

Guide to Financial Planning for Retirement



2018-2019
Edition

Guide to Financial Planning for Retirement

PRODUCTION

[Question Retraite](#)

GRAPHIC DESIGN

[Bleuoutremer](#)

PARTICIPANTS IN THE UPDATE OF THE 2018-2019 EDITION

Johanne Bastarache
(Retraite Québec)

Hélène Berger
(Institut québécois de planification financière)

Renaud Bourget
(Retraite Québec)

Mario Charron
(Fondaction)

Philippe Grégoire
(Chaire d'assurance et de services financiers L'Industrielle-Alliance de l'Université Laval)

Simon Houle
(Regroupement des jeunes chambres de commerce du Québec)

Maryse Gagnon Ouellet
(Retraite Québec)

Sylvie McKay
(Question Retraite)

Julien Michaud
(Autorité des marchés financiers)

Louis Neamtan-Lapalme
(Fonds de solidarité FTQ)

HOW TO CONTACT US

Visit our Web site:

questionretraite.ca

To order additional copies of the *Guide to Financial Planning for Retirement*:

> [download a copy from our Web site](#);

To contact Question Retraite by mail:

QUESTION RETRAITE

2600, boulevard Laurier,
bureau 640
Québec (Québec) G1V 4T3

Useful Information

A GUIDE SPECIFICALLY PREPARED FOR PEOPLE AGED 45 AND UNDER

This guide provides information and advice tailored to people aged 25 to 45. It provides a solid foundation for individuals to plan the retirement they want.

Throughout this guide, we stress financial planning for retirement for individuals, not couples. Once you set your personal objectives, you can integrate them with those of your spouse. Spousal RRSP contributions are an example of this.

A GLOSSARY AT YOUR FINGERTIPS

For your convenience, a glossary is provided at the end of the Guide. The glossary includes definitions of various words and phrases used in the world of finance that can seem complicated. When in doubt, check it out!

Why do you have to think about your retirement today?

1. Time plays in your favour.
The sooner you start saving, the more time your retirement capital will have to grow. In an RRSP or TSFA, the effect can be quite remarkable.
2. Fluctuating income can have a big impact on your retirement income.
That's why it's so important to protect yourself by starting to save early and regularly. Don't forget!

How Much Should I Set Aside Each Year?

A simple method with just five steps.

Follow Rosaire the watering can to discover some tips!



1	2	3	4	5
Determine the Sources of Income You Can Rely On p. 4	Determine Your Retirement Age p. 18	Set Your Retirement Goals p. 22	Determine How Much You Should Save Each Year p. 26	Take Action p. 36

Useful Information
p. 2

Budget Table
p. 31

A Word About Inflation
p. 40

A Word About Investments
p. 41

Resources
p. 43

Test Your Knowledge!
p. 44

Glossary
p. 45

Notes
p. 47

1. Determine the Sources of Income You Can Rely On

TO CALCULATE HOW MUCH YOU SHOULD SAVE EACH YEAR, YOU SHOULD START BY FINDING OUT ABOUT THE SOURCES OF RETIREMENT INCOME YOU COULD HAVE. WE PROPOSE TO MAP THESE SOURCES OF INCOME USING THE HOUSE TO THE RIGHT.



remember

1. The first step in planning for retirement is knowing your sources of income.
2. Saving for retirement is like building a house: the base is provided by our governments, but you have to think to accumulate personal savings to build the walls and the roof if you want to be safe from the unforeseen.

3

Private pension plans
and personal savings

2

Québec
Pension Plan

1

Federal Old Age
Security Program (OAS)



1. THE FEDERAL OLD AGE SECURITY PROGRAM (OAS)

This program provides three types of benefits: the [OAS pension](#), the [Guaranteed Income Supplement \(GIS\)](#) and the [Allowance](#). They are described below.

1.1 THE OLD AGE SECURITY PENSION

The [pension](#) is paid monthly and is [indexed](#) to the cost of living four times a year. The pension is taxable income.

Eligibility requirements:

1. Be at least 65 years old.
2. Have a legal status in Canada.
3. Have resided in Canada for at least 10 years after the age of 18.

You can defer the start of payment of the OAS pension for up to five years. The amount of your pension will increase by 0.6% for each month you defer payment, up to a maximum of 36% (60 months).

Before you decide to defer payment of your OAS pension, be sure to consider your situation. You will not be eligible for the GIS and your spouse will not be entitled to the Allowance while you defer the start of payment of your OAS pension.

1.2 THE GUARANTEED INCOME SUPPLEMENT

You must be receiving an OAS pension to apply for the GIS. It is a monthly benefit offered to individuals living in Canada who have a low income. The GIS is calculated based on income and civil status. This tax-free benefit is indexed to the cost of living four times a year.

1.3 THE ALLOWANCE

If you are married or have a de facto spouse, you can apply for the Allowance if your spouse is receiving an OAS pension and your combined annual family income does not exceed a certain amount. The Allowance is calculated based on income and currently can be paid monthly from age 60 until your 65th birthday. This tax-free benefit is indexed to the cost of living four times a year.

If you lived outside Canada...

If, after age 18, you have lived in Canada for more than 10 years but less than 40 years, your OAS pension will be reduced. However, other conditions can entitle you to obtain a full pension. Find out how! For more information, see Service Canada's Web site at servicecanada.gc.ca.

Table 1 OLD AGE SECURITY PROGRAM (APRIL TO JUNE 2018)

Type of benefit income	Beneficiaries	Maximum monthly payment*	Maximum annual family income
Old Age Security Pension	All beneficiaries	\$589.59	See note*
Guaranteed Income Supplement	Single person	\$880.60	\$17,152
	Spouse of pensioner	\$530.12	\$23,606
	Spouse of non-pensioner	\$880.60	\$42,864
	Spouse of Allowance recipient	\$530.12	\$42,864
Allowance	All beneficiaries	\$1,119.71	\$33,072
Allowance for the survivor	All beneficiaries	\$1,334.72	\$24,072

* The maximum monthly payment includes the additional enhancements to the GIS and the allowances. The amount is indexed according to inflation four times a year, in January, April, July and October. Note: Pensioners whose net personal income is over \$75,910 in 2018 must repay a portion or all of the OAS. The amount of the refund will normally be deducted from their monthly benefits before they are paid. The full OAS pension is recovered if a pensioner's net income is at least \$123,019 in 2018.



2. THE QUÉBEC PENSION PLAN

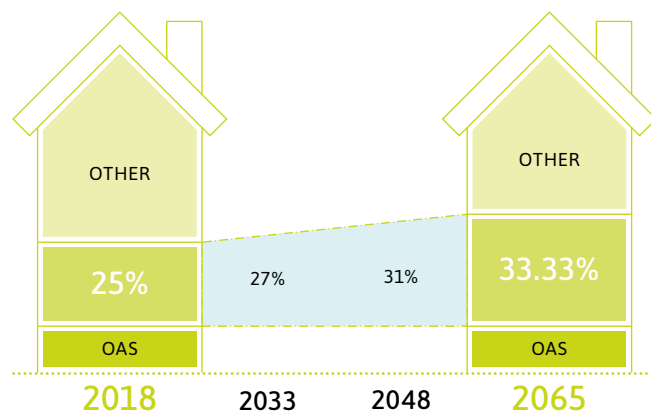
The [Québec Pension Plan](#) (QPP) provides workers and their families with basic financial protection in the event of retirement, death or disability. As of January 1, 2019, it will consist of two plans:

1. The base plan (current plan)
2. The additional plan.

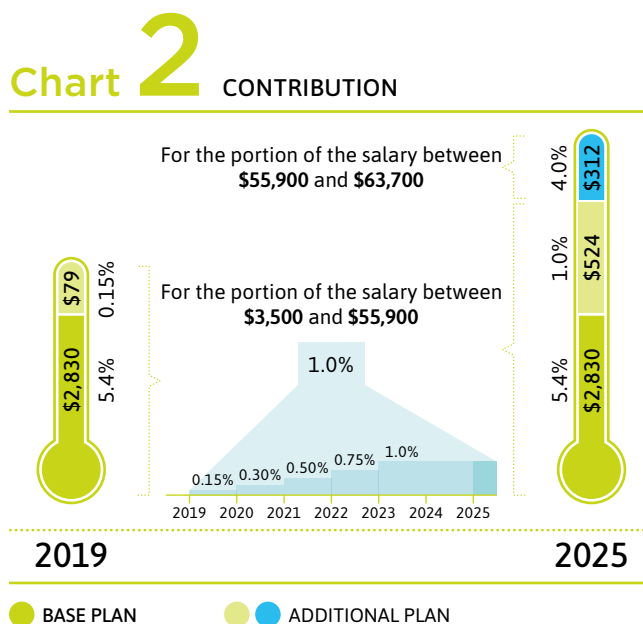
The base plan currently replaces about 25% of the income on which you have contributed if you apply to receive your pension at age 65.

The addition of an additional plan to the Québec Pension Plan will provide more generous coverage for all current workers, but it goes without saying that new [contributions](#) will have to be deducted from your salary and paid into the new contributions will have to be deducted from your salary and paid into the new plan.

Chart 1 REPLACING INCOME



Thus, to finance the income replacement rate, which will gradually increase from 25% to 33.33%, there will be a 1.0% long-term increase in the contribution rate of employees on the eligible salary range of \$3,500 to \$55,900. This new contribution will be phased in over the next five years



In addition, for those earning more than the [Maximum Pensionable Earnings](#) (MPE), a new 4% contribution will be levied from 2024 on the portion that exceeds the MPE to the new cap of \$59,800 in 2024. Starting in 2025, this new cap will still be set equal to 114% of the MPE, or \$63,700. This additional contribution will allow to fund an income replacement rate of 33.33% of the MPE to the new cap.

ELIGIBILITY REQUIREMENTS

To be eligible for a retirement pension, you must:

- > be at least 60 years of age;
- > have sufficiently contributed to the QPP.

Note that...

Contributions to the Québec Pension Plan are shared equally between the employee and the employer. Self-employed workers assume both parts.

AMOUNT OF THE RETIREMENT PENSION

The amount of your pension will depend on the age at which you apply for it, the number of years you contributed to the QPP and the employment earnings on which you made contributions.

RETIRING BEFORE AGE 65

Currently, if you retire before age 65, your pension is reduced for each month between the date you applied for your pension and the date of your 65th birthday. The adjustment factor varies depending on the amount of your pension. It will be close to 0.5% if your pension is low, and it will gradually increase to 0.6% if you receive the maximum pension.

RETIRING AT AGE 65

The “normal” retirement age is 65. This means that your pension will not be reduced or increased if you start receiving it at age 65.

RETIRING AFTER AGE 65

If you apply for your pension after age 65, it is increased by 0.7% for each month between the date of your 65th birthday and the date of your retirement, up to 70 years of age.

Table 2 QPP RETIREMENT PENSION

You apply for your pension at...	Maximum monthly pension in 2018*
Age 60	\$725.87
Age 65	\$1,134.17
Age 70 or over	\$1,610.52

* These amounts apply if you are receiving the maximum pension.

Important! Very few people receive the maximum pension

In 2017, only 3.7% of new retirees received the maximum pension, whether a “regular” pension at age 65, an early retirement pension between age 60 and 64, or a pension applied for after age 65. The average pension was \$503 a month for all retirees.

The amount is set based on various factors :

- | | | |
|--------------------------------|--|----------------------------|
| 1. The age at which you retire | 2. The number of years you contributed to the Plan | 3. The employment earnings |
|--------------------------------|--|----------------------------|

A retirement pension under the QPP is taxable and indexed to the cost of living in January of each year.

The statement of participation: an effective planning tool

If you would like to know what the amount of your pension will be when you retire at age 60 or 65, consult your Statement of Participation. It is a good source of information.

The statement of participation shows all of the employment income on which you have made contributions during your life and provides an estimate of the benefits you could receive in retirement. You can view it [online](#) or request a copy by telephone.



Québec Pension Plan Statement of Participation

Date of issue: 20 June 2018
Client number:
Date of birth: 22 March 1980

You can consult your statement at any time via the My Account online service at www.retraitequebec.gouv.qc.ca.

The Québec Pension Plan is a compulsory public insurance plan. It provides basic financial protection in the event of retirement, disability or death. This document provides an estimate of the benefits that you and your family could receive according to the law currently in effect.

The estimate takes into account any specific information in your file, which can be found on page 3.

When you retire

Once you turn 60, a retirement pension can be paid at the age you choose. The amount varies according to:

- your age when you retire;
- your years of contribution;
- the employment earnings recorded under your name (see next page).

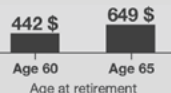
Estimate of the amount of your retirement pension (monthly)

➤ If you stopped making contributions today



This is an estimate of the amount of the pension you could receive at the age indicated if, as of today, you do not make any more contributions to the Plan. This could be because you stop working or because your employment earnings no longer exceed 3 500 \$ a year until you retire.

➤ If you continue to make contributions



This is an estimate of the amount of the pension you could receive at the age indicated if you continue making contributions to the Plan on earnings that are similar to your earnings in the last few years.

To consult your statement,
use the *My account*
online service on
Retraite Québec's Web site.

It's free!



Your benefits are calculated using the pensionable earnings recorded in your file.

The information concerning your employment earnings is provided by Revenu Québec.

Your pensionable earnings are shown in the table at right. For years in which partition was carried out, they correspond to the **earnings that were partitioned** between you and your former spouse.

For years in which partition was not carried out, they correspond, in general, to one of the following:

- **Your actual employment earnings**, if they were between the minimum required in order to contribute to the Québec Pension Plan (3 500 \$ in 2018) or the maximum on which contributions could be made (55 900 \$ in 2018);
- **Earnings that are less than your actual employment earnings**, if you make more than the maximum on which contributions could be made. For example, if you earn more than 55 900 \$ in 2018, pensionable employment earnings of 55 900 \$ will be entered in your file.

Double-check the earnings - and your date of birth on the first page - in order to receive the amounts to which you are entitled. To notify us of an error, call the telephone number in the "How to reach us" section.

Note

- ^a The amount shown is the maximum pensionable earnings for the year because the actual employment earnings exceeded that amount.

Pensionable earnings

Year	Pensionable employment earnings	Note
2017	28 000 \$	
2016	27 000 \$	
2015	27 000 \$	
2014	26 000 \$	
2013	26 000 \$	
2012	25 000 \$	
2011	25 000 \$	
2010	24 248 \$	
2009	25 812 \$	
2008	28 619 \$	
2007	29 973 \$	
2006	11 147 \$	
2005	21 367 \$	
2004	31 178 \$	
2003	30 559 \$	
2002	36 186 \$	
2001	34 083 \$	
2000	31 478 \$	
1999	28 025 \$	
1998*	27 675 \$	^a

* The years recorded begin at age 18.

If you worked in another Canadian province or territory, your earnings were recorded under the Canada Pension Plan. These earnings are taken into account in the calculation of your pension under the Québec Pension Plan.

Are the figures for the last few years different from the ones you have? This may very well be the case. When Retraite Québec prepared your statement, it might not have received the most recent data from Revenu Québec yet.



Good
to know

Applying For Your Québec Pension Plan

You must apply to receive your pension.

You can apply up to one year in advance. You can file your application:

1. Online by visiting [Retraite Québec's Web site](#);
2. By completing the form available on [Retraite Québec's Web site](#) or from [Services Québec](#);
3. By telephone.



PHASED RETIREMENT, FULL PENSION

If you are an employee between 55 and 70 years of age, [phased retirement](#) allows you to reduce your hours of work and continue to contribute to the QPP as though you were earning the same salary. The amount of your future retirement pension will therefore not be reduced. However, you must reach an agreement with your employer, known as an agreement concerning Québec Pension Plan contributions and phased retirement.



DISABILITY AND DEATH

Retraite Québec pays benefits in the event of disability or death. For more information, consult Retraite Québec's Web site at retraitequebec.gouv.qc.ca.



IF YOU WORKED ABROAD

Retraite Québec has social security agreements for persons working abroad in about 40 countries. For more information, consult Retraite Québec's Web site.





3. PENSION PLANS OFFERED BY EMPLOYERS

Private pension plans provide employees with a retirement income that complements income provided by public plans. There are various types of private plans, each with its own characteristics. This is why it is so important to learn about your plan before you begin your financial planning for retirement.

FOUR TYPES OF PLANS

There are four main types of plans.
Can you recognize yours?

3.1 SUPPLEMENTAL PENSION PLAN

A [supplemental pension plan](#) (SPP), also called a “[pension fund](#)”, is a plan into which an employer pays contributions on behalf of employees to provide income for their retirement. Employees can also make contributions, depending on the terms of the plan. Amounts must be paid into a pension fund that is not connected to the employer.

There are two types of supplemental pension plans:

1. Defined benefit plan

Under such a plan, your pension is set in advance using a specific formula. It is generally a percentage of your pensionable earnings multiplied by your years of recognized service. Contributions are adjusted periodically to fund the benefits promised. If your pension is harmonized with the QPP (see the section on harmonization), it will typically decrease at age 65 to take into account the QPP pension you will receive. The pension may be indexed to compensate in whole or in part for [inflation](#), or it may not be indexed at all.

2. Defined contribution plan

In this type of plan, your and your employer’s contributions are determined in advance. However, your retirement income is not known in advance since it will depend on the investment income accumulated in your account, the interest rate in effect when you purchase a [life annuity](#) or the interest rates for withdrawals from a [life income fund](#) (LIF).

A [simplified pension plan](#) (SIPP) is a defined contribution plan administered by a financial institution that allows you, as a member, to choose your investments depending on your investor profile.

The statement of benefits: another effective planning tool

Members of most plans receive a statement of benefits at least once a year. This document is important, so keep it in a safe place! It indicates the amount of contributions you have made and any interest accrued. If your SPP is a defined contribution plan, the statement will also indicate the amount your employer has contributed to your account, with accrued interest. If your plan is a defined benefit plan, the statement will indicate the amount of the pension you have accumulated. Like the QPP Statement of Participation, the statement of benefits from your SPP will allow you to calculate the income you will have in retirement more precisely.

HARMONIZATION

A supplemental pension plan (SPP) is harmonized with the Québec Pension Plan when your SPP pension is reduced at age 65 because you are receiving your pension under the QPP. For example, your statement might show that you are entitled to an pension of \$15,000 per year between ages 60 and 64 and a pension of \$10,000 thereafter. Is your plan harmonized?

Labour-sponsored funds and payroll deductions are another option for pension plans offered by employers

Subscribing for shares of a labour-sponsored investment fund (Solidarity Fund QFL, Fondation) can also be a worthwhile option. After reaching an agreement with your employer, you could contribute to your RRSP through payroll deductions and benefit from additional tax credits offered to shareholders of labour-sponsored funds.

3.2 GROUP RRSP

A group RRSP is a collection of individual RRSPs to which contributions are generally made through payroll deductions. Its purpose is to facilitate contributions to individual RRSPs. Your employer may also contribute on your behalf.

3.3 DEFERRED PROFIT SHARING PLAN (DPSP)

Although it is not technically a pension plan, a deferred profit-sharing plan (DPSP) often complements group RRSPs, by receiving employer contributions.

3.4 VOLUNTARY RETIREMENT SAVINGS PLAN

The [voluntary retirement savings plan](#) (VRSP) is a group plan offered by an employer and managed by an authorized [administrator](#). All employers that do not already offer a retirement plan for which source deductions can be made and that have at least five employees will be obligated to offer a VRSP to their employees. Employees will be able to opt out of a VRSP if they wish to do so. For more information about VRSPs, consult Retraite Québec's Web site.

FINDING INFORMATION ON YOUR PLAN

For more information, consult your plan's brochure or talk to your employer. Since the income that will be provided by your plan depends on several factors (type of plan, length of membership, contributions made, etc.), be sure you know all about your plan.

To help you with financial planning for retirement, you can also consult the statement sent periodically by the plan administrator, the financial institution or your employer that gives the sums accumulated under your name.

WHEN CAN YOU BEGIN RECEIVING A RETIREMENT INCOME?

Generally, a retirement pension under an SPP begins to be paid at the normal retirement age set by the plan (usually age 65). However, a pension can be paid earlier (often as of age 55) or later if the plan allows. The amount will then be adjusted accordingly. If you have a defined benefit plan, the amount of your pension and the date you begin receiving it will generally depend on your age and the number of years of service recognized for the purposes of the pension plan. Some plans require you to have reached a certain age (e.g., 55 or 60) or to have achieved a minimum number of years of service (e.g., 35 years of service). For other plans, the sum of your age and years of service combined must reach a certain number (e.g., 88 or 90).

DEATH BENEFIT

If you die before receiving a retirement pension under your SPP, your plan must pay a death benefit to your spouse, unless he or she has waived the right to it. If you do not have a spouse, or if your spouse has renounced the death benefit, it is paid to your designated beneficiary or your heirs. This benefit is usually paid in a lump sum. Where a death benefit is payable to the spouse, it can also be paid in the form of a pension.

If you die while you are receiving a pension under your SPP, your spouse will receive a life annuity, unless he or she has waived the right to it. This annuity is usually 60% of the amount that you were receiving. Important! Be sure to check with your SPP administrator to see how your plan defines "spouse," as the definition of spouse varies from one law to another.

TRANSFER RIGHT

You can generally transfer pension benefits accumulated in an SPP to:

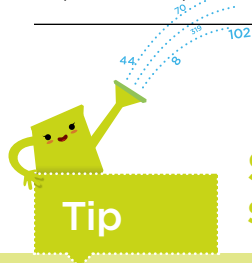
- > a [locked-in retirement account](#) (LIRA);
- > a life income fund (LIF);
- > your new employer's SPP if transfers are accepted;
- > a life annuity contract from an insurer.

PHASED RETIREMENT

You could be eligible for phased retirement if you are a member of an SPP and your plan provides for it. Phased retirement could allow you to receive your pension while working part time. Ask your employer about it!

Table 3 GENERAL FEATURES OF THE FOUR TYPES OF PRIVATE PENSION PLANS

	Supplemental pension plans		Group RRSP	DPSP	VRSP
	Defined benefit plan	Defined contribution plan			
Amount of the pension known in advance	Yes	No	No	No	No
Basic employer contribution	<ul style="list-style-type: none"> > Employer pays the sums necessary to fund the benefits promised > Locked-in > Unseizable 	<ul style="list-style-type: none"> > Minimum 1% of total payroll > Standardized for everyone (depending on employment category or other recognized criteria) > Locked-in > Unseizable 	<ul style="list-style-type: none"> > No (discretionary contribution) > Can be locked-in > Seizable or unseizable, depending on the context 	<ul style="list-style-type: none"> > Varies according to the plan > Not locked-in > Seizable or unseizable, depending on the context 	<ul style="list-style-type: none"> > Employers are not obligated to contribute, but if they do, their contributions are locked-in
Basic member contribution (employee contribution)	<ul style="list-style-type: none"> > Compulsory or non-compulsory, at the employer's discretion > Locked-in > Unseizable 	<ul style="list-style-type: none"> > Compulsory or non-compulsory, at the employer's discretion > Locked-in (SIPP: locked-in or not, at the employer's discretion) > Unseizable 	<ul style="list-style-type: none"> > Generally non-compulsory > Not locked-in > Seizable or unseizable, depending on the context 	N/A	<ul style="list-style-type: none"> > Automatic and voluntary (possibility of waiving participation) > Not locked-in > Unseizable
Voluntary contributions when allowed	<ul style="list-style-type: none"> > Not locked-in > Unseizable 	<ul style="list-style-type: none"> > Not locked-in > Unseizable 	<ul style="list-style-type: none"> > Not locked-in > Seizable or unseizable, depending on the context 	N/A	<ul style="list-style-type: none"> > Yes, under certain conditions (RRSP contribution room)
Withdrawal/transfer by member during employment	<ul style="list-style-type: none"> > Not allowed, unless it is a voluntary contribution and the plan allows it 	<ul style="list-style-type: none"> > Not allowed, unless it is a voluntary contribution and the plan allows it <p>SIPP:</p> <ul style="list-style-type: none"> > Locked-in portion: no refund; transfer allowed as of age 55 > Portion not locked-in: <ul style="list-style-type: none"> • Employee contribution: at the employer's discretion • Voluntary contribution: yes 	<ul style="list-style-type: none"> > Yes, except if special agreement with employer 	<ul style="list-style-type: none"> > Yes, if plan allows 	<ul style="list-style-type: none"> > Yes, at all times
Administration	<ul style="list-style-type: none"> > Pension committee (or employer if fewer than 26 members and beneficiaries) 	<ul style="list-style-type: none"> > Pension committee (or employer if fewer than 26 members and beneficiaries) <p>SIPP:</p> <ul style="list-style-type: none"> > Financial institution 	<ul style="list-style-type: none"> > Employer, union or professional association 	<ul style="list-style-type: none"> > Employer via a trust 	<ul style="list-style-type: none"> > Administrator authorized by the Autorité des marchés financiers
Your options when membership ends	Portion not locked-in: <ul style="list-style-type: none"> > RRSP, RRIF > Annuity > Cash refund (taxable) > Other pension plan 	Portion not locked-in: <ul style="list-style-type: none"> > RRSP, RRIF > Annuity > Cash refund (taxable) > Other pension plan 	<ul style="list-style-type: none"> > RRSP, RRIF > Annuity > Cash refund (taxable) > Other registered plan 	<ul style="list-style-type: none"> > RRSP, RRIF > Cash refund (taxable) > Payments over ten years or single lump-sum payment > Other registered plan 	Portion not locked-in: <ul style="list-style-type: none"> > RRSP, RRIF > Annuity > Cash refund (taxable) > Other locked-in plan
	Locked-in portion: Before age 55: <ul style="list-style-type: none"> > LIRA, LIF > Life annuity Other pension plan As of age 55: <ul style="list-style-type: none"> > Life annuity Possible refund in certain situations	Locked-in portion: <ul style="list-style-type: none"> > LIRA, LIF > Life annuity Other pension plan Possible refund in certain situations	N/A	N/A	Locked-in portion: As of age 55 (except in the case of a disability that reduces life expectancy): payment



Save first, spend later.

We often hear that it is hard to put money aside. Make saving a priority. It is a good way to maintain the standard of living you want in retirement.

If you start saving early, you won't have to ramp up your efforts right before you retire.

That's why we suggest you use a method that allows to have savings deducted directly at source. The process is painless because money is set aside before you can get your hands on it.

4 YOUR PERSONAL SAVINGS

You can build your personal savings in two savings vehicles: registered investments and unregistered investments.

4.1 REGISTERED INVESTMENTS

1. RRSP

Savings invested in a [registered retirement savings plan](#) (RRSP) are sheltered from taxes as they grow. That's why RRSPs are said to offer tax advantages that encourage investment for retirement purposes. An RRSP can include several types of investments: stock shares, bonds, [guaranteed investment certificates](#), etc. Amounts invested in an RRSP are deducted from your net income, which lowers your taxes for the year during which you invested. However, once you withdraw from an RRSP, the amounts are taxable income. Therefore, RRSPs allow you to postpone payment of your taxes to a later date, when your tax rate should be lower.

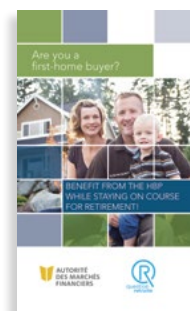
The maximum contribution to an RRSP is 18% of earned income, up to \$26,230 in 2018 and \$26,500 in 2019 (less if you contributed to an SPP or VRSP). To find out how much you can contribute to your RRSP, consult the Notice of Assessment that you receive annually from the Canada Revenue Agency.

An RRSP offers a number of advantages:

- > You have the possibility of using funds in an RRSP to finance the purchase of your first home through [Home Buyers' Plan](#) (HBP)* or further your education through the [Lifelong Learning Plan](#) (LLP), under certain conditions. For more information about the HBP and its effects on your retirement, consult the guide [Are you a first-home buyer? Benefit from the HBP while staying on course for retirement!](#), available on Question Retraite's Web site.

- > You have the possibility of converting it into an annuity or [registered retirement income fund](#) (RRIF).
- > You have the possibility of drafting strategies to split income at retirement through a spousal RRSP. Before contributing, consult a specialist to find out the consequences in case of separation if you are de facto spouses.

* Under certain conditions, you can participate in the HBP even if you already owned a home a few years earlier.



2. TFSA

Available since January 1, 2009, the [tax-free savings account](#) (TFSA) is becoming one of the most useful tools for building up savings for retirement. The types of investment available for TFSAs are generally similar to those available for RRSPs.

The TFSA is a savings account into which adults can deposit amounts that will remain sheltered from taxes. It can be used to save money for any reason (the purchase of a home, a car, etc.).

Anyone 18 or over can contribute to a TFSA, which has no maximum age and no income requirements. Unused TFSA contribution room accumulates and can be carried forward.

The TFSA contribution limits were:

2009 to 2012:	2013 to 2014:	in 2015:	2016 to 2018:
\$5,000	\$5,500	\$10,000	\$5,500

In 2018, the cumulative maximum is \$57,500 for a person who was 18 in 2009.

No amount (capital or interest) withdrawn from a TFSA is taxable, and the amounts withdrawn free up more contribution room for future years. TFSA contributions are not tax deductible.

When it comes to taxes, the advantages of using a TFSA for your retirement savings are undeniable: since withdrawals are tax free, they do not negatively affect the various calculations for amounts received from social programs (for example, the [Guaranteed Income Supplement](#), the [Old Age Security pension](#) or employment insurance). Also, the amounts accumulated in a TFSA before retirement can be used in an emergency, and any withdrawals create new TFSA contribution room as of the following year.

Tableau 4

COMPARISON OF RRSPs AND TFSAs

		RRSP	TFSA
DATES AND AMOUNTS PERMITTED	Annual contribution deadline	60 days after the end of the current taxation year, either February 29 or March 1, depending on the case*.	December 31 of the taxation year.
	Annual contribution limit	18% of income earned the preceding year, up to \$26,230 in 2018 and \$26,500 in 2019, indexed to the cost of living for subsequent years. Participation in employer-sponsored retirement plans reduces the annual contribution amount.	In 2018, maximum of \$5,500 per year as of age 18. The cumulative maximum is \$57,500 for those not having reached the annual maximum since the program was established in 2009.
	Age limit	December 31 of the year you reach age 71	None
TAXES	Are contributions income tax deductible?	Yes	No
	Taxable withdrawals?	Yes	No
	Taxable investment income?	No	No
	In case of death	Amounts transferred to a spouse or a disabled child are not taxable. Possible tax relief for amounts transferred to children.	Amounts withdrawn from the account at death are not taxable. They do not affect the contribution room of the spouse who transfers these amounts into their own TFSA.
CONTRIBUTION ROOM	Contribution room available	Corresponds to the unused portion of your maximum annual amount deductible since 1991.	Corresponds to the unused portion of your maximum annual allowable contributions since 2009.
	Excess contributions	Penalty of 1% per month (lifetime excess contributions of \$2,000 allowed)	Penalty of 1% per month
	Do withdrawals increase contribution room?	No	Yes. Withdrawals add to the contribution room for the following year**.
	Spousal contributions	Possible. The contributing spouse claims the tax deduction even if he or she is not the beneficiary.	Considered a deposit by the spouse themselves. The surviving spouse may only transfer the deceased spouse's sums to his or her account upon death, without any impact on his or her contribution room.
OTHER CONSIDERATIONS	Can it be used as collateral for a loan?	No	Yes
	Impact of withdrawals on benefits from social programs	Withdrawals are added to taxable income	None

* For example, on March 1, 2018 to reduce your taxable income for 2017. ** Withdrawals from a TFSA account in a year do not reduce the total amount of contributions already made in that year. However, they are added to the cumulative maximum from the following year, i.e. that they increase the contribution room for the following year. Please refer to the Government of Canada site for more details.

Avoid dipping into your RRSP before retirement
(Except when taking advantage of the HBP or the LLP)

You may be tempted to dip into your RRSP before retirement. To help you resist that temptation, consider the following:

> Any funds you withdraw today will deprive you of much larger sums that would otherwise be available in retirement. For example, at an average annual rate of return of 5%, a withdrawal of \$5,000 made today will deprive you of \$21,610 in 30 years. Think it through!

> Amounts withdrawn from an RRSP do not free up contribution room for subsequent years: your used contribution room is gone for good.
> Any money withdrawn from your RRSP is deemed to be taxable income. The cost could be high. For example, at a 40% tax rate, a withdrawal of \$5,000 will cost you \$2,000 in taxes.

Choose Periodic Contributions

It is generally better to contribute a little each month to your RRSP or TFSA rather than make one large contribution at the end of the year. Why? Because each month, interest accrues tax free on every dollar invested.

Age Limit for RRSP Contributions

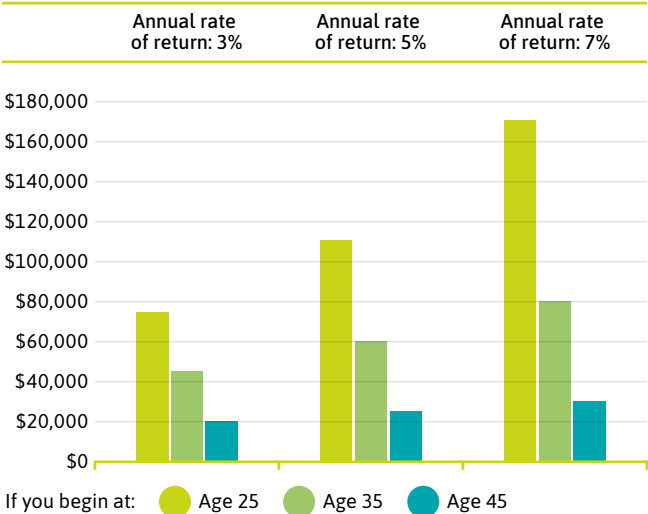
You can contribute to an RRSP until December 31st of the year in which you reach age 71. Three options are then available: withdraw the entire amount of your RRSP (rarely to your advantage), purchase an annuity or convert your RRSP into a registered retirement income fund (RRIF). You can also combine these strategies. An RRIF is similar to an RRSP in that it allows your savings to grow tax free. The main difference is that you must withdraw a minimum amount from your RRIF every year, which is then considered taxable income.

Even if you can no longer contribute to your RRSP, if your spouse has not yet reached age 71, you can continue to contribute to a spousal RRSP with all the tax advantages. You must have RRSP contribution room, and the tax refund will go to you. Your spouse's RRSP contribution room will not be affected. From a legal standpoint, however, the amounts contributed belong to your spouse. This may have consequences in the event of the breakdown of the couple's union if the couple is not subject to the rules of partition of family patrimony.

There is no maximum age limit for contributing to a TFSA.

Chart 3 MONTHLY SAVINGS

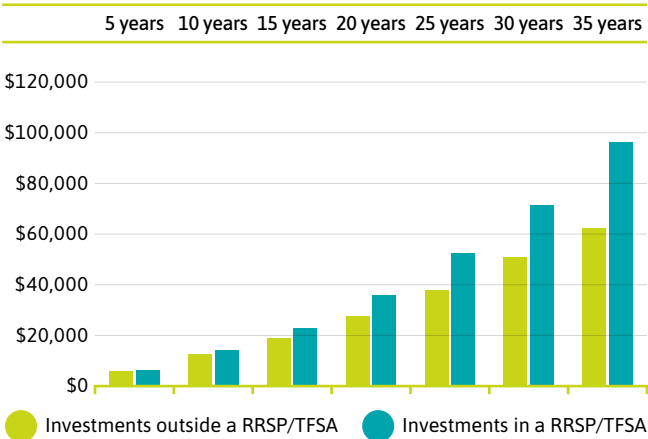
Savings of \$100 a month until age 60



As you can see, by saving a little each month, you accumulate money easier without undue pressure on your budget. If you are disciplined, you can save money from each pay cheque and accumulate even more.

The following chart shows the growth of investments in two interest-bearing vehicles, one registered, the other not. We took into account both the tax reduction obtained (40%) by contributing to the RRSP and the income taxes payable (40%) by withdrawing the amounts from the RRSP.

Chart 4 THE REGISTERED SAVINGS ADVANTAGE*



* Growth of an annual contribution of \$1,000 in an RRSP or TFSA and in an unregistered savings vehicle. The assumptions are as follows: annual rate of return of 5%, marginal tax rate of 40%, payments made at the beginning of the year.

4.2 UNREGISTERED INVESTMENTS

1. Traditional unregistered investments

If you have maximized your RRSP, TFSA and SPP or VRSP contributions, there is no reason you cannot save more for retirement by making unregistered investments outside an RRSP or TFSA. However, income generated by unregistered investments is taxable. One common strategy is to:

- > put all interest-bearing investments into an RRSP or TFSA.
- > put all investments that pay capital gains into an unregistered account.

For tax purposes, interest income is not treated the same as [dividends](#) or [capital gains](#). Therefore, the taxes payable on interest earnings are greater than the taxes that apply to dividend and capital gains income.

In your RRSP or TFSA, investments such as [publicly-traded shares](#) or certain [mutual fund](#) shares generate dividend income or capital gains. You therefore lose the tax break you would be eligible for otherwise. A financial planner can help you draft an investment strategy that weighs these factors.

2. Unregistered tax-advantaged fund

In addition to traditional unregistered investments, you can invest in unregistered tax-advantaged funds. Although tax-advantaged funds are less flexible than other types of funds in terms of cashing out, they allow you in return to benefit from tax credits that reduce your income taxes payable. As with other unregistered investments, the income these investments generate (capital gains, in the case of tax-advantaged funds) are taxable in the year of withdrawal.¹

Here is a table summarizing the main characteristics of three tax-advantaged funds in Quebec:

Table 5 MAIN CHARACTERISTICS OF THREE TAX-ADVANTAGED FUNDS IN QUEBEC

	Fondaction	Solidarity Fund QFL	Capital régional et coopératif Desjardins ²
Federal credit rate	15%	15%	N/A
Provincial credit rate	20%	15%	35%
Total credits	35%	30%	35%
Maximum annual amount eligible for tax credits	Maximum of \$5,000 in total for both funds		Maximum of \$3,000
Can be deposited in an RRSP	Yes	Yes	No
Withdrawal conditions ³	At retirement, with exceptions		Minimum holding period of 7 years, with exceptions

Plan online!

SimulR and CompuPension are two tools that enable you to simulate your retirement income. Visit their site to use them and kill two birds with one stone by consulting My Account. There you will find information on your participation in the Québec Pension Plan as well as the amounts you could receive when you retire. retraitequebec.gouv.qc.ca

1. The tax credits of these funds do not reduce the adjusted cost base of these shares, which will be a significant benefit on the resale of these shares by decreasing the capital gain. / 2. This is the current category of shares. Beginning in 2018, a shareholder with shares of the current category for at least 7 years and who has never requested the redemption of his or her shares or proceeded to the purchase by agreement of his or her shares, may acquire shares of a new category. This new class of shares will entitle the shareholder to an additional 10% credit. In exchange for this credit, the shareholder agrees to keep his or her shares for another period of 7 years. The maximum amount eligible for the credit will be \$15,000, which could generate an additional credit of up to \$1,500. / 3. Consult the simplified prospectus for these funds for more information.

2. Determine Your Retirement Age

IF YOU CHOOSE TO RETIRE
BETWEEN THE AGES OF 55 AND 65,
THERE MAY BE A FINANCIAL COST.

AT AGE 55, you are not yet eligible for a public pension plan ([Québec Pension Plan](#) and [Old Age Security](#)). You will have to rely on your personal savings to get by. Will you have enough? Remember, you won't be entitled to a pension under the Québec Pension Plan (QPP) for another five years, and it will be a reduced pension at that. You'll also have to wait at least ten years to qualify for an Old Age Security (OAS) pension.

AT AGE 60, you become eligible for a retirement pension under the QPP. If you apply for a QPP pension at that age, the amount will be lower than the amount you would have been entitled to if you had applied at age 65. The decrease is permanent.

AT AGE 65, you have access to all of the available sources of retirement income. You can receive an OAS pension and the Guaranteed Income Supplement (GIS), if you are eligible.



remember

1. Eligibility for a public pension begins only at age 60.
2. Public pension plans are designed to ensure minimum protection in retirement.
3. Retirement income generally depends on employment earnings.
4. Review your saving strategies regularly to ensure a retirement that meets your expectations.
5. The age at which you decide to retire will influence your savings strategy.

Table 6 SINGLE PERSON RETIRING AT AGE 60 IN 2018 AND 2048

Annual income* before retirement	QPP*		OAS		GIS		Annual total		% of income replaced before taxes	
	2018	2048	2018	2048	2018	2048	2018	2048	2018	2048
\$30,000	\$4,878	\$5,963	\$0	\$0	\$0	\$0	\$4,878	\$5,963	16%	20%
\$35,000	\$5,645	\$6,900	\$0	\$0	\$0	\$0	\$5,645	\$6,900	16%	20%
\$40,000	\$6,399	\$7,822	\$0	\$0	\$0	\$0	\$6,399	\$7,822	16%	20%
\$45,000	\$7,140	\$8,728	\$0	\$0	\$0	\$0	\$7,140	\$8,728	16%	19%
\$50,000	\$7,868	\$9,618	\$0	\$0	\$0	\$0	\$7,868	\$9,618	16%	19%
\$55,000	\$8,583	\$10,492	\$0	\$0	\$0	\$0	\$8,583	\$10,492	16%	19%
\$60,000	\$8,710	\$11,158	\$0	\$0	\$0	\$0	\$8,710	\$11,158	15%	19%
\$65,000	\$8,710	\$11,600	\$0	\$0	\$0	\$0	\$8,710	\$11,600	13%	18%
\$70,000	\$8,710	\$11,600	\$0	\$0	\$0	\$0	\$8,710	\$11,600	12%	17%
\$75,000	\$8,710	\$11,600	\$0	\$0	\$0	\$0	\$8,710	\$11,600	12%	15%
\$80,000	\$8,710	\$11,600	\$0	\$0	\$0	\$0	\$8,710	\$11,600	11%	14%

* This data is in 2018 dollars

Table 7

SINGLE PERSON RETIRING AT AGE 65 IN 2018 AND 2048

Annual income* before retirement	Income from public sources										Income from private sources		Total income			
	QPP*		OAS*		GIS*		Total Income from public sources		Replacement rate		Additional income to achieve the goal		Total income, public and private sources combined, by objective		Objective of replacement rate	
	2018	2048	2018	2048	2018	2048	2018	2048	2018	2048	2018	2048	2018	2048	2018	2048
\$30,000	\$7,304	\$8,929	\$7,075	\$5,249	\$1,065	\$0	\$15,445	\$14,178	51%	47%	\$8,500	\$9,700	\$23,945	\$23,878	80%	80%
\$35,000	\$8,521	\$10,417	\$7,075	\$5,249	\$0	\$0	\$15,597	\$15,666	45%	45%	\$12,500	\$12,500	\$28,097	\$28,166	80%	80%
\$40,000	\$9,739	\$11,905	\$7,075	\$5,249	\$0	\$0	\$16,814	\$17,154	42%	43%	\$13,000	\$13,000	\$29,814	\$30,154	75%	75%
\$45,000	\$10,956	\$13,393	\$7,075	\$5,249	\$0	\$0	\$18,031	\$18,642	40%	41%	\$15,500	\$15,000	\$33,531	\$33,642	75%	75%
\$50,000	\$12,174	\$14,881	\$7,075	\$5,249	\$0	\$0	\$19,249	\$20,130	38%	40%	\$16,000	\$14,800	\$35,249	\$34,930	70%	70%
\$55,000	\$13,391	\$16,369	\$7,075	\$5,249	\$0	\$0	\$20,466	\$21,618	37%	39%	\$18,000	\$16,800	\$38,466	\$38,418	70%	70%
\$60,000	\$13,610	\$17,434	\$7,075	\$5,249	\$0	\$0	\$20,685	\$22,683	34%	38%	\$21,200	\$19,500	\$41,885	\$42,183	70%	70%
\$65,000	\$13,610	\$18,124	\$7,075	\$5,249	\$0	\$0	\$20,685	\$23,374	32%	36%	\$21,500	\$19,200	\$42,185	\$42,574	65%	65%
\$70,000	\$13,610	\$18,124	\$7,075	\$5,249	\$0	\$0	\$20,685	\$23,374	30%	33%	\$24,500	\$22,000	\$45,185	\$45,374	65%	65%
\$75,000	\$13,610	\$18,124	\$7,075	\$5,249	\$0	\$0	\$20,685	\$23,374	28%	31%	\$24,500	\$22,000	\$45,185	\$45,374	60%	60%
\$80,000	\$13,610	\$18,124	\$7,075	\$5,249	\$0	\$0	\$20,685	\$23,374	26%	29%	\$27,000	\$25,000	\$47,685	\$48,374	60%	60%

*This data is in 2018 dollars. The Old Age Security pension and the Guaranteed Income Supplement increase each year according to inflation, while salaries generally increase at a rate of 1% higher than inflation. To reflect this assumption, we need to multiply OAS in [today's dollars](#) by a discount factor of 1% by 2018 ($7,075.08 \times 0.7419 = \$5,249$).

WHAT DO PUBLIC PENSION PLANS OFFER?

Public programs such as the Québec Pension Plan (QPP), federal Old Age Security (OAS) pension and Guaranteed Income Supplement (GIS), generally do not provide all of the funds necessary to cover individual's needs in retirement. You will have to rely on your personal savings or income from a pension plan to make up the difference.

Here is an example

Maryse is 35 years old. She believes that her average gross annual income of the three years before her withdrawal from labour market will be \$50,000 and, at present, she has not saved for retirement.

At age 65, public plans replace about 40% of her working income (see Table 7). To achieve her goal of 70% replacement rate of her income at retirement, she will need additional income from another pension plan, an RRSP or a job to make up the difference, of \$14,800 a year.

She could also consider saving money to fill this gap. As our example applies to pre-tax income we however do not take into account this possibility.

However, if she retires at age 60

- > Public plans will only replace 19% of her working income (see Table 6).
- > She will only receive 64% of her pension under the Québec Pension Plan for the rest of her life.
- > She will not yet be eligible for the OAS or GIS.

Setting your retirement age is a good starting point, but life can sometimes throw you a curve. Here are three examples:

YOUR HEALTH

Your health can change drastically, forcing you opt for [phased retirement](#) or retire earlier than you intended. A serious illness or disability could lead you to reassess your plans for retirement. A financial planner can give you more information to help you prepare for the unexpected.

FAMILY OBLIGATIONS

If you're thinking about having children at age 35, bear in mind that they will only be 20 years old when you turn 55. If they are students or still living at home, this could mean an extra financial burden. You may have to put off retirement. On the other hand, if you have to care for a family member, you may be forced to leave the labour market sooner than expected. Be sure to take family obligations into consideration when planning for retirement.

YOUR PROFESSIONAL SITUATION

It is difficult to predict what your professional situation will be like over a period of 20 or 30 years. Losing a job, a plant closing, returning to school to begin a new career, a work accident, and starting a new business are a few examples of major changes that could have an effect on when you retire. Your retirement could be delayed or, on the contrary, occur sooner than you anticipated. A professional can help take these various factors into account in planning for retirement.

Other information

LIFE EXPECTANCY AND FINANCIAL PLANNING

Life expectancy is the average number of years you can expect to live. But it is only an average: some people die very young while others live beyond age 100. So you need to plan for retirement carefully!

REGULAR UPDATES

A financial plan for retirement is never set in stone. Professionals recommend that you re-evaluate your plan every three years or when a major change that has an effect on your finances occurs. Therefore, you could re-evaluate it at different phases of your life, such as

the birth of a child, a sabbatical leave, part-time work, loss of employment or startup of a business.

IT'S DIFFERENT FOR WOMEN

Studies show that women have less retirement income than men. When a child is born, women often take maternity leave and have their income drop for an extended length of time. During this period, they do not necessarily save for retirement.

If you are a woman, you will probably have to live longer on your savings than if you were a man. In 2017, life expectancy for men and women age 65 is 85 and 88 years of age respectively.

More women live alone. In 2011, in Quebec, 39% of women aged 65 and over lived alone, compared with 20% of men the same age.⁴ Therefore, more women do not have help covering basic needs such as lodgings, heating, taxes, etc.



4. Source: Ministère de la Santé et des Services sociaux.

3. Set Your Retirement Goals

SPECIALISTS AGREE THAT IN GENERAL, AN INDIVIDUAL WILL REQUIRE APPROXIMATELY 60% TO 80% OF HIS OR HER GROSS ANNUAL INCOME EARNED DURING THE LAST THREE YEARS OF WORK TO MAINTAIN THE SAME STANDARD OF LIVING IN RETIREMENT. FOR EXAMPLE, IF YOUR AVERAGE GROSS ANNUAL INCOME IS \$50,000, YOU WILL NEED \$30,000 TO \$40,000 PER YEAR IN RETIREMENT.

However, this “rule” does not apply to everyone: it depends on your employment income and your post retirement plans. You can determine a higher or lower percentage, based on your personal situation, that takes into account your salary and your retirement goals.

You can convert the percentage into dollars (e.g., 80% of \$30,000 is \$24,000) to determine whether the amount will be sufficient.



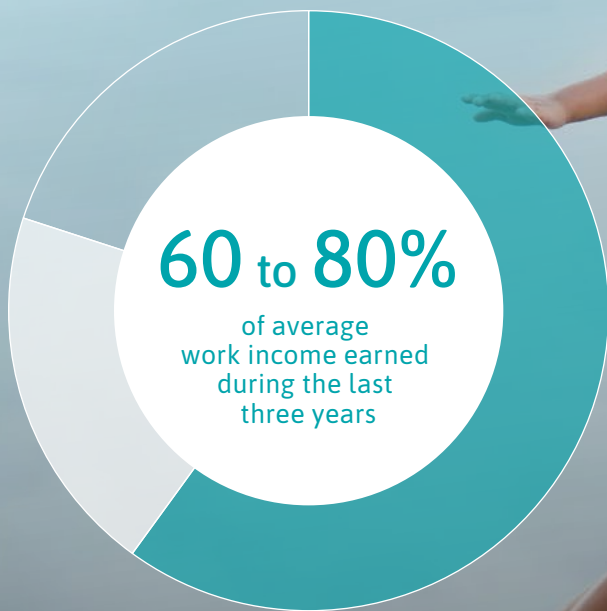
GENERALLY, YOU WILL NOT NEED 100% OF YOUR INCOME ONCE YOU RETIRE BECAUSE:

- > you will have fewer expenses, and some will or disappear altogether (e.g., work-related expenses);
- > you will no longer be making contributions for retirement;
- > you will likely have fewer family-related expenses.
- > you will be paying less tax;

On the other hand, costs for health care and social and recreational activities could increase.

Get inspired by the content of fixed and variables expenses from the budget table in this guide to help you evaluate your expenses in retirement.





remember

1. An individual will generally require 60% to 80% of his or her average gross annual income earned during the last three years of work to maintain the same standard of living in retirement.
2. When you retire, your work-related expenses will decrease or disappear, but expenses for health care and social and recreational activities will increase.
3. At whatever age you retire, public plans will only replace a portion of your income. You can make up the difference with your personal savings or retirement plan—or a combination of the two.

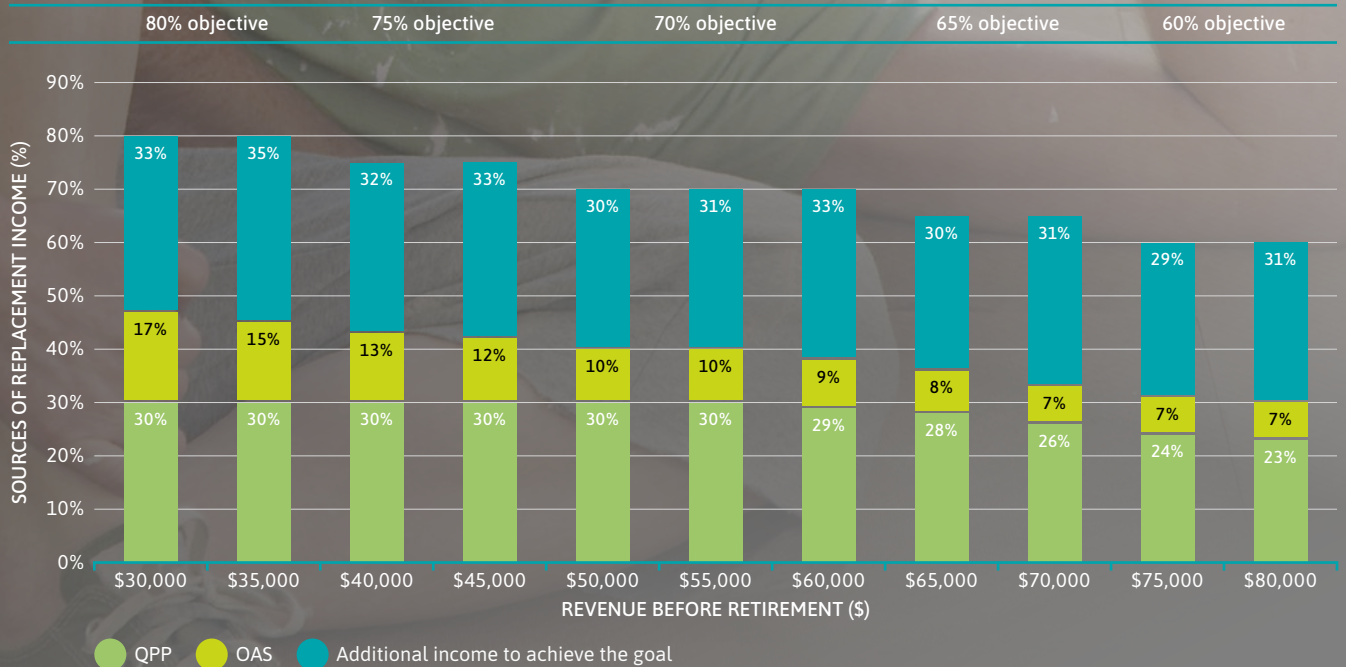
Table 8 PROBABLE CHANGES IN EXPENSES DURING RETIREMENT

Expenses	Eliminated	Reduced	Unchanged	Increased
Social and recreational activities				●
Food			●	
Contributions to a pension plan offered by your employer	●			
RRSP contributions	●	●		
TFSA contributions	●	●		
Québec Pension Plan contributions	●			
Professional membership fees and union dues	●			
Employment insurance contributions	●			
Parental insurance contributions	●			
Vehicle maintenance			●	
Transportation expenses		●		
Expenses for travel				●
Income tax		●		
Lodging			●	
Health care				●
Clothing		●		

What does this chart mean?

Chart 5 shows the percentage of income various public sources replaces, by employment income prior to retirement, when benefits start at age 65. The higher your salary, the more you will need to rely on other types of savings to maintain the standard of living you had prior to retirement.

Chart 5 SOURCES OF INCOME REQUIRED TO REPLACE BETWEEN 60% AND 80% OF YOUR SALARY BEFORE RETIREMENT FOR A SINGLE PERSON RETIRING AT AGE 65 IN 2048



4. Determine How Much You Should Save Each Year



HAVE YOU STARTED TO MAKE CALCULATIONS FOR RETIREMENT? FROM A FINANCIAL STANDPOINT, AT WHAT AGE COULD YOU RETIRE?

Of the amount you could manage to save each month, what portion should go towards an RRSP? Should you invest in a TFSA? How much will your RRSP be worth when you are 60? If you retire early, do you know how much your SPP pension will provide? In this section, discover the various tools offered by Question Retraite to help you answer these questions.



remember

1. Make your budget to know where your money goes.
2. Pay yourself first.
3. Set aside 10% of your net income for retirement.
4. Re-evaluate your budget regularly.



1. PUT AT LEAST 10% OF YOUR NET INCOME AWAY FOR RETIREMENT

To make sure you save, it is better to start with a budget and include a portion devoted to savings.

As a general rule, it is often recommended to set aside 10% of your net income for retirement. Of course, this rule doesn't apply in all situations, but it can give you a general estimate of the amount you should save in order to maintain your standard of living in retirement.

FOR EXAMPLE

Audrey is 28 years old. She is an employee at a multimedia development company, and her employer does not offer a retirement savings plan. Her annual gross salary is \$45,000. Currently, once the typical deductions are made (federal and Québec taxes, contributions to the Québec Pension Plan, employment insurance and the Québec Parental Insurance Plan, etc.), her net income of approximately \$36,000 is used for all of her basic expenses, plus a few "treats."

Audrey likes her current lifestyle and wants to maintain it. Given this fact, where do we find amounts to save?

10% of her net income is \$3,600. She would like to save that amount each year. In making her budget, she realizes that she has a \$3,000 balance on her credit card at an interest rate of 18%. She also has a credit card balance insurance that costs her \$360 a year. She finds that her auto and home insurance are expensive and that her groceries are too. She is, however, very proud of her \$3,000 cash emergency fund deposited in a TFSA.

By taking inspiration from the 99 *trucs pour économiser sans trop se priver*, she chooses a few tips and she quickly gets results while maintaining her standard of living:

Table 9 AUDREY'S STRATEGY TO ACHIEVE HER GOALS

Actions	Results
ACHIEVE IMMEDIATELY	
She uses her emergency fund (TFSA) to pay off her expensive credit card. From now on, she will pay the full credit card balance at the end of each month.	She saves \$540 in interest and \$360 in credit card insurance each year. She temporarily sacrifices \$45 of annual return on the amounts deposited in her TFSA.
She changes credit cards for a card that gives her cash rewards.	She will receive \$200 in rewards each year and she will invest it.
She's shopping for auto and home insurance.	She saves \$400 a year.
She buys more foods on sale at the grocery store, going so far as to stock up in order to not pay for regular-priced food.	She saves \$300 a year.
She uses part of her 3% salary increase (\$400 a year) to invest. The rest will be used to offset inflation. She will do the same for the next two years, then she will use all of her other salary increases to improve her lifestyle. After all, she tells herself, one must live well!	She saves \$400 the first year, \$800 the second and \$1200 the third year.
ACHIEVED IN 1ST YEAR	
After 9 months, she saved \$1,500 and deposited it into her savings account as an emergency fund. She then chooses a banking package allowing her a dozen free transactions per month while maintaining this balance. Most of her transactions will now be done with her credit card which does not charge fees.	She saves \$200 a year in bank fees.
At the end of the first year, with the money saved, she deposits \$700 in her TFSA.	She deposits \$700 into her TFSA that accumulates tax-free and also serves as an emergency fund.
ACHIEVED IN 2ND YEAR	
The amount saved that year allow her to:	> She deposits \$800 more into her TFSA. Her emergency fund is totally restored.
> deposit \$800 in her TFSA for her emergency fund;	> She contributes \$1,570 to her RRSP.
> invest \$1,570 in her RRSP (cost of \$1,060 considering the tax reduction);	> She contributes \$2,400 to a labour-sponsored RRSP fund.
> invest \$2,400 in a labour-sponsored RRSP fund (cost of \$900).	
ACHIEVED IN 3RD, 4TH AND 5TH YEARS	
The amount saved in each of these years allow her to:	> She contributes \$3,348 to her RRSP.
> invest \$3,348 in her RRSP (cost of \$2,260 considering the tax reduction);	> She contributes \$2,400 to a labour-sponsored RRSP fund.
> invest \$2,400 in a labour-sponsored RRSP fund (cost of \$900).	

After five years, Audrey sees the significant financial progress she has made and she is proud of it. Taking into account her performance, she has accumulated more than \$22,000 in her RRSPs.

She is aware that she will have to pay taxes when she withdraws some money, but the amount accumulated without reducing her standard of living is still impressive.

She could have chosen to invest less in a labour-sponsored fund or in her other RRSP, and more in her TFSA, but she thought it was motivating to see large amounts of money accumulate through tax breaks. For the following years, she proposes to consult an authorized representative to make sure to diversify her investments.

How much will Audrey have accumulated in 35 years.

Assuming a rate of return of 3.9%, she will have accumulated more than \$310,000. That's a nice chunk of change for her retirement!



2. PLAN NOW!

The 10% rule doesn't apply to every situation. Your personal retirement goals might require you to set aside a different percentage of your income. If your employer offers a retirement savings plan, you could reduce the amount of your personal savings.

Question Retraite invites you to use SimulR! Simple and easy-to-use, the tool was designed to help you make your own savings plan for retirement. It is available on Question Retraite's Web site questionretraite.ca in the "Outils pratiques" section as well as on the Retraite Québec Web site at retraitequebec.gouv.qc.ca.

This calculator is for everyone, no matter how familiar you are with personal finances and financial planning. It offers an overview of the amounts you could receive in retirement. It estimates the amounts you could receive from your RRSPs, QPP pension and OAS pension, as well as any other applicable employer-sponsored retirement plans.

SimulR can also help you determine if the money you are setting aside for retirement will be enough to meet your needs throughout your retirement. If not, it will give you an overview of the additional amounts that you will need to save each year to meet your goals.



To Help You Save

Question Retraite's brochure *99 trucs pour épargner sans trop se priver* (French only) is a tool that will help you save money by paying less for the goods and services you need without asking you to give up coffee or take your lunch to work. Download this guide for free at questionretraite.ca.

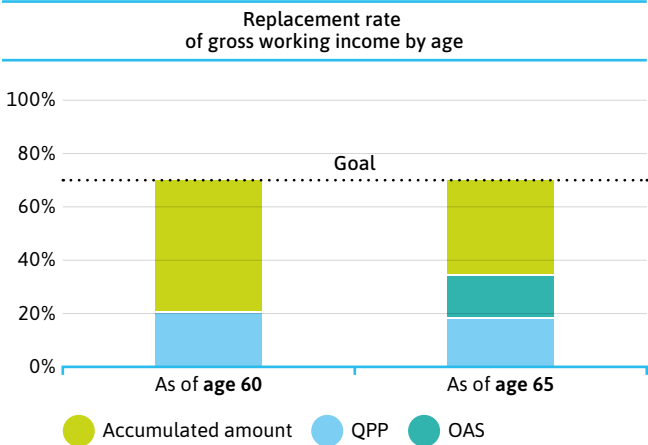
USING THE RETIREMENT SAVINGS CALCULATOR

Xavier, age 35, dreams of retiring at age 60 to devote more time to his hobby, sailing. He does not contribute to a retirement savings plan offered by his employer. If he retires at age 60, he knows that in order to get by, he can only rely on his pension under the Québec Pension Plan and his RRSP, which is worth \$20,000 today. Later on, at age 65, he will be entitled to an OAS pension. He decides to use the SimulR calculator to determine his estimated needs in retirement, his future [shortfall](#) and the savings he will need to offset this shortfall.

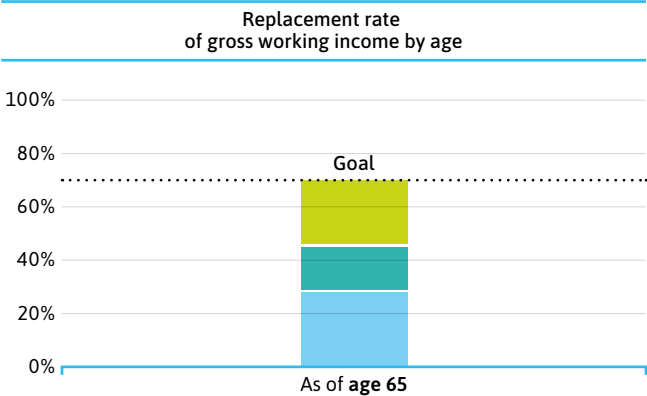
Results: if he retires at age 60, he will have to save \$11,500 a year; if he retires at age 65, he will only have to save approximately \$5,000 a year to meet his goals. If Xavier wants to fulfil his dream and retire at age 60, he will have to limit his expenses and set specific savings goals.

Chart 6 AMOUNT XAVIER SHOULD SAVE ANNUALLY

Xavier will have to save \$11,500 a year if he wants to receive \$35,000 at age 60



Xavier will have to save \$5,000 a year if he wants to receive \$35,000 at age 65



3. YOU CAN LEARN TO MAKE A BUDGET

Now that you have calculated how much you will need to save each year, you would probably appreciate some help achieving your savings goals. The first step is to prepare a budget that includes savings.

Many people simply do not know where their money goes. It's important to start by taking stock of your situation, figuring out what your needs and wants are and getting to know the amounts of your income and expenses. That's exactly what preparing a budget allows you to do. It gives you an overview of your situation and helps you find room to manoeuvre so that you can save money for retirement and personal projects.

Let's take another look at the example of Xavier. He has a general idea of where his money is going. He knows how much he spends on rent, electricity, heating, loans, etc. Why? Because they represent a large outflow of cash. He isn't as sure, however, when it comes to variable expenses such as food, clothing and leisure activities. He needs to be thorough when it comes to making a budget. Xavier must start by putting all of his fixed and variable expenses down on paper. To do this, he can use the budget table in this guide.

He realizes that there is little he can do about his fixed expenses. In order to save money, Xavier can reduce certain variable expenses: supplies, outings, magazines, books, gifts, donations, etc. This is where his power to choose lies. He can also use many of the tips in this guide to save without too much deprivation. Xavier will have to assess his priorities and make some lifestyle changes. This will require resolve, but Xavier accepts this as the price to pay now if he hopes to pursue his passion for sailing in 30 years.

Xavier may have some difficulty forecasting the funds he will require to finance his short-term, medium-term and long-term projects. To determine how much he will need, he can use a calculation table such as Table 10 to complete his budget. Once he determines the total, he can choose

to eliminate certain costly projects or he can enter the total monthly amount in his variable expenses. This will free him from worrying about how much money he will have for projects that come up: he will have to concentrate only on a single amount (\$450 a month in our example), which includes

financing for all of his projects. He will have to adjust his budget once a project is completed or as new circumstances dictate. For example, Xavier will have to save \$200 less for his projects in seven months because his golf trip will be over.

Table 10 PAYING FOR PROJECTS

Project	Amount needed	Savings in hand	Savings required	Monthly savings
Short-term (0-1 year) Golf trip	\$1,400 in 7 months	\$0	\$1,400	\$200
Medium-term (2-6 years) Purchase a used car	\$9,000 in 5 years	\$0	\$9,000	\$150*
Long-term (7 years or more) Renovate the cottage	\$20,000 in 15 years	\$2,000	\$18,000	\$100*
Total				\$450

* The vehicle in which the sums are invested can provide interest income, depending on the type of vehicle. This income can shorten the savings timeframe or reduce the monthly savings needed.

After a few months of new budget habits, Xavier wonders about a few things

SOME MONTHS I'M IN THE RED. WHAT SHOULD I DO?

During some months, Xavier's expenses will exceed his income. This will result in a shortfall. Other months, when his income exceeds expenses, he will have a surplus. He should therefore ensure that the months of surplus make up for these shortfalls and that at the end of the year, he has a balanced budget.

I HAVE A BUDGET SURPLUS AT THE END OF THE YEAR. WHAT SHOULD I DO?

Xavier can put his surplus to good use by transferring it to a savings account. But he should exercise control! Although he is able to generate a surplus, Xavier cannot take a "vacation" from saving for retirement. He has to continue saving each month.

Other calculation tools



Question Retraite's Web site offers several other calculators that could help you wrap your head around your financial planning for retirement. The site can help you measure the effects of investment fees on your returns, estimate the value of your RRSP in retirement, and see how easy it can be to find ways to set aside money.

→ questionretraite.ca

Budget table

THE FOLLOWING TABLE WILL HELP YOU ORGANIZE YOUR FINANCES.

It will help you draw up an estimated yearly budget based on income and expenses. This exercise, performed each month, will produce an accurate profile of your finances. Use the table to manage your current expenses, retirement savings and personal savings. This exercise is also very helpful in establishing a retirement budget.

Net employment earnings

	Month	Year
Gross salary		
Net business income or net income for self-employed worker		
Minus (-)		
Taxes (provincial and federal)		
Employment insurance contributions		
Québec Parental Insurance Plan contributions		
Québec Pension Plan contributions		
Union dues or professional membership fees		
= Employment earnings before savings		

Income

	Month	Year
Employment earnings before savings (line above)		
Plus (+)		
Investments (interest, dividends, capital gains)		
Support payments received		
Government benefits / allowances		
Private pensions		
Other		
= A) TOTAL INCOME		

Savings

	Month	Year
Personal contributions to the pension plan offered by your employer		
Employer contributions to your retirement fund (if fixed amount and contribution list available, otherwise \$0)		
Source deductions		
= Subtotal of savings related to work		
Individual RRSP		
TFSA		
Labour-sponsored investment fund if not included in an RRSP (Solidarity Fund QFL or Fondation)		
Savings account for a project		
Savings for an emergency fund		
= B) TOTAL SAVINGS		

Income Available for Expenses

	Month	Year
A) Total income		
Minus (–)		
B) Total savings		
= C) INCOME AVAILABLE FOR EXPENSES		

Fixed Expenses

	Month	Year
Rent or mortgage		
Electricity / heating		
Cable / specialty channels		
Telephone / Internet		
Taxes (municipal, school, etc.)		
Insurance: life and disability (individual or group)		
home		
automobile		
Driver's licence and registration (automobile, motorcycle, recreational vehicles)		
Public transit (monthly pass)		
Loans: automobile		
other		
Child care		
Bank, credit card and line of credit fees (interest and finance charges)		
Other fixed expenses (ex. support payments, etc.)		
= Subtotal (fixed expenses)		

Variable Expenses

	Month	Year
Food: grocery store		
convenience store		
restaurant / take-out		
school meal / work meal		
Tobacco / alcohol		
Clothing: purchase / maintenance		
Occasional transportation: public transit / taxi		
Automobile: gas / maintenance / parking		
Recreational vehicles and electronic equipment		
Health / beauty / personal hygiene (dental care, hairdresser, cosmetics, etc.)		
Educational expenses (tuition fees, school supplies, etc.)		
Pets		
Main and secondary residences (maintenance, miscellaneous items, furnishings)		
Newspapers / magazines / books / music		
Leisure activities / sports / trips		
Spending money / lottery		
Gifts / charitable donations		
Project financing		
Other variable expenses (plan for at least 5% of fixed and variable expenses)		
= Subtotal (variable expenses)		
= D) TOTAL EXPENSES (FIXED AND VARIABLE)		

Budget Surplus Before Savings

	Month	Year
C) Income available for expenses		
Minus (–)		
D) Total expenses (fixed + variable)		
= E) BUDGET SURPLUS		

If your “budget surplus before savings” in E) is negative, you will need to increase your income or reduce your expenses. Normally, in the short term, it will be much easier to reduce variable expenses than fixed expenses.

Project Financing

This table allows you to plan for the financing of short-term, medium-term and long-term projects.

Project	Amount needed			Savings in hand	Savings required	Monthly savings
Short-term (0–1 year)						
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Medium-term (2–6 years)						
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Long-term (7 years or more)						
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
Title of project	\$	in	months	\$	\$	\$
TOTAL				\$	\$	\$

For each project:

- > Estimate the funds required to complete the project and in how many months or years you will require these funds.
- > Indicate the savings accumulated to date that are reserved exclusively for this project.
- > Subtract the amount from the “Savings in hand” box from the “Amount needed” box. Enter the result under “Savings required.”

- > Divide “Savings required” by the number of months estimated to complete the project. Enter the result under “Monthly savings.”

- > Add together all of the amounts under “Monthly savings.” Enter the total in your main budget table.

For medium-term and long-term projects, you might not need to save as much depending on the rate of return on your investments. You must also consider the inflation rate when determining the cost of your project.



5. Take Action

NOW THAT YOU HAVE A GOOD IDEA OF THE AMOUNTS THAT YOU WILL NEED TO SET ASIDE EACH YEAR TO MEET RETIREMENT SAVINGS GOALS, ALL THAT REMAINS IS TO TAKE ACTION! THERE ARE VARIOUS TYPES OF PROFESSIONALS IN THE FINANCIAL SERVICES SECTOR THAT CAN HELP YOU REALIZE YOUR DREAMS.



1. CHOOSE YOUR REPRESENTATIVE WISELY

Choosing the right person to help you plan for retirement and invest is not always easy. Here are a few questions you can answer to make sure that you're on the right track:

- > What types of businesses and individuals are likely to meet your needs?
- > Are the businesses and individuals you plan to meet with authorized to offer the financial products and services you need?
- > What will this person do to help you achieve your investment goals?
- > Are you able to provide this person with a detailed picture of your financial and personal situation so that he or she can recommend the appropriate products and services?

Many investors can't answer these questions. But this is YOUR money we're talking about! A list of the types of professionals with whom you could do business and the main services they offer can be found on the next page. The list is not exhaustive. It includes the types of professionals that assist most investors. Unless you can manage your own investments by investing online, for example, you will require the services of a representative.

For more information, consult the guide Choosing an Investment Dealer or Representative in the Publications section of the Autorité des marchés financiers Web site at lautorite.qc.ca or obtain a free copy of the guide at 1 877 525-0337.



2. HOW IS YOUR REPRESENTATIVE PAID⁵?

Representatives are usually paid by commission, salary or fees or a combination of these methods; for instance, commission on top of a base salary.

2.1 COMMISSION

With this form of compensation, the representative is paid based on the value of the financial products he/she sells. For example, you pay 1% to 5% on a transaction and the representative receives a portion of this amount as commission.

2.2 FEES

Some representatives such as financial planners charge fees, in which case you might be able to agree on an hourly rate and on the number of hours needed to analyze your portfolio.

2.3 SALARY

Representatives working for financial institutions are usually paid by salary. Sometimes they also receive a sales-based bonus. Typically, they must meet sales targets set by the financial institution.



remember

1. Make sure to choose an authorized representative to plan for retirement.
2. If it sounds too good to be true, it very well may be!
3. Review your strategy as needed.

Ask your financial planner questions

- > What kind of training have you received?
- > Do you specialize in a particular field or clientele?
- > What are your fees?
- > What services do you provide?
- > How often will you review my situation?
- > Can I see an example of what my action plan will look like?
- > What role will I play in developing my action plan?
- > Do I have to sign a contract for professional services?



3. CONSULT A FINANCIAL PLANNER

You have seen in this guide how to determine the amount to save for your retirement, taking into account the different sources of income, the age at which you retire, your goals, etc. It is not so simple, but you also have a mortgage to repay, taxes to pay, a family to protect, other projects to realize... There are many details not to be overlooked when planning your retirement! This is where the financial planner comes in. He or she is a professional with university training who has the competencies required to analyze all aspects of your personal finances and draw up an action plan that is adapted to your needs and that takes into account your situation and goals.

The financial planner acts a bit like a conductor who sees your entire financial situation (the musical play) and who can lead the specialists (musicians) to ensure a harmonious end result.

When consulting a financial planner to plan your retirement, he or she will explain the steps to be taken and his or her role, specify his or her mandate and collect the data and personal information required to carry out the mandate. A financial planner will help you determine your objectives, should understand your financial and family situations and will determine your investor profile, which is very important because it allows your planner to suggest strategies that suit your situation.

Your financial planner will then present you with a written report of your situation and suggestions. He or she will present them to you in a personal financial planning report. You will then decide together whether to carry out the strategies suggested and determine how and when to schedule follow-ups. Don't forget, integrated personal financial planning requires a contract between you and your financial planner.

WHAT YOU SHOULD KNOW

In Québec, anyone who claims to be a financial planner, or F. PL., must have the following qualifications:

- > a diploma from the Institut québécois de planification financière (IQPF);
- > a "financial planner" certificate issued by the Autorité des marchés financiers or membership in the Ordre des comptables professionnels agréés du Québec (CPA) or the Ordre des administrateurs agréés du Québec (ADMA).

To find a financial planner

1. Consult the IQPF's online directory at iqpf.org.
2. Ask acquaintances, relatives, friends.
3. Get information from your financial institution.

Table 11 VARIOUS TYPES OF PROFESSIONALS AND THE SERVICES THEY OFFER⁶

Type of provider	Services
Representative of an investment dealer	Offers a vast selection of investments including: <ul style="list-style-type: none"> > stocks > bonds > mutual funds Some investment dealers offer advice and a full range of services such as market analysis, securities research and portfolio management. Others act more like intermediaries, selling or buying securities based on your instructions but without giving advice.
Representative of a mutual fund dealer	Only offers mutual funds.
Representative of an exempt market dealer	Offers investments or securities that are exempt from prospectus requirements to accredited investors (institutional investors or individuals with significant assets).
Representative of a portfolio manager	Manages your investment portfolio according to the mandate you issue, making decisions and trading securities based on your instructions.
Investment fund manager	Directs the operation and affairs of an investment fund.
Financial security advisor	Offers individual life and health insurance plans or individual annuities from one or several insurers.
Financial planner	Helps you manage your finances by preparing an action plan tailored to your needs and taking your constraints and goals into account.

6. Source: Autorité des marchés financiers.



4. STEPS FOR AVOIDING FRAUD⁷

4.1 IS THE PERSON OFFERING YOU THE INVESTMENT AUTHORIZED TO SELL INVESTMENTS?

The representative and the firm you are doing business with must be authorized to offer investments. To determine whether this is the case, call 1 877 525-0337 or consult the Register of firms and individuals authorized to practice at lautorite.qc.ca.

4.2 WERE YOU PROVIDED WITH FULL WRITTEN INFORMATION ON THE INVESTMENT?

The documents must indicate:

- > the type of investment (share, bond, etc.);
- > the risks of investing;
- > the possibility (or not) of having access to your funds as needed and, if so, under what conditions;
- > the fees associated with the investment.

Verify the authenticity of your documents:

- > Contact the Autorité des marchés financiers' Information Centre.

Check on sedar.com, a site containing the information required by regulatory agencies such as the Autorité des marchés financiers.

4.3 ARE THE RETURNS OFFERED TOO GOOD TO BE TRUE?

In general, the higher the return you hope to achieve on an investment, the greater the risk you must be prepared to assume.

If you are offered a higher return than what is available on the market, and the offer seems risk-free, you should be suspicious.

4.4 WHEN YOU WERE OFFERED THE INVESTMENT, WAS THIS TYPE OF STATEMENT MADE TO YOU?

Watch for dubious statements used by fraudsters to encourage you to invest:

- > "I invested all my money in it, and all my parents' money too."
- > "Very few people know this, but the company is about to be bought and its value will double."
- > "I heard from a reliable source that the government will grant them a patent. The company will soon be publicly listed."
- > "There is a loophole in the law that can help us avoid paying taxes. You could make withdrawals from your RRSP, LIRA or pension plan without paying taxes. But you have to keep it secret, otherwise the law might be amended."
- > "Quantities are limited. This is an opportunity for only a handful of privileged investors."
- > "It's imperative that you invest today: tomorrow will be too late."
- > "If you're not satisfied, I'll reimburse you."

4.5 DID THE PERSON OFFERING YOU THE INVESTMENT BEHAVE IN THE FOLLOWING MANNER?

Be wary if the representative who is offering you the financial product:

- > doesn't ask you questions to determine your investor profile;
- > encourages you to lie about your financial situation in order to offer you certain investments;
- > brags excessively about his or her skills and accomplishments;
- > refuses to say which firm he or she worked for or tries to change the subject after providing only scant information;
- > tries to make you feel guilty when you question his or her statements;
- > contacts you repeatedly or pressured you into investing;
- > asks you to invest by making out a cheque to him or her or providing cash.

Are you a victim of fraud?

- > If you gave passwords to the fraudster, change them immediately.
- > Write down what has happened and gather your documents.
- > Contact the Autorité des marchés financiers at 1 877 525-0337.

For more information, consult the [Red-flagging financial fraud guide](#).

A Word About Inflation

Why does the same service cost more now than it used to? The answer: inflation, which is the rising cost of consumer goods. It is an important factor to consider when planning for retirement.

INFLATION

The following table shows what it will cost in the coming years to maintain your current standard of living, based on the cost of inflation.

Table		Number of years	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
12	INCREASE IN THE COSTS OF GOODS (ANNUAL INFLATION OF 2%)	1	\$10,000	\$20,400	\$30,600	\$40,800	\$51,000
		5	\$11,041	\$22,082	\$33,122	\$44,163	\$55,204
		15	\$13,459	\$26,917	\$40,376	\$53,835	\$67,293
		25	\$16,406	\$32,812	\$49,218	\$65,624	\$82,030
		35	\$19,999	\$39,998	\$59,997	\$79,996	\$99,994

Initially, your average annual expenses are...

What does this table mean?

If you currently spend \$20,000 a year, it will cost you \$26,917 to purchase the same goods in 15 years, based on an average annual inflation rate of 2%.

LOSS OF PURCHASING POWER

You now know the impact that inflation has on your expenses. By the time you retire, your salary should have increased. But what will happen to your retirement pension if it is not adjusted to inflation? The table that follows provides an explanation.

Table		Number of years	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
13	LOSS OF PURCHASING POWER (ANNUAL INFLATION OF 2%)	1	\$9,804	\$19,608	\$29,412	\$39,216	\$49,020
		5	\$9,057	\$18,115	\$27,172	\$36,229	\$45,287
		15	\$7,430	\$14,860	\$22,290	\$29,721	\$37,151
		25	\$6,095	\$12,191	\$18,286	\$24,381	\$30,477
		35	\$5,000	\$10,001	\$15,001	\$20,001	\$25,001

Initially, your pension is...

What does this table mean?

An annuity of \$20,000 today will only be equivalent to an annuity of \$12,191 in 25 years if it is not indexed. If your pension is \$20,000 at age 55 and it is not adjusted to inflation, your purchasing power will be equal to \$12,191 after 25 years.

Did you know that...

...there are indexed pensions?

Now that you know the effect that inflation has on the cost of goods and the corresponding decline in the purchasing power of your retirement pension, you would probably like to ensure that your pension is adjusted to inflation. A pension with payment amounts that are adjusted for inflation is called an [indexed pension](#).

Did you
know that...



...a man age 60 has 71% chance of living until age 80 and that percentage increases to 79% for a woman the same age?

A Word About Investments

RATE OF RETURN

The rate of return on your investments is extremely important. Over time, it becomes even more important than the amount you save for retirement. When forecasting your rate of return, it is important to subtract any investment [management fees](#).

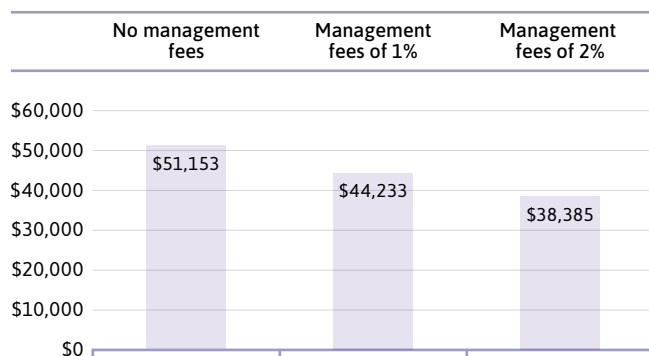
FEES

Several types of investments have annual management fees. The fees are indicated on your account statement. For further information, contact your representative.

Are the fees negligible? Do they significantly influence the amounts you accumulate? Here are three scenarios that will give you an idea of how management fees affect amounts accumulated.

Chart 7 MANAGEMENT FEES VS. SAVINGS

Amounts accumulated by investing \$1,000 a year for 25 years, with a 5.5% annual return according to three management fee scenarios.



Management fees can significantly reduce the amounts you accumulate. To reduce expenses, shop around! But be careful, other types of fees can be billed to you, such as purchase and redemption fees. Find out before investing.

If you want to test other fee scenarios, use the calculator *L'impact des frais d'investissement* (French only), available on the Web sites of [Question Retraite](#) and the [Autorité des marchés financiers](#).

As you increase your understanding of management fees, ask yourself the following questions.

1. Do the advice and services you receive justify the fees?
2. How often are the fees paid?
3. Are you familiar with all the different types of compensation that can be paid to representatives?

Don't try to avoid paying fees at all costs, but make sure you know how much you are paying in fees and why.

DIFFERENT TYPES OF INVESTMENTS

Investments can be divided into two main categories:

1. Fixed securities or investments

Fixed [securities](#) or investments generate regular interest income and have predetermined rates. The most common are short-term securities (maturing within one year) and bonds. Guaranteed deposits may fall into this category. These include guaranteed investment certificates (GICs) offered by financial institutions. Generally, fixed securities do not vary much in the short term: they are considered low-risk investment vehicles.

2. Variable-yield securities or investments

Variable-yield securities or investments can generate dividend and capital gains income or result in losses. The most popular are common and preferred shares, mutual funds, exchange-traded funds and [segregated funds](#). For example, a variable-yield investment purchased at a cost of \$10 today may be worth \$12 later, generating a \$2 gain. Rather than increase, however, its value may also drop to perhaps \$7. This would produce a \$3 loss if the investment were sold immediately for fear of an even greater drop in value. But after falling to \$7, the value may climb again to over \$10. This time, the patient investor who did not sell the share when it was worth \$7 will gain a profit. The value of variable-yield shares may therefore vary significantly in the short term; this is the reason they are deemed a higher risk than fixed-income securities. They do, however, generally produce higher yields over long periods (ten years or more).

Real Estate Investments and Investments in a Small Business

To diversify, you can also consider other types of investments, such as real estate investments and investments in a small business.

Real estate investments have many advantages, including [leverage](#), monthly income and mortgage interest being tax deductible.

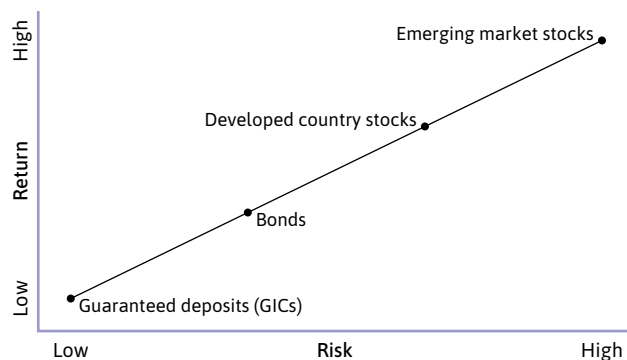
By investing in a small business instead of buying publicly traded shares, you can better understand how your money is being used. In addition, the value-added potential is generally greater than for shares. If the small business qualifies, you can also take advantage of a tax exemption when you sell the shares.

In both cases, before investing, it is important to make sure the investment respects your tolerance for risk.

Risk and Rate of Return

Generally speaking, the types of investments that generate the best returns also come with the highest risk. They can therefore fluctuate significantly over short periods. In certain cases, you could lose some or all of the amounts invested. On the other hand, investments that remain relatively steady generate a smaller return over the long term. The challenge is to find an acceptable balance between the level of risk you can tolerate and the rate of return you need to achieve your goals.

Chart 8 THE RISK AND RETURN RELATIONSHIP



YOUR INVESTOR PROFILE

Determining your investor profile allows you to know what portion of your portfolio could be invested in riskier stocks such as equities and what portion could be invested in less risky stocks such as bonds.

Several tools exist to help you, like the AMF tool that has some rare features. For example, it gives you a detailed report that tells you why your investor profile is not any riskier. You can find it on the AMF Web site in the tools and calculators section.

DIVERSIFICATION

[Diversification](#) helps to reduce the risk of investing. Who would invest all of their money in one company? In one sector?

The same goes for countries (for example, Canada represents around 3% of the world market).

Resources

PLANNING YOUR RETIREMENT

Question Retraite

For more information about the services and tools offered by Question Retraite, consult the Web site:

→ questionretraite.ca

The Cégep Marie-Victorin, in association with other Québec cégeps, offers financial security planning for people between the ages of 25 and 45. These courses are given in workplaces across Québec, in French and English.

Montréal region:

514 278-3535, ext. 5223

Toll-free: 1 800 700-0623, ext. 5223

→ collegemv.qc.ca

MAKE A BUDGET

For a number of years now, the Union des consommateurs, with the help of co-operative consumer economics associations, or associations coopératives d'économie familiale (ACEFs), has provided courses on budget.

Montréal region: 514 521-6820

Toll-free: 1 888 521-6820

→ consommateur.qc.ca

CONSULT AN AUTHORIZED PERSON

Autorité des marchés financiers is the only regulatory body for the province's financial industry. It protects consumers, enforces regulations and monitors financial markets. The Autorité offers a series of guides and tools related to finances and has set up a consumer help service that includes a call centre for receiving and following up on complaints.

Montréal region: 514 395-0337

Québec region: 418 525-0337

Toll-free: 1 877 525-0337

→ lautorite.qc.ca

To verify whether a financial planner holds a diploma from the Institut québécois de planification financière (IQPF), contact the IQPF. You can also validate your projections using the *Projection Assumption Guidelines* published on the IQPF's Web site.

Montréal region: 514 767-4040

Toll-free: 1 800 640-4050

→ iqpf.org

RETIREMENT PLANNING PREPARATION COURSES

The Cégep Marie-Victorin, in association with other Québec cégeps, offers retirement planning courses for people age 45 and over. These courses are given in workplaces across Québec, in French and English.

Montréal region:

514 278-3535, ext. 5223

Toll-free: 1 800 700-0623, ext. 5223

→ collegemv.qc.ca

The Centre Louis-Jolliet, in collaboration with the Commission scolaire de la Capitale, offers courses on retirement preparation.

418 525-8038

→ centrelouisjolliet.qc.ca

The Commission scolaire de l'île de Montréal also offers retirement preparation courses.

514 596-4567

→ icilecrep.qc.ca

Retraite Québec provides retirement preparation courses for members of the plans it administers in the public service, health and social services and education sectors. Registration forms are available online on the Retraite Québec Web site or from local human resources offices.

Québec region: 418 643-4881

Toll-free: 1 800 463-5533

→ retraitequebec.gouv.qc.ca

OBTAINING INFORMATION

Public plans

For more information about the Québec Pension Plan, consult Retraite Québec.

Montréal region: 514 873-2433

Québec region: 418 643-5185

Toll-free: 1 800 463-5185

→ retraitequebec.gouv.qc.ca

For more information about provincially-regulated supplemental pension plans (SPPs) in the private and municipal sectors, voluntary retirement savings plans (VRSPs), locked-in retirement accounts (LIRAs), life income funds (LIFs) or simplified pension plans (SIPP).

Québec region: 418 643-8282

Toll-free: 1 877 660-8282

→ retraitequebec.gouv.qc.ca

For more information on the Old Age Security pension, Guaranteed Income Supplement and allowances, contact Service Canada.

Toll-free: 1 800 277-9915

→ servicecanada.gc.ca

Legal information

For legal information concerning all aspects of your life, contact the Chambre des notaires du Québec.

Toll-free: 1 800-NOTAIRE (668-2473)

→ cnq.org

The Éducaloi Web site also groups legal information and information on your rights and obligations.

→ educaloi.qc.ca

Test your knowledge!

To review the information you've read, take a few minutes to answer these questions.

Measure your retirement IQ and increase your knowledge by visiting our web site at → questionretraite.ca.

True False

- | True | False | |
|-----------------------|-----------------------|---|
| <input type="radio"/> | <input type="radio"/> | 1. The QPP retirement pension is indexed to the cost of living each year. |
| <input type="radio"/> | <input type="radio"/> | 2. All withdrawals from RRSPs are taxable income. |
| <input type="radio"/> | <input type="radio"/> | 3. The federal Old Age Security pension is taxable income. |
| <input type="radio"/> | <input type="radio"/> | 4. In 2018, the maximum monthly retirement pension under the Québec Pension Plan at age 65 is \$1,134.17. |
| <input type="radio"/> | <input type="radio"/> | 5. In Québec, most workers are members of a supplemental pension plan where they work. |
| <input type="radio"/> | <input type="radio"/> | 6. I must apply for my retirement pension under the QPP once I have stopped working. |
| <input type="radio"/> | <input type="radio"/> | 7. Only 3.7% of pensioners receive the maximum QPP pension. |
| <input type="radio"/> | <input type="radio"/> | 8. Individuals currently age 65 automatically receive a federal Old Age Security pension. |
| <input type="radio"/> | <input type="radio"/> | 9. TFSA stands for tax-free supplemental allowance. |
| <input type="radio"/> | <input type="radio"/> | 10. Eligibility for public pension plan benefits begins only at age 60. |

Glossary

Administrator⁸

A person who administers the assets or affairs of a business or any other entity.

Allowance⁹

Benefit available to the spouses or common-law partners of Guaranteed Income Supplement recipients.

Capital gains¹⁰

Positive difference between the selling price and purchase price of an asset. For individuals, capital gains are calculated by the difference between the selling price (less selling expenses) and the purchase price (plus purchasing expenses).

Contribution

Amount paid to a registered pension plan.

Discretionary contribution

A contribution determined according to the decision of the employer.

Diversification

Strategy that consists of choosing different financial products in the same investment portfolio. Each investment product has its own risk profile. Some products have a very high risk and others a very low risk. For most investors, the most important element is the risk profile of their investment portfolio as a whole. By combining various investments in your portfolio, you can reduce the overall degree of risk and obtain your desired rate of return.

Dividend

Portion of a company's capital that is paid to shareholders. Dividends are generally payable every three months. In order to be payable to shareholders, the dividend must be declared by a resolution of the company's board of directors. It is payable to registered shareholders at a date specified in the resolution.

Guaranteed Income Supplement (GIS)

A monthly benefit paid by the Government of Canada to low-income individuals receiving an Old Age Security pension.

Guaranteed Investment Certificate (GIC)

Certificate of deposit issued by a financial institution. It is a loan granted to the issuer by the investor. The term varies from 30 days to 10 years.

Home buyer's plan (HBP)¹¹

The HBP is a program that allows you to withdraw up to \$25,000 in a calendar year from your registered retirement savings plans (RRSPs) to buy or build a qualifying home for yourself or for a related person with a disability.

Indexation

Adjustment of an income based on inflation.

Indexed

See "indexation."

Indexed pension

A pension that is increased to compensate for the effect of inflation.

Inflation

Increase in the cost of goods and services.

Leverage

Borrowing money in order to invest it. Doing so increases potential gains and losses of investments. Buying on margin therefore increases risk and should be considered carefully by investors. If you are thinking about borrowing money to invest it, be sure to fully understand the risks.

Life annuity

A pension payable for the lifetime of an individual.

Life expectancy

Average number of years an individual can expect to live.

Life income fund (LIF)

A LIF is like an RRIF, except it is designed to receive locked-in funds from an LIRA or pension plan. The minimum withdrawal is the same as that for an RRIF. An LIF must provide income for a lifetime. You must therefore respect the maximum amount of funds that can be withdrawn each year.

Lifelong Learning Plan (LLP)¹²

The LLP allows you to withdraw amounts from your registered retirement savings plan (RRSPs) to finance full-time training or education for you or your spouse or common-law partner. You cannot participate in the LLP to finance your children's training or education, or the training or education of your spouse's or common-law partner's children.

Locked-in

That which can be used only to secure a retirement income.

Locked-in retirement account (LIRA)

An account opened at a financial institution and into which you can transfer, subject to certain conditions, funds accumulated in an employer-sponsored pension plan. A LIRA is like an RRSP, but it is "locked-in", that is, you can withdraw funds from this account only for purposes of receiving a life annuity. To withdraw funds, you must transfer funds from an LIRA into a life income fund (LIF) or use these funds to purchase a life annuity from a life insurance company.

Management fees¹³

Fees payable for portfolio management.

Maximum pensionable earnings (MPE)

Limit beyond which a person's employment earnings for a given year are not subject to contributions to the Québec Pension Plan. The MPE for a year is equal to the MPE of the previous year multiplied by the relationship between the Canadian average weekly income for the two most recent twelve-month periods ending on June 30.

Mutual fund

Funds pooled by investors so that they can benefit from professional management and the advantages of investing higher amounts. Units are purchased and sold at their net asset value.

Glossary (cont'd)

Old Age Security Pension (OAS)

Benefit that the Government of Canada currently pays all citizens age 65 and over under certain conditions. The federal government's Budget 2016 restores the age at which all Canadians become eligible for the Old Age Security (OAS) pension to 65, thereby cancelling the change to eligibility criteria that should have become 67 years old for individuals born in February 1962 or after.

Pension

Regular income paid by a financial institution or a pension plan.

Pension fund

Fund consisting of contributions and investment income that serves to cover benefits payable under a pension plan.

Phased retirement

Phased retirement consists of withdrawing gradually from the work force or seeking to balance work and retirement.

Publicly-traded shares

Shares of a company that are sold on the stock market. For a company to be registered on a stock exchange, it must meet certain criteria, comply with certain rules and regulations and pay entrance fees.

Québec Pension Plan (QPP)

A mandatory public plan in Québec for individuals who work or have worked in Québec and their family. It provides minimum financial protection in retirement and in the event of death or disability.

Registered retirement income fund (RRIF)

An RRIF is like a reverse RRSP: after building up your RRSP dollar by dollar, you can convert it to an RRIF. The capital remains tax free and only withdrawals are taxed. You can make withdrawals or "empty" your RRIF in a single transaction. You must, however, make a minimum withdrawal each year.

Registered retirement savings plan (RRSP)

Account opened in a financial institution to accumulate an asset for retirement. The contributions you make to an RRSP are tax deductible (to the extent permitted), and the investment income it generates is tax-sheltered as long as it remains in the RRSP. RRSP withdrawals are generally taxable.

Securities

A type of investment.

Segregated fund

Fund issued by an insurer, similar to a mutual fund but includes additional guarantees. For example, in the event of death, the recovery of the amounts invested could be guaranteed even if the value of the investments had dropped. You could also benefit from a maturity guarantee. The insurer keeps the invested assets and its other assets separate, hence the name "segregated fund."

Shortfall

A shortfall occurs when expenditures exceed income.

Simplified pension plan (SIPP)

Plan administered by an authorized financial institution that is responsible for managing the investments chosen by members, sending statements, producing the necessary documents, etc. It reduces the employer's administrative tasks for the employer to a minimum.

Supplemental pension plan (SPP)

Often called a "pension fund," an SPP is a pension plan set up by organizations for employees. The retirement income it provides must be for the lifetime of an individual.

Surplus

A budget has a surplus when income exceeds expenditures.

Tax-Free Savings Account (TFSA)

A tax-free savings account is a registered savings vehicle in which investment income is not taxed. Withdrawals from a TFSA are never taxed, and savings in a TFSA do not affect federal benefits and tax credits.

Today's dollars

Dollars that take into account increases in the cost of living. This means that the cost of future goods and services can be directly compared to the cost of the same goods and services obtained today. Using "today's dollars" eliminates the effects of fluctuations in purchasing power.

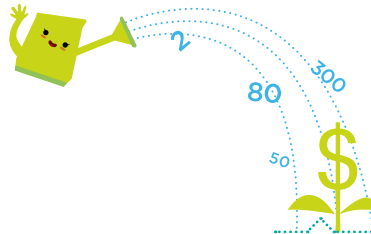
Unseizable

That which cannot be seized in the event of bankruptcy or default of payment.

Voluntary retirement savings plan

A retirement plan offered by employers and managed by an authorized administrator. All employers that do not already offer a retirement plan for which source deductions can be made and that have at least five employees will be obligated to offer a VRSP to their employees. Employees have the option to opt out of a VRSP if they wish to do so.

Share the guide



Was the information in the Guide useful? Do you think other people might want a look? Give your copy of the Guide to Financial Planning for Retirement – 2018-2019 Edition to someone you love. It's a caring and earth-friendly gesture! You can also inform them that they can download this guide for free from the [Question Retraite's Web site](#).

Build a Winning Hand

Financial planning for retirement is not a game of chance. To plan for your future today, you need to put the odds in your favour. Continue to learn more on [Question Retraite's Web site](#).

Notes

[illegible]

Guide to Financial Planning for Retirement



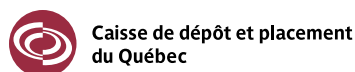
Question Retraite is a public-private consortium whose mission is to raise awareness among Québec workers under age 45 of the importance of financial planning for retirement to achieve financial security. Activities sponsored by Question Retraite include Financial Planning for Retirement month, each year in October. For information about Question Retraite and financial security for retirement, visit our Web site.

questionretraite.ca

Public partner and founding member



Founding members



Committed members

