RETIREMENT GUIDE

Cooperating in building the future

TO HELP YOU MAKE THE MOST OF YOUR RETIREMENT DAYS

Whether it's a long-term project or a dream that's about to come true, you likely have no shortage of ideas to fill up this exciting period of your life: travelling, volunteering, learning new skills, bringing out your artistic side, spending time with family, and so much more.

The things you need most to help you get there are independence, financial security and peace of mind. That's where we can help.

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PART 1
PREPARING FOR RETIREMENT

Feel free to plan for your retirement at your own pace.

STARTING TO SAVE FOR RETIREMENT

It's never too early or too late to save for your retirement. Your Desjardins advisor will help you make sense of the various investment tools available and propose a personalized strategy.

Retirement savings

If you start saving early, time is on your side. Your income grows from year to year, increasing your estate. It's like a snowball effect.

Here's an illustration of how an investment grows if you leave it invested over the long-term. As the table shows, the value will more than double in 20 years!

INVESTMENT GROWTH			
Investment term	$2,000*	$5,000*	$10,000 *
10 years	$2,960	$7,401	$14,802
20 years	$4,382	$10,956	$21,911
30 years	$6,487	$16,217	$32,434
40 years	$9,602	$24,005	$48,010

These figures assume a diversified portfolio of investments, earning an annual return of 4%.

* Initial investment.

Including retirement in your budget

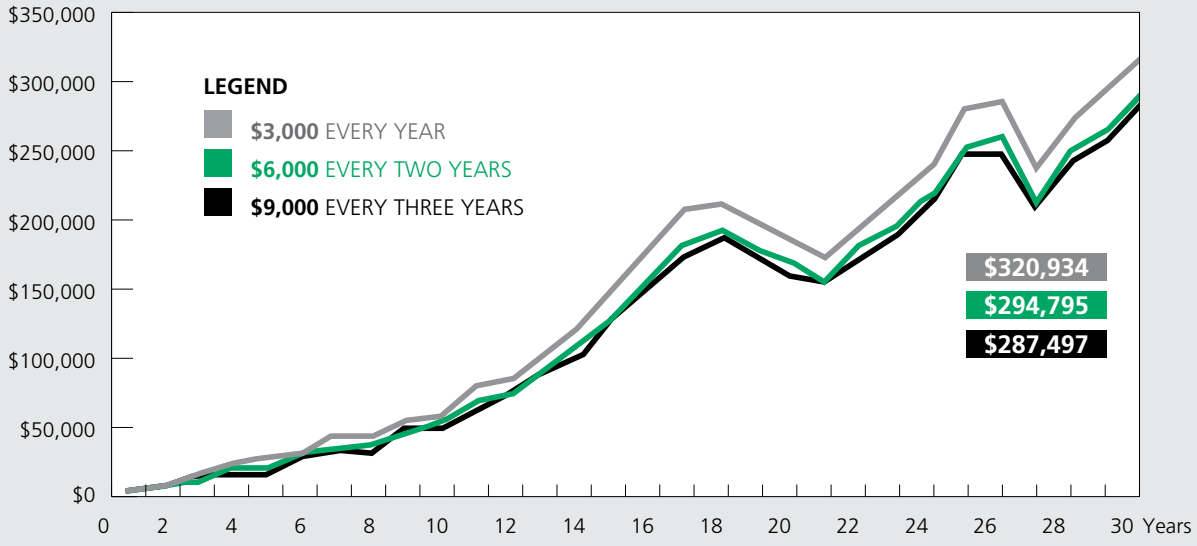
Save for retirement based on your means and objectives. Remember that making regular investments can be as important as the amount itself.

Why not include your retirement in your monthly budget, just like rent and hydro? Even if you can only afford a few dollars per week, you may be surprised by the long-term results.

One investment strategy is to make regular instalments that are withdrawn automatically from your savings account and transferred directly in your investment account (RRSP, TFSA, etc.). You determine the frequency and amount, which you can adjust at any time to keep your savings at pace with your personal and financial situation.

INVESTING REGULARLY = A WINNING STRATEGY

Total paid out in all 3 cases: $90,000



Portfolio: 1/3 fixed income, 2/3 growth.

Data from January 1983 to December 2012 for the DEX Universe, S&P/TSX, S&P 500 and MSCI EAFE, in Canadian dollars.

SOMETHING TO CONSIDER

Arrange for your instalments to be made on the same day you get paid!

Registered Retirement Savings Plan (RRSP)

An RRSP is an investment vehicle that allows you to invest the savings you build up during your active working years to supplement your other income sources in retirement.

Run by the federal government, this plan offers the big advantage of being able to defer the tax paid on your contributions. Contributions to an RRSP are tax-sheltered. While your contributions are tax-deductible and investment income grows on a tax-deferred basis, all withdrawals from the RRSP are taxed. It's therefore more beneficial for you to withdraw from your RRSP when you're retired because, although you'll have to pay tax on your withdrawals, it's highly likely at that point your tax rate will be lower than it was while you were working.

DID YOU KNOW?

Since an RRSP contribution reduces your taxable income, it may increase the benefits paid by certain social programs, such as tax benefits for children, and provide access to certain tax credits.

For every fiscal year, you may invest up to 18% of your prior year's earned income into your RRSP.

PRIOR YEAR'S INCOME	AUTHORIZED CONTRIBUTION (18%)
$10,000	$1,800
$50,000	$9,000
$100,000	$18,000

This rule is subject to a contribution limit, however, which goes up each year.

It's important to note that if you participate in a pension plan or a deferred profit sharing plan offered by your employer, those contributions you make will reduce your RRSP room (pension adjustment).

To find out how much you can invest in your RRSP this year, refer to the Notice of Assessment sent to you by the Canada Revenue Agency (CRA) after your tax return was received.

The exact amount you can contribute to your RRSP is indicated beside the "Your RRSP/PRPP deduction limit" section.

You can also consult the "My Account" section of **cra-arc.gc.ca**.

FIND OUT MORE
desjardins.com/RRSP

Dreaming of throwing a housewarming party? Your RRSP can help!

Home Buyers' Plan (HBP)

An RRSP is an effective way to help you buy the house of your dreams, thanks to the federal government's Home Buyers' Plan (HBP).

One of the benefits of the HBP is that it allows you to use your RRSP for the down payment to buy your first home without having to pay any tax on the withdrawal. You may withdraw up to $25,000 (or $50,000 for a couple), from your personal RRSP to help you purchase a property you'll be using as your primary residence.

To be eligible for the HBP, you must be considered a first-time home buyer. You must also become owner of an eligible property before October 1 of the year after the year you made your withdrawal.

Then, starting the second year after the year of the withdrawal under the HBP program, you have 15 years to repay to your RRSP the amount you withdrew, interest-free. A minimum of 1/15 of the amount used must be paid back each year, for example $1,667 for the maximum withdrawal of $25,000. Of course, if you want, you may decide to make higher payments to build your RRSP up faster.

FIND OUT MORE
desjardins.com/HBP

Using your RRSP to go back to school

Lifelong Learning Plan (LLP)

The LLP allows you to withdraw money from you RRSP to pay for full-time studies or training for you or your spouse. It works something like the HBP.

To participate in the Lifelong Learning Plan (LLP), you or your spouse must be enrolled full-time in an eligible training program. You may withdraw, tax-free, up to $10,000 per year from your RRSP to pay for studies, up to a total limit of $20,000.

You will then have 10 years to repay this money to your RRSP, at a minimum of 1/10 of the amount withdrawn per year. That way, the funds you repay to your RRSP can grow tax-free, so you can use them in your retirement.

FIND OUT MORE
desjardins.com/LLP

Tax-Free Savings Account (TFSA)

Since its introduction in 2009, the Tax-Free Savings Account (TFSA) has continued to gain in popularity. Initially set at $5,000, the annual contribution limit was raised by $500 in 2013. It was raised again in 2015 to $10,000, but was then brought back down to $5,500 in 2016, regardless of income.

Investment income grows on a tax-sheltered basis in a TFSA. In addition, your contribution room can be carried forward if you don't use it up entirely.

Withdrawals are never taxed, regardless of the reason, and the amount of these withdrawals is added to your available contribution room the following year.

For example, say you withdraw $2,000 from your TFSA in 2016. The following year, you can contribute at least $7,500 (annual limit of $5,500 + amount of withdrawal in 2016).

However, it's important to understand that TFSA contributions are not tax-deductible, whereas your RRSP contributions are.

	RRSP	TFSA
Tax-deductible contribution	Yes	No
Withdrawals	Taxable	Non-taxable
Investment income	Non- taxable	Non-taxable

TFSAs have a very wide range of uses. They can help you achieve your short- and medium-term goals, and can also serve as a vehicle for building your retirement savings. Once you've maxed out your RRSP contribution room, you can turn to your TFSA to continue saving tax-free. It's also possible your TFSA may be a better vehicle for your retirement savings than your RRSP. Your Desjardins advisor will be able to help you make the right choice.

FIND OUT MORE
desjardins.com/TFSA

WHAT YOU NEED TO KNOW ABOUT RETIREMENT SAVINGS

You've already been saving for several years to enjoy some freedom in your retirement. To help ensure you make the best choices and maximize your retirement savings, your Desjardins advisor is your best ally in helping you establish a strategy to optimize your retirement plan.

Locked-In Retirement Account (LIRA)*

It's possible you may have access to a supplemental pension plan (or pension fund) through your employer.

When you leave this organization (for reasons other than retirement), the assets accumulated within this plan are yours and can be transferred to a LIRA. That way, you can manage those savings tax-free.

The assets are transferred to a registered account at the caisse. It's not possible to contribute to your LIRA, but you are free to select the investments of your choice. When you're ready to retire, the LIRA will be converted into a Life Income Fund (LIF), which will be paid out to you as retirement income.

Individual Pension Plan (IPP)

Intended for business owners and senior executives, an IPP is a plan designed for a single participant, and contributions are paid entirely by the business. An IPP is a defined benefit pension plan, guaranteeing the amount of the benefit that will be paid to the participant upon retirement.

Spousal RRSP

A tool for splitting your retirement income

RRSPs are the most popular investment vehicles for retirement, because they allow you to defer paying tax until a period in your life when your income, and therefore your tax bill, will likely be at its lowest. A spousal RRSP also allows you to split your retirement income, by contributing a portion of your RRSP contribution room to an RRSP in your spouse's name. This solution may make good tax sense if you expect that your spouse is going to have a lower income than you in retirement.

Note that contributions made to your spousal RRSP reduce your maximum RRSP deduction limit, but the money contributed belongs to your spouse. Only new contributions are eligible, meaning you cannot transfer funds from your RRSP to a spousal RRSP.

* The name may vary from one jurisdiction to another, e.g., locked-in RRSP, but the product is still the same.

Investing to grow your assets

We are all individually responsible for planning our own retirement. To reach our goals, we need to save for retirement and ensure we invest our savings in such a way that they grow.

Step one is to find out what kind of investor you are. To do this, your Desjardins advisor will help you create your investor profile. Your profile will be based on several factors: your investment horizon or amount of time you want your retirement savings to last, your tolerance level for risk and market fluctuations, your knowledge of financial products and markets, and your personal and financial situation.

Your profile will determine the breakdown of asset categories for your retirement savings portfolio or how it will be diversified.

TWO MAIN ASSET CATEGORIES

Fixed income securities

These are debt securities that are primarily issued by businesses and governments. They may include bonds or preferred shares that pay out regular income in the form of interest or dividends (a redistribution of company profits). Historically, the value of fixed income securities don't tend to fluctuate significantly in the short-term.

Growth securities

These securities, Canadian or international common and preferred shares, represent a part ownership in a company. As a shareholder, the investor may receive dividends and capital gains attributable to the growth in the company's shares, or experience a capital loss if the share price drops. The capital gain or loss is only realized when the share is sold.

More and more investors are choosing to diversify their portfolio and include these asset categories by opting for investment funds.

Investment Funds

An investment fund or mutual fund is a collection of various types of investments purchased with the savings of several investors with similar investment objectives. By investing in an investment fund, you are purchasing a part or share of a fund. Another way of saying it is that you are buying fund securities. The more you invest in a fund, the more shares or securities you receive. Professional portfolio managers make all the decisions regarding how the assets within the fund are managed.[1]

Diversification is key because, it alone is responsible for the majority of the long-term performance of an investment portfolio. Your investment strategy should therefore include a good allocation of your assets, while respecting your investor profile.

[1] Mutual funds are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing.

PART 2
APPROACHING RETIREMENT

When freedom is just around the corner…

Whether you've built up your retirement savings in a Registered Retirement Savings Plan (RRSP), a Locked-In Retirement Account (LIRA), a Tax-Free Savings Account (TFSA) or in non-registered accounts, this is an important time for a bit of reflection. You've worked for years to accumulate your retirement savings, so you want to make sure you get the most out of them.

YOUR RETIREMENT NUMBERS

Retirement is almost upon you and the countdown has begun. It's time to meet your Desjardins advisor to set up an action plan that will allow you to experience your retirement years the way you want.

How much will you need?

Specialists are more or less in agreement: to maintain the style of life you're accustomed to in retirement, you'll need approximately 70% of your gross, peak pre-retirement income every year.

Why 70%? Because when you're no longer part of the workforce, your expenses (clothing and transportation, in particular), go down. Plus, once you've reached retirement, chances are good you've finished paying off your mortgage and your kids have left the nest, which helps reduce your cost of living significantly.

Of course, this estimate isn't a universal truth: the income needed may fluctuate depending on your retirement objectives. This number, however, gives you a good indication of the amount of savings it's advisable to have.

This is especially true now since retirement is lasting longer than before, and life expectancy continues to climb, currently reaching close to 80 years.

Your retirement budget

Estimating your retirement budget will allow you to assess whether your income (public and private sources) will be enough to meet your retirement needs.

You'll have a clearer picture of the situation and will be able to implement a financial strategy to meet your needs.

CALCULATE YOUR RETIREMENT BUDGET
desjardins.com/RetirementCalculator

Your retirement income sources

Government pensions

If you've contributed to the Quebec Pension Plan (QPP) and/or the Canada Pension Plan (CPP), at age 60, you'll be able to apply for your retirement pension.

The amount you'll receive will depend on several factors, including your age when you apply: at age 60, it would only be a fraction (approximately 70%) of the amount you would receive if you waited until age 65, at which time you would be entitled to 100% of the pension.

If you waited even longer to apply, say until age 70, the amount would be even higher: 142% of the pension attributed at age 65.

There is also a second government pension: Old Age Security. It is paid to all Canadian residents aged 65 or over who meet the legal requirements. Note that starting in 2023, the retirement age will be raised to 67.

The same principle as for the QPP applies here as well: the longer you wait to apply, the greater the amount you'll receive. You can defer applying for a maximum of 5 years.

The benefits paid will be reduced and possibly even eliminated if your net income exceeds the amount determined by the federal government.

On the other hand, lower income retirees may be eligible for the Guaranteed Income Supplement, which is added to the pension.

For more information, visit the Régie des rentes website at **rrq.gouv.qc.ca**, and the Service Canada website at **servicecanada.gc.ca**.

These pensions will only cover a portion of your retirement expenses. Your personal savings and/or income from a private retirement plan will make up the difference.

Registered Pension Plan (pension fund)

You might have a pension plan through your employer. A pension fund is a retirement plan that the employer and employee have made contributions to over the years. It gives employees a pension they can count on in retirement.

There are two types of plans: defined benefit and defined contribution.

- A defined benefit plan guarantees that, upon your retirement, you'll receive a monthly benefit based on a percentage of your salary for your highest paid years.
- A defined contribution plan informs you at the outset how much will be contributed by the employer and you, but doesn't guarantee the amount you'll receive upon retirement. It will be based on the funds accumulated in the plan.

In addition to this difference, each plan has its own specific features. It's important to ask your employer for specific information about the details of your plan: pension eligibility age, calculation of benefits based on salary and number of years of service, projected benefit amount based on retirement age, etc.

Don't forget to include in your retirement income any other group savings plan you may have contributed to in previous jobs: group RRSP, Voluntary Retirement Savings Plan (VRSP), Simplified Pension Plan (SPP), Deferred Profit Sharing Plan (DPSP). These contributions may be added to your retirement income.

PLANNING FOR THE FUTURE

You've prepared your retirement plan and now you want to plan more broadly for your future and that of your loved ones. Your Desjardins advisor can help you with this.

Estate planning

Preparing for retirement requires you to review your financial situation. It's an excellent opportunity for you to take stock, optimize your tax and financial strategies, and establish your goals for the future. It's also an opportunity to start your estate planning, so you'll be ready to transfer your assets according to your wishes, whether during your lifetime or after your death.

Your Desjardins advisor can guide you in this process, helping you to:

- Make an inventory of your assets
- Grow your assets and maximize your tax strategies so you can pass on as much as possible to your heirs
- Protect your loved ones and give them financial freedom
- Distribute your assets among your heirs according to your wishes

You can also seek out complementary services or legal advisors who will help you achieve your goals:

- Drafting your will and testament and mandate in case of incapacity[1]
- Assessing your coverage needs (life, health and disability insurance[2])
- Planning your philanthropic donations
- Creating a trust
- Transferring your business and other properties

FIND OUT MORE
desjardins.com/estateplanning

[1] As per the Civil Code of Québec; continuing power of attorney for property in Ontario.

[2] Advisory services offered by Desjardins Financial Security, Financial Services Firm.

Maintaining your standard of living in retirement

Your health is a precious ally in achieving your retirement objectives. If you don't have your health, you may have to postpone your retirement or you may not have enough retirement income to meet your needs. The right insurance solutions could allow you to keep planning your retirement without compromising your investments or estate.

CRITICAL ILLNESS INSURANCE

- Pays a tax-free, lump-sum benefit that you can use at your discretion, in the event of a critical illness diagnosis
- In some cases, reimburses homecare expenses

LONG-TERM CARE INSURANCE

- In the event of a loss of independence, you'll be able to receive a non-taxable monthly benefit
- Offers total freedom in terms of how the funds may be used: you can obtain homecare and services and choose the living environment that best suits your needs (private or public)

UNIVERSAL LIFE INSURANCE

- Offers life insurance coverage and the ability to amass funds tax-free so you can increase the value of your estate
- In some cases, offers the ability to withdraw savings without paying tax, in the event of disability, critical illness, surgery or loss of independence
- Covers the tax implications related to the insured person's death

To assess the impacts of poor health or a death on your retirement income, arrange a meeting with your Desjardins financial security advisor.[3]

[3] In Ontario, this refers to a life and health insurance representative employed by Desjardins Financial Security Life Assurance Company. In Quebec, this refers to a financial security advisor employed by Desjardins Financial Security, Financial Services Firm.

PART 3
RETIREMENT IS HERE

Now you're free to enjoy a new stage of your life!

You've built up your savings and invested them to allow you live out your retirement dreams, so now's the time to enjoy each moment of your retirement.

If you have several sources of income, you'll need to establish a withdrawal strategy for your assets. It's often preferable to use your non-registered assets before your registered funds (RRSP, LIRA, TFSA), as your source of retirement income, so you can continue to let your assets grow tax-free for as long as possible. Your Desjardins advisor can help you develop the withdrawal strategy that works best for you.

REGISTERED RETIREMENT INCOME FUND (RRIF) AND LIFE INCOME FUND (LIF)

Control and flexibility

WHAT IS A LIF?

A Life Income Fund acts as a natural extension of a LIRA, in the same way that a RRIF is an extension of your RRSP.

RRIFs and LIFs leave you in control of your capital: you decide on the composition of your portfolio and you select your investments. That way, you can take advantage of market fluctuations.

These tools also offer flexibility. Depending on your needs, you can make a lump-sum withdrawal or a series of regular withdrawals.

RRIFs and LIFs have several features in common: no contributions can be made and annual withdrawals are mandatory starting in the year you turn 71.

By law, you must withdraw a certain percentage of your assets every year. Both plans have a minimum withdrawal limit. LIFs, which are designed to provide a life income, also include a maximum limit.

MINIMUM WITHDRAWAL BASED ON SPOUSE'S AGE

At age 71, you are legally required to withdraw the annual minimum from your RRIF/LIF. If you want to reduce your mandatory annual withdrawal, and if this applies to your situation, you may choose to base the minimum annual withdrawal from your plan on the age of the younger spouse.

For more information about RRIFs, visit the Service Canada website at **cra-arc.gc.ca/RRSP**.

For more information about LIFs, visit the Régie des rentes website at **rrq.gouv.qc.ca/LIF**.

YOUR INVESTOR PROFILE IN RETIREMENT

Whether your savings are in registered plans or non-registered investments, and whether you're retired or not, your assets should be invested in such a way as to provide the optimal potential return for you, based on your investor profile.

A portion of your assets will likely be used to provide you a short-term income. This portion of your retirement savings should be kept safe from stock market fluctuations. However, since it's not uncommon nowadays for retirement to last over 20 years, it's important not to downplay the importance getting a good return on your savings. If you're investments are too safe, offering rates of return sometimes lower than the rate inflation, you may run out of retirement savings.

Amount of time before capital runs out based on the return obtained
Portfolio of **$150,000** from which monthly withdrawals* of **$1,000** are made

PORTFOLIO	VOLATILITY	RETURN POTENTIAL	CAPITAL LIFESPAN
75% GROWTH 25% FIXED INCOME		6%	17 years and 6 months
50% GROWTH 50% FIXED INCOME		5%	15 years and 10 months
25% GROWTH 75% FIXED INCOME		4%	14 years and 6 months
100% FIXED INCOME		3%	13 years and 6 months

Rates of return applied: fixed income 3%, growth 7%.

* Indexed annually by 2%.

At this stage in your life, your investor profile will determine the best investment choices for you, just as it did when you were initially saving for your retirement.

There are four factors that determine your investor profile:

- Your investment horizon
- Your risk tolerance level
- Your payout requirements
- Your knowledge of financial products and markets

Your Desjardins advisor will be able to help you determine or revise your investor profile and implement the appropriate strategies.

YOUR RETIREMENT ASSETS

If you wish, you may choose to sell off certain assets, such as a residence or income property, during your retirement. The gain resulting from this sale, minus any applicable income taxes, represents investment savings you can use to finance your retirement projects.

DESJARDINS

YOUR DESJARDINS ALLY

Your Desjardins advisor is a precious ally when it comes to reaching your financial objectives and will help you:

- Put your objectives in perspective
- Analyze your financial situation
- Determine your investor profile
- Develop and investment strategy

Don't hesitate to seek advice and guidance from your advisor, so you can feel free to make your dreams come true.

THE DESJARDINS EXPERIENCE

With over **$254 billion** in assets, Desjardins is the largest financial cooperative in Canada.

Considered the fifth strongest financial institution in the world by Bloomberg, Desjardins has one of the highest capital ratios and credit ratings in the industry.

An innovative, socially-responsible and environmentally-friendly organization, Desjardins belongs to its members and invests in the community.

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Desjardins
Wealth Management
INVESTMENTS

Cooperating in building the future

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