

Time to Retire

Understanding your retirement
income options

Sound investing made simple
It's in our nature



Empire Life™

™ Trademark and marketing identity of **The Empire Life Insurance Company**.
Policies are issued by The Empire Life Insurance Company.

Time to Retire

- The transition to retirement
- Understanding your choices:
 - Types of retirement income products available
 - Options for registered, non-registered and locked-in funds
- Things to consider when managing your money
- How to continue building wealth in your retirement years
- Empire Life retirement income solutions



The Retirement Transition

- Some investment plans offer a “seamless” transition from saving to drawing a retirement income so your investments and overall strategy remain intact
- A seamless transition is important, but it’s just the first step in developing a comprehensive retirement income plan
- Your focus shifts from accumulating wealth to managing your investments to secure a smooth, predictable lifestyle



The Retirement Transition

- The first important step in financial planning is to determine your goals

*What is
important
to you?*

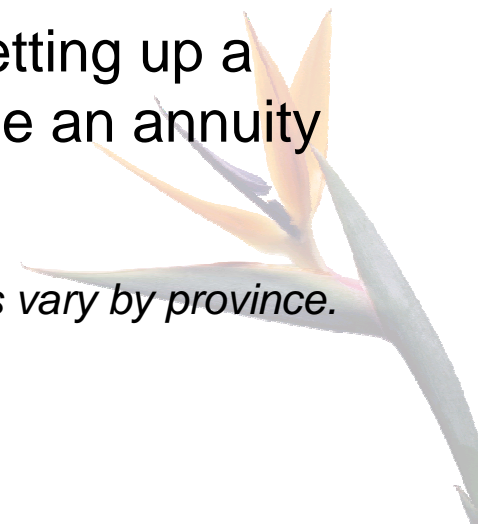
- ✍ Safety of capital
- ✍ Need for regular income
- ✍ Minimizing taxes
- ✍ Making sure you don't outlive your income
- ✍ Leaving an estate for your heirs
- ✍ Accumulating more wealth



Understanding Your Options

- The main options for maturing your RRSPs are:
 - Collapse and live with the tax bill
 - Buy an annuity
 - Convert your savings into a RRIF (Registered Retirement Income Fund)
- Locked-in funds: can be converted to a LIF*, LRIF* or LIRA* (locked-in retirement account) or an annuity
- Non-registered savings: can be withdrawn by setting up a “systematic withdrawal plan” or used to purchase an annuity

**The rules and regulations for Locked-In Retirement Income Plans vary by province.*



The Retirement Transition

- If safety of capital and the need for regular income is important to you, an annuity is one option to consider
- If you want to continue building wealth or leave an estate, a RRIF may be more appropriate
- Both require capital and interest to be paid out (and taxed) during your and/or your spouse's lifetime
- Remaining capital or income will be taxed at death



What is an Annuity?

- A series of regular payments that give you a guaranteed reliable, secure income, similar to a pension



Why an Annuity?

- Steady, reliable, guaranteed income
- Reduces worry of
 - Outliving your retirement capital
 - Delaying your retirement
 - Downsizing your lifestyle
- Provides a higher income than other alternatives of similar security



Why an Annuity?

- Annuities can
 - Provide interim or bridge income until start of OAS, CPP/QPP or RRIF income
 - Reduce OAS clawback
 - Guarantee premium payments on new and existing life policies
 - Generate pension income for Pension Tax Credit
 - Guarantee income for disabled beneficiaries and fund alimony and structured settlements



Types of Annuities

- Life annuities
 - **Straight life:** pays you an income for as long as you live
 - **Life annuity with a guarantee period (eg. 10 yrs):** pays you an income for as long as you live; if you die before the end of the guarantee period, your beneficiary receives the payments until the end of the guarantee period
 - **Joint and-last survivor:** pays a guaranteed income while you and your spouse are alive, and continue paying that income to the surviving spouse if one of you die
- Fixed Term annuities pay a set income for a guaranteed time only, usually up to age 90 and not less than 10 years



Income from \$100,000 Non-registered Annuity

- Lump sum annual payment for life, with 10-year guarantee period (based on age 69)

	Male Life-10	Female Life-10	Joint Life-10
Annual Income	\$8,104	\$7,412	\$6,631
Income over 20 years	\$162,080	\$148,240	\$132,620

*Annuity purchased May 02/08. Monthly Payments start Jun 02/08.
Annuity rates in effect May 02/08.*



Taxation of Annuities

- If funds were registered (eg. RRSPs)
 - Income is 100% taxable
- If funds were non-registered
 - Only the interest portion of income payments is taxable
- For non-registered funds, Empire offers prescribed annuities only
 - Spreads the tax payable evenly throughout the lifetime of the annuity



Prescribed Annuities

- Equalized taxation results in substantial tax deferral
- Increases disposable income
- Excellent bridge income
 - Early retirement
 - Delay conversion of RRSP to Age 71
- Tax-free portion could help reduce OAS clawback by keeping income under threshold



Pension Tax Credit

- Annuity income is eligible for pension tax credit
- Available at age 65
- Federal tax credit of 17% of pension income up to \$2,000 a year (\$1,000 in Quebec)



Advantages of Life Annuities

- Life Annuities pay more than GICs for the same dollar
- Cannot outlive income
- No investment or management decisions
- Can spend every penny without worry
- Assuris insurance coverage up to \$2,000 per month
- Prescribed Annuities are tax efficient



Disadvantages of Life Annuities

- Income payments cannot be adjusted to reflect changing needs
- Permanently replaces investment capital
- If straight life annuity, payments stop when you die
- Decision once made is final — can't convert an annuity into another form of retirement income



Understanding Your Options

RRIFs *(Registered Retirement Income Funds)*

- **How they work:** like an extension of your RRSP. Your investments continue to grow tax-free but you must stop contributions and withdraw a certain amount of income from your RRIF each year

Advantages

- you retain personal control over your investments
- flexibility to change your income and make lump sum withdrawals

Disadvantages

- you could outlive your RRIF income
- requires ongoing management



Understanding Your Options

LIFs *(Life Income Funds)*

- **How they work:** type of RRIF, but for locked-in funds (from a company pension plan or other locked-in account)

Advantages

- you have control over your pension money instead of your former company's administrator

Disadvantages

- maximum withdrawal limit
- In some provinces, has to be converted to a life annuity at age 80



Understanding Your Options

LRIFs (Locked-in Retirement Income Funds)

- **How they work:** type of RRIF, similar to a LIF for locked-in funds from a company pension plan or other locked-in account

Advantages

- maintain investment control over funds
- no requirement to purchase annuity

Disadvantages

- withdrawals subject to annual minimum and maximum limits



RRIF Strategies

- Use your spouse's age to calculate minimum payment
- Diversify: combine GIOs and investment funds
- Withdraw only the minimum
- Delay withdrawals until year-end
- RRIF/Annuity combination



Spousal Age Option

- If your spouse is younger, you can base your minimum withdrawals on your spouse's age
- The benefits are that you maximize the tax sheltering of your RRIF

Consider if:

- you have other sources of retirement income since your RRIF income will be less
- your spouse is younger than you
- NOTE: Designation of your spouse's age is irrevocable



If You Invested in GIOs only

(based on \$100,000 RRIF in GIOs @ 4%)

Age at Jan 1	GIO Value @ Dec 31	Calendar Yr. Income
71	100,000	0
72	104,000	7,779
75	92,309	7,246
80	73,337	6,417
85	54,753	5,656
90	36,313	4,946
95	17,923	3,585
99	8,588	1,718
Total Income: \$150,772		

Deposit date: May 02/08. Minimum annual RRIF payout beginning June 02/08.

Withdraw the Minimum

(based on \$100,000 RRIF @ 7% - Monthly Payments)

Minimum Payout		Level Payout (\$1,000 mo)		
Age at Jan1	RRIF Value @ Dec 31	Annual Income	RRIF Value @ Dec 31	Annual Income
71	100,000	0	100,000	0
72	107,000	8,004	94,160	12,000
75	103,429	8,119	74,071	12,000
80	94,728	8,289	30,049	12,000
85	81,530	8,422	0	0
90	62,333	8,490	0	0
95	35,467	7,093	0	0
99	19,043	3,809	0	0
Total Income: \$217,863			Total Income: \$139,824	

Deposit date: May 02/08. RRIF monthly payments begin Jun 02/08 in both cases.

Withdraw Once a Year

(based on \$100,000 RRIF @ 7%)

Monthly Payout			Annual Payout	
Age at Jan1	RRIF Value @ Dec 31	Annual Income	RRIF Value @ Dec 31	Annual Income
70	100,000	0	100,000	0
71	99,386	7,380	99,578	7,380
75	95,855	7,608	96,816	7,669
80	88,361	7,892	90,237	8,040
85	76,168	8,167	78,794	8,425
90	57,492	8,424	60,471	8,827
95	31,490	7,292	33,997	7,826
99	17,521	4,057	19,376	4,460
Total Income: \$219,985			Total Income: \$227,805	

Deposit date: Jan 01/08. Monthly payout begins Jan 31/08 Annual payout begins Dec 1/08

RRIF/Annuity Combination

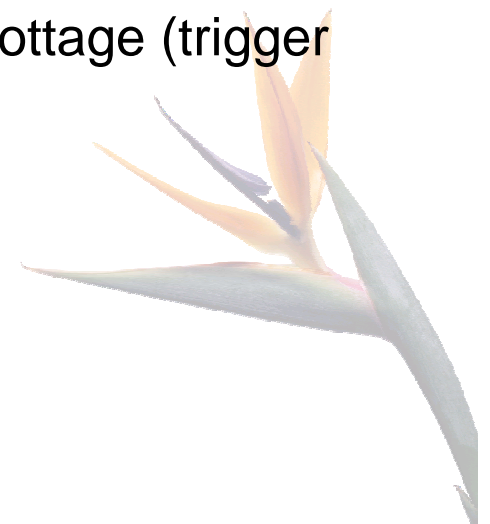
\$50,000 Annuity, Male-Life 10/\$50,000 in RRIF @ 7%

Age at Jan 1	Annuity Income	Inv. Funds Income	Combined Income
71	\$0	\$0	\$0
72	\$4,381	\$4,002	\$8,383
75	\$4,381	\$4,060	\$8,441
80	\$4,381	\$4,144	\$8,525
85	\$4,381	\$4,211	\$8,592
90	\$4,381	\$4,245	\$8,626
95	\$4,381	\$3,547	\$7,928
99	\$4,381	\$1,904	\$6,285
Total	\$122,668	\$108,932	\$231,600

Deposit date: Sep 05/08. Minimum annual payout for RRIF to be paid out Jan 1st of each year starting Jan 01/09. Annuity payment to be paid out Jan 1st of each year starting Jan 01/09. Annuity rates in effect Sep 05/08.

Understanding Your Options

- Things to consider when converting your savings plan to an income plan
 - Other sources of income: company pension, CPP, OAS
 - Which should you draw upon first?
 - How often do you want to get paid?
 - Whether you will want to withdraw a large lump sum (vacation, car, illness)
 - Plans to downsize your home, or sell the family cottage (trigger capital gains)



Understanding Your Options

- Things to consider: shifting your asset mix
 - May want to move some investments into more conservative holdings
 - However, with today's low interest rates, keep some money in investments that have the potential for a higher return
 - Plan on living a long time. You don't want to outlive your income!



Understanding Your Options

General rules of thumb

- Contribute to your RRSP as long as you can
 - Spousal RRSPs
 - Overcontributions
- Draw upon non-registered investments first
- Draw upon guaranteed investments first



Empire Life RRIFs, LIFs, and LRIFs

- Powerful guarantees
- Choose from 21 investment funds & GIOs when custom-designing your portfolio
- Flexible payment options
- Competitive rates on GIOs
- Value-oriented, conservative approach to investing to preserve your capital



Empire Life Annuities

- Competitive Annuity Rates
- Strong, secure company (as measured by MCCR*)
- Convenience
 - Money is deposited directly to your bank account
 - Choose from monthly, quarterly, semi-annual or annual payments

**Minimum Continuing Capital and Surplus Requirements ratio*



Important notes

Past performance is no guarantee of future performance. Empire Life Portfolio Funds currently invest in Class A units of the Empire Life funds.

Please seek professional advice before making any decision. The information in this presentation is for general information purposes only and is not to be construed as providing legal, tax, financial or professional advice. The Empire Life Insurance Company assumes no responsibility for any reliance made or misuse or omissions of the information contained in this presentation

A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. Subject to any applicable Death and Maturity Benefit Guarantee, any part of the premium/deposit or other amount that is allocated to a segregated fund is invested at the risk of the Plan/Contract Owner and may increase or decrease in value according to the fluctuations in the market value of the assets of the segregated fund.

TMTrademark and marketing identity of The Empire Life Insurance Company. Policies are issued by The Empire Life Insurance Company.

FOR ADVISOR USE ONLY.

May 2008



Time to Retire

Understanding your retirement
income options

Sound investing made simple
It's in our nature



Empire Life™

™ Trademark and marketing identity of **The Empire Life Insurance Company**.
Policies are issued by The Empire Life Insurance Company.