



PENSIONIZEME
WEALTH SERVICES

R R O N etirement ready r ot?

RETIREMENT CASE STUDY

RETIREMENT READY OR
NOT WITH RRIF & LIF
TABLES

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As someone who is planning for their retirement, you should be able to answer these four basic retirement questions easily.

1. What rate of return do I need to have my money grow and then sustain my retirement until life expectancy?
2. How much more do I need to save?
3. How much longer do I have to work?
4. Do I have to reduce my retirement lifestyle?



The **Retirement Ready Or Not (RRON) Guide** will walk you through the process to determine if you are RRON.

If you decide to become a client of **PensionizeMe Wealth Services (PMWS)** the **RRON** exercise can get into greater detail as everyone's circumstances are unique.

In our **Retirement Ready Or Not (RRON)** illustration that we prepare for clients we start with assumptions that reflect the client’s present situation, to life expectancy in this case age 84. To keep the scenario simple, we are using all pre-tax numbers, and the tax rate is therefore 0%. We have also made accommodation that the salary increase by 3% each year to keep pace with inflation.

Assumptions

Current Age

45

Retirement Age

65

Life Expectancy

84

Current Income

\$110,000

Annual Saving

\$6,000

Accumulated \$

\$300,000

Accumulation

6%

Distribution

5%

Inflation

3%

Tax

0%

Defined Benefits

Future Assets

Future Expenses

Legacy

Current Lifestyle

\$104,000 = Current Income - Tax - Annual Savings

Retirement Lifestyle

\$104,000

PV

☒ COLA

Next, we insert any **Defined Benefits (DB)** the client will receive and at what age. We are assuming there is no DB company pension plan and only CPP & OAS will be received starting at age 65. As with any specific client situation, we can adjust the receipt of the benefits from taking them early to deferring and see what the impact will be on the retirement plan as well as including and other income sources.

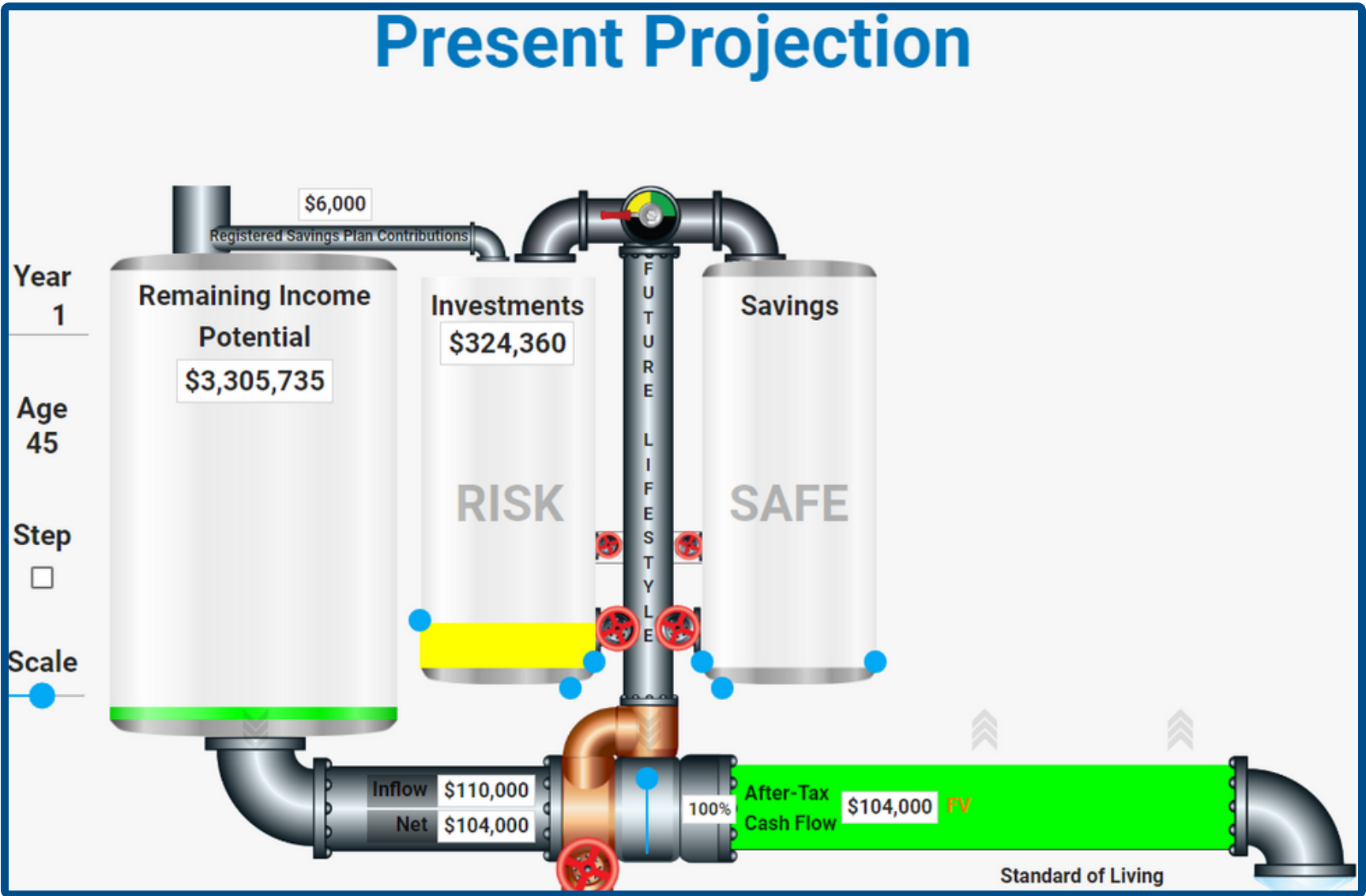
Defined Benefits

Description	Amount	COLA	Age	End	% Taxable	Hide	Exclude
CPP	\$8,736	3%	65	84	0%	☐	☐
OAS	\$8,383	3%	65	84	0%	☐	☐

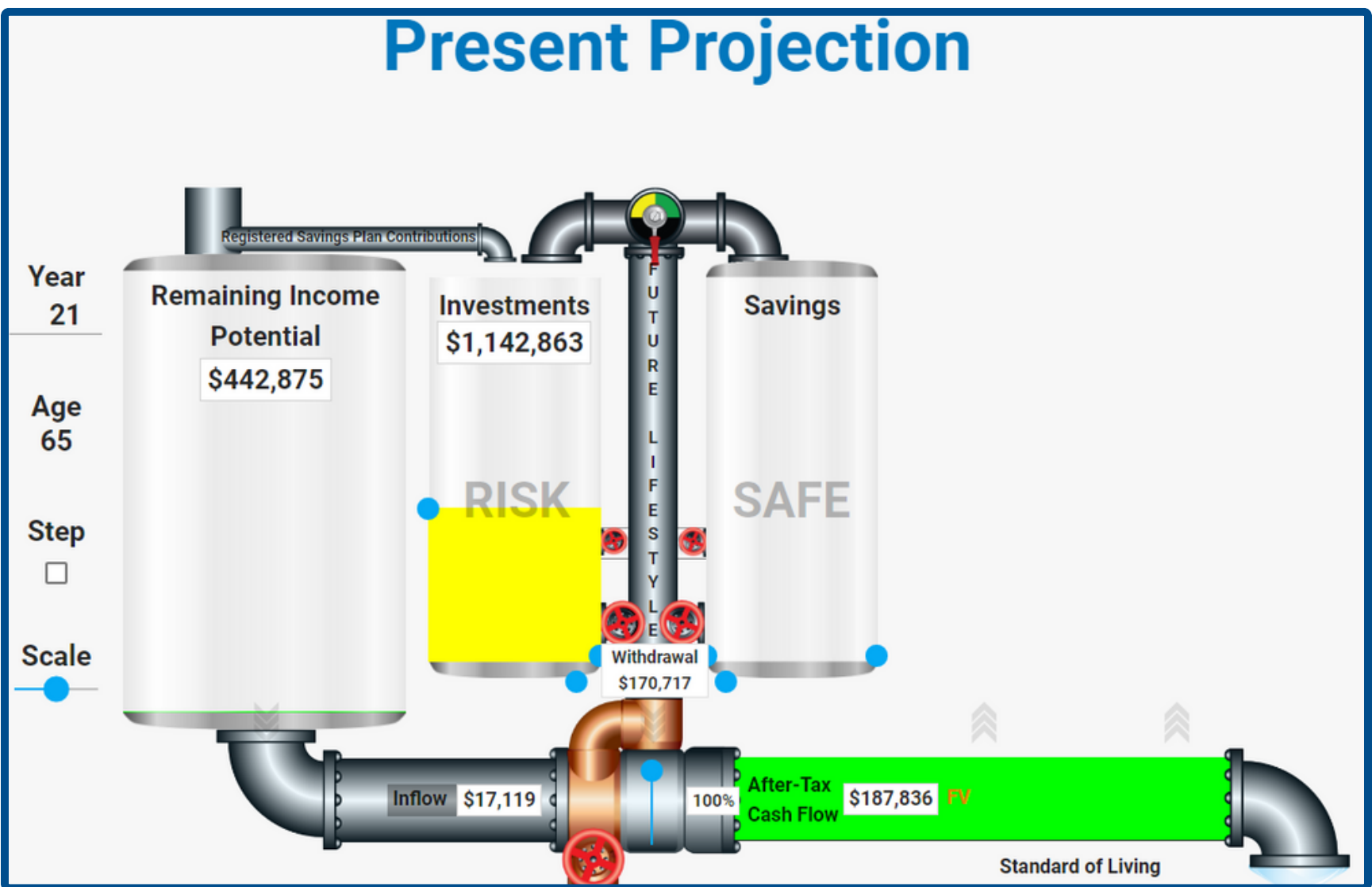
+ Add

Save & Return

Our next screen then looks at the client's in a “*tank*” scenario. The first tank shows that the remaining income potential given the present situation is just over **\$3,300,000** and that the retirement account with **\$300,000** and **\$6,000** annual contribution for the current year growing at 6% will be **\$324,360** in one year.



As we step through each year until retirement age 65 we see that the **\$300K** and **\$6K** annual contribution (assuming increasing contributions to keep pace with inflation) would grow to over **\$1,142,000** with a remaining life income potential of **\$442,000** from CPP & OAS until life expectancy indexed for inflation.



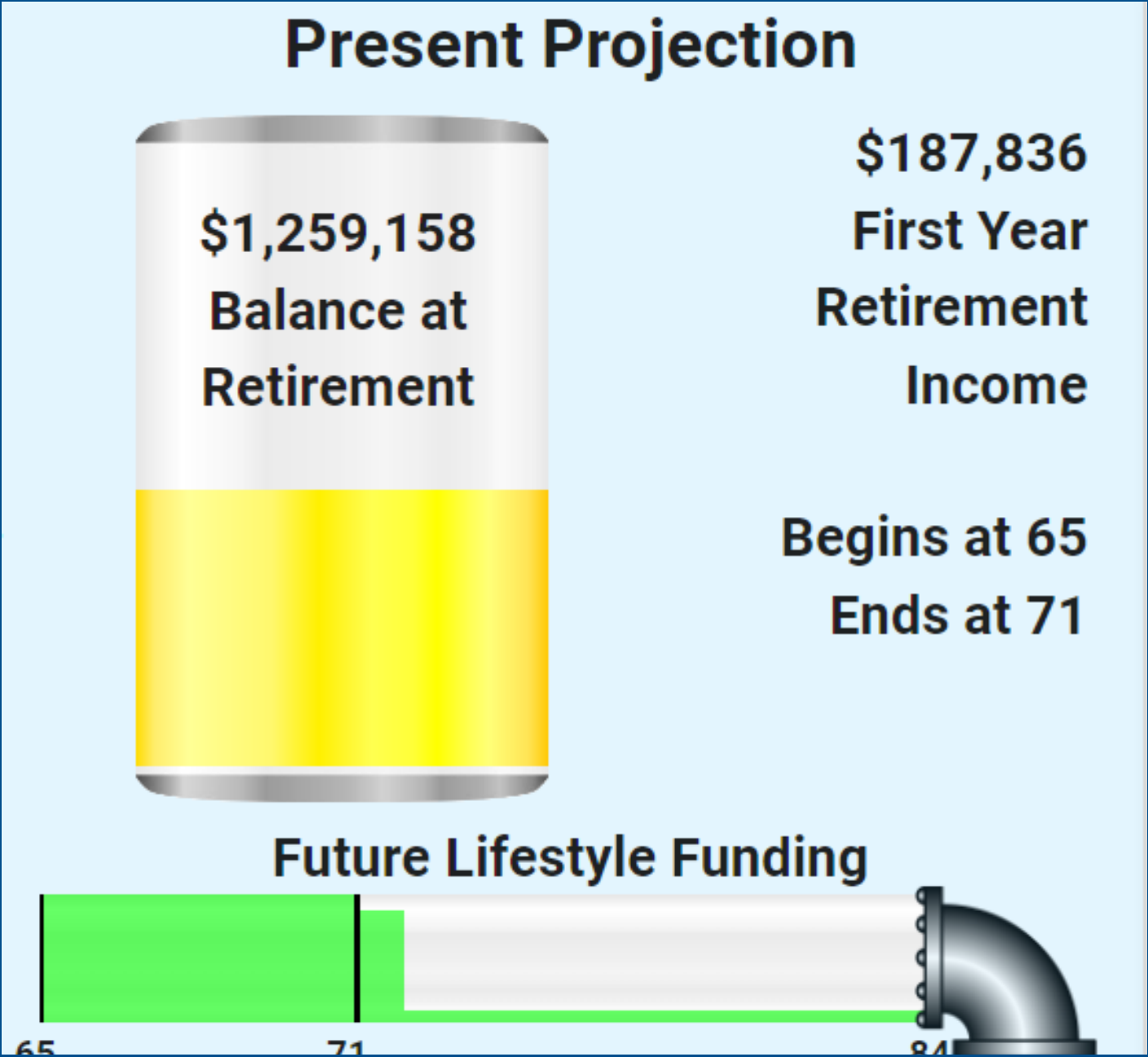
The next step is to see how your retirement will look like with these numbers.

Let’s revisit the assumption of wanting to maintain your current lifestyle through your retirement years up to life expectancy.



At Age 45 pre tax income was \$110,000 with \$6,000 going into retirement savings each year. In the final year the pre-tax income adjusted for inflation would be \$187,836. A significant change from the \$110,00 at age 45 when we started.

The next graphic shows that with a 5% return assumption in retirement and \$1,142,863 in retirement savings with the need to draw \$187,000 each year adjusted for inflation, the funds would only last until age 72.



Presented another way, you can see under Present Projection how long the funds would last.

6% / 5%		\$500/m \$6,000/yr		Age 65		\$15,653/m \$187,836/yr		3%	
Increase ROR		Save More		Work Longer		Spend Less		Change Inflation	
Present Projection					Revised Projection				
Account Balance		Annual Lifestyle Plus DBs		Age	Account Balance		Annual Lifestyle Plus DBs		
\$1,259,158		\$0		64	\$1,259,158		\$0		
\$1,142,863		\$187,836		65	\$1,142,863		\$187,836		
\$1,015,376		\$193,471		66	\$1,015,376		\$193,471		
\$875,976		\$199,275		67	\$875,976		\$199,275		
\$723,901		\$205,253		68	\$723,901		\$205,253		
\$558,346		\$211,411		69	\$558,346		\$211,411		
\$378,461		\$217,753		70	\$378,461		\$217,753		
\$183,347		\$224,285		71	\$183,347		\$224,285		
\$0		\$204,401		72	\$0		\$204,401		

Now, some may say that the return expectations of 6% in pre-retirement and 5% in retirement are too conservative. Let’s see what rate of return would be required before and during retirement to have the money last until life expectancy of age 84.

The required rate of return is **9.01%** compounded. That means each year the rate of return **MUST** be **9.01%** to meet these expectations. The Revised Projection on the right-hand side shows the money running out right at life expectancy.

ROR Increased 3.01 percentage points.									
9.01% / 9.01%		\$500/m \$6,000/yr		Age 65		\$15,653/m \$187,836/yr		3%	
Increase ROR		Save More		Work Longer		Spend Less		Change Inflation	
Present Projection				Revised Projection					
Account Balance		Annual Lifestyle Plus DBs		Age	Account Balance		Annual Lifestyle Plus DBs		
\$0		\$24,408		77	\$1,489,796		\$267,809		
\$0		\$25,140		78	\$1,350,773		\$275,843		
\$0		\$25,894		79	\$1,191,020		\$284,118		
\$0		\$26,671		80	\$1,008,424		\$292,642		
\$0		\$27,471		81	\$800,672		\$301,421		
\$0		\$28,295		82	\$565,237		\$310,464		
\$0		\$29,144		83	\$299,353		\$319,777		
\$0		\$30,018		84	\$1		\$329,371		
\$0		\$0		85	\$0		\$1		

The most common argument that we hear is that the retiree will not require the same amount of income as they did in pre-retirement. We like to remind people that when you retire, every day is like a Saturday, and you may be surprised how much money you do need.



To address this concern, we now look at how much less you’d have to spend in retirement so that your savings last until life expectancy of 84. The Revised Projection suggests a 51% reduction in retirement spending. This is even lower than the 60% to 70% of pre-retirement income suggested in most financial plans.

6% / 5%			50.90% Lifestyle Reduction		
\$500/m \$6,000/yr			\$7,686/m \$92,234/yr		
Age 65			3%		
Increase ROR			Spend Less		
Save More			Change Inflation		
Work Longer					
Present Projection			Revised Projection		
Account Balance	Annual Lifestyle Plus DBs	Age	Account Balance	Annual Lifestyle Plus DBs	
\$0	\$24,408	77	\$729,415	\$131,504	
\$0	\$25,140	78	\$650,061	\$135,449	
\$0	\$25,894	79	\$563,265	\$139,513	
\$0	\$26,671	80	\$468,550	\$143,698	
\$0	\$27,471	81	\$365,412	\$148,009	
\$0	\$28,295	82	\$253,321	\$152,449	
\$0	\$29,144	83	\$131,715	\$157,023	
\$0	\$30,018	84	\$0	\$161,733	
\$0	\$0	85	\$0	\$0	

The next solution that some people propose is that they will work longer to save more for retirement.



Given our return assumptions of 6% and 5% for the retirement plan, this would require working until age 74. The Revised Projection shows by working until age 74, \$2,154,470 would be accumulated in retirement savings. From there inflation has also kept costs moving higher and lifestyle costs would be over \$245,000 in the first year of retirement.

Please note: by working past age 71, no further contributions would be allowed into the RRSP plan and in fact funds would have to start coming out in the year after age 71. And CPP & OAS would be commence pay out.

6% / 5%		\$500/m \$6,000/yr		Age 74		\$20,424/m \$245,083/yr		3%	
Increase ROR		Save More		Work Longer		Spend Less		Change Inflation	
Present Projection					Revised Projection				
Account Balance		Annual Lifestyle Plus DBs		Age	Account Balance		Annual Lifestyle Plus DBs		
\$0		\$21,686		73	\$2,274,623		\$21,686		
\$0		\$22,336		74	\$2,154,470		\$245,083		
\$0		\$23,007		75	\$2,021,293		\$252,435		
\$0		\$23,697		76	\$1,874,231		\$260,008		
\$0		\$24,408		77	\$1,712,371		\$267,809		
\$0		\$25,140		78	\$1,534,752		\$275,843		
\$0		\$25,894		79	\$1,340,354		\$284,118		
\$0		\$26,671		80	\$1,128,102		\$292,642		
\$0		\$27,471		81	\$896,860		\$301,421		

Lastly, many people will ask can we save more now? They can always save more. The question is, if they can why aren't they?



The Revised Projection illustrates that to meet the age 65 retirement goal and have savings last until life expectancy of age 84, an additional \$38,373 per year will need to be saved until retirement. This would result in a retirement account over \$2,800,000 at age 65 vs \$1,259,000 given the current savings strategy.

6% / 5% Increase ROR		\$3,198/m \$38,373/yr Save More	Age 65 Work Longer	\$15,653/m \$187,836/yr Spend Less	3% Change Inflation
Present Projection				Revised Projection	
Account Balance	Annual Lifestyle Plus DBs	Age	Account Balance	Annual Lifestyle Plus DBs	
\$1,259,158	\$0	64	\$2,861,726	\$0	
\$1,142,863	\$187,836	65	\$2,825,560	\$187,836	
\$1,015,376	\$193,471	66	\$2,782,208	\$193,471	
\$875,976	\$199,275	67	\$2,731,149	\$199,275	
\$723,901	\$205,253	68	\$2,671,833	\$205,253	
\$558,346	\$211,411	69	\$2,603,674	\$211,411	
\$378,461	\$217,753	70	\$2,526,055	\$217,753	
\$183,347	\$224,285	71	\$2,438,321	\$224,285	
\$0	\$204,401	72	\$2,339,779	\$231,014	

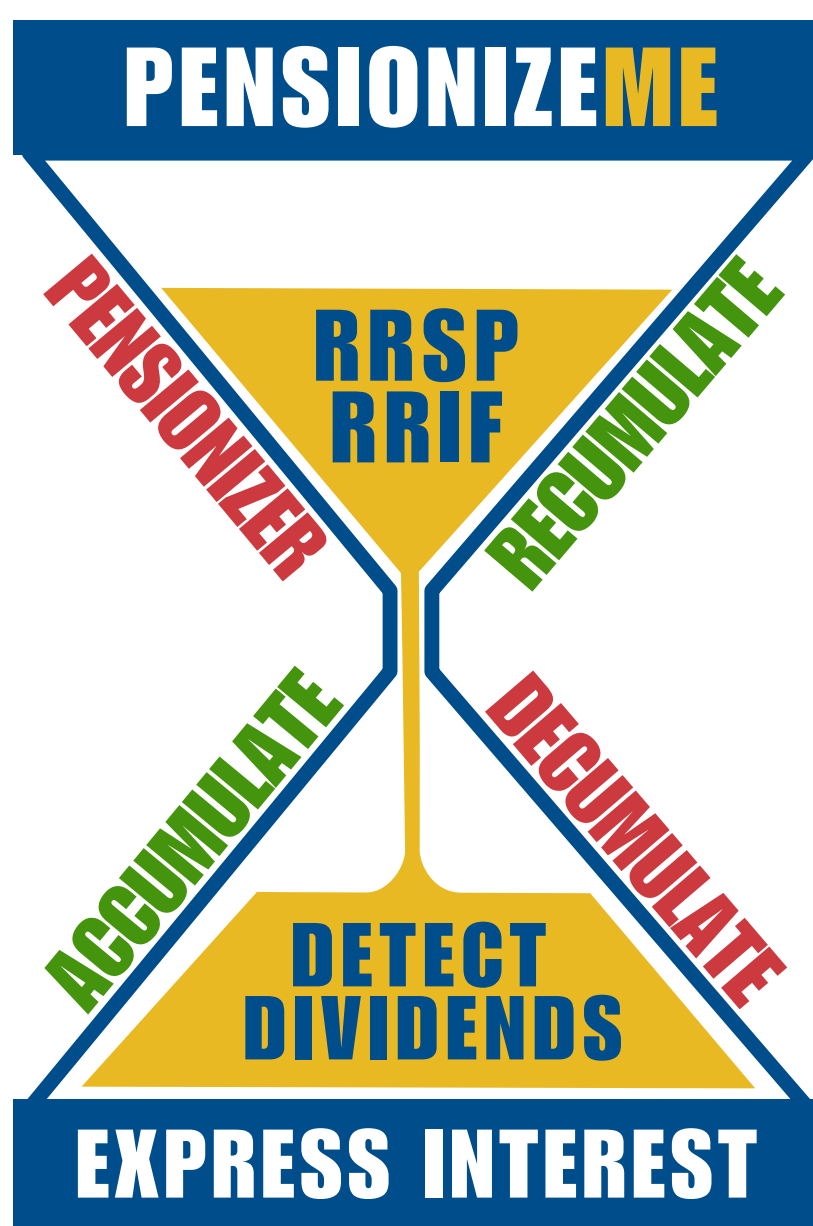
Summary:

There is no “one size” fits all for retirement planning. Many people heading into retirement may have a house or other assets they can count on or an inheritance, to help with retirement. This is where going through the RRON exercise can pay dividends and a strategy laid out to attempt to meet the retirement goal as best as possible.

So, the question becomes. **Are you Retirement Ready Or Not?**

PensionizeMe helps investors *find money they are losing unknowingly and unnecessarily* and putting those funds to work for your retirement. This lost money is simply a wealth transfer to others. The most common areas of wealth transfer are:

1. **Taxes** – we all need to pay tax, don’t pay more than you should.
2. **Home buying Savings and Mortgages** – structuring your savings and mortgage properly.
3. **Retirement Savings** - how you save for retirement is important.
4. **Education Savings** – savings for post secondary education.
5. **Major Capital Purchases** – how do you pay for major purchases is important.



Are you ready to find money you are losing unknowingly and unnecessarily?

Book your 20/20 in 20

Age at Dec 31 previous year	RRIF/LRIF/ LIF/ PresRRIF/ RLIF Minimum	LIF/RLIF Maximum	LIF Maximum	LIF Maximum
			MB, QC, NS	AB, BC, ON, NFLD, NB, SK
55	2.86%	4.98%	6.40%	6.51%
56	2.94%	5.04%	6.50%	6.57%
57	3.03%	5.10%	6.50%	6.63%
58	3.13%	5.16%	6.60%	6.70%
59	3.23%	5.23%	6.70%	6.77%
60	3.33%	5.30%	6.70%	6.85%
61	3.45%	5.38%	6.80%	.94%
62	3.57%	5.47%	6.90%	7.04%
63	3.70%	5.57%	7.00%	7.14%
64	3.85%	5.67%	7.10%	7.26%
65	4.00%	5.79%	7.20%	7.38%
66	4.17%	5.92%	7.30%	7.52%
67	4.35%	6.06%	7.40%	7.67%
68	4.55%	6.22%	7.60%	7.83%
69	4.76%	6.40%	7.70%	8.02%
70	5.00%	6.61%	7.90%	8.22%
71	5.28%	6.83%	8.10%	8.45%
72	5.40%	7.10%	8.30%	8.71%
73	5.53%	7.39%	8.50%	9.00%
74	5.67%	7.74%	8.80%	9.34%
75	5.82%	8.14%	9.10%	9.71%
76	5.98%	8.60%	9.40%	10.15%
77	6.17%	9.14%	9.80%	10.66%
78	6.36%	9.76%	10.30%	11.25%
79	6.58%	10.50%	10.80%	11.96%3
80	6.82%	11.39%	11.50%	12.82%
81	7.08%	12.48%	12.10%	13.87%
82	7.38%	13.84%	12.90%	15.19%
83	7.71%	15.59%	13.80%	16.90%

Age at Dec 31 previous year	RRIF/LRIF/ LIF/ PresRRIF/ RLIF Minimum	LIF/RLIF Maximum	LIF Maximum	LIF Maximum
			MB, QC, NS	AB, BC, ON, NFLD, NB, SK
84	8.08%	17.93%	14.80%	19.19%
85	8.51%	21.21%	16.00%	22.40%
86	8.99%	26.13%	17.30%	27.23%
87	9.55%	34.33%	18.90%	35.29%
88	10.21%	50.74%	20.00%	51.46%
89	10.99%	100.00%	20.00%	100.00%
90	11.92%	100.00%	20.00%	100.00%
91	13.06%	100.00%	20.00%	100.00%
92	14.49%	100.00%	20.00%	100.00%
93	16.34%	100.00%	20.00%	100.00%
94	18.79%	100.00%	20.00%	100.00%
95 and over	20.00%	100.00%	20.00%	100.00%

FOOTNOTES:

1. Manitoba allows transfers to a prescribed RRIF if certain conditions are met. Prescribed RRIFs do not have maximum withdrawal limits. The maximum LIF payment for Manitoba is the greater of the percentage in the above columns or the sum of the previous year’s investment return plus 6% of any amounts transferred in from a LIRA or pension plan in the current year.
- 2.The maximum LIF payment for Alberta, British Columbia, Newfoundland and Labrador, and Ontario is the greater of the percentage in the above columns or the previous year’s investment return.
- 3.Saskatchewan allows transfers from a LIRA to a prescribed RRIF. Prescribed RRIFs do not have maximum withdrawal limits. Saskatchewan LIFs have not been offered since April 2002. Any pre-existing LIF must be converted to a life annuity before December 31 of the year in which you turn 80. Since the LIF will cease to exist at this date, subsequent maximum payment rates do not apply.

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PMWS wants you to get focused on your retirement with our 20/20 in 20 minutes. In that 20 minutes, together we will answer those 4 retirement questions to get your GPS position and see if you're on track. Unlike our competition, PMWS commitment to you is that once we answer those questions you will not receive endless phone calls trying to make you a client. Instead, we will let you decide when you're ready to contact us. In the meantime, you will have access to our educational material to build your knowledge and confidence.



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