



90% Retirement Income Factors

Guaranteed Lifetime Income:
Creating your Personalized Pension Program

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- Guaranteed lifetime income – what, why, how much
- The role of the advisor
- The 90% Retirement Income Factors
- Options for pensionizing personal assets
- Income market opportunity
- Income solutions

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Value of Guaranteed Lifetime Income

in addition to government sponsored plans



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What Canadians Want

Average Ranking	Pension Plan/Retirement Plan features
8.4	Retirement income guaranteed to last lifetime
8.2	Retirement income that is predictable
8.2	Retirement income that keeps pace with inflation
7.7	Retirement savings plan that will provide income if I am forced to retire earlier than planned
7.6	Income that does not fluctuate with investment results

Source: Designing retirement schemes Canadians want...; Apr. 13, 2017

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Guaranteed lifetime income...

What is your why?



Why more guaranteed lifetime income?

- Living longer
- Fear of outliving income
- Fewer have defined benefit pension plans through work
- Market volatility and contributing factors
- Cover fixed/regular expenses

FEAR FACTOR

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Why more guaranteed lifetime income?

- Financial lives and options becoming more complex
 - Relying on personal assets: stakes getting higher
 - Product options and features
 - Acronyms and jargon
 - Multiple income sources at retirement
 - May not be guaranteed; illiquid assets
 - Blended families



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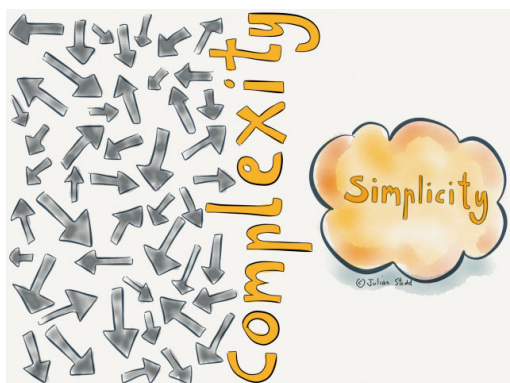
Why more guaranteed lifetime income?

- ✓ Maintain their lifestyle
- ✓ Simplify financial management and focus on lifestyle
- ✓ Make it easier for family to manage when incapacitated

Yet...

- ✗ No retirement plan
- ✗ No retirement income plan
- ✗ Little desire to actively and consistently engage

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Positioning and names make difference

70% guaranteed lifetime income product owners satisfied with them

60% very important to financial security

41% less interested if product labelled as income annuity or segregated fund

41% unfamiliar with income annuities

67% didn't know what segregated funds were

Source: 2018 Canadian Guaranteed Lifetime Income Study, Greenwald & Associates and CANNEX

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Role of advisors

- Scoring on financial knowledge vs. feelings on financial literacy
- Gender differences
- Advisor focus and competency



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Where's the focus

For **75%** of respondents working with advisors, retirement income discussions focused on:

- dividend and interest paying investments and
- asset withdrawals



Source: 2018 Canadian Guaranteed Lifetime Income Study, Greenwald & Associates and CANNEX

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Content matters

79% satisfied with financial advice received

73% of Canadians believe financial advisors have responsibility to discuss guaranteed lifetime products

33% had guaranteed lifetime income conversation with advisor

Failure to discuss is a reason to switch advisors

Source: 2018 Canadian Guaranteed Lifetime Income Study, Greenwald & Associates and CANNEX

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50% factor: Segregated Fund Ownership and Relationships

	Don't own segregated funds	Own segregated funds
Highly recommend advisor to someone else	20.9%	+ 50% → 29.7%
Considering switching advisors	15.7%	← + 50% 10.6%

Source: Financial Comfort Zone Study, 2018

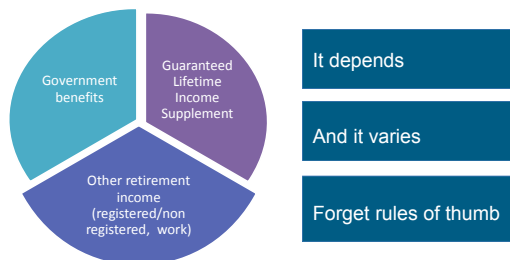
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Guaranteed lifetime income products should form part of an overall retirement income plan

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How much retirement income do you want guaranteed for life?



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Retirement income:
What most aging Canadians want

The 90%
factors



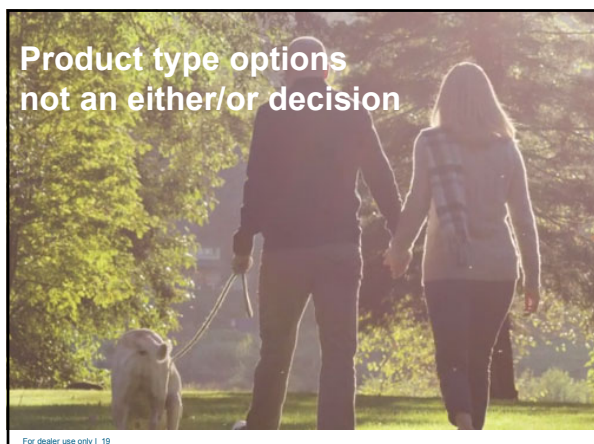
- **97%** want predictable income
- **90%** willing to contribute more to ensure it
- **98%** want a lifetime income
- **91%** are willing to pay more to guarantee this



Source: Designing retirement schemes Canadians want...; Apr. 13, 2017

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Product type options not an either/or decision



Certain strategies lend themselves to particular products well

- Consider income tax
- Spendable cash flow



Options for pensionizing personal assets

1. **Withdrawing interest, dividends and capital** (GICs, segregated funds, mutual funds)
2. **Systematic withdrawal plan** (segregated/mutual funds)
3. **Series T mutual funds** (tax efficient return of capital first)
4. **Personal pension plan** (maintenance-free, guaranteed lifetime level income, annuity)
5. **Guaranteed withdrawal benefit plan** (segregated funds)
 - All insurance-based investments have contractual guarantees and deposit protection coverage
 - Each has benefits and drawbacks

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Fees may be higher; Costs may be lower (Insurance-based investments)

- Assuris protection
- Lock in gains on investment funds
- Simpler reporting for income taxes

Properly set up, insurance-based investments

- May bypass probate and offer privacy
- Go directly to named beneficiaries
- Offer creditor protection



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Product Solution	Income Tax Consideration	
	Registered	Non-registered
Guaranteed Interest Contract	<ul style="list-style-type: none"> • Fully taxable 	<ul style="list-style-type: none"> • Interest taxable - withdrawn or not • Eligible for pension credit and income splitting at age 65+
Guaranteed Investment Fund	<ul style="list-style-type: none"> • Fully taxable 	<ul style="list-style-type: none"> • Interest fully taxed • Reduced taxes on dividends, realized capital gains and losses • No tax on return of capital
Series T mutual funds	<ul style="list-style-type: none"> • Fully taxable • All benefits lost in registered plans 	<ul style="list-style-type: none"> • Taxed on realized growth annually • Return of capital payments tax-free and weighted to the front end of income stream payouts
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Product	How / when used with non-registered monies
Guaranteed Interest Contracts	<ul style="list-style-type: none"> Preserve capital, very conservatively invested Cashable Take advantage of pension credit at age 65 Part of laddering concept for flexibility
Guaranteed Investment Fund	<ul style="list-style-type: none"> Systematic withdrawals as needed or fixed amounts Stop and go options Cashable
Series T mutual funds	<ul style="list-style-type: none"> Fixed percentage withdrawals Stop and go options Investment not cash flow in early years when tax free available
Annuity	<ul style="list-style-type: none"> Guaranteed level income – individual vs. survivor Stagger contracts to optimize returns and flexibility Used as part of insured annuity where invested amount replaced via life insurance as legacy
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Guaranteed Lifetime Income



- All of these products can be structured to provide guaranteed income
- Only two can provide contractually guaranteed, lifetime income

- Personalized pension style income via annuity
- Guaranteed withdrawal benefit plan

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- **97%** want predictable income
- **90%** willing to contribute more to ensure it
- **98%** want a lifetime income
- **91%** are willing to pay more to guarantee this



Source: Designing retirement schemes Canadians want...; Apr. 13, 2017

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Aging Canadians want and value guaranteed lifetime income in addition to government benefits.

They expect advisors to inform them of the options and how they can address their concerns and help fulfill their plans.

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