.93	5.13	7.82	6.93
40	6.80	6.74	3.93	3.40	5.45	4.83
45	4.23	4.19	2.44	2.11	3.68	3.26
50	2.34	2.32	1.35	1.17	2.35	2.08
55	0.97	0.96	0.56	0.49	1.38	1.22
60	–	–	–	–	0.67	0.59

** The assumptions are as follows: accumulated payments begin at the start of the period; payments are fixed and yearly; rate of return 5% (after management fees); inflation rate 2.5%. Mortality table for 2013 taken from the* Actuarial Report of the Québec Pension Plan *as at 31 December 2009.*

Use this table to calculate the additional savings that you will require to ensure that you have the desired income when you retire. Note also that factors vary according to whether you are a man or a woman because women have a longer life expectancy.

Example: you are a 35-year-old woman who would like to retire at age 60. Based on your overall projected income at age 60, you estimate that between the age of 60 and 67 you will require an additional $30,000 each year and $25,000 as of age 67 to meet your needs. How much will you have to start saving today to make up for this shortfall within 25 years?

A. **Find** "35" in the "Current age" column.

B. Find the corresponding factor in the "Retirement at age 60 – Women 60-66" column.
Answer: 10.17.

Find the corresponding factor in the "Retirement at age 60 – Women 67 +" column.
Answer: 5.13.

C. **Divide** $30,000 by 10.17.
Answer: $2,950 per year (indexed).

Divide $25,000 by 5.13.
Answer: $4,873 per year (indexed).

The sum of the two amounts ($2,950 + $4,873 = $7,823) is the amount you must save each year before retirement to make up for the shortfall you will experience between age 60 and your death.

The **Present Value Factors table** is used to calculate:

> the annual indexed savings that will be necessary to eliminate the anticipated shortfall.

The projection model produces an estimate of future income before tax. It is expressed in constant dollars. In other words, taxable earnings are considered to increase at the same rate as inflation up to retirement age. We also assume that the retirement income from savings will be an income indexed to the cost of living and purchasing power will therefore be maintained throughout retirement. This model was developed using a 5% investment return assumption, a 2.5% annual inflation rate before and after retirement and average life expectancy.

CAROLINE'S SITUATION

Caroline would like to retire at age 60. She thinks that the life annuity from her SPP, her pension under the QPP and eventually her OAS pension will provide her with the income she needs. How will she fare? To find out, Caroline must, using the four factor tables, calculate the following:

IMPORTANT!
SEE NOTE ON PAGE 10

AGE

35

CHILDREN

Yes

EMPLOYMENT

Technician at a computing company

GROSS INCOME

$40,000/year

OLD AGE SECURITY PENSION

> retirement at age 60: $0/year, but $6,553/year as of age 67
> retirement at age 67: $6,553/year

QUÉBEC PENSION PLAN*

> retirement at age 60: $6,211/year
> retirement at age 67: $11,109/year

SUPPLEMENTAL PENSION PLAN**

Yes, a defined benefit pension plan

> projected life annuity if she retires at age 60: $12,000/year based on her current income
> projected life annuity if she retires at age 67: $14,800/year based on her current income
> annual contribution: $1,200 (3% of salary)

RRSP

No RRSP and does not make contributions

PLANNED RETIREMENT

Age 60

* According to her latest Statement of Participation in the QPP.

** According to her latest statement of benefits from her SPP.

1 her projected income at age 60

2 her estimated needs in retirement

3 her sources of income at age 60 and 67

4 her future shortfall

5 the savings required as of today to make up for the shortfall

The results appear in Table 14.

TABLE 14 > CAROLINE: RETIREMENT AT AGE 60

STEP 1 Caroline estimates her income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$40,000	×	2.363	=	$94,520	A

STEP 2 Caroline determines the income she will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A $94,520	×	70%	=	$66,164	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Caroline determines the sources of income she can rely on

QPP (see Statement of Participation, p. 14)						
Estimated amount (annual)			Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$6,211		×	2.363	=	$14,677	C
RRSPs/Other savings						
Accumulated amount			Enter factor ▸ Table B (Pension) p. 25		Result	
$		÷		=	$	D
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
%	×	×	A $	=	$	E
Defined contribution SPP						
Accumulated amount (according to last statement from the SPP)			Enter factor ▸ Table B (Rente) p. 25		Result	
$		÷		=	$	F
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
%	×	×	A $	=	$	G
Defined benefit supplemental pension plan harmonized with the QPP**						
Estimated pension at age 60 (according to last statement from the SPP)			Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$		×		=	$	H
Estimated pension at age 65 (according to last statement from the SPP)			Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$		×		=	$	I
Defined benefit supplemental pension plan not harmonized with the QPP**						
Estimated pension at age 60 (according to last statement from the SPP)			Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$12,000		×	2.363	=	$28,356	J

** A supplemental pension plan (SPP) is said to be harmonized with the QPP if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.

TABLE 14 > CAROLINE: RETIREMENT AT AGE 60 (CONTINUED)

	Income between age 60 and 66				Income as of age 67			
SUMMARY OF STEP 3 Caroline determines the sources of income she can rely on	QPP	Amount	C	$14,677	Amount	C		$14,677
				+				+
	OAS	Amount		$0	$6,553	×	Table A (Inflation) 1.854	$12,149
				+				+
	RRSP other savings	Amount	D+E	$	Amount	D+E	$	
				+				+
	Defined contribution SPP	Amount	F+G	$	Amount	F+G	$	
				+				+
	Defined benefit SPP[1] harmonized	Amount[2]	$\frac{((5 \times H) + (2 \times I))}{7}$	$	Amount	I	$	
				+				+
	Defined benefit SPP not harmonized	Amount	J	$28,356	Amount	J		$28,356
				=				=
	Estimated annual income		K	$43,033	Estimated annual income		L	$55,182

1. A supplemental pension plan (SPP) is said to be harmonized with the Québec Pension Plan if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.
2. Values are approximate because harmonization occurs at age 65.

Note: All amounts are in dollars at age 60 (even those concerning income after age 67).

	Income between age 60 and 66				Income as of age 67			
STEP 4 Caroline compares her estimated income with her estimated need	RRSP (calculated in Step 2)	Amount	B	$66,164	Amount	B		$66,164
				−				−
	Estimated annual income (Step 3)	Amount	K	$43,033	Amount	L		$55,182
				=				=
	Shortfall (in negative, enter 0)			$23,131	Estimated annual income			$10,982
STEP 5 Caroline determines the additional savings she will need				÷				÷
	Enter factors ▸ Table D (Present value factor) p. 27			10.17				5.13
				=				=
	Additional annual savings		M	$2,274		N		$2,141
	Additional annual savings to reach her financial goal at age 60				M+N			$4,415

Caroline should therefore save 11% of her gross salary each year for the next 25 years if she wants to retire at age 60. In 2013, that is $4,415. The amount will vary annually according to her salary, and represents a gross amount of $368 per month, or $170 every two weeks. That's a lot of money!

RRSP, TAX SAVINGS AND ACTUAL SAVINGS

If Caroline invests $4,415 in an RRSP in 2013, her income taxes will be reduced by $1,392, resulting in a net cost of $3,023 based on tax rates for 2013. Saving is really less of an effort than it first seems. Bear in mind, however, that any sums withdrawn from an RRSP are taxable income.

What are her options? Caroline thinks she should wait until she turns 67 to retire. Why? Because she will be able to rely on an OAS pension and higher pensions under the QPP and from her SPP. She does not think, however, that she will be eligible for a GIS. She therefore begins her calculations again, being careful to use the right factors from the tables.

The results appear in Table 15.

TABLE 15 > CAROLINE: RETIREMENT AT AGE 67

STEP 1 Caroline estimates her income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$40,000	×	3.007	=	$120,280	A

STEP 2 Caroline determines the income she will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A $120,280	×	70%	=	$84,196	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Caroline determines the sources of income she can rely on						
	QPP (see Statement of Participation, p. 14)					
	Estimated amount (annual)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$11,109	×	3.007	=	$33,405	C
	OAS					
	Expected pension		Enter factor ▸ Table A (Inflation) p. 24		Result	
	$6,553	×	2.204	=	$14,443	D
	RRSPs/Other savings					
	Accumulated amount		Enter factor ▸ Table B (Pension) p. 25		Result	
	$	÷		=	$	E
	Annual contribution rate (%)	▸ Table C (Future income) p. 26	Estimated salary		Result	
	%	×	× A $	=	$	F
	Defined contribution SPP					
	Accumulated amount (according to last statement from the SPP)		Enter factor ▸ Table B (Rente) p. 25		Result	
	$	÷		=	$	G
	Annual contribution rate (%)	▸ Table C (Future income) p. 26	Estimated salary		Result	
	%	×	× A $	=	$	H
	Defined benefit supplemental pension plan					
	Estimated pension at age 67 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$14,800	×	3.007	=	$44,504	I
	Total estimated income at age 67		C+D+E+F+G+H+I	=	$92,352	J

TABLE 15 > CAROLINE: RETIREMENT AT AGE 67 (CONTINUED)

	Income as of age 67			
STEP 4 Caroline compares her estimated income with her estimated need	Estimated need (calculated in Step 2)	Amount	B	$84,196
				−
	Estimated annual income (calculated in Step 3)	Amount	J	$92,352
				=
	Shortfall (in negative, enter 0)			$0

STEP 5 Caroline determines the additional savings she will need		÷
	Enter factor ▸ Table D (Present value factor) p. 27	6.93
		=
	Additional annual savings to reach her financial goal at age 67	$0

The difference is huge! If Caroline postpones her age of retirement by seven years, her SPP pension and pension benefits from the government will be enough to enable her to retire with an income replacement rate of 70%.

But if Caroline was hoping to retire at age 55, she must save an additional 33% of her salary, which is $13,263 for 2013. That's almost three times the annual savings that she would need to retire at age 60.

THE STATEMENT OF BENEFITS, ANOTHER EFFECTIVE PLANNING TOOL (statement of participation in a retirement plan)

Most plans issue a "statement of benefits" at least once a year. This document is important, so keep it in a safe place! It indicates the amount of contributions you have made and any interest accrued. If your SPP is a defined contribution plan, it will also indicate the amount your employer has contributed to your account, with accrued interest. If it is a defined benefit plan, it will indicate the amount of the pension you have accumulated. Like the QPP Statement of Participation, the SPP statement of benefits will allow you to calculate the income you will have in retirement more precisely.

IMPORTANT!
SEE NOTE ON PAGE 10

AGE
35
CHILDREN
Yes
EMPLOYMENT
Assistant sales manager
GROSS INCOME
$40,000/year
OLD AGE SECURITY PENSION
> retirement at age 60: $0/year, but $6,553/year as of age 67 > retirement at age 67: $6,553/year
QUÉBEC PENSION PLAN*
> retirement at age 60: $6,211/year > retirement at age 67: $11,109/year
SUPPLEMENTAL PENSION PLAN
No
RRSP
$20,000 (accumulated amount of $20,000 and annual contribution of 6% of his salary)
PLANNED RETIREMENT
Age 60

* According to her latest Statement of Participation in the QPP.

XAVIER'S SITUATION

Xavier also dreams of retiring at age 60 to devote more time to his hobby of sailing. Unlike Caroline, he does not have an employer-sponsored SPP. If he retires at age 60, he knows that in order to get by, he can only rely on his QPP pension and RRSP, which today is worth $20,000. Later on, at age 67, he will be entitled to an OAS pension. Being curious, he decides to determine his projected income at age 60, his estimated needs in retirement, his future shortfall and the savings he will need to offset this shortfall. He uses the factor tables on pages 24 to 27 to make these calculations.

The results appear in Table 16.

TABLE 16 > XAVIER: RETIREMENT AT AGE 60

STEP 1 Xavier estimates his income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$40,000	×	2.363	=	$94,520	A

STEP 2 Xavier determines the income he will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A $94,520	×	70%	=	$66,164	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Xavier determines the sources of income he can rely on

QPP (see Statement of Participation, p. 14)						
Estimated amount (annual)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$6,211	×	2.363		=	$14,677	C
RRSPs/Other savings						
Accumulated amount		Enter factor ▸ Table B (Pension) p. 25			Result	
$20,000	÷	5.05		=	$3,960	D
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
6%	× 2.03	×	A $94,250	=	$11,513	E
Defined contribution SPP						
Accumulated amount (according to last statement from the SPP)		Enter factor ▸ Table B (Rente) p. 25			Result	
$	÷			=	$	F
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
%	×	×	A $	=	$	G
Defined benefit supplemental pension plan harmonized with the QPP**						
Estimated pension at age 60 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$	×			=	$	H
Estimated pension at age 65 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$	×			=	$	I
Defined benefit supplemental pension plan not harmonized with the QPP**						
Estimated pension at age 60 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$	×			=	$	J

** A supplemental pension plan (SPP) is said to be harmonized with the QPP if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.

TABLE 16 > XAVIER: RETIREMENT AT AGE 60 (CONTINUED)

	Income between age 60 and 66				Income as of age 67			
SUMMARY OF STEP 3 Xavier determines the sources of income he can rely on	QPP	Amount	C	$14,677	Amount	C		$14,677
				+				+
	OAS	Amount		$0	$6,553	×	Table A (Inflation) 1.854	$12,149
				+				+
	RRSP other savings	Amount	D+E	$15,473	Amount	D+E		$15,473
				+				+
	Defined contribution SPP	Amount	F+G	$	Amount	F+G	$	
				+				+
	Defined benefit SPP[1] harmonized	Amount[2]	$\frac{((5 \times H) + (2 \times I))}{7}$	$	Amount	I	$	
				+				+
	Defined benefit SPP not harmonized	Amount	J	$	Amount	J	$	
				=				=
	Estimated annual income		K	$30,150	Estimated annual income		L	$42,299

1. A supplemental pension plan (SPP) is said to be harmonized with the Québec Pension Plan if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.
2. Values are approximate because harmonization occurs at age 65.

Note: All amounts are in dollars at age 60 (even those concerning income after age 67).

	Income between age 60 and 66				Income as of age 67			
STEP 4 Xavier compares his estimated income with his estimated need	RRSP (calculated in Step 2)	Amount	B	$66,164	Amount	B		$66,164
				−				−
	Estimated annual income (Step 3)	Amount	K	$30,150	Amount	L		$42,299
				=				=
	Shortfall (in negative, enter 0)			$36,014	Estimated annual income			$23,865
STEP 5 Xavier determines the additional savings he will need				÷				÷
	Enter factors ▸ Table D (Present value factor) p. 27			10.27				5.93
				=				=
	Additional annual savings		M	$3,507		N		$4,024
	Additional annual savings to reach his financial goal at age 60				M+N			$7,531

Xavier will therefore have to save 18.8% of his salary each year, which is $7,531 for 2013. Quite a tall order, considering it represents a gross amount of $628 a month. Unless he substantially increases his short-term income, his dream of retiring at age 60 is unrealistic. He, like Caroline, will have to put off his retirement plans.

RRSP, TAX SAVINGS AND ACTUAL SAVINGS

If Xavier also invests his annual savings of $7,531 in an RRSP, this will reduce his taxes by $2,343, resulting in a net cost of $5,188 based on tax rates for 2013. Saving is really less of an effort than it first seems. Bear in mind, however, that any sums withdrawn from an RRSP are taxable income.

He also notices that he has to save much more than Caroline (an additional amount of 7.8% of his salary each year). How can this be? There is an easy explanation for this. Caroline's employer contributes to her SPP, which will provide her with an indexed pension in retirement. She will therefore require less of her personal savings to make up for her shortfall than Xavier.

If Xavier retires at age 67, he will be eligible for an OAS pension and an increased retirement pension under the Québec Pension Plan. What will his income be?

The results appear in Table 17.

TABLE 17 > XAVIER: RETIREMENT AT AGE 67

STEP 1 Xavier estimates his income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$40,000	×	3.007	=	$120,280	A

STEP 2 Xavier determines the income he will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A $120,280	×	70%	=	$84,196	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Xavier determines the sources of income he can rely on

QPP (see Statement of Participation, p. 14)						
Estimated amount (annual)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$11,109	×	3.007		=	$33,405	C
OAS						
Expected pension		Enter factor ▸ Table A (Inflation) p. 24			Result	
$6,553	×	2.204		=	$14,443	D
RRSPs/Other savings						
Accumulated amount		Enter factor ▸ Table B (Pension) p. 25			Result	
$20,000	÷	2.89		=	$6,920	E
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
6%	× 3.55	×	A $120,280	=	$25,620	F
Defined contribution SPP						
Accumulated amount (according to last statement from the SPP)		Enter factor ▸ Table B (Rente) p. 25			Result	
$	÷			=	$	G
Annual contribution rate (%)	▸ Table C (Future income) p. 26		Estimated salary		Result	
%	×	×	A $	=	$	H
Defined benefit supplemental pension plan						
Estimated pension at age 67 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24			Result	
$	×			=	$	I
Total estimated income at age 67		C+D+E+F+G+H+I		=	$80,388	J

TABLE 17 > XAVIER: RETIREMENT AT AGE 67 (CONTINUED)

	Income as of age 67			
STEP 4 Xavier compares his estimated income with his estimated need	Estimated need (calculated in Step 2)	Amount	B	$84,196
				−
	Estimated annual income (calculated in Step 3)	Amount	J	$80,386
				=
	Shortfall (in negative, enter 0)			$3,810
STEP 5 Xavier determines the additional savings he will need				÷
	Enter factor ▸ Table D (Present value factor) p. 27			7.82
				=
	Additional annual savings to reach his financial goal at age 67			$487

Xavier calculates how much more he must save each year: $3,810 ÷ 7.82 = $487 (gross) for 2013, which is 1.2% of his salary each year. However, if Xavier wants to retire at age 55, he must save 37% of his salary each year ($14,681 in 2013). That's more than twice as much as he will need to retire at age 60.

By saving an additional 1.2% of his salary, Xavier can begin to breathe a little easier, but that still amounts to $487 (gross) for 2013. Xavier obviously has some choices to make if he hopes to maintain his standard of living. How can he do it? Easy: he has to draw up a detailed budget and stick to it. But he has never drawn up a budget before!

MAKING A BUDGET CAN BE LEARNED

Xavier has a good idea of where his money is going. He knows what his fixed expenses are: rent, electricity, heating, loans, etc. Why? Because they represent a large outflow of cash. It's less clear, however, when it comes to variable expenses, such as food, clothing and leisure activities. Hence the need to be thorough when it comes to making a budget. Xavier must start his budget by putting all of his fixed and variable expenses down on paper. To do this, he can use the budget table provided in the "Your Calculation Tables" section on page 48.

He realizes that there is little he can do in terms of fixed expenses. He does have room to maneuver, however, when it comes to variable expenses: supplies, leisure activities, magazines, books, gifts, donations, etc. This is where his power to choose lies. Obviously, Xavier will have to assess his priorities and make some lifestyle changes. This will require resolve, but Xavier accepts this as the price to pay now if he hopes to pursue his passion for sailing in 32 years.

Xavier may have some difficulty forecasting the funds he will require to finance his short-term, medium-term and long-term projects. To determine how much he will need, he can use a calculation table such as that available in Table 18 to complete his budget. Once he determines the total, he can choose to eliminate certain costly projects or he can enter the total monthly amount in his variable expenses. This will free him from worrying about how much money he will have for projects that come up: he will have to concentrate only on a single amount ($450 in our example), which includes financing for all of his projects. He will have to adjust his budget once a project is completed or as new circumstances dictate. For example, Xavier will have to save $200 less for his projects in seven months because his golf trip will be over.

Question Retraite's new brochure *99 trucs pour épargner sans trop se priver* (French only) is a tool that will help you save money without asking you to give up coffee or bring your lunch to work. It offers practical tips for getting the goods and services you need without paying an arm and a leg (available for free as of October 2013 at www.questionretraite.qc.ca).

TABLE 18 > PAYING FOR PROJECTS

Project	Amount needed	Savings in hand	Savings required	Monthly savings
Short-term (0-1 year) Golf trip	$1,400$ in 7 months	$0	$1,400	$200
Medium-term (2-6 years) Purchase a used car	$9,000 in 5 years	$0	$9,000	$150*
Long-term (7 years or more) Renovating the cottage	$20,000 in 15 years	$2,000	$18,000	$100*
Total				$450

* *The vehicle in which the sums are invested can provide interest income, depending on the type of vehicle. This income can shorten the savings timeframe or reduce the monthly savings needed.*

AFTER A FEW MONTHS OF NEW BUDGET HABITS, XAVIER WONDERS ABOUT A FEW THINGS

SOME MONTHS I'M IN THE RED. WHAT SHOULD I DO?

During some months, Xavier's expenses will exceed his income. This will result in a shortfall. Other months, when his income exceeds expenses, he will have a surplus. He should therefore ensure that the months of surplus make up for these shortfalls and that at the end of the year, he has a balanced budget.

I HAVE A BUDGET SURPLUS AT THE END OF THE YEAR. WHAT SHOULD I DO?

Xavier can put his surplus to good use by transferring it to a savings account. Then he must start a new financial year with only income that has been allocated to his budget in his account for daily transactions. But he should exercise control! Although he is able to generate a surplus, Xavier cannot take a "vacation" from saving for retirement. He has to continue saving each month.

5 STEPS FOR AVOIDING FRAUD[1]

1 ARE THE PERSON AND THE FIRM OFFERING YOU THE INVESTMENT AUTHORIZED TO SELL INVESTMENTS?

The representative and the firm you are doing business with must be authorized to offer investments. To determine whether this is the case, call 1 877 525-0337 or consult the Register of firms and individuals authorized to practice at www.lautorite.qc.ca.

2 WERE YOU PROVIDED WITH FULL WRITTEN INFORMATION ON THE INVESTMENT?

The documents must indicate:

> the type of investment (share, bond, etc.);

> the risks of investing;

> the possibility (or not) of having access to your funds as needed and, if so, under what conditions;

> the fees associated with the investment.

Verify the authenticity of your documents:

> Contact the Autorité des marchés financiers' Information Centre.

> Check on Sedar.com, a site containing the information required by regulatory agencies such as the Autorité des marchés financiers.

3 ARE THE RETURNS OFFERED TOO GOOD TO BE TRUE?

In general, the higher the return you hope to achieve on an investment, the greater the risk you must be prepared to assume.

For example, be wary if you are told that you will earn:

> a 20% annual return without any risk involved;

> a 2% monthly return without any risk involved (the equivalent of an annual return of more than 26%)!

4 WERE YOU TOLD ANYTHING THAT RAISED A RED FLAG?

Watch for dubious statements used by fraudsters to encourage you to invest:

> "I invested all my money in it, and all my parents' money too."

> "Very few people know this, but the company is about to be bought and its value will double."

> "I heard from a reliable source that the government will grant them a patent. The company will soon be publicly listed."

> "There is a loophole in the law that can help us avoid paying taxes. You could make withdrawals from your RRSP, LIRA or pension plan without paying taxes. But you have to keep it secret, otherwise the law might be amended."

> "Quantities are limited. This is an opportunity for only a handful of privileged investors."

> "It's imperative that you invest today: tomorrow will be too late."

> "If you're not satisfied, I'll reimburse you."

5 DID THE PERSON OFFERING YOU THE INVESTMENT BEHAVE SUSPICIOUSLY?

Be wary if the representative who is offering you the financial product:

> didn't ask you questions to determine your investor profile;

> encouraged you to lie about your financial situation in order to offer you certain investments;

> bragged excessively about his or her skills and accomplishments;

> refused to say which firm he or she worked for or tried to change the subject after providing only scant information;

> tried to make you feel guilty when you questioned his or her statements;

> contacted you repeatedly or pressured you into investing;

> asked you to invest by making out a cheque to him or her or providing cash.

ARE YOU A VICTIM OF FRAUD?

If you gave passwords to the fraudster, change them immediately.

> Write down what has happened and gather your documents.

> Contact the Autorité des marchés financiers at 1 877 525-0337.

For more information, consult the *Red-flagging financial fraud* guide.

1. Source: *Red-flagging financial fraud*, Autorité des marchés financiers.

CONSULT A FINANCIAL PLANNER

Like Caroline and Xavier, have you started to make calculations for retirement? From a financial standpoint, at what age could you retire? Of the amount you could manage to save each month, what portion goes towards an RRSP? Should you invest in a TFSA? How much will your RRSP be worth when you are 60? If you retire early, do you know how much your SPP pension will provide?

It's hard to make financial projections, especially with so many factors converging at once. That's why you should consult a financial planner. As this individual's occupational title suggests, he or she specializes in financial planning and can assess your financial situation objectively. A financial planner can tell you if your dreams are realistic, when they can be realized and at what cost. He or she offers advice on what investments to put into your RRSP and on investments outside of an RRSP. He or she also updates your financial records and everything that it involves, including forms, contracts and other statements.

Before drafting a plan of action, a financial planner must meet with you twice. At the first meeting:

> he or she drafts a profile of your financial and family situation;

> he or she establishes your investor profile;

> he or she requests personal information and certain documents (your statements of benefits and participation, income tax returns, etc.).

This work is important, because it will determine a plan of action suited to you. He or she then may ask you to sign a written mandate detailing how he or she is paid for the services provided. After that, a second meeting is scheduled for presentation of a written report of your situation. Using figures to support his or her claims, your financial planner must be able to tell you if your retirement dreams can be realized at the age you would like. He or she must tell you what your retirement income will be, the sources of that income (pensions, RRSP, RRIF, LIRA, LIF, TFSA, etc.) and the amount you will have to save in order to achieve it. He or she will also propose a plan of action.

WHAT YOU SHOULD KNOW

In Québec, anyone who claims to be a financial planner or F. Pl. must have the following qualifications:

> a diploma from the Institut québécois de planification financière (IQPF);

> a "financial planner" certificate issued by the Autorité des marchés financiers or membership in the Ordre des comptables professionnels agrées du Québec (CPA) or the Ordre des administrateurs agrées du Québec (ADMA).

TO FIND A FINANCIAL PLANNER

> Consult the IQPF's online directory at www.iqpf.org;

> Ask acquaintances, relatives, friends;

> Get information from your financial institution.

ASK YOUR FINANCIAL PLANNER QUESTIONS

> What kind of training have you received?

> Do you specialize in a particular field or clientele?

> What are your fees?

> What services do you provide?

> How often will you review my situation?

> Can I see an example of what my plan of action will look like?

> What role will I play in developing my plan of action?

> Do I have to sign a contract for professional services?

A WORD ABOUT INVESTMENTS

THE IMPORTANCE OF THE RATE OF RETURN

The rate of return on your investments is extremely important. Over time, it becomes even more important than the amount you save for retirement. When forecasting your rate of return, it is important to subtract any investment management fees.

CONSIDER THE FOLLOWING EXAMPLE:

Over a 30-year period, Caroline invests $1,000 each year for her retirement and Xavier invests $2,000. Let's see the different options available and the impact each one will have on the funds Caroline and Xavier will have accumulated after thirty years.

Option 1

Caroline and Xavier invest very conservatively. They both obtain an annual return of 4%.

Result: Caroline will have accumulated $58,328 and Xavier, twice as much, $116,657.

Option 2

In this case, Caroline invests a larger portion of her assets in a fund that contains publicly-traded shares. This generates an annual return of 7%. Xavier, on the other hand, continues to invest more conservatively. He obtains an annual return of 4%.

Result: Despite the fact that she has invested only half the amount of Xavier, Caroline has accumulated almost the same sum, $101,073 and Xavier has accumulated $116,657. However, Caroline must have had higher risk tolerance because it is likely that the value of her investments dropped significantly from time to time.

THE IMPORTANCE OF FEES

Several types of investments have annual management fees. Are the fees negligible? Do they significantly influence the amounts you accumulate? Here are three scenarios that will give you an idea of how management fees affect amounts accumulated.

CHART 3 > MANAGEMENT FEES VS. SAVINGS

Amounts accumulated by investing $1,000 a year for 25 years, with a 5.5% annual return according to three management fee scenarios.

Investment expenses can reduce the amounts you accumulate significantly. To reduce expenses, shop around! But be careful, other types of fees can be billed to you, such as purchase and redemption fees. Find out before investing.

If you want to test other fee scenarios, use the *L'impact des frais d'investissement* calculator (French only), which is available on the Web sites of Question Retraite and the Autorité des marchés financiers.

As you increase your understanding of management fees, you should ask yourself the following questions. Do the advice and services you receive justify the fees? How often are the fees paid? There are different types of compensation that can be paid to representatives. Have you asked enough questions to be familiar with all the details?

The goal is not to pay the lowest fees no matter what, but it is very important that you know how much you are paying in fees and why.

DIFFERENT TYPES OF INVESTMENTS

Investments can be divided into two main categories:

1. **Fixed securities or investments**, which generate regular interest income and have pre-determined rates. The most common are short-term securities (maturing within one year) and bonds. Guaranteed deposits may fall into this category. These include guaranteed investment certificates (GICs) offered by financial institutions. Generally, fixed securities do not vary much in the short-term: they are considered low-risk.

2. **Variable-yield securities or investments**, which can generate dividend and capital gains income or result in losses. The most popular are common and preferred shares, mutual funds, exchange-traded funds and segregated funds. For example, a variable-yield investment purchased at a cost of $10 today may be worth $12 later, generating a $2 gain. Rather than increase, however, its value may also drop to perhaps $7. This would produce a $3 loss if the investment were sold immediately for fear of an even greater drop in value. But after falling to $7, the value may climb again to over $10. This time, the patient investor who did not sell the share when it was worth $7 will gain a profit. The value of variable-yield shares may therefore vary significantly in the short-term; this is the reason they are deemed a higher risk than fixed-income securities. They do, however, generally produce higher yields over long periods (ten years or more).

DIVERSIFICATION

Diversification helps to reduce the risk of investing. Who would invest all of their money in one company? In one sector? The same goes for countries (for example, Canada represents around 3% of the world market) and types of investments (fixed-income or variable-yield securities). According to most experts, the return on investments depends largely on the types of investments and countries selected. Your options for diversification should therefore be considered carefully.

YOUR INVESTOR PROFILE

Choosing the types of investments that best suit you requires an examination of a number of factors. These include:

> your investment horizon;

> your tolerance to risk;

> your personal situation;

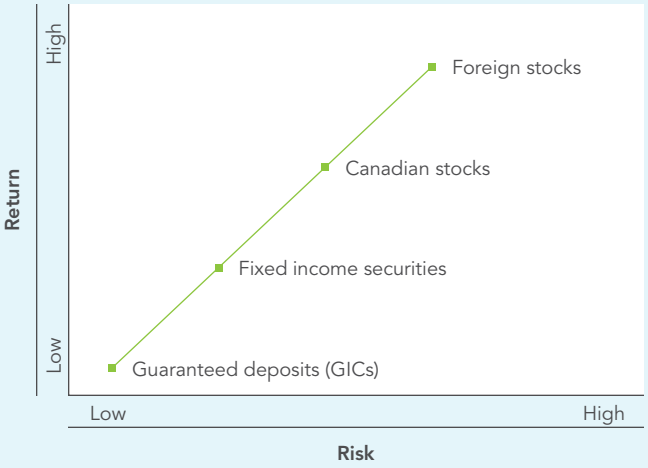
> and where applicable, the type of plan available from your employer.

Your personal profile is somewhere between extremely conservative and extremely aggressive. The more conservative your profile, the more you will choose fixed-income investments and vice versa. It is therefore important to clearly define your personal profile and to invest accordingly. Your investor profile dictates the investment policy. An investor should never do the reverse, which is to create a profile simply to make riskier investments. Do not hesitate to consult a professional to ensure your retirement investments are balanced.

RISK AND RETURN

Generally speaking, the types of investments that generate the best returns also come with the highest risk. They can therefore fluctuate significantly over short periods. On the other hand, investments that remain relatively steady generate a smaller return over the long term. The challenge is to find an acceptable balance between the level of risk you can tolerate and the rate of return you need to achieve your goals.

CHART 4 > THE RISK-RETURN RELATIONSHIP



RETIREMENT IS GETTING CLOSE!

Are you retiring a few months or years from now? You still have some work to do to put the final touches on your plan of action. Here are some important items to list in your agenda.

SEVERAL OPTIONS ARE AVAILABLE. THE DAY YOU RETIRE IS NOT NECESSARILY THE BEST TIME FOR YOU TO APPLY FOR BENEFITS. CONTACT A PROFESSIONAL WHO CAN HELP YOU MAKE THIS DECISION.

A FEW YEARS BEFORE RETIREMENT

> Have you maximized your RRSP and TFSA contributions? Have you used up any additional RRSP contribution room?

> Have you paid off all major debts? It's important to retire without any major debt. Use your income tax return to pay down your mortgage, for example.

> Do you have a balanced investment portfolio? The closer you are to retirement, the fewer high-risk securities and more moderate-risk investments you should hold. Your financial planner can advise you on this matter. Before meeting with your financial planner, ensure that he or she has a copy of your investment statements. At the meeting, be sure to review your investor profile together.

> Have you updated your will? Have you drafted a power of attorney in case of incapacity? Have you formalized your marital status? In order for a de facto spouse to inherit your property when you die, this information must be clearly stated in your will.

> Have you consulted a recent Statement of Participation in the Québec Pension Plan? You can consult it via the My Account online service on the Régie des rentes du Québec's Web site (www.rrq.gouv.qc.ca). Verify the information in the statement, as explained on pages 14 and 15. Send a copy of the statement to your financial planner. Also, forward your planner a copy of your statement of benefits if you have a supplemental pension plan.

> Have you registered for a retirement preparation course? You might learn some interesting facts and helpful tips. Check to see if your employer covers the cost of a retirement preparation course.

> Have you determined the best time to apply for your QPP and OAS pensions?

A FEW MONTHS BEFORE RETIREMENT

> Have your consulted your Statement of Participation in the Québec Pension Plan? You can consult it via the *My Account* online service on the Régie's Web site (www.rrq.gouv.qc.ca). Have you checked again to ensure that the amounts are correct? Have you forwarded a copy of the statement to your financial planner? Remember to also forward a copy of your statement of benefits if you have a private pension plan.

> Have you applied for a retirement pension under the QPP? A retirement pension application should be filed approximately four months before you wish to begin receiving your pension. You can apply online on the Régie's Web site (www.rrq.gouv.qc.ca). For convenience, you can request that the pension be deposited directly into your bank account, like over 90% of people who receive benefits under the QPP. You can also enquire about sharing your pension with your spouse to reduce taxes, but certain conditions apply.

> Have you applied for an Old Age Security pension? You should allow six months for your file to be processed. Under the *Old Age Security Act*, you are required to complete an *Old Age Security Application* form. You can request that benefits be deposited directly into your bank account. If you have a spouse who is not yet eligible for the OAS pension, enquire if he or she is eligible to receive an Allowance.

> Have you applied for your pension under your private plan? Your pension application should be filed a few months before retirement. The deadline for beginning to receive a pension or to convert your private pension plan into an LIF or life annuity is December 31 of the year of your 71st birthday.

> Have you made plans to convert your RRSP? Remember that December 31 of the year you turn 71 is the deadline for converting:

  > your RRSP into an RIFF or annuity;

  > your LIRA into an LIF or annuity.

Consult your financial planner to find out which option is best for you.

RESOURCES

QUESTION RETRAITE

For more information about the services and tools offered by Question Retraite, consult the Web site.

www.questionretraite.qc.ca

THE QUÉBEC PENSION PLAN

For more information about the Québec Pension Plan and the services offered by the Régie des rentes du Québec:
Montréal region: 514 873-2433
Québec region: 418 643-5185
Toll-free: 1 800 463-5185
Service for the hearing impaired: 1 800 603-3540
www.rrq.gouv.qc.ca

For more information about provincially-regulated supplemental pension plans (SPPs) in the private and municipal sectors, locked-in retirement accounts (LIRAs), life income funds (LIFs) or simplified pension plans, call:
Québec region: 418 643-8282
Toll-free: 1 877 660-8282

THE FEDERAL OLD AGE SECURITY PROGRAM

For more information on the Old Age Security pension, Guaranteed Income Supplement and allowances, contact Service Canada.
Toll-free: 1 800 277-9915
www.servicecanada.gc.ca

HOW TO MAKE A BUDGET

For a number of years now, the Union des consommateurs, with the help of co-operative consumer economics associations, or associations coopératives d'économie familiale (ACEFs), has provided courses to assist individuals in drawing up a budget.
Montréal region: 514 521-6820
Toll-free: 1 888 521-6820
www.consommateur.qc.ca

FINANCIAL PLANNING FOR RETIREMENT

To verify if a financial planner holds a diploma from the Institut québécois de planification financière (IQPF), contact the IQPF.
Montréal region: 514 767-4040
Toll-free: 1 800 640-4050
www.iqpf.org

RETIREMENT PLANNING PREPARATION PROGRAMS

The Cégep Marie-Victorin, in association with other Québec cégeps, offers retirement planning courses for people age 45 and over and financial security planning for people between the ages of 25 and 45. These courses are given in workplaces throughout Québec, in French and English.
514 278-3535, ext. 5223
Toll-free: 1 800 700-0623, ext. 5223
www.collegemv.qc.ca
(Formation continue et services aux entreprises section)

The Centre Louis-Jolliet, in collaboration with the Commission scolaire de la Capitale, offers courses in retirement preparation.
418 525-8038 | www.centrelouisjolliet.qc.ca

The Commission scolaire de l'Île de Montréal's Centre de ressources éducatives et pédagogiques (CREP) also offers retirement preparation courses.
514-596-4567 | www.icilecrep.qc.ca

The Commission administrative des régimes de retraite et d'assurances (CARRA) provides retirement preparation courses for members of the plans it administers in the public service, health and social services and education sectors. Registration forms are available from local human resources offices.
CARRA: 418 643-4881
Toll-free: 1 800 463-5533
www.carra.gouv.qc.ca

LEGAL INFORMATION

For legal information concerning all aspects of your life, contact the Chambre des notaires du Québec.
Toll-free: 1 800 688-2473 | www.cnq.org

INVESTOR PROTECTION

The Autorité des marchés financiers is the only regulatory body for the province's financial industry. It protects consumers, enforces regulations and monitors financial markets. The Autorité has set up a consumer help service that includes a call centre for receiving and following up on complaints.
Montréal region: 514 395-0337
Québec region: 418 525-0337
Toll-free: 1 877 525-0337
www.lautorite.qc.ca

TEST YOUR KNOWLEDGE!

To review the information you've read, take a few minutes to answer these questions.

Measure your retirement IQ and increase your knowledge by visiting our Web site at www.questionretraite.ca.

True	False		
☐	☐	1.	The QPP retirement pension is indexed each year to the cost of living.
☐	☐	2.	All withdrawals from RRSPs are taxable income.
☐	☐	3.	The federal Old Age Security pension is taxable income.
☐	☐	4.	In 2013, the maximum monthly retirement pension under the QPP at age 65 is $1,012.50.
☐	☐	5.	In Québec, most workers are members of a supplemental pension plan where they work.
☐	☐	6.	You must apply for your retirement pension under the QPP as soon as you retire.
☐	☐	7.	Only 5% of pensioners receive the maximum QPP pension.
☐	☐	8.	Individuals currently age 65 automatically receive a federal Old Age Security pension.
☐	☐	9.	TFSA stands for tax-free supplemental allowance.
☐	☐	10.	Eligibility for public pension plan benefits begins only at age 60.

The answers: 1: True. 2: True. 3: True. 4: True. 5: False. 6: False. 7: True. 8: False. 9: False. 10: True.

GLOSSARY

CERTIFICATE OF COVERAGE
A document confirming that an individual working in a foreign country can continue, through his or her employer, to make Québec Pension Plan contributions, rather than contribute to the pension plan of the country in question.

DISCRETIONARY CONTRIBUTION
A contribution determined according to the decision of the employer.

GUARANTEED INCOME SUPPLEMENT (GIS)
A monthly benefit paid by the Government of Canada to low-income individuals receiving an Old Age Security pension.

IN THE RED
A budget is in the red when expenditures exceed income.

INDEXED PENSION
A pension that is increased to compensate for the effect of inflation.

INDEXATION
Adjustment of an income based on inflation.

INFLATION
Increase in the cost of goods and services.

INFLATION FACTOR
A rate or percentage used to calculate inflation.

LIFE INCOME FUND (LIF)
An LIF is like an RRIF, except it is designed to receive locked-in funds from an LIRA or supplemental pension plan. The minimum withdrawal is the same as that for an RRIF. An LIF must provide income for a lifetime. You must therefore respect the maximum amount of funds that can be withdrawn each year.

LIFE ANNUITY
A pension payable for the lifetime of an individual.

LOCKED-IN
That which can be used only to secure a retirement income.

LOCKED-IN RETIREMENT ACCOUNT (LIRA)
An account opened at a financial institution and into which you can transfer, subject to certain conditions, funds accumulated in an employer-sponsored supplemental pension plan. An LIRA is like an RRSP, but it is "locked-in", that is, you can withdraw funds from this account only for purposes of receiving a life annuity. To withdraw funds, you must transfer funds from an LIRA into a life income fund (LIF) or use these funds to purchase a life annuity from a life insurance company.

OLD AGE SECURITY (OAS) PENSION
Cash benefit that the Governemnt of Canada currently pays all citizens age 65 and over under certain conditions. Individuals born after January 1962 will be eligible for the OAS pension as of age 67. There will be a transition period from 2023 to 2029.

PENSION
A regular income paid by a financial institution or pension plan.

PHASED RETIREMENT
Phased retirement consists of withdrawing gradually from the work force or seeking to balance work and retirement.

QUÉBEC PENSION PLAN (QPP)
A mandatory public plan in Québec for individuals who work or have worked in Québec and their family. It provides minimum financial protection in retirement and in the event of death or disability.

REGISTERED RETIREMENT INCOME FUND (RRIF)
An RRIF is like a reverse RRSP: after building up your RRSP dollar by dollar, you can convert it to an RRIF. The capital remains tax free and only withdrawals are taxed. You can make withdrawals or "empty" your RRIF in a single transaction. You must, however, make a minimum withdrawal each year.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP)
An account opened in a financial institution to accumulate assets for retirement. RRSP contributions are tax deductible (within the limits permitted) and the investment income they generate remains tax free so long as it remains in the RRSP. Withdrawals from an RRSP are usually taxable.

SECURITY
A type of investment.

SUPPLEMENTAL PENSION PLAN (SPP)
Often called a "pension fund," an SPP is a pension plan set up by organizations for employees. The retirement income it provides must be for the lifetime of an individual.

SURPLUS
A budget has a surplus when income exceeds expenditures.

TFSA
A tax-free savings account is a registered savings vehicle in which investment income is not taxed. Withdrawals from a TFSA are never taxed, and savings in a TFSA do not affect federal benefits and tax credits.

TODAY'S DOLLARS
Dollars that take into account increases in the cost of living. This means that the cost of future goods and services can be directly compared to the cost of the same goods and services obtained today. Using "today's dollars" eliminates the effects of fluctuations in purchasing power.

UNSEIZABLE
That which cannot be seized in the event of bankruptcy or default of payment.

YOUR CALCULATION TABLES

THE FOLLOWING TABLES WILL HELP YOU ORGANIZE YOUR FINANCES.

This table will help you draw up an estimated yearly budget based on income and expenses. This exercise, performed each month, will produce an accurate profile of your finances. Use the table to manage your current expenses, retirement savings and personal savings.

This exercise is also very helpful in establishing a retirement budget.

NET EMPLOYMENT EARNINGS		
	Month	**Year**
Gross salary		
Net business income or net income for self-employed worker		
Minus (–)		
Taxes (provincial and federal)		
Employment insurance contributions		
Québec Parental Insurance Plan contributions		
Québec Pension Plan contributions		
Union dues or professional membership fees		
= Net employment earnings		

INCOME		
	Month	**Year**
Net employment earnings (line above)		
Plus (+)		
Investments (interest, dividends, capital gains)		
Support payments received		
Government benefits/allowances		
Private pensions		
Other		
= Total income		

FIXED EXPENSES		Month	Year
Rent or mortgage			
Electricity/Heating			
Cable/Specialty channels			
Telephone/Internet			
Taxes (municipal, school, etc).			
Insurance:	life and disability (individal or group)		
	home		
	automobile		
Driver's licence and registration (automobile, motorcycle, recreational vehicles)			
Public transit (monthly pass)			
Loans:	automobile		
	other		
Child care			
Bank, credit card and line of credit fees (interest and finance charges)			
Other fixed expenses (ex. support payments, etc.)			
= Subtotal (fixed expenses)			

VARIABLE EXPENSES		Month	Year
Food:	grocery store		
	convenience store		
	restaurant/take-out		
	school meal/work meal		
Tobacco/Alcohol			
Clothing: purchase/maintenance			
Occasional transportation: public transit/taxi			
Automobile: gas/maintenance/parking			
Recreational vehicles and electronic equipment			
Health/Beauty/Personal hygiene (dental care, hairdresser, cosmetics, etc.)			
Educational expenses (tuition fees, school supplies, etc.)			
Pets			
Main and secondary residences (maintenance, miscellaneous items, furnishings)			
Newspapers/Magazines/Books/Music			
Leisure activities/Sports/Trips			
Spending money/Lottery			
Gifts/Charitable donations			
Project financing			
Other variable expenses (plan for at least 5% of fixed and variable expenses)			
= Subtotal (variable expenses)			
= Total expenses (fixed and variable)			

BUDGET SURPLUS BEFORE SAVINGS		
	Month	**Year**
Total income		
Minus (–)		
Total expenses (fixed + variable)		
= A) Budget surplus		

RETIREMENT SAVINGS		
	Month	**Year**
Individual RRSP		
Group RRSP		
TFSA		
Labour sponsored investment fund if not included in an RRSP (Fonds de solidarité FTQ or Fondaction)		
Supplemental pension plan (employer pension fund)		
= B) Total contributions		
+ Employer contributions to your retirement fund (if fixed amount and contribution list available, otherwise $0)		
= Total retirement savings		

OTHER SAVINGS		
	Month	**Year**
A (Budget surplus) – B (Total contributions) = Other savings		

PROJECT FINANCING

This table allows you to plan for the financing of short-term, medium-term and long-term projects.

Project	Amount needed			Savings in hand	Savings required	Monthly savings
Short-term (0–1 year)						
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Medium-term (2–6 years)						
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Long-term (7 years or more)						
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Title of project	$	in	months	$	$	$
Total				$	$	$

For each project:

> estimate the funds required to complete the project and in how many months or years you will require these funds;

> indicate the savings accumulated to date that are reserved exclusively for this project;

> subtract "Savings to date" from "Funds necessary." Enter the result under "Total savings required;"

> divide "Additional savings required" by the number of months estimated to complete the project. Enter the result under "Monthly savings;"

> add together all of the amounts under "Monthly savings." Enter the total in your main budget table.

For medium-term and long-term projects, you may need to save less depending on the rate of return on your investments. You also need to consider the inflation rate when determining the cost of your project (see Table 1 on page 24).

THE FOLLOWING PAGES PROVIDE CALCULATION TABLES TO HELP YOU DETERMINE YOUR SAVINGS NEEDS

You can also use the online retirement calculator *Mon plan, je le fais maintenant!* (French only) at www.questionretraite.qc.ca. The calculations are based on the savings needs of a person with an average life expectancy.

RETIREMENT AT AGE 60

NOTE: ALWAYS USE THE FACTOR TABLES FOR RETIREMENT AT AGE 60.

STEP 1 Estimate your income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
	$	×		=	$	A

STEP 2 Determine the income you will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A	×	%	=	$	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Determine the sources of income you can rely on

QPP (see Statement of Participation, p. 14)					
Estimated amount (annual)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$	×		=	$	C

RRSPs/Other savings					
Accumulated amount		Enter factor ▸ Table B (Pension) p. 25		Result	
$	÷		=	$	D
Annual contribution rate (%)	▸ Table C (Future income) p. 26	Estimated salary		Result	
%	×	× A $	=	$	E

Defined contribution SPP					
Accumulated amount (according to last statement from the SPP)		Enter factor ▸ Table B (Rente) p. 25		Result	
$	÷		=	$	F
Annual contribution rate (%)	▸ Table C (Future income) p. 26	Estimated salary		Result	
%	×	× A $	=	$	G

Defined benefit supplemental pension plan harmonized with the QPP**					
Estimated pension at age 60 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$	×		=	$	H
Estimated pension at age 65 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$	×		=	$	I

Defined benefit supplemental pension plan not harmonized with the QPP**					
Estimated pension at age 60 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) p. 24		Result	
$	×		=	$	J

** A supplemental pension plan (SPP) is said to be harmonized with the QPP if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.

RETIREMENT AT AGE 60 (CONTINUED)

NOTE: ALWAYS USE THE FACTOR TABLES FOR RETIREMENT AT AGE 60.

SUMMARY OF STEP 3

Determine the sources of income you can rely on (only fill in the boxes that concern you)

	Income between age 60 and 66		Income as of age 67	
QPP	Amount	C $	Amount	C $
		+		+
OAS	Amount	$0	$6,553 × Table A (Inflation)	$
		+		+
RRSP other savings	Amount	D+E $	Amount	D+E $
		+		+
Defined contribution SPP	Amount	F+G $	Amount	F+G $
		+		+
Defined benefit SPP[1] harmonized	Amount[2]	$\frac{((5 \times H) + (2 \times I))}{7}$ $	Amount	I $
		+		+
Defined benefit SPP not harmonized	Amount	J $	Amount	J $
		=		=
Estimated annual income		K $	Estimated annual income	L $

1. A supplemental pension plan (SPP) is said to be harmonized with the Québec Pension Plan if the calculation of the SPP pension takes into account the amount of the QPP pension. In this case, at age 65, your SPP pension is reduced. For example, your statement might show a pension of $15,000 between ages 60 and 64 and a pension of $10,000 thereafter.
2. Values are approximate because harmonization occurs at age 65.

Note: All amounts are in dollars at age 60 (even those concerning income after age 67).

STEP 4

Compare your estimated income with your estimated need

	Income between age 60 and 66		Income as of age 67	
RRSP (calculated in Step 2)	Amount	B $	Amount	B $
		−		−
Estimated annual income (Step 3)	Amount	K $	Amount	L $
		=		=
Shortfall (in negative, enter 0)		$	Estimated annual income	$

STEP 5

Determine the additional savings you will need

		÷		÷
Enter factors ▸ Table D (Present value factor) p. 27				
		=		=
Additional annual savings		M $		N $
Additional annual savings to reach your financial goal at age 60			M+N	$

RETIREMENT AT AGE 67

NOTE: ALWAYS USE THE FACTOR TABLES FOR RETIREMENT AT AGE 67.

STEP 1 Estimate your income at retirement	Current salary		Enter factor ▸ Table A (Inflation and salary) 🗗 p. 24		Result	
	$	×		=	$	A

STEP 2 Determine the income you will need in retirement	Estimated salary at retirement		Income replacement level*		Result	
	A $	×	%	=	$	B

* We suggest using 50% to 70%, depending on your retirement goals.

STEP 3 Determine the sources of income you can rely on						
	QPP (see Statement of Participation, p. 14)					
	Estimated amount (annual)		Enter factor ▸ Table A (Inflation and salary) 🗗 p. 24		Result	
	$	×		=	$	C
	OAS					
	Expected pension		Enter factor ▸ Table A (Inflation) 🗗 p. 24		Result	
	$	×		=	$	D
	RRSPs/Other savings					
	Accumulated amount		Enter factor ▸ Table B (Pension) 🗗 p. 25		Result	
	$	÷		=	$	E
	Annual contribution rate (%)	▸ Table C (Future income) 🗗 p. 26	Estimated salary		Result	
	%	×	× A $	=	$	F
	Defined contribution SPP					
	Accumulated amount (according to last statement from the SPP)		Enter factor ▸ Table B (Rente) 🗗 p. 25		Result	
	$	÷		=	$	G
	Annual contribution rate (%)	▸ Table C (Future income) 🗗 p. 26	Estimated salary		Result	
	%	×	× A $	=	$	H
	Defined benefit supplemental pension plan					
	Estimated pension at age 67 (according to last statement from the SPP)		Enter factor ▸ Table A (Inflation and salary) 🗗 p. 24		Result	
	$	×		=	$	I
	Total estimated income at age 67		C+D+E+F+G+H+I	=	$	J

RETIREMENT AT AGE 67 (CONTINUED)

NOTE: ALWAYS USE THE FACTOR TABLES FOR RETIREMENT AT AGE 67.

	Income as of age 67			
STEP 4 Compare your estimated income with your estimated need	Estimated need (calculated in Step 2)	Amount	B	$
				−
	Estimated annual income (calculated in Step 3)	Amount	J	$
				=
	Shortfall (in negative, enter 0)			$
STEP 5 Determine the additional savings you will need				÷
	Enter factor ▸ **Table D (Present value factor)** **p. 27**			
				=
	Additional annual savings to reach your financial goal at age 67			$

NOTES

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NOTES

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Question Retraite is a public-private consortium dedicated to the promotion of financial security in retirement. It is an association of partners who encourage and organize activities to educate and inform Quebecers, particularly those aged 25 to 45, about the importance of financial security in retirement. Its members guide the public on how to achieve financial security. Some of the activities sponsored by Question Retraite include Financial Planning for Retirement Month, each year in October. For information about Question Retraite and financial security for retirement, visit our Web site (www.questionretraite.qc.ca).

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GUIDE

TO FINANCIAL PLANNING
FOR RETIREMENT

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