PLANNING FOR

Retirement

SEVENTH-DAY ADVENTIST CHURCH

February 2012

It's Time to Start Saving For Your Retirement. Seriously.

We have good news — the Pension Factor has been increased! This increase will impact the amount of pension you receive upon retirement. And now that your Church-provided retirement savings have been improved, we think it's a great time to ask if you've made any improvements to your personal savings plans.

In this issue of Planning for Retirement, we'll discuss, you guessed it, how to save for your retirement! In particular, we'll outline the Pension Factor increase and two key savings vehicles: Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs).

Pension Factor Increase!

Your Church-provided pension is determined using a Pension Factor, a Benefit Rate Factor (which is related to your personal Remuneration Factor) and your credited service, as described below:

- **Pension Factor:** A basic amount common to all plan members, which may increase from time to time — though increases are not guaranteed

times

- **Benefit Rate Factor:** The average of your 10 highest Yearly Rate Factors (your Yearly Rate Factor is a percentage from 0.80% to 1.60% directly related to your Remuneration Factor)

times

- **Credited Service:** The total amount of time you've worked for the Church in Canada.

Pension Factor
times
Benefit Rate Factor
times
Credited Service

Determining Yearly Rate Factors

Your Remuneration Factor determines your Yearly Rate Factor, based on this table. If your Remuneration Factor is between those shown, your Yearly Rate Factor is calculated on a pro-rated basis.

If your Remuneration Factor is...	Your Yearly Rate Factor is....
50% or less	80%
100%	1.30%
115% or more	1.60%

Upon a recent review, the Board of Directors of the Seventh-day Adventist Church in Canada voted to increase the Pension Factor by 1%.

- In 2011, the Pension Factor was $2,197
- For 2012, it will increase by 1% to $2,219

As you can see in the tables below, based on a Benefit Rate Factor of 1.20% and 35 years of Credited Service, the 1% increase to the Pension Factor will enhance your annual pension from $11,076 to $11,184.

Estimated Annual Pension	
Pension Factor	$2,197
times	X
Benefit Rate Factor	1.20%
times	X
Credited Service	35 years
equals	=
Annual Pension	**$11,076**

Estimated Annual Pension **1% INCREASE!**	
Pension Factor	$2,219
times	X
Benefit Rate Factor	1.20%
times	X
Credited Service	35 years
equals	=
Annual Pension	**$11,184**

Along with your personal savings and government benefits, your Church-provided pension plays an important role in your total retirement savings.

Calculating the Benefit Rate Factor

Let's say your Remuneration Factor is 75% for two years, moves up to 90% for five years and finally sits at 100% for three years.

Your Yearly Rate Factors would be as follows:

Remuneration Factor	Yearly Rate Factor
75%	1.05%
75%	1.05%
90%	1.20%
90%	1.20%
90%	1.20%
90%	1.20%
90%	1.20%
100%	1.30%
100%	1.30%
100%	1.30%

This means that your Benefit Rate Factor would equal: 1.20%, as shown in the example to the right.

PLANNING FOR
Retirement

Seventh-day Adventist Church

RRSP contribution deadline

The deadline for RRSP contributions for the 2011 tax year is February 29, 2012.

Pension + personal savings + government benefits = retirement income!

Want to see how they all add up? Check out the Retirement Planner! You can access the Retirement Planner at **https://www.twtools.ca/SDARetirementPlanner**

Don't forget the "s" in the address (https) or it won't work!

TFSA Information Seem Familiar?

It should — it's from page 11 of your Summary of the Seventh-day Adventist Church in Canada Pension and Post-Retirement Benefits Program!

There's some great information in there, such as how your pension plan works, how your pension is calculated (including how your PA is calculated), when you can retire and much more!

Go online to read it at www.adventist.ca

Have You Increased Your Savings?

It's all over the news: retirees retiring on insufficient savings. While some people started saving years ago, there are still others that are nodding their heads and thinking: *I really should start saving... I'll look into it first thing tomorrow!* If you are one of those people, one of those tomorrows will find you already in retirement. Then what?

Pay Yourself

You might be asking: *pay myself with what?* You have bills and groceries and children and, well, life to pay for on a daily basis — there's nothing left to save! That might be the problem. You might be trying to save what's left over at the end of the month after all your bills have been paid. What if you included paying yourself — paying for your future retirement — in your monthly bills?

Here are three reasons paying yourself works:

- **You create healthy financial habits.** Many people spend their money on bills, fun and saving. When you move up "saving" in the order, you are able to save money before you find ways to spend it (and you will!).
- **You establish saving as a priority.** You're telling yourself that your future is as important as your present.
- **You benefit from compound interest.** You earn interest on your savings. Then you earn interest on your savings plus your interest, which is called compound interest. Think of it as earning interest on interest, and it helps grow your savings exponentially.

How to Pay Yourself

Call your bank or financial planner and have them set up automatic payments into an RRSP or TFSA or both. You determine the amount you want to put aside and you can make changes to your payment schedule at any time. It's that easy.

You may be surprised at how quickly you get used to not having that money in your hands. And you'll certainly be happy as you watch your retirement savings account grow!

Why RRSPs? – *Tax savings, that's why*

RRSPs are investment vehicles that allow you to make tax-deferred contributions to be used towards your retirement savings. The funds remain tax sheltered until retirement, but are taxed when withdrawn. Likely, you'll be in a lower tax bracket when you retire, so you'll be taxed less on the income you receive from your RRSP withdrawals.

You are allowed to contribute up to 18% of your earned income from the previous year, less your pension adjustment, or PA (the deemed value of your Church-provided pension) up until age 71. Any unused contribution room can be carried forward.

Why TFSAs? – *Again, tax savings*

You can make an annual contribution of up to $5,000. Similar to RRSPs, TFSAs allow your investments to grow tax free, however, unlike RRSPs, your TFSA contributions are not tax-deductible. So what's the advantage?

TFSA funds are not taxed upon withdrawal. This includes the total value of your investment income, including any capital gains, dividends and interest earned. Regardless of whether you withdraw funds as retirement income or for pre-retirement use, the withdrawn amount is not taxed at the time of withdrawal.

What's more, any withdrawal from your TFSA creates an equal amount of contribution room, so you can withdraw funds from your account and then replace them.

What's the Difference?

The main difference between the two savings vehicles is purpose: one is a long-term savings plan; the other a short-term plan.

- **Long-Term:** RRSP funds are not meant to be withdrawn until you retire. However, there are programs, such as the Home Buyer's Plan and the Lifelong Learning Plan that allow you to withdraw tax-free funds from your RRSP before retirement, but both programs require the withdrawn money to be repaid. So, while it might seem like a good investment, you are essentially taking a loan out from your future to pay for your present.
- **Short-Term:** TFSA funds can be used for larger purchases such as a car, vacation or renovations, for example. Because you are not taxed when you withdraw your TFSA funds, they make for a great short-term savings option. However, you can use your TFSA to enhance your long-term savings objectives by using the funds to make a large contribution to your RRSP each year. This will help ensure you make your maximum RRSP contribution (thereby getting your maximum tax break on your tax return).

Both vehicles are great savings options, and combined, can help you achieve your long-term savings objectives. As long as you are saving — and paying yourself — it doesn't matter how you do it. Of course, you may want to speak with a professional financial planner to help determine the very best savings strategy for your personal situation.

Next Issue

Be sure to let us know if there's a topic you'd like us to cover and we'll try our best to include your suggestions in future issues.

Tell Us What You Think!

If you have any questions, comments or suggestions about this newsletter, please don't hesitate to contact the Retirement Department:

Marilyn Pazitka, Director • 905-433-0011, ext. 2071 • pazitka.marilyn@adventist.ca
Charisma Hodgins, Administrative Assistant • 905-433-0011, ext. 2070 • hodgins.charisma@adventist.ca

We appreciate your feedback!