CUMIS

RetirementWatch

RETIREMENT SERVICES
SUMMER 2014

The magical retirement dollar

WHAT YOU NEED TO KNOW

The answer to your retirement can seem like a simple click away, with hundreds of websites claiming to have the "answer" or the "magic number". However, there is often more to the story when attempting to accurately calculate how much you will need 10, 20 or even 40 years into your retirement.

THE SOLUTION

A retirement income goal is the best place to start your planning. By knowing how much income you want for retirement, you can begin to develop a plan and start saving towards that goal.

Some factors to consider:

- Retirement goals – The goals can have a huge impact on your spending habits. Your goals will form the foundation of your working life savings. How do you picture spending your retirement?
- Do you plan on travelling more often than you do now?
- Do you want to retire early (between 55 to 64)?
- Do you plan to retire after 65?
- Do you want to leave an inheritance for your family?
- Do you plan on selling your family home?

1. Current spending habits versus expected spending habits in retirement

Your current financial situation and obligations are likely different than they will be when you retire.

As a general rule, financial experts often say that you will need approximately 70 per cent of the annual income (before taxes) you earned during the last five to ten years of work to maintain the same standard of living during your retirement.

Need to Know

How your age will affect your CPP monthly payment:

The normal retirement date under CPP is the month after your 65th birthday. However, you can take a reduced pension as early as age 60 or begin receiving an increased pension after age 65.

The amount of your pension will depend on how much and for how long you've contributed to the CPP, and your age when you want your pension to start. For 2014, if you take it before age 65, your pension will be reduced, by 33.6 per cent at age 60. If you take it after age 65, your pension may be larger, by up to 42 per cent at age 70.

The percentage of annual income can, however, vary greatly from person to person as everybody will have different goals and attitudes towards money. Some people might be able to live comfortably with 50 to 60 per cent of their working salary, while others might need 80 to 100 per cent of their working salary to retire comfortably.

2. Inflation

The year-to-year impact of inflation isn't always noticeable, but the result over a longer period of time is undeniable. The average long-term inflation rate in Canada has been about 2.5 to 3.5 per cent. Take inflation into account when calculating your savings and investment returns.

3. Retirement date and your life expectancy

Determining the best time to retire is very important. If you want to retire at 55, and expect to live to age 90, your retirement savings will have to last at least 35 years versus 20 years if you were to retire at age 70. Items to consider when determining when to retire:

- Retirement goals and desired lifestyle
- Total retirement savings
- Health history
- Your spouse's retirement plans
- Financial obligations and living expenses
- Income from government programs such as Canada Pension Plan and Old Age Security
- Debt level

4. Government Programs and the bottom line

The Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP) and Old Age Security (OAS) form the backbone of Canada's public pension system. These programs are designed to provide modest income in retirement, usually to supplement the employer-sponsored retirement plan and your own retirement savings.

A recent study done by a major Canadian financial institution found that 89 per cent of us plan to rely on CPP/QPP to cover costs during our retirement years. Further, 31 per cent reported they expect to rely "heavily" on CPP/QPP, despite the fact that the average CPP payout is less than $600 per month (taxable). This study also identified the sources of income Canadians plan to use to fund their retirement outside of the CPP/QPP:

Investment Option Changes

CUMIS closely monitors the investment options made available in your employer sponsored plans. As a result of this monitoring, there were some important changes made in June 2014.

Seven funds are now closed and removed from our investment lineup. The funds were removed because long-term performance has not met expectations or there were low level of assets invested despite their existence in the CUMIS lineup for many years.

During April 2014, we notified all members via Canada Post who were affected by this change. In the letter, we had indicated that you had until June 16th, 2014 to transfer your assets out of the closing funds and if no action was taken by you, we would automatically transfer your assets into a default fund.

It is important to review your available investment options by logging into your CUMIS personal web account. Our secure website gives you access to your account information 24/7. **From cumis.com, click on Online Services > Retirement Services > Retirement Services Member/Plan Sponsor Logon.** You will need your account number and password to access your personal account information. If you don't remember your account number or password, please contact us at 1-800-263-9120 Retirement Services between 8 to 8 ET or email us at rps@cumis.

86% PERSONAL SAVINGS (RRSPS AND TFSA)

59% PART-TIME JOB

49% SALE OF HOME OR PROPERTY

40% INHERITANCE

34% WINNING LOTTERY (14% relying **heavily** on it)

28% SUPPORT FROM FAMILY/CHILDREN

At CUMIS Retirement Services, we welcome your feedback and are happy to answer any questions you may have.

Please call, email or write us at:

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