PLANNING FOR

Retirement

SEVENTH-DAY ADVENTIST CHURCH

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How much will you have when you retire?

In this issue of Planning for Retirement, we'll look at how to make the most of your retirement finances. The Church Retirement Program, along with government and personal sources, combine to provide you with the income you'll have when you retire. It's up to you to make the most of your future, and we're here to help!

To maintain a similar lifestyle in retirement as you have before you retire, experts suggest that your retirement income should be between 60% to 80% of the final wages you had when you were working. Why isn't it 100%? In retirement, expenses are usually lower. For example, mortgages are likely to be paid off, certain expenses, such as transportation to and from work disappear, and childcare costs often disappear by then.

How is your pension funded?

We contribute to a pension fund so that you will be able to draw a monthly income when you retire. The pension is 100% financed by the Church, so **no employee contributions are required**. The amount we contribute is determined by the terms of our pension plan, pension legislation, and the Church's funding policy.

How is your pension calculated?

Your Church pension gives you a portion of your retirement income through guaranteed monthly payments. It is based on a set formula that takes into account both your Credited Service and your ten highest yearly rate factors. Please visit http://www.adventist.ca/departments/retirement for plan details.

How much is your Church pension worth?

One way to estimate the value of your Church-provided pension is to look at your expected future monthly cash inflow. For example, if your pension will be $500/month when you retire and you expect to collect payments for 30 years, that's $180,000 in cash payments you'll receive ($500 x 12 months x 30 years). For simplicity purposes, this amount does not include any indexing (if applicable) or interest on the monthly amount.

Another way to think about the value of your pension is to consider the present value of your future payments as a lump sum payable today. This concept is known as the *present value of an annuity*. The lump sum's present value is determined by considering how much money the Church would need today to purchase a monthly income stream in the future.

For example, if you wanted to receive $500/month upon retirement for 30 years, you would have to pay about $100,000 up front to a financial institution. This amount varies depending on the interest rates in effect at the time (4% was used in this example) and the type of annuity you purchase. With this scenario, the financial institution invests the $100,000 and hopes to earn at least 4% annually, so that it will be able to pay out $500/month for 30 years.

Your pension is a valuable benefit, and along with your pay, healthcare benefits, work culture, growth opportunities, etc., it contributes toward making the Church a great place to work.

Additional sources of retirement income

In addition to your Church pension, you may qualify for some of these income sources when you retire:

Government Programs

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

Please visit the Service Canada website at http://www.servicecanada.gc.ca/eng/lifeevents/retirement.shtml for details on government programs.

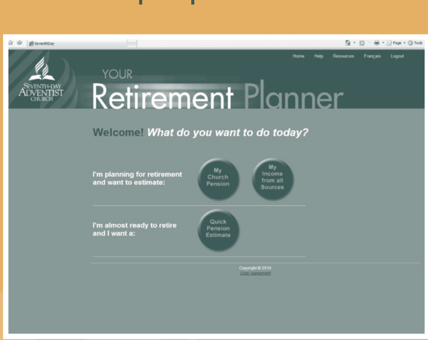
Personal Sources

- Personal savings (e.g., RRSPs, TFSAs)
- Investment income
- Rental income
- Part-time work
- Spouse's pension
- Inheritances

The Retirement Planner helps you predict your income from various sources. Visit it today to learn more!

Estimating your retirement income is as easy as *1-2-3*!

Do you want to estimate the value of your Church pension? How about your income from all sources when you retire? Or maybe you're almost ready to retire and would like a quick pension estimate?



Visit Your Retirement Planner at:

https://www.twtools.ca/SDARetirementPlanner (don't forget the **s** in the address – http**s**) to do all this and more!

What's the right retirement strategy for you?

Your investment strategy is a personal choice. Although we are unable to provide specific financial advice, we do provide tools and resources to help you be a wise investor.

When investing, you may want to consider the stage of your life and how much risk you can afford. For example, equities (stocks) tend to be more volatile (greater ups and downs in the market) than fixed income funds like bonds. However, equities historically have tended to outperform bonds in the long term.

When you are young, you have plenty of time to weather a short-term dip in the stock market and you may feel more at ease taking on riskier investments. As you get older though, you may wish to take a more cautious approach, as there is less time to recover from the potential of a significant market downturn.

Be a smart financial consumer – watch those fees!

Financial institutions and fund managers offer a variety of services at a variety of costs to you. Some charge a flat fee, others take a commission on your investments, and others charge a fund management fee.

These fees add up! A fund manager who charges 3% on a fund that only returns a 4% profit means you are just getting a 1% return in real dollars... this amount might not even cover inflation!

For help in finding an independent certified financial planner, please visit the Financial Planners Standards Council at www.fpsc.ca.

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.

Make the most of your personal investments

The Canadian Government offers two popular programs to encourage tax-efficient savings for your future: the Registered Retirement Savings Plan (RRSP) and the Tax-Free Savings Account (TFSA). But when should you use one over the other? First, let's understand how these work ▶

RRSP or TFSA? What's the difference?

One of the main differences between an RRSP and TFSA is when the tax is paid. With an RRSP, your investment earnings grow tax-free while in the account. You pay tax when you make withdrawals in the future, which may be at a lower tax rate than you pay now. You also benefit immediately, as your contributions to an RRSP reduce your taxable income in the tax year the contribution is made. With a TFSA on the other hand, you make deposits with after-tax dollars. Like an RRSP, TFSA investments grow tax-free. However, you don't have to pay tax on your withdrawal.

	RRSP	TFSA
Contribution limit	18% of previous year's earned income (up to $24,930 for 2015, amounts change each year), less any pension adjustment, plus any unused room from previous years	$10,000 per year plus unused contribution room from previous years
Age limit	You must start making withdrawals the year in which you turn 71	No age limit
Are contributions tax-deductible?	Yes	No
What is the tax treatment on investments?	Tax-deferred (not taxed until withdrawn)	Tax-free (never taxed)
What is the tax treatment on withdrawals?	Withdrawals considered as taxable income the year of the withdrawal	Withdrawals are tax-free
Is contribution room restored once withdrawals are made?	No	Yes
Can I withdraw my funds at any time?	Yes, though withdrawals are taxed (unless used for the Home Buyer's Plan or Lifelong Learning Plan)	Yes

An example

Let's say you have $10,000 to invest and your tax rate is 22% now, but you expect to be at a 15% tax bracket when you make withdrawals in the future. Let's also assume that your initial investment doubles in value over time. Here's how your finances may look:

	RRSP	TFSA
Before-tax income available to invest	$10,000	$10,000
Tax withheld (at 22% marginal tax rate)	$0	$2,200
Total investment	$10,000	$7,800
Total balance available over time (investment doubles)	$20,000	$15,600
Tax paid upon withdrawal (assumes 15% tax bracket in future)	$3,000	$0
Total amount of after-tax cash available	$17,000	$15,600

Of course, your situation will vary depending on the amount of your investment, your tax bracket in effect when you make the contribution and when you withdraw an amount, and your investment performance over time. Note that if your tax bracket is the same rate when you deposit as when you withdraw, the total amount of after-tax cash available will be the same in both cases.

We encourage you to speak with a financial advisor to help you determine which type(s) of savings vehicles and investments are right for you.

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:

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We appreciate your feedback!