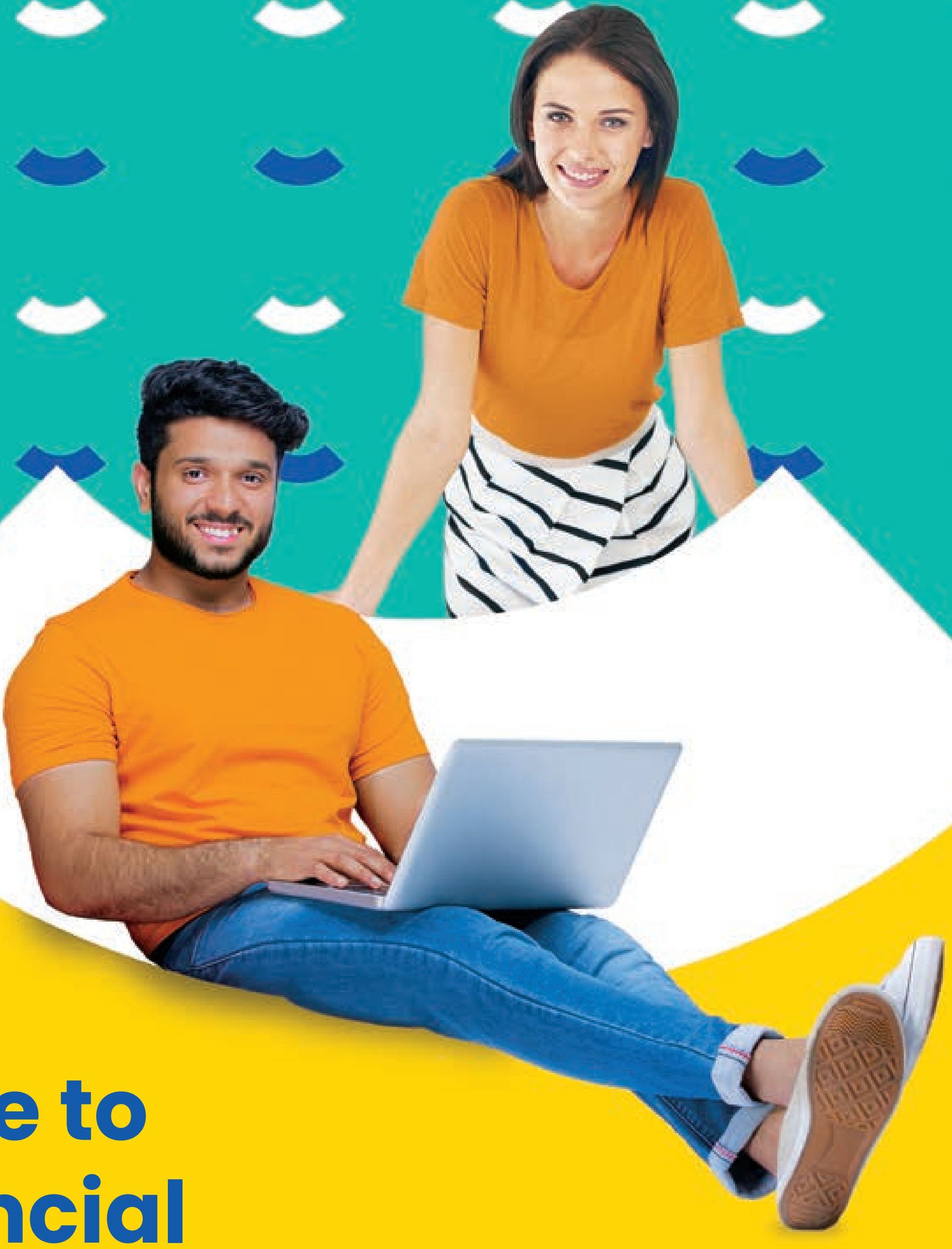

Guide to Financial Planning for Retirement

19th edition

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Guide to Financial Planning for Retirement

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GRAPHIC DESIGN
Bleuoutremer

COORDINATION
Sylvie McKay
(ÉducÉpargne)

PARTICIPANTS IN THE UPDATE OF THIS EDITION
Johanne Bastarache
(Retraite Québec)

Hélène Berger
(Institut québécois de planification financière)

Yves Bonneau
(Chambre de la Sécurité financière)

Renaud Bourget
(Retraite Québec)

Mario Charron
(Fondaction)

Véronique Coutu
(Cégep Marie-Victorin)

Priscilla Franken
(Chambre de la Sécurité financière)

Philippe Grégoire
(Chaire IA Groupe financier en assurance et services financiers)

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

Catherine Mercier
(Retraite Québec)

Julien Michaud
(Autorité des marchés financiers)

Louis Neamtan-Lapalme
(Fonds de solidarité FTQ)

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The information contained in this *Guide* is valid as of April 2022.

Useful information

This guide provides information and advice to help you come up with a solid retirement plan that meets your objectives.

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.

Why do you need to think about your retirement as early as 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?

Here's a simple five-step method.

A glossary at your fingertips

For ease of reading and understanding, a glossary (in French only) is provided on our website. It includes definitions of various words and phrases used in the world of finance that can seem complicated. When in doubt, check it out!

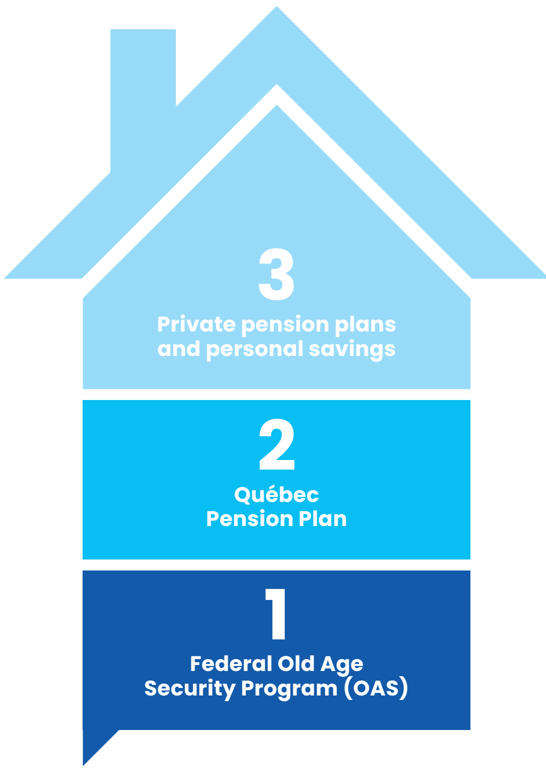
1

Determine the sources of income you can rely on

To calculate how much you should save each year, you must first find out where your retirement income could come from.

Remember

1. The first step in planning for retirement is knowing your sources of income.
2. Basic retirement income is provided by the Old Age Security (OAS) pension and the Québec Pension Plan (QPP) pension.
3. Personal savings are a third source of income in which you will need to invest to build the retirement income you want. If you want to retire earlier or get more out of your retirement, this guide is for you!



1. Federal Old Age Security (OAS) program

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 OAS pension

The pension is paid monthly and is indexed to the cost of living four times a year. It is taxable income.

Eligibility requirements:

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

You can defer the OAS pension payment starting date 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 personal situation. You will not be eligible for the GIS while you defer the starting date of the payment of your OAS pension. If your spouse is aged 60 to 64, he or she will not be eligible for the Allowance either for as long as you defer the starting date of the payment of your OAS pension.

1.2 The Guaranteed Income Supplement (GIS)

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 have a spouse who receives the OAS pension and your family income does not exceed a certain limit, you may be eligible for an Allowance, whether you are married or de facto spouses. 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 have 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 website at servicecanada.gc.ca.

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 severe and permanent disability. Since January 1, 2019, it consist of two plans:

- The base plan;
- 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 provide more generous coverage for all current workers. New contributions will be deducted from your salary and paid into the new plan gradually between now and 2025.

Thus, to finance the income replacement rate, which will gradually increase from 25% to 33.33%, there will be a 1% long-term increase in the contribution rate of employees on the eligible salary range of $3 500 to $61 600.

Chart 1 – Income replacement

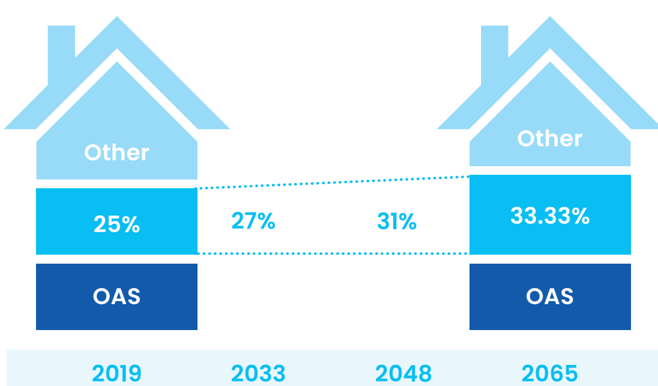
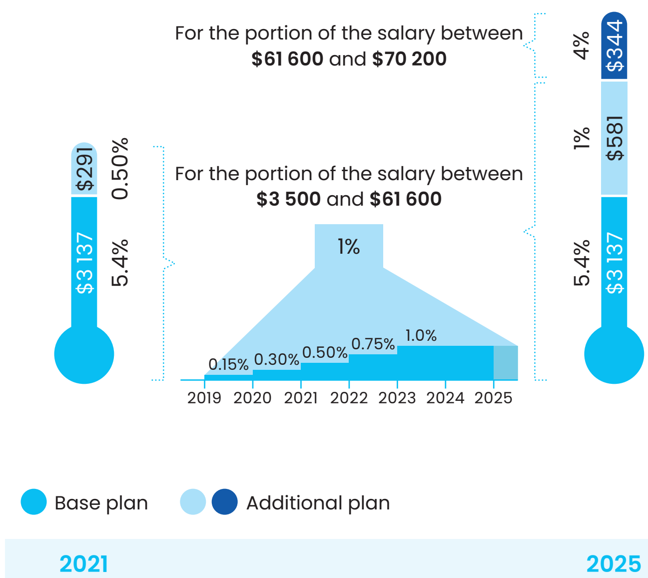


Chart 2 – Contribution rates



For those earning more than the maximum pensionable earnings (MPE), a new 4% contribution will be deducted as of 2024 from the portion that exceeds the MPE to the new cap of $65 900 in 2024. Starting in 2025, this new cap will still be set equal to 114% of the MPE, or $70 200. This additional contribution will allow the funding of 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 contributed to the QPP.

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. This amount is indexed in January of each year. The retirement pension under the QPP is taxable.

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. The effect of this increase may vary depending on the number of years you have contributed and the variation in earnings during the deferral period.

Note that…

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

Important!

Very few people receive the maximum pension

Whether a "regular" pension at age 65, an early retirement pension between ages 60 and 64, or a pension applied for after age 65.

The amount is set based on various factors:

- the age at which you retire;
- the number of years you contributed to the Plan;
- the employment earnings entered in your file.

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 how much you could receive when you retire, 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.

Retraite Québec

Québec Pension Plan

Statement of Participation

Date of issue: **11 May 2020**
Client number:
Date of birth: **22 March 1981**

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 statement provides an estimate of the benefits that you and your family could receive.

In January 2019, a gradual enhancement of the Plan was implemented to offer contributors increased financial security upon retirement. The estimate of benefits shown on our statements does not currently take into account the enhanced Plan. However, for an estimate of your retirement income that takes into account the enhancement, you can use the SimulR and CompuPension tools available on our website. For further details on the Plan enhancement, visit our website.

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)

	Age 60	Age 65	
If you stopped making contributions today	239 $	312 $	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	455 $	673 $	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.

Age at retirement

Statement of Participation in the Québec Pension Plan | Page 1 of 4

To consult your Statement, use the *My Account* free online service on Retraite Québec's website!

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 2020) or the maximum on which contributions could be made (58 700 $ in 2020);
- **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 58 700 $ in 2020, pensionable employment earnings of 58 700 $ 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

Ⓐ Revenu Québec will send us the information concerning any earnings for this year at a later date. Therefore, you do not have to provide us with that information.

Pensionable earnings

Year	Pensionable employment earnings	Note
2019	-	Ⓐ
2018	32 000 $	
2017	31 000 $	
2016	30 000 $	
2015	29 000 $	
2014	28 000 $	
2013	27 000 $	
2012	25 391 $	
2011	23 702 $	
2010	24 248 $	
2009	12 906 $	
2008	14 310 $	
2007	14 987 $	
2006	5 574 $	
2005	15 662 $	
2004	31 178 $	
2003	30 859 $	
2002	33 273 $	
2001	29 865 $	
2000	25 356 $	
1999*	18 650 $	

* The years recorded begin at age 18.

Statement of Participation in the Québec Pension Plan | Page 2 of 4

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

Are the figures for the last few years missing from your Statement? It is possible. When Retraite Québec prepared your Statement, it is possible that it had not yet received the most recent data.

Good to know

Applying for your pension under the Québec Pension Plan

You must apply to receive your retirement pension. You can apply for it up to one year in advance. You can file your application:

- online by visiting Retraite Québec's website;
- by completing the form available on the website of Retraite Québec or from Services Québec;
- by telephone.

Phased retirement: working less yet contributing the same amounts

Between the ages of 55 and 70, you may choose to reduce your working hours while continuing 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. You must, however, reach an agreement with your employer to take advantage of this measure.

Disability and death

Retraite Québec pays benefits in the event of severe and permanent disability or death.

For more information, consult Retraite Québec's website at retraitequebec.gouv.qc.ca.

If you worked abroad

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

3. Pension plans offered by employers

Pension plans offered by employers provide employees with a retirement income that complements income provided by public plans. There are various types of private plans, each with their 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, the amount of 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.

1.1 Target-benefit pension plans
A target-benefit pension plan is a defined-benefit plan under which:

- the employer contributions and, if applicable, the member contributions are set in advance;
- the normal pension payable is based on the plan's financial situation.

This new type of pension plan offers Québec's workers an additional savings option

A target-benefit pension plan can be defined as follows:

- it is a plan somewhere between a defined-benefit plan and a defined-contribution plan;
- it protects its members better than a defined-contribution plan because the longevity and investment risks are pooled;
- for employers, it provides the advantage of foreseeable contributions;
- it shall be supervised by Retraite Québec.

The Statement of Participation: 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 accrued returns. If your SPP is a defined-contribution plan, the Statement will also indicate the amount your employer has contributed to your account, with accrued returns. 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.

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.

Integration

A supplemental pension plan (SPP) is integrated with the Québec Pension Plan when your SPP 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 a pension of $15 000 per year between ages 60 and 64 and to a pension of $10 000 thereafter. Is your plan integrated?

3.2 Group RRSP

A group registered retirement savings plan (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 DPSP often complements group RRSPs, by receiving employer contributions.

3.4 Voluntary Retirement Savings Plan (VRSP)

The 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 are obligated to offer a VRSP to their employees. Employees are able to opt out of a VRSP if they wish to do so. For more information about VRSPs, consult Retraite Québec's website.

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.

Labour-sponsored funds and payroll deductions: another retirement savings option offered by employers

Subscribing for shares of a labour-sponsored investment fund (Solidarity Fund QFL, Fondaction) 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.

When can you begin receiving a retirement income?

Generally, a retirement pension under a supplemental pension plan 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 it. The amount will then be adjusted accordingly. If you have a defined-benefit plan, two factors generally determine when you can begin receiving a pension and the amount of the pension you will receive: your age and the number of years of service recognized for the purposes of the pension plan. Certain plans require that the sum of your age and years of service be equal to or higher than a certain number (e.g., 88 or 90). Other plans require you to have reached a certain age (e.g., 55 or 60) or achieved a minimum number of years of service (e.g., 35 years of service).

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 your accumulated benefits to:

- a Locked-In Retirement Account (LIRA);
- a Life Income Fund (LIF);
- the SPP of your new employer, 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 1 – General features of the four types of private pension plans

	Supplemental Pension Plans				
	Defined-benefit plan	Defined-contribution plan	Group RRSP	DPSP	VRSP
Amount of the retirement pension known in advance	Yes	No	No	No	No
Basic employer contribution	- Employer pays the sums necessary to fund the benefits promised - Locked-in - Unseizable	- Minimum 1% of total payroll - Standardized for all (depends on employment category or other criteria) - Locked-in - Unseizable	- No (discretionary contribution) - Can be locked-in - Seizable or not, depending on the context	- Varies per plan - Not locked-in - Seizable or not, depending on the context	- The employer is not obligated to contribute, but any such contributions are locked-in
Basic member contribution (employee contribution)	- Compulsory or not, as decided by the employer - Locked-in - Unseizable	- Compulsory or not, as decided by the employer - Locked-in (SIPP: locked-in or not, as decided by the employer) - Unseizable	- Generally not compulsory - Not locked-in - Seizable or not, depending on the context	N/A	- Automatic and voluntary (possibility of waiving participation) - Not locked-in - Unseizable
Voluntary contributions (when allowed)	- Not locked-in - Unseizable	- Not locked-in - Unseizable	- Not locked-in - Seizable or not, depending on the context	N/A	- Yes, under certain conditions (RRSP contribution room)
Withdrawal/ transfer by member during employment	- Not allowed unless it is a voluntary contribution and the plan allows for it	- Not allowed unless it is a voluntary contribution and the plan allows for it SIPP: - Locked-in portion: no refund; transfer allowed as of age 55 - Portion not locked-in: • Employee contribution: at the employer's discretion • Voluntary contribution: yes	- Yes, unless a special agreement exists with the employer	- Yes, if the plan allows for it	- Yes, at all times
Administration	- Pension committee (or employer, if there are fewer than 26 members and beneficiaries)	- Pension committee (or employer, if there are fewer than 26 members and beneficiaries) SIPP: - Financial institution	- Employer, union or professional association	- Employer (via a trust)	- Administrator authorized by the Autorité des marchés financiers
Your options when membership ends	**Portion not locked-in:** - RRSP, RRIF - Annuity - Cash refund (taxable) - Other retirement plan	**Portion not locked-in:** - RRSP, RRIF - Annuity - Cash refund (taxable) - Other retirement plan	- RRSP, RRIF - Annuity - Cash refund (taxable) - Other registered plan	- RRSP, RRIF - Cash refund (taxable) - Payments over 10 years or single lump-sum payment - Other registered plan	**Portion not locked-in:** - RRSP, RRIF - Annuity - Cash refund (taxable) - Other locked-in plan
	Locked-in portion: Before age 55: - LIRA, LIF - Life annuity - Other pension plan As of age 55: - Life annuity Possible refund in certain situations	**Locked-in portion:** - 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): payments

Tip

Save first, spend later.

We often hear that it is hard to put money aside. Saving must be made a priority because it is a good way of maintaining the standard of living we want in retirement.

If you start saving early, you will not have to ramp up your efforts right before you retire.

That is 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.

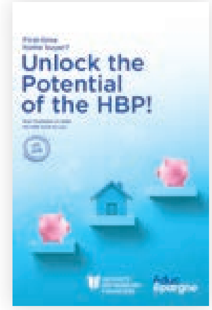
4.1 Registered investments

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, any withdrawal that you make is added to your income and becomes taxable.

The maximum contribution to an RRSP is 18% of earned income, up to an annual maximum ($29 210 in 2022) 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 the 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 *Unlock the potential of the HBP! Nine strategies to make the HBP work for you*, available on ÉducÉpargne's website.

- You can convert it to an annuity or Registered Retirement Income Fund (RRIF).
- You can draft 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.

2. TFSA
Available since 1 January 2009, the tax-free savings account (TFSA) is becoming one of the most useful tools for building up savings for retirement. The types of investments 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:	2015:	2016 to 2018:	2019 to 2022:
$5 000	**$5 500**	**$10 000**	**$5 500**	**$6 000**

No amount (capital or interest) withdrawn from a TFSA is taxable, and the amounts withdrawn free up more contribution room as of the next year. 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.

Table 2 – 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 29 February 29 or 1 March, depending on the case*.	December 31 of the taxation year.
	Annual contribution limit	18% of income earned the preceding year, indexed to the cost of living. Participation in employer-sponsored retirement plans reduces the annual contribution amount.	See the list on the previous page for each year.
	Age limit for contributing	31 December of the year you reach age 71.	None
Taxes	Are contributions income tax deductible?	Yes	No
	Are withdrawals taxable?	Yes	No
	Is investment income taxable?	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 allowable annual 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

* 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. they increase the contribution room as of the following year. Please refer to the Government of Canada's website 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 preferable 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 to contribute to an RRSP

You can contribute to an RRSP until 31 December of the year in which you reach age 71. Four 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) or into an advanced life deferred annuity (ALDA).

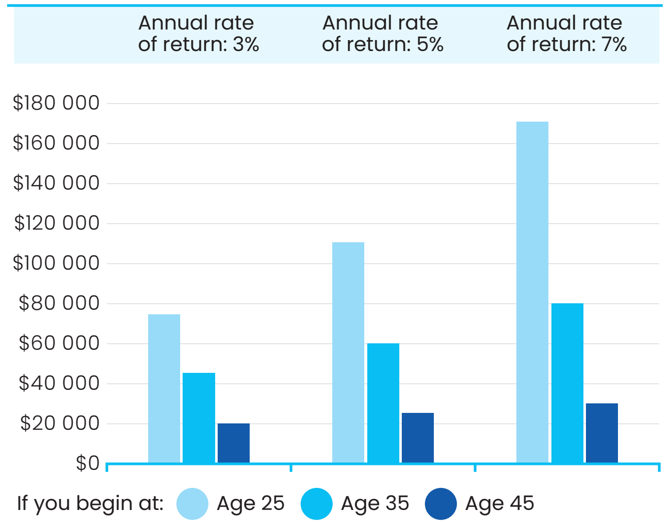
You can also combine these strategies. An RRIF is similar to an RRSP in that it allows your savings to grow tax-free. The main difference is that you must withdraw a minimum amount from your RRIF every year, which is then considered taxable income.

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.

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

Chart 3 – Monthly savings

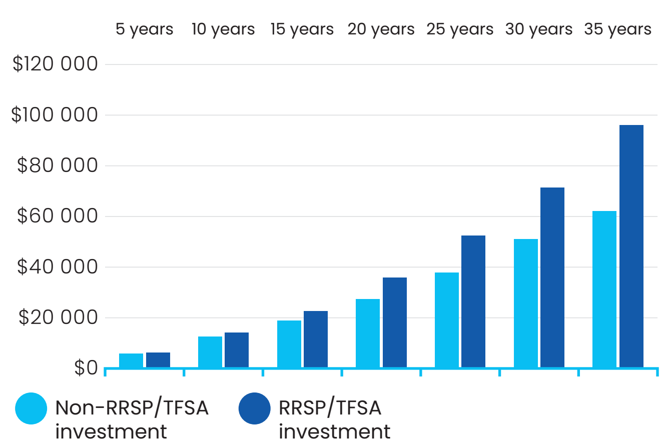
$100 saved per month in an RRSP until age 60



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 Non-registered investments

1. Traditional non-registered 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 a non-registered 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. Non-registered tax-advantaged funds

In addition to traditional non-registered investments, you can invest in non-registered 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 non-registered 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 3 – Main characteristics of three tax-advantaged funds in Québec

	Fondaction	Solidarity Fund QFL	Capital régional et coopératif Desjardins[2]
Federal credit rate	15%	15%	s. o.
Provincial credit rate	15%	15%	30%
Total credits	30%	30%	30%
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 a minimum holding period of 2 years, with exceptions		Minimum holding period of 7 years, with exceptions

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. Since 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 category 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.

Online planning!

Retraite Québec gives you access to SimulR and CompuPension, two tools that enable you to simulate your retirement income. Visit Retraite Québec's website to use them and kill two birds with one stone by consulting *My Account*.

There, you will also 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

2

Determine your retirement age

If you choose to retire between the ages of 55 and 65, there may be consequences on your financial planning.

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. Before age 60, you are not eligible for any public pension.
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.

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 will replace about 40% of her working income. 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 $15 000 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;
- 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.

You have set your retirement age

However, life can sometimes throw you a curve ball. Here are three realities that may influence your decision:

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.

Your family status

If you are thinking about having children at age 35, bear in mind that they will only be 20 years old when you turn 55, and they may still be living with you. You may have to put off retirement. On the other hand, if you have to care for your parents, 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 professionnal 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 can never be considered as set in stone. Professionals recommend that you re-evaluate your plan periodically, every three years, for example, 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 start-up 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 leave and have their income drop for an extended length of time. During this period, they do not necessarily save for retirement.

Women on average live longer than men and therefore need to set aside more in savings for retirement.

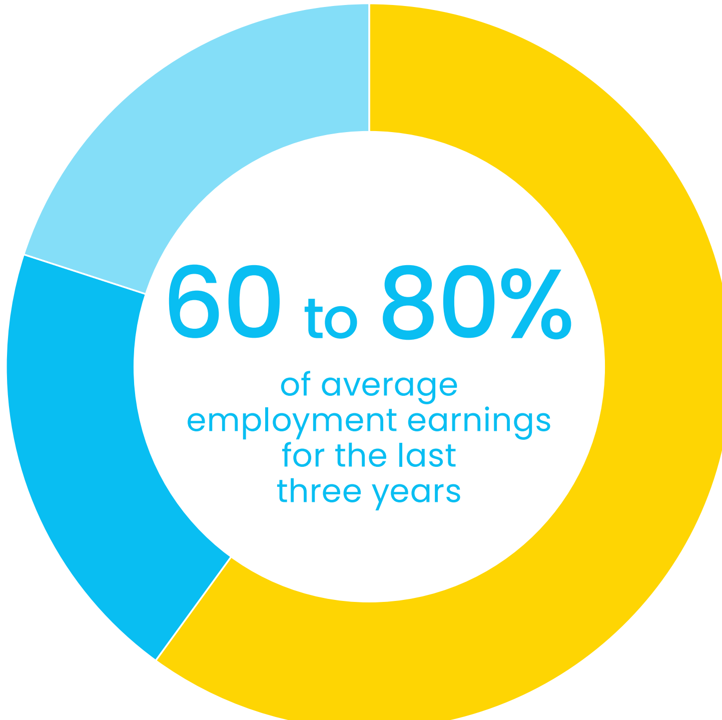
3

Set your retirement goals

You may not need 100% of your income once you retire.

Remember

1. An individual will generally require 60% to 80% of his or her average gross annual employment earnings for his or her 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. Regardless of the age at which you retire, public plans will only replace a portion of your income. Therefore, you will have to make up the difference with your personal savings or retirement plan or a combination of the two.



Specialists agree that, in general, an individual will require approximately 60% to 80% of his or her gross annual employment earnings for his or her 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 between $30 000 and $40 000 per year in retirement.

Important!

This "rule" does not always apply; it all depends on your employment earnings and your retirement plans. Obviously, you can determine a higher or lower percentage based on your personal situation, that takes into account your salary and your retirement goals.

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

Generally, you may 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 be paying less tax;
- you will no longer be making contributions for retirement;
- you will likely have fewer family-related expenses.

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

Get inspired by the content of fixed and variable expenses from the budget table on our website to help you evaluate your expenses in retirement.

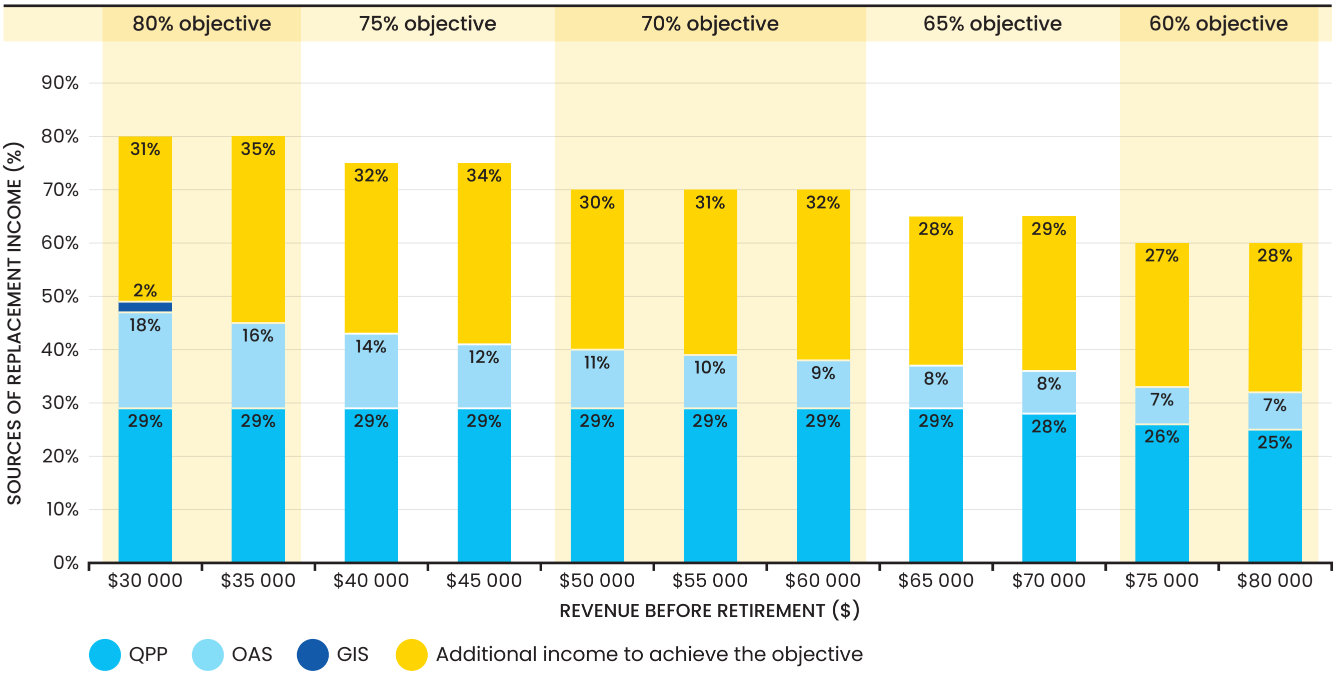
Table 4 – Probable changes in expenses during retirement

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		●		
Travel expenses				●
Lodging			●	
Health care				●
Clothing		●		

What does this chart mean?

Chart 5 shows the percentage of income various public sources replaces, by employment earnings 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 the salary before retirement for a single person retiring at age 65 in 2051



4

Determine how much to save each year

Have you started to make calculations for retirement? From a financial standpoint, at what age could you retire?

What portion of your monthly savings 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 ÉducÉpargne to help you answer several of these questions!

Remember

1. Make your budget to know where your money goes.
2. Pay yourself first.
3. 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 does not 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. However, it depends on the return on your investments, but also on when you start saving. The older you are, the greater the effort and the better the return you need to achieve your objective.

Let's look at a simple 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 (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."

A percentage of 10% of her net income corresponds to $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 so are her groceries. She is, however, very proud of having deposited $3 000 in a TFSA to service as a cash emergency fund.

After reading *99 trucs pour économiser sans trop se priver* (French version only), Audrey chooses a few tips and she quickly obtains results, while maintaining her standard of living:

Table 5 – Audrey's strategy to achieve her objectives

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 the first year	
After 9 months, she will have saved $1500 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 any 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 the second year	
The amount saved that year allow her to: - Deposit $800 in her TFSA for her emergency fund; - Invest $1 570 in her RRSP (cost of $1 060 considering the tax reduction); - Invest $2 400 in a labour-sponsored RRSP fund (cost of $900).	- She deposits $800 more into her TFSA. Her emergency fund is totally restored; - She contributes $1 570 to her RRSP; - She contributes $2 400 to a labour-sponsored RRSP fund.
Achieved in the third, fourth and fifth years	
The amount saved in each of these years allow her to: - Invest $3 348 in her RRSP (cost of $2 260 considering the tax reduction); - Invest $2 400 in a labour-sponsored RRSP fund (cost of $900).	- She contributes $3 348 to her RRSP; - She contributes $2 400 to a labour-sponsored RRSP fund.

After five years, Audrey sees the significant financial progress she has made and she is proud of it. Taking into account her returns, 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 sizeable amount of money for her retirement!

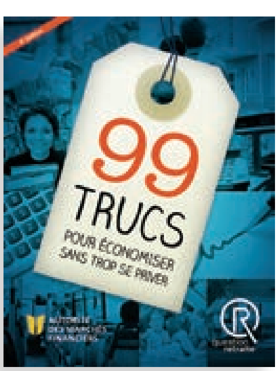
2. Plan now!

The 10% rule does not 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 portion of the amount originating from your personal savings.

Retraite Québec suggests trying SimulR! Simple and easy to use, the tool was designed to help you make your own retirement savings plan. It is available on the ÉducÉpargne website at educepargne.ca as well as on Retraite Québec's website 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 recei ve 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

ÉducÉpargne's brochure titled ***99 trucs pour économiser sans trop se priver*** (French version only), produced in collaboration with the Autorité des marchés financiers, is a tool that provides you with practical tips to pay less for the goods and services that you need. Download or order this guide for free at educepargne.ca.

Using the retirement savings calculator

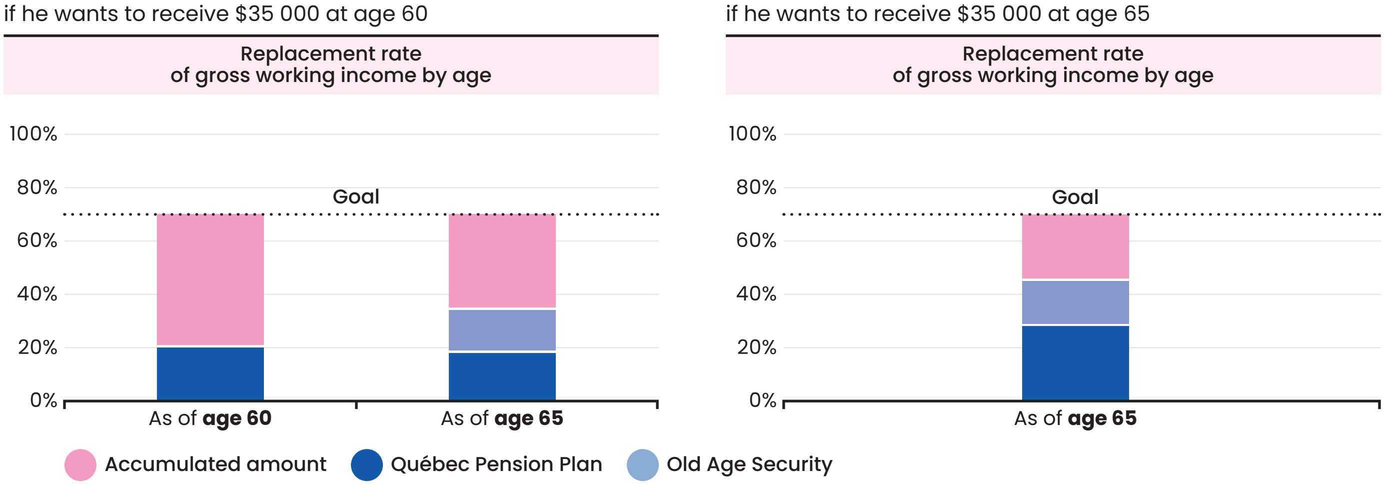
Xavier, age 35, dreams of retiring at age 60 to devote more time to his favorite hobby, sailing. He does not contribute to a retirement savings plan offered by his employer. If he retires at age 60, he knows that in order to get by, he can only rely on his pension under the Québec Pension Plan and his RRSP, which is worth $25 000 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.

Result: if he retires at age 60, he will have to save $11 000 a year; if he retires at age 65, he will only have to save approximately $4 300 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 – Amounts that Xavier should save*

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

Xavier will have to save $4 300 a year
if he wants to receive $35 000 at age 65



* Data presented in 2022 dollars.

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.

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, etc. This is where his power to choose lies. He can also use many of the tips in the *99 trucs pour économiser sans trop se priver* (French version only) guide.

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 what he needs to pay for all of his projects. He will have to adjust his budget once a project has been 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 then be over.

Table 6 – Paying for projects

Project	Amount needed	Savings in hand	Total savings required	Monthly savings
Short-term (0-1 year) Take a 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 has a few questions

Some months i'm in the red. What should I do?
Certain 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 he has a balanced budget at the end of the year.

I have a budget surplus at the end of the year. What should I do?
Xavier can use this surplus as he wishes. For example, he can transfer it to a savings account. But he needs to be careful! Even if he manages to generate a surplus, Xavier should not stop saving for retirement. He must continue to save month after month.

Other calculation tools

ÉducÉpargne's website 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. **educepargne.ca**

Budget table

To help you with this exercise, which may seem difficult, ÉducÉpargne provides you with an interactive budget table. It will help you not to forget anything.

A budget is the best way to get an accurate picture of your situation. It will show you your real income and your real expenses.

Our table includes savings in the budget, of course! You will also find a savings tool that will help you pay for your projects.

Thus tooled, you will be able to move on to the next step and plan your savings to reach your retirement goal!

To begin the exercise, go to educepargne.ca/outils/grille-de-budget/.

5

Take action

Now that you have a good idea of the amounts that you will need to set aside each year to reach your 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.

Remember

1. Make sure to choose an authorized representative to plan for retirement.
2. If it sounds too good to be true, it probably is too good to be true!
3. Review your strategy as needed and according to the significant events in your life (marriage, birth of a child, separation, etc.).

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 cannot answer these questions. Can you? This is YOUR money we're talking about! A list of the types professionals with whom you could do business and the main services they offer can be found in Table 11. The list is not exhaustive. It includes the types of professionals who assist most investors. Unless you can manage your own investments by investing online, for example, you will require the services of a professional.

For further information, consult the Choosing an Investment Dealer or Representative guide in the "Publications" section of the Autorité des marchés financiers' website at lautorite.qc.ca/en or call 1 877 525-0337 to order a free paper copy of the guide.

2. How is your professional paid[5]?

The main forms of remuneration for professionals are commissions, fees and salaries. Some are paid a combination of these various forms of remuneration. For example, they may receive commissions in addition to a base salary.

2.1 Commission

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

2.2 Fees

Some professionals 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

Professionals working for financial institutions are usually paid by salary. Sometimes they also receive a bonus calculated on the basis of their sales. Typically, they must meet sales targets set by the financial institution.

3. For a seamless retirement

In this guide, you have seen how to determine the amount to save for your retirement, taking into account the various possible sources of income, the age at which you will retire, your objectives, etc. It's not that simple, but you also have a mortgage to pay, taxes to pay, a family to protect, other projects to carry out… These are among the many details that you should not overlook when planning your retirement! This is where professional advice could change everything.

Several professionals with different forms of expertise can help you, each in their own way, achieve your objectives (Table 11).

5. **Source:** *Choosing an Investment Dealer or Representative* guide, Autorité des marchés financiers.

Ask your financial planner questions

- What is your background?
- Do you specialize in a particular field or clientele?
- How are you remunerated?
- What are the services that 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?
- What is your most valued quality according to your clients?
- What type of follow-up will you carry out?
- How will I be informed of the returns on my investments?

Of all the stakeholders named in Table 7, financial planners are the only ones who do not have the right to sell financial products as part of their service offer, unless they hold another licence! A financial planner is a university-trained professional who is able to analyze all aspects of your personal finances and develop an action plan that is adapted to your needs and takes into account your reality and your objectives.

The seven fields that the financial planner will analyze with you are the following: legal aspects, insurance and risk management, finance, taxation, investments, retirement and estate planning.

The financial planner does not have exclusive knowledge in these seven fields. Other professionals have knowledge in one or more of these fields. What makes the financial planner special is that he or she integrates all of this knowledge when analyzing your situation to give you an overall view of it.

When consulting a financial planner to plan your retirement, he or she will explain the process 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.

Based on this information, your financial planner will analyze your current situation and develop strategies as well as recommendations, which will be presented to you in a personalized financial report. You will then decide together whether to carry out the strategies suggested and determine how and when to schedule follow-ups. Keep in mind that personal financial planning requires a professional service contract between your financial planner and you.

What you should know

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

- Hold a degree from the Institut québécois de planification financière (IQPF);
- Hold a "financial planner" certificate issued by the Autorité des marchés financiers or be a member of the Ordre des comptables professionnels agrées du Québec (CPA) or the Ordre des administrateurs agrées du Québec (Adm.A.).

To find a financial planner

- Consult the IQPF's online directory at iqpf.org;
- Ask your acquaintances, relatives and friends for referrals;
- Get information from your financial institution.

Table 7 – Various types of professionals and the services they offer[6]

Type of provider	Services
Investment broker representative	Offers a vast selection of investments, such as: - stocks; - bonds; - mutual funds. Some investment broker representatives offer advice and a full range of services such as analyses, securities research and portfolio management. Others act more like intermediaries, selling or buying securities based on your instructions but without giving advice.
Mutual-fund broker representative	Offers mutual funds.
Exempt market broker representative	Offers investments or securities that are exempt from prospectus requirements to accredited investors (institutional investors or individuals with significant assets).
Portfolio manager representative	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 financial planning by preparing an action plan tailored to your needs and taking your constraints and personal objectives into account. The financial planner will then propose coherent and realistic strategies and measures to help you reach the objectives that you have set for yourself.

6. **Source**: Autorité des marchés financiers.

4. Avoid fraud through five good questions[7]!

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 investment risks;
- 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 Information Centre of the Autorité des marchés financiers.

Consult 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 Were you told things that might tip you off?

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:

- does not 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 changes the subject after providing only scant information;
- tries to make you feel guilty when you question his or her statements;
- contacts you repeatedly or pressures you into investing;
- asks you to invest by making out a cheque in his or her name or providing him or her with cash.

7. **Source**: *Red-flagging financial fraud*, Autorité des marchés financiers.

Are you a victim of fraud?

- If you provided 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* on the Autorité des marchés financiers's website.

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 8

Increase in the costs of goods (2% annual inflation)

Initially, your average annual expenses are...

Number of years	$10 000	$20 000	$30 000	$40 000	$50 000
1	$10 200	$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

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%.

Reduced 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 9

Reduced purchasing power (2% annual inflation)

Initially, your annuity is...

Number of years	$10 000	$20 000	$30 000	$40 000	$50 000
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

What does this table mean?

A $20 000 annuity 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. Public pensions such as the pensions under the QPP and the OAS are indexed pensions.

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.

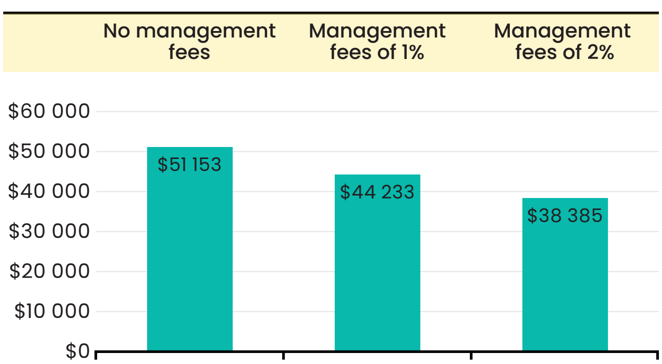
Fees

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 and 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 websites of ÉducÉpargne and the Autorité des marchés financiers.

Did you know that..

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

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

- Do the advice and services you receive justify the fees?
- On what bases are the fees payable?
- Are you familiar with the various forms of remuneration paid to professionals?

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 or less) 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).

Healthy diversification

As the saying goes, "it's always better not to put all your eggs in one basket." The same applies to your retirement savings. In addition to the two main categories of investments discussed on the previous page, you might consider investing in other asset classes such as real estate or in a small and medium-sized business.

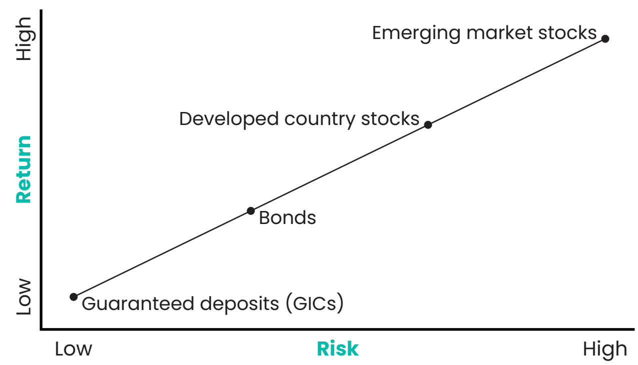
- Investing in real estate offers several advantages such as leverage, monthly income and tax deductible mortgage interest.
- Investing in a small and medium-sized business, as opposed to buying shares on the stock market, gives you more control over risk management, especially if you are the owner. In addition, if your circumstances allow, you may be able to benefit from a tax exemption when you sell your shares.

While both of these investment options can provide a healthy diversification of your assets, there are reasons to be cautious. Before you take action, talk to your certified professional. He or she will help you weigh the pros and cons, and you'll be better equipped to decide if this is a good choice for you!

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*



*As an example to illustrate the point.

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's website 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

ÉducÉpargne
For more information about the services and tools offered by **ÉducÉpargne**, consult the website: **educepargne.ca**

Retraite Québec
Through its mission, **Retraite Québec** contributes to the evolution of the retirement system and to the financial security of Quebecers. It administers the Québec Pension Plan, public-sector pension plans and Family Allowance. It also oversees supplemental pension plans (SPPs) and voluntary retirement savings plans (VSPs).

In addition, it promotes financial planning for retirement. To find out more about financial planning for your retirement, visit the "Retirement and Planning" section of **Retraite Québec**'s website.

Make a budget

For 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 budgeting:
Montréal area: 514 521-6820
Toll-free: 1 888 521-6820
consommateur.qc.ca

Simulate your retirement income

Retraite Québec has created tools to facilitate the calculation of retirement income:
SimulR
CompuPension

Consult an authorized person

The **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 area: 514 395-0337
Québec City area: 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 website:
Montréal area: 514 767-4040
Toll-free: 1 800 640-4050
iqpf.org

Follow a retirement preparation course

Cégep Marie-Victorin, in association with other Québec cégeps, offers financial security courses for people aged 25 to 45 and retirement planning courses for people age 45 and over. These courses are given in workplaces across Québec, in French and English:
Montréal area: 514 278-3535, ext. 5223
Toll-free: 1 800 700-0623, ext. 5223
collegemv.qc.ca

In Québec City, the **Centre Louis-Jolliet**, in collaboration with the Centre de services scolaire de la Capitale, offers retirement preparation courses:
418 525-8038
centrelouisjolliet.qc.ca

The **Centre de services scolaire 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 Retraite Québec's website or from local human resources offices:
Québec City area: 418 643-4881
Toll-free: 1 800 463-5533
retraitequebec.gouv.qc.ca

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 favor.
Continue learning on ÉducÉpargne's website.

Obtaining information

For information on the various pension plans, consult **Retraite Québec**'s website, **retraitequebec.gouv.qc.ca**, or dial one of the following numbers:

For the **Québec Pension Plan**:
Montréal area: 514 873-2433
Québec City area: 418 643-5185
Toll-free: 1 800 463-5185

For more information about provincially regulated **supplemental pension plans (SPPs)** in the private and municipal sectors, the **locked-in retirement account** (**LIRA**), **life income fund** (**LIF**), **voluntary retirement savings plans** (**VRS**) and **simplified pension plan** (**SIPP**):
Québec City area: 418 643-8282
Toll-free: 1 877 660-8282

For **public-sector pension plans**:
Québec City area: 418 643-4881
Toll-free: 1 800 463-5533

For more information about the **Old Age Security pension**, the **Guaranteed Income Supplement** and the **Allowances**, consult 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** website also provides information about the law and your rights and obligations:
educaloi.qc.ca

Financial sector regulators

Autorité des marchés financiers (AMF)
The **AMF** is the organization mandated by the Québec government to protect the consumers of financial products and services. It:

- answers general questions from the public through its information centre;
- offers **educational tools** as well as neutral and objective information;
- deals with **complaints** filed against companies and representatives registered with it;
- offers a conciliation and mediation service to attempt to settle disputes between dissatisfied consumers and companies registered with it;
- **compensates victims** of fraud up to a maximum of $200 000 per claim (subject to certain conditions);
- **protects deposits** up to a maximum of $100 000 per category of deposit, per authorized deposit institution, including principal and accrued interest.

Toll-free: 1 877 525-0337
lautorite.qc.ca

Chambre de la sécurité financière (CSF)
The mission of the **CSF** is to ensure the protection of the public by maintaining the discipline and integrity of the professional standards of its approximately 32 000 members who are financial planners, financial security advisors, group insurance and annuity advisors, group savings representatives and scholarship plan representatives. Consumers can bring to the attention of the CSF's syndic any behaviour they consider prejudicial. The supervision of intermediaries is above all a preventive system that relies on three pillars: continuing education, ethics and discipline.
Questions: 514 282-5777
Toll-free: 1 800 361-9989
Email: info@chambresf.com
chambresf.com

Institut québécois de planification financière (IQPF)
The **IQPF**'s mission is to ensure the protection of the public in matters of personal finance through the training of financial planners and the establishment of standards of professional practice. The IQPF is the only organization in Québec authorized to grant diplomas to financial planners and to establish rules for the continuing education of its graduates. Only professionals who have been certified by the IQPF are authorized to use the title of financial planner.

The IQPF is also the only group reserved exclusively for financial planners.
Montréal area: 514-767-4040
Toll-free: 1 800 640-4050
Email : info@iqpf.org
iqpf.org

Guide to Financial Planning for Retirement

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* to someone you love. It's a caring and earth-friendly gesture!

éduc épargne

ÉducÉpargne, created in 2003 under the name Question Retraite, is a non-profit organization bringing together more than 20 partners from the governmental, financial, associative, and educational fields. ÉducÉpargne's mission is to raise Quebeckers' awareness about the importance of creating and sustaining good saving habits, as well as to provide the tools to increase their significance, and to advise the savers in maximizing their utilization. **educepargne.ca**

Major partner and founding member

Retraite Québec

Partenaire de votre sécurité financière

Founding members

Autorité des marchés financiers · Laurentian Bank Financial Group · National Bank · Scotiabank · beneva (Née du regroupement de La Capitale + SSQ assurance) · Chambre de la sécurité financière · Desjardins · Épargne Placements Québec · Fondaction · Fonds de solidarité FTQ · IQPF Institut québécois de planification financière · Sun Life

Committed members

Canadian Bankers Association · Cégep Marie-Victorin Savoir inventer demain, Centre de services aux entreprises · Centre Louis-Jolliet · Université Laval, Chaire iA Groupe financier en assurance et services financiers · Chaire Fintech AMF-Finance Montréal ESG UQÀM · Université Laval, Chaire IG Gestion de patrimoine en planification financière · Centre de services scolaire de Montréal Québec, Formation continue Entreprise • Particulier · CPQ Prospérer ensemble · Finance Montréal · Option consommateurs · Protégez-Vous · RJCCQ Regroupement des jeunes chambres de commerce du Québec · UQAR Université du Québec à Rimouski