



# PLAYBOOK FOR RETIREMENT INCOME PLANNING

## 8 STEP PROCESS



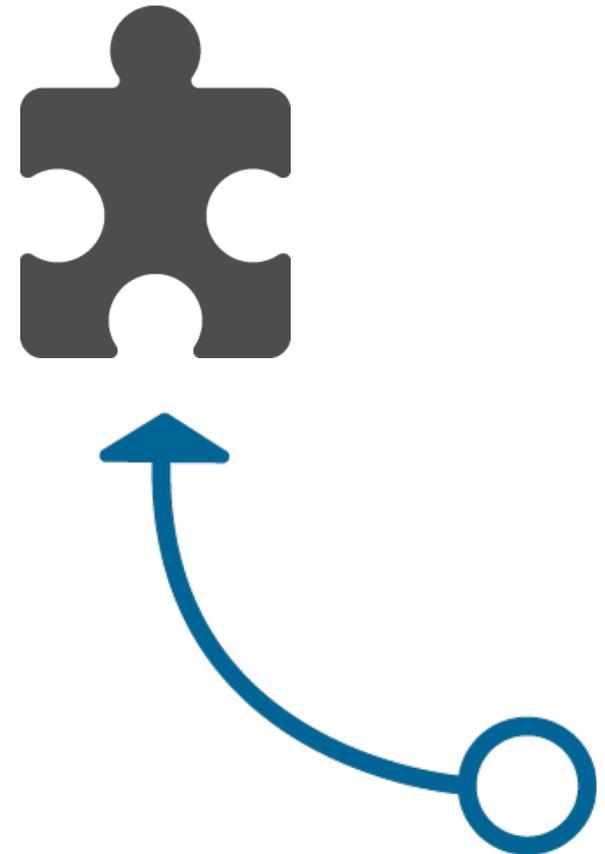
Peter Wouters  
Director, Tax & Estate Planning  
Mar. 2014

# DECUMULATION VS. ACCUMULATION

- Clients **build** their assets at number of places
- Need to “**consolidate**” to **use** them most **efficiently**
- **Asset use** vs. asset building
- **Planning and process driven** not product driven
- Many of the investment rules that apply when saving don't apply in the withdrawal years

# THE FIRST THING TO DETERMINE ...

- Is there a “fit” for what they want and
  - What we do
  - How we do it
  - Why we do it that way



# THE RETIREMENT INCOME PLANNING PROCESS

1

Competent planning



2

Aligning Investments



3

Efficient Execution



Not every prospective client is a fit for our  
business model

Our business model is not a fit for every  
prospective client



# THE CHALLENGE FOR ADVISORS

- Dealing with the differences
- Acumen
- Processes
- Structure / team



 **TIME**



Rate of return

Advisors wrongly defining how clients measure their value

Mutual Fund	(ACB) Your Cost (CDNS)	Your Average Cost/Unit (CDNS)	Number of Units Owned	Unit Value on Mar 31, 2009 (CDNS)	Market Value on Mar 31, 2009 (CDNS)	Your Unrealized Gain(Loss) (CDNS)
D AGF Dividend Income Fund (DSC)	1,240.87	15.42	80,467.0	9,270.0	745.93	(494.94)
D AIC Canadian Balanced Fund (DSC)	1,073.43	5.66	189,747.0	4,200.0	796.94	(276.49)
C AIC Cdn Focused Fund (DSC)	1,803.30	7.72	233,484.0	5,730.0	1,337.86	(465.44)
D AIC Cdn Focused Fund (FEL)	1,448.67	5.75	251,943.0	5,730.0	1,443.63	(5.04)
D AIC Diversified Canada Fund (DSC)	2,065.02	36.10	57,205.0	28,760.0	1,645.22	(419.80)
D AIC Diversified Canada Fund (FEL)	1,647.35	30.31	54,350.0	28,760.0	1,563.11	(84.24)
D AIC Dividend Income Fund (DSC)	0.00	0.00	0.0000	7,550.0	880.61	0.00
D AIC Dividend Income Fund (FEL)	910.86	7.81	116,637.0	8,030.0	1,276.85	(30.05)
D AIC Global Focused Fund (DSC)*	1,888.31	11.88	159,010.0	8,030.0	1,368.96	(611.46)
F AIC Global Focused Fund (FEL)*	1,358.73	7.97	170,481.0	25,000.0	2,518.05	10.23
C AIM Canadian Balanced Fund (DSC)	2,826.83	28.07	100,722.0	15,250.0	1,043.16	(308.78)
C CI Harbour Fund (DSC)	1,335.39	19.52	68,404.0	14,240.0	424.25	(292.23)
C CI Harbour Growth & Income Fund (FEL)	473.57	15.90	29,793.0	14,240.0	3,818.19	(443.81)
C CI Harbour Growth & Income Fund (DSC)	4,262.00	15.90	268,131.0	7,051.8	1,951.66	0.00
C Mackenzie Balanced Fund - Series A (DSC)	0.00	0.00	0.0000	7,051.8	709.75	(337.87)
C Mackenzie Balanced Fund - Series A (FEL)	2,289.33	8.27	276,760.0	6,100.7	1,951.66	(341.11)
D Mackenzie Cundill Cdn. Security Fund - Series C (FEL)	1,050.86	9.03	116,339.0	6,100.7	371.11	(178.35)
D Mackenzie Cundill Cdn. Security Fund - Series C (DSC)	549.46	9.03	60,830.0	6,100.7	1,014.39	(362.53)
F Mackenzie Cundill Value Fund - Series C (FEL)*	1,376.92	9.10	151,361.0	6,701.8	346.59	(123.87)
F Mackenzie Cundill Value Fund - Series C (DSC)*	470.46	9.10	51,716.0	6,701.8	1,714.92	(356.26)
D Mackenzie Ivy Canadian Fund (FEL)	2,071.18	24.62	84,140.0	20,381.7	1,292.65	(268.54)
D Mackenzie Ivy Canadian Fund (DSC)	1,561.19	24.62	63,422.0	20,381.7	405.93	(96.19)
C Mackenzie Ivy Growth & Income Fund - Series A (FEL)	502.12	21.69	23,155.0	17,530.9	3,529.30	(836.26)
C Mackenzie Ivy Growth & Income Fund - Series A (DSC)	4,365.56	21.68	201,319.0	17,530.9	390.71	(62.82)
F Renaissance China Plus Fund (DSC)*	453.53	14.64	30,987.0	12,608.9	3,462.83	(64.13)
D Renaissance Dividend Fund (FEL)	3,526.96	12.67	278,298.0	12,442.9	0.00	0.00
D Renaissance Dividend Fund (DSC)	0.00	0.00	0.0000	12,442.9	1,093.00	(34.01)
E Renaissance Global Health Care Fund (FEL)*	1,127.01	14.73	76,536.0	14,280.9	1,940.06	56.56
E Renaissance Global Health Care Fund (DSC)*	1,883.50	13.86	135,850.0	14,280.9	845.59	(694.13)
F Trimark Global Endeavour Fund (DSC)*	1,539.72	12.90	119,349.0	7,085.0	\$37,931.25	
<b>Total</b>						

# MOVING FROM LONG TERM SAVINGS TO LONG TERM SPENDING

Advisors mistakenly think  
that the relationship will  
retain the client



## THE NUMBER 1 QUESTION FOR CLIENTS

“Do you have a written plan forecasting income and expenses in retirement, to ensure that you don’t run out of money?”

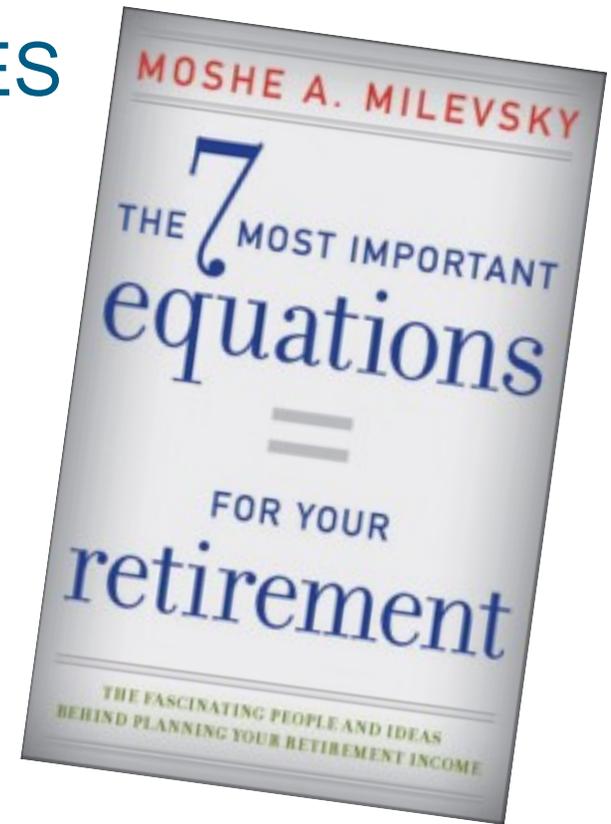
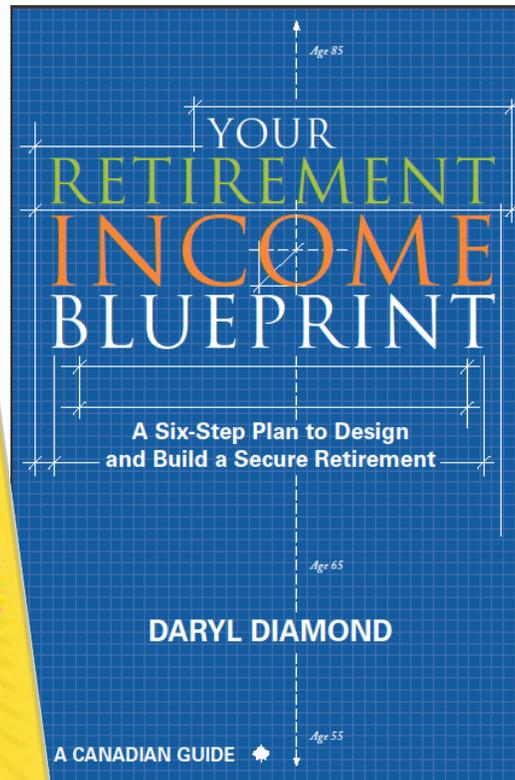
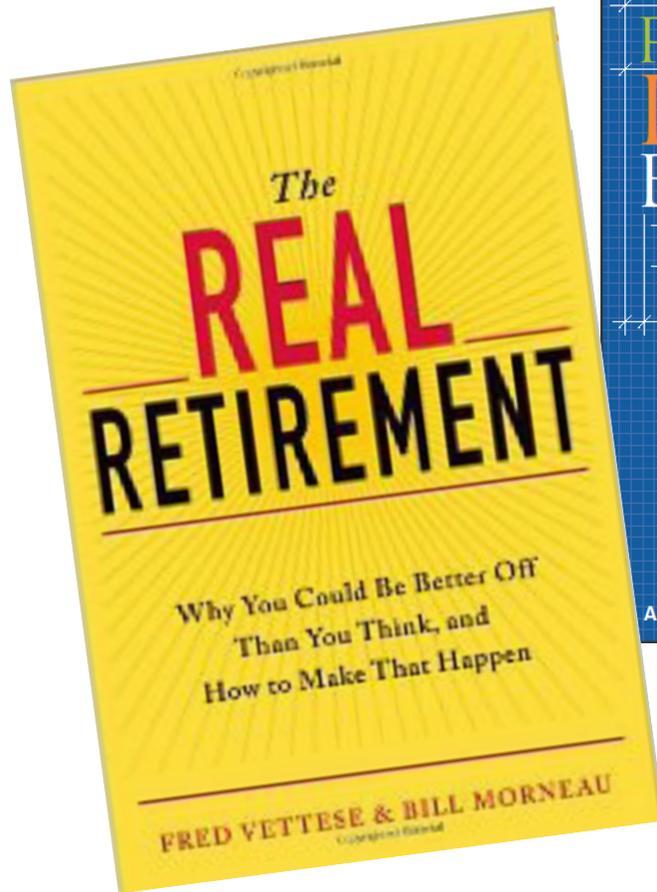


## FOLLOW UP QUESTION

Have you stressed your plan to make sure that the structure, strategies and solutions can continue to do the job they were designed to do when you set up the plan?



# GROWING LIST OF RESOURCES



on the SHELF

# CAN I AFFORD TO RETIRE?

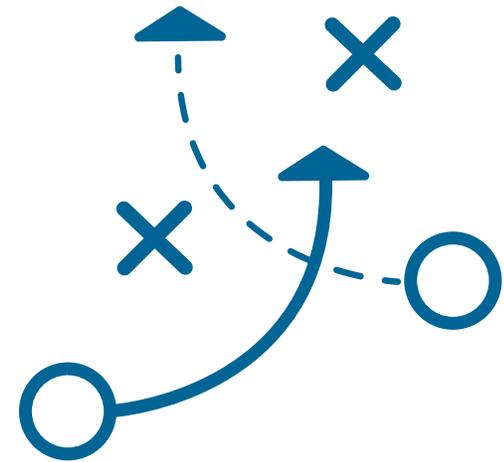
## Yes you can, if ...

1. You have sufficient assets and benefits to create the income you need
2. You can have the lifestyle you want
3. This can be sustained throughout your retirement



# THE NEED FOR A PLAYBOOK

- Detailed Playbook incorporates ...
  - Processes
  - Proven strategies
  - A defined course of action
- Many moving parts and many changes
- Variables frequently outnumber guarantees
- Plan provides clear view and understanding
- Coordinates household income streams
- **Shows impact of how improvements to their current situation will benefit them**



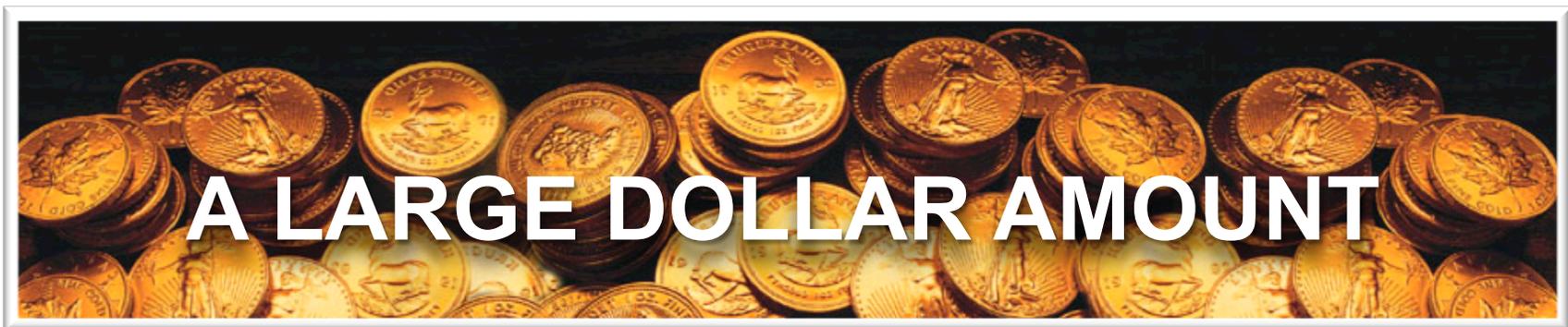
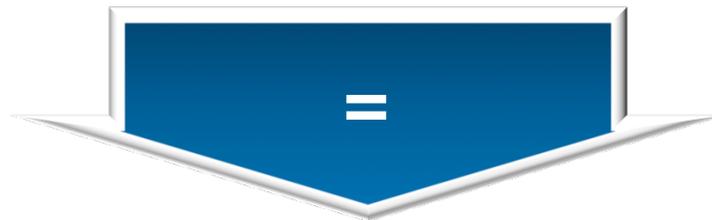
# IMPROVING AREAS OF WEAKNESS

- 1 Find area of weakness in client detail or situation
- 2 Show clients cost and/or disadvantage associated with weakness
- 3 Show clients options on how to improve situation and quantify benefits of taking action
- 4 Implement the solution to “make things better”

# BETTER = MORE EFFICIENT

- Preserve government benefits
- Preserve tax credits
- Less tax on income and estate
- Less cost for investments
- Less strain on income-producing assets to create income
- Enhance wealth transfer opportunities for heirs and charity
- Use insurance vehicles for health risk management and wealth transfer

# THE FORMULA



# COMPREHENSIVE RETIREMENT INCOME PLANNING

Four channels...

- Structural Plan
- Investment Plan
- Health-Risk Management
- Wealth Transfer

Each is a process unto itself



plumbing



electrical



framing



heating



Interdependence  
and integration



# RETIREMENT INCOME PLAN STEP BY STEP



# THE EIGHT STEP RETIREMENT INCOME PLAN

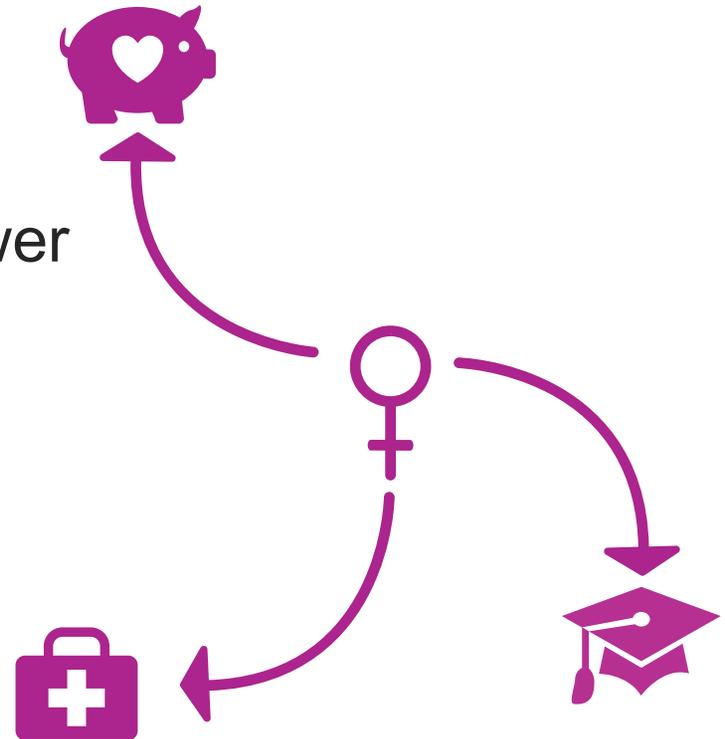
1. Assess current life stage
2. Determine lifestyle and time objectives
3. Establish financial goals and priorities
4. Create income needed through layering
5. Align investments with the Profile/Playbook
6. Health Risk Management
7. Wealth Transfer – Spouse / Estate / Intergenerational
8. Assess impact on net worth

## GUIDING THOUGHTS

- Good retirement income planning advisor is golden
- Need/demonstrate knowledge and passion
- Need competency and caring
- integrated, holistic approach?
- Generalities have exceptions; including “rules of thumb”
- What to avoid

# HERE'S WHAT WE'RE DOING AND WHY...

- Measuring success
- More goal oriented
- Money = means to an end vs. power
- Giving back; doing good
- Relationships are #1



# COMPREHENSIVE RETIREMENT INCOME PROFILE

- Reference worksheets, setup, functionality

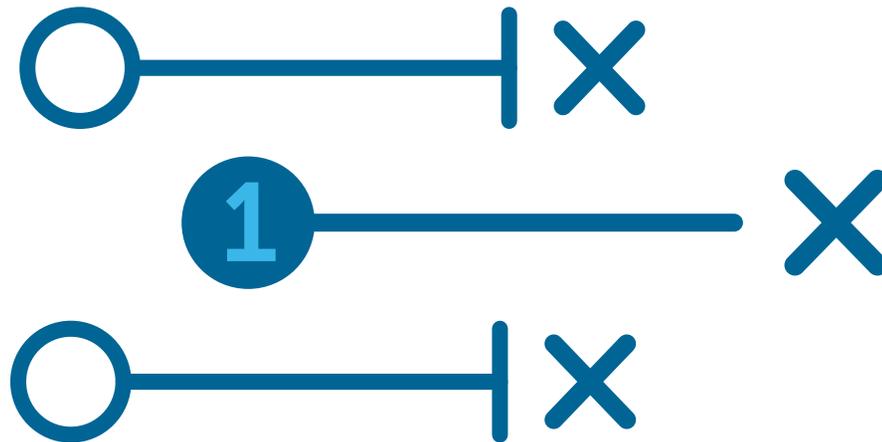
## COMPREHENSIVE RETIREMENT INCOME PLANNING PROFILE

Prepared for: Client Name  
Client Address  
Client Address  
  
Joint Client Name  
Joint Client Address  
Joint Client Address  
  
Prepared by: Advisor Name  
Advisor Firm  
Advisor Address  
Advisor Address  
Advisor Telephone  
  
Date: 04/30/14



## STEP 1: ASSESS CURRENT LIFESTAGE

- Where are they in their “retirement lifecycle”
- What are the current data / reference points?
- Are they starting retirement at same time?
- Retire “in stages” or work right up to “finish line”?
- Looking to start consolidating their assets?



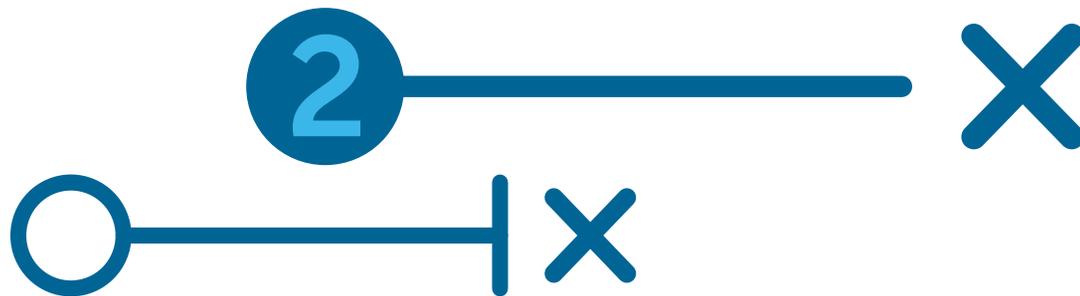
# LISTEN FOR CLIENT CONCERNS

- Liquidity
- Capital Preservation
- Guarantees
- Control
- Legacies



## STEP 2: DETERMINE LIFESTYLE AND TIME OBJECTIVES

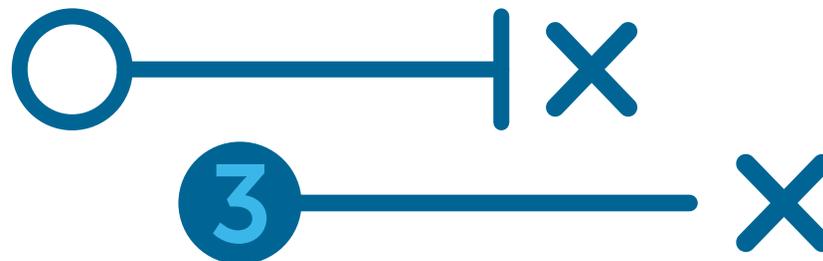
- What is/are the clients' view of retirement?
- What role will work play in their plans?
- What are their lifestyle and fulfilment goals?
- What are their family priorities and/or issues?
- Where will they reside?
- What are clients going to do with their time?



## STEP 3: ESTABLISH FINANCIAL GOALS AND PRIORITIES

### **Ideal situation when retirement income starts:**

- Not servicing any debt
- Life and health insurance coverage in place
- Sufficient assets to comfortably fund needed cash flow
- Mix of registered and non-registered income-producing assets



## Establishing your Retirement Priorities

Rank the following in terms of their importance. The higher the rating, the more important the issue is to you and your spouse/partner.

Retirement Income Priority	Rating 1-10	
	You	Spouse/Partner
<b>Income Security</b> Being certain you will not outlive your income		
<b>Safety of capital</b> Being certain your income producing assets are protected		
<b>Guaranteed Income</b> Having a base level of guaranteed income that you cannot outlive		
<b>Highest Possible Income Today</b> Use all assets to create the largest income immediately		
<b>Addressing Inflation</b> Having your income grow to maintain purchasing power		

Retirement Income Priority	Rating 1-10	
	You	Spouse/Partner
<b>Reducing Taxes</b> Explore strategies to pay less tax on your income		
<b>Health Risk Management</b> Minimizing the use of your personal assets for health care costs		
<b>Using Capital Assets</b> Willing to reduce the value of your assets to create your income		
<b>Estate/Wealth Transfer</b> Leaving assets to family and favourite causes rather than the tax department		

## STEP 3: ESTABLISH FINANCIAL GOALS AND PRIORITIES

- Establish their Money Hub priorities
- Calculate initial income target
  - Additional cash flow in early years
  - Lump sum requirements
  - Insurance or critical illness coverage
  - Inflation considerations
  - Reduction in spending in later years
- **Is this sustainable?**
- **Survivor issues**



# HOW MUCH IS ENOUGH?

- Focus on the income side
- What about the expense side?
- Match recurring expenses to recurring income
  
- Enough to do what....exactly?
- Remember: What do you want to do? When do you want to do it? How do you want to do it? How long do you want to do it? .....no matter what?

Ref: Comprehensive Retirement Income Planning Profile

# IT'S ABOUT CASH FLOW

- How much of this cash flow should be guaranteed?
- Will cash flow needs change over time?
- Consider phases of retirement
- Cash flows adjusted for each phase



# INCOME TARGET

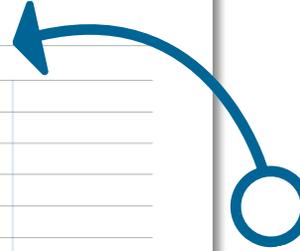
## Your Income Target

Monthly, after tax

NEEDS		DISCRETIONARY	
Mortgage/Rent		Vacations/Travel	
Property Taxes		Restaurants	
Property Insurance		Entertaining	
Water/Heat/Hydro		Hobbies	
Condo Maintenance/Fees		Gifts	
Property Maintenance		Charitable Donations	
Food		Memberships	
Clothing		Recreational Property	
Installment Loans		New skills or interests	
Subtotal	\$0.00	Subtotal	\$0.00
Life Insurance		Other	
Critical Illness Insurance		Other	
Long Term Care Insurance		Other	
Health Insurance		Other	
Dental Care		Other	
Prescription Drugs		Other	
Non-Prescription Drugs		Other	
Other Medical		Other	
Subtotal	\$0.00	Subtotal	\$0.00
Auto Loan /lease			
Auto Insurance			
Fuel			
Maintenance			
Subtotal	\$0.00		
Total Discretionary		Total Discretionary	
Total	\$0.00	Total	\$0.00

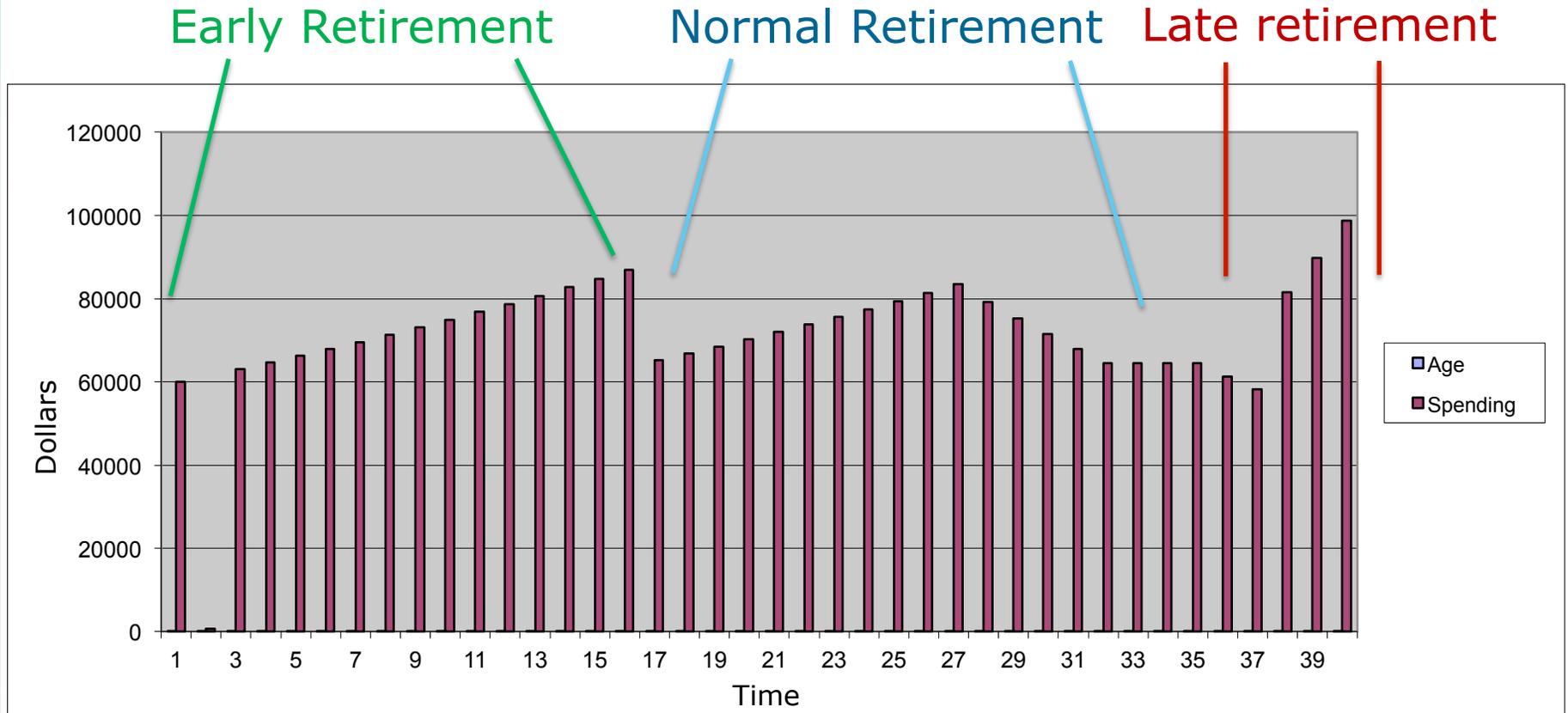


**Needs**



**Discretionary**

# INCOME TRENDS OVER TIME



## Addressing phases of retirement

For illustrative purposes only

# ESTABLISH FINANCIAL GOALS AND PRIORITIES

## **Survivor income issues:**

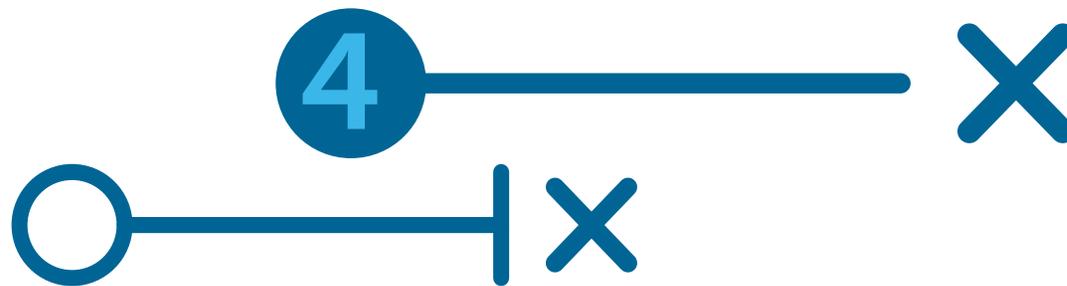
- reduced or discontinued income streams
- timing of the above
- percentage of total income
- how much left for survivor
- sufficient
- all assets being used for income
- most likely asset allocation changes
- new beneficiary / estate arrangements



## STEP 4: CREATE INCOME THROUGH LAYERING

- Layering is income planning in most specific sense
- Year-by-year determination of how to create income you need, from the sources available to you, in most efficient way

### Layer income in a tax-efficient manner



## STEP 4: CREATE INCOME THROUGH LAYERING

- Use least flexible income sources as they become available
- Use least tax-efficient income sources in lower tax brackets
- Work efficiently within the tax brackets
- Put least amount of “strain” on an asset to deliver the next dollar to spend
- Look for income-splitting opportunities
- Determine which assets are best to use/defer

## STEP 4: CREATE INCOME THROUGH LAYERING

Getting next \$1.00 after tax - withdrawals required

<u>Federal Bracket</u>	<u>Rate</u>	<u>Taxable</u>	<u>Eligible Dividends</u>	<u>Capital Gains</u>	<u>TFSA</u>
11,038	<b>25.0%</b>	\$1.33	\$1.00	\$1.14	\$1.00
43,562	<b>32.0%</b>	\$1.47	\$1.11	\$1.19	\$1.00
87,123	<b>36.0%</b>	\$1.56	\$1.18	\$1.22	\$1.00
135,054	<b>39.0%</b>	\$1.64	\$1.23	\$1.24	\$1.00

Sample: combined federal / provincial income tax 2013

# INCOME: OPTIMIZING TAX EFFICIENCY

## Non-registered income streams:

- Return of capital (ROC) income streams
- Tax-paid capital (Series T mutual funds)
- Capital gains as income
- Leveraged cash value life insurance
- Prescribed annuity contracts
- Guaranteed Withdrawal Benefit plans
- Systematic withdrawal plans
- Income splitting strategies

**Flexible and transferrable**



# Income Tax Estimator

Tax Year  
2013

## Identification

Province: Ontario

Children: none  Single

Taxpayer Age: 18 to 65 Spouse Age: 18 to 65

## Total income

Employment Income	\$0.00	\$0.00
Old Age Security pension	\$0.00	\$0.00
Eligible pension income	\$0.00	\$0.00
Employment insurance benefits	\$0.00	\$0.00
Canadian dividends (actual amount received from CCPC)	\$0.00	\$0.00
Canadian dividends (actual amount received from Public corp)	\$0.00	\$0.00
<b>Dividend gross up</b>	\$0.00	\$0.00
Other Ordinary Income: Interest, CPP, Foreign Pension etc.	\$0.00	\$0.00
Capital gains (actual gain)	\$0.00	\$0.00
Non-taxable portion	\$0.00	\$0.00
Self-employment income (bus., prof., farm., fish.)	\$0.00	\$0.00
<b>Total income</b>	\$0.00	\$0.00

## Net income

RRSP deduction	\$0.00	\$0.00
Canada Pension Plan contributions on self employment earnings	\$0.00	\$0.00
Other deductions	\$0.00	\$0.00
Social benefit repayment (EI / OAS)	\$0.00	\$0.00
<b>Net income</b>	\$0.00	\$0.00

← \$1.25  
← \$1.38

For Illustrative  
Purposes only



# IMPACT ON “NET INCOME”

## \$10,000 INVESTMENT INCOME

Eligible Dividend	\$13,800
Non-Eligible Dividend	\$11,800
Foreign Dividend	\$10,000
Interest	\$10,000
Realized Capital Gain	\$ 5,000
Tax Free Savings Account	0



# CANADIAN RETIREMENT INCOME CALCULATOR

## What do I need to begin?

- approximately 30 minutes to use calculator
- please make sure that you have the following:
- [CPP Statement of Contributions](#) or [QPP Statement of Participation](#)
- financial information about your employer pension (if applicable);
- recent RRSP statement(s) (if applicable);
- statements for other savings that will provide ongoing monthly retirement income (annuities, foreign pensions; survivor pensions, etc.); and
- access to computer that meets [minimum computer requirements](#).

## STEP 4: CREATE INCOME THROUGH LAYERING

### Federal Tax Credits 2014:

	\$
• Personal Exemption	11,138 (7,708-17,787 prov'l.)
• Age Amount	6,916 = 17,892
• Spousal Amount	11,138
• Eligible Dependent	11,138
• Pension Credit	2,000
• Medical expenses	3% of net income

### “Clawback” Zone

• Age Amount	34,873 – 80,980
• Spousal Amount	11,138
• Old Age Security (OAS)	71,592 – 115,716
• Caregiver credit	15,472

# PENSION CREDIT

Applied to first \$2,000 of eligible income

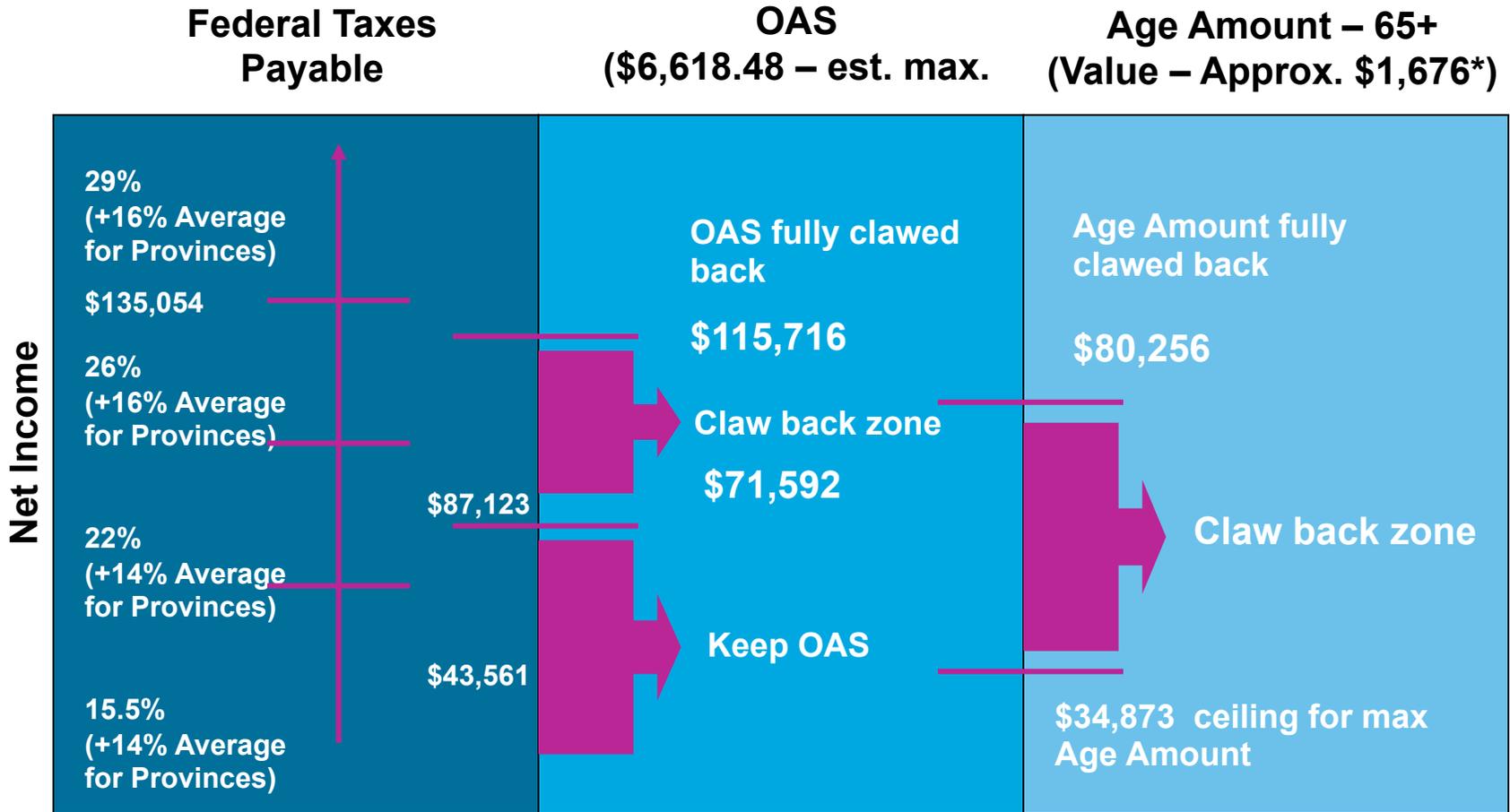
## age 65+

- Formal pension income
- RRIF, LIF or LRIF – periodic receipts
- Interest portion of non-registered annuity – immediate or deferred

## < age 65

- Formal pension income at any age
- Survivorship income of previously eligible pensioner  
Includes GIO from insurance company

# MAXIMUM EFFICIENCY 2014



Source: Your Retirement Income BluePrint

## STEP 5: ALIGN INVESTMENTS WITH PROFILE

### Align investments for income:

- Different from accumulation – mind shift process shift
- Investment objective was accumulation
- Investment objective is sustainable income
- Remember legacy objectives
- Investments need to be **aligned with Profile/Playbook**
  - **Not vice versa**
- Unique tools and strategies to create income

# ACQUIRE KNOWLEDGE IN OTHER INCOME SOURCES AND APPLICATIONS



## FOR EXAMPLE ....

1. What is the difference between “pension splitting” and “splitting” CPP/QPP retirement income?
2. Should someone start CPP/QPP pension ...?
3. Should people commute their comm ... personalized plan?
4. Should people wind de ...?
5. Should they buy ...?
6. At what ... qualify for pension splitting?
7. Sh ... their pension with government benefits?
8. Si ... eligible pension income?
9. Shc ... continue to make RRSP contributions after they retire
10. Should people take individual pensions or base them as married couples?

**IT DEPENDS**

# MANAGE THE ASSETS THAT PRODUCE THE INCOME

Coordinate and consolidate

# MINIMUM WITHDRAWAL – REGISTERED MONIES

Age	%	Age	%	Age	%
70	5.00	78	8.33	86	10.79
71	7.38	79	8.53	87	11.33
72	7.48	80	8.75	88	11.96
73	7.59	81	8.99	89	12.71
74	7.71	82	9.27	90	13.62
75	7.85	83	9.58	91	14.73
76	7.99	84	9.93	92	16.12
77	8.15	85	10.33	93	19.92

# TOPPING UP TO BRACKET – ONTARIO 2014

- RRSP “Exit Strategy”
- Assume taxable income of \$42,000 per person
- Never in a lower bracket
- Same marginal rate (24.15%) \$40,120 - \$43,953
  - (31.15%) between \$43,953 – \$70,651
- Pay tax now, split income or reinvest into non-registered
- Consider RRSP “conversion” before age 65
- Watch rules: income not withdrawals eligible

Combined Federal & Provincial Tax Brackets

# CONVERT AND DEFER NON-REGISTERED DOLLARS

- Creates more **tax-effective** income in the future
- Can help keep "**net income**" figure low
- Helps **preserve** gov't benefits and tax credits
- Provides more **control** for client (no min. withdrawal)
- May **enhance** future income splitting opportunities
- Long term care per diems may be **lower**
- More **tax-efficient** for survivor beneficiary
- More **estate-friendly**
- Fund TFSAs
- Use for insurance premiums (health risk management)

## STEP 5: ALIGN INVESTMENTS WITH PROFILE

### Retirement income portfolios:

1. Consolidate assets
2. Use process clients understand and “buy into” for long term
3. Consider income streams as well as assets
4. Seek tax-efficiency in asset allocation
5. Be selective
6. Seek lower volatility
7. Look for reasonable fee structure

# INVESTOR PROFILE QUESTIONNAIRE

The answers to the following eight questions will help you determine your investor profile and recommend which of the Empire Life [Portfolio Funds\\*](#) may be right for you.

Your profile takes into account your time horizon, your [risk tolerance](#) and your investment goals.

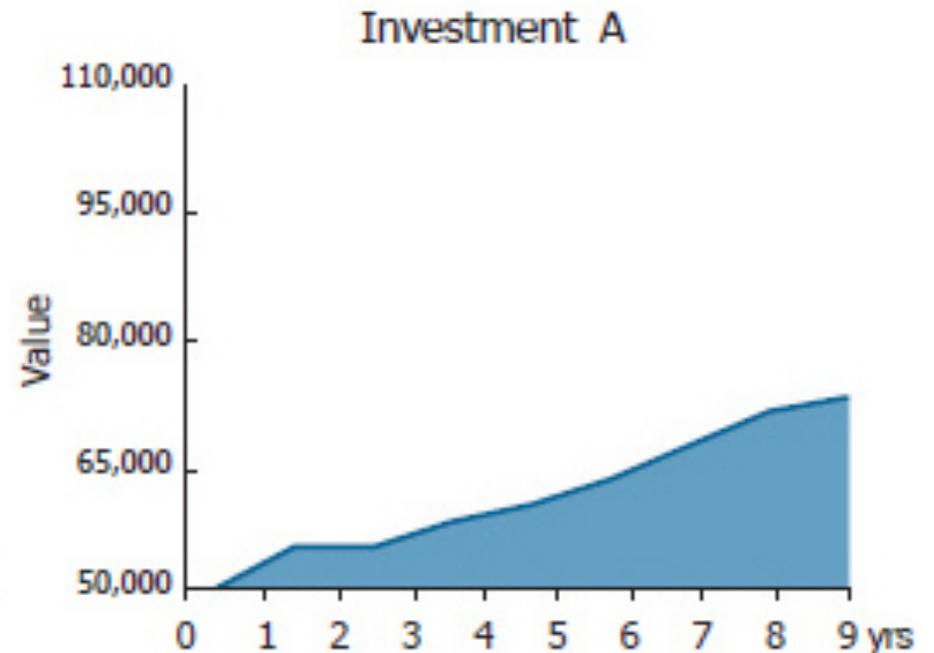
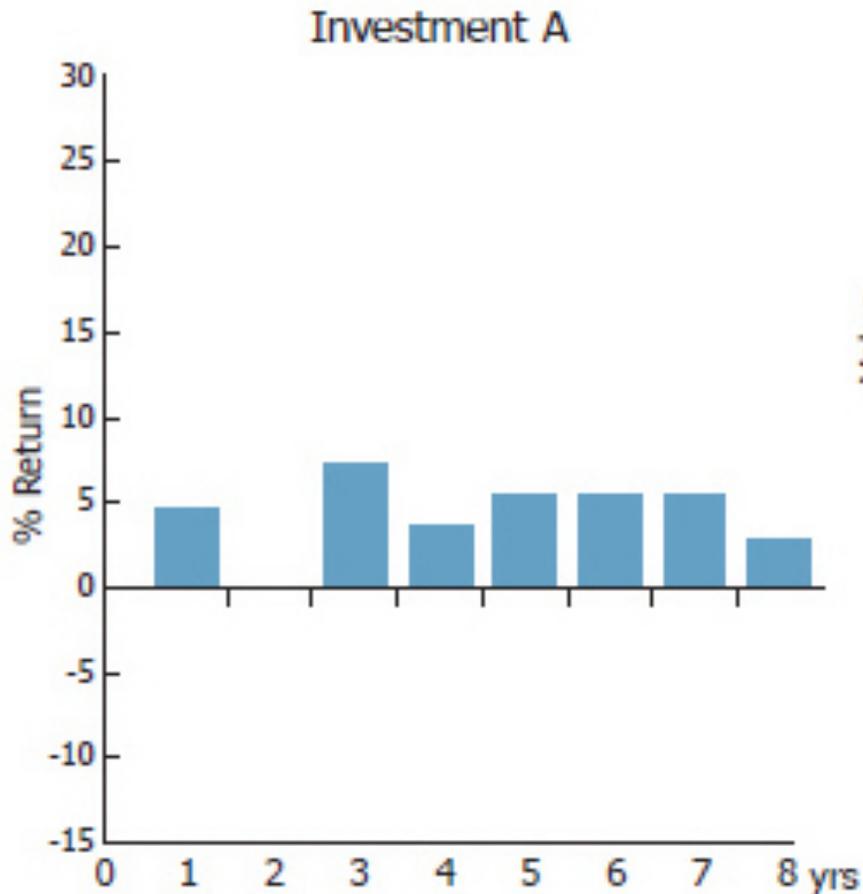
You should review your profile and investment plan with your advisor regularly to make sure your long-term investment approach is consistent with your needs.

1. What is your main investment goal?
2. Which statement best describes your objective in relation to the financial goal you identified in Question 1?
3. Will you want to withdraw 20% or more of your original investment at any time?

4. How would you describe your knowledge about investing?
5. What types of investments have you purchased over the recent past?
6. The value of your investments will fluctuate with changes in the financial markets. If your investment portfolio decreases in value because of unfavourable market conditions, how many years are you willing to wait for your investment to recover its value?

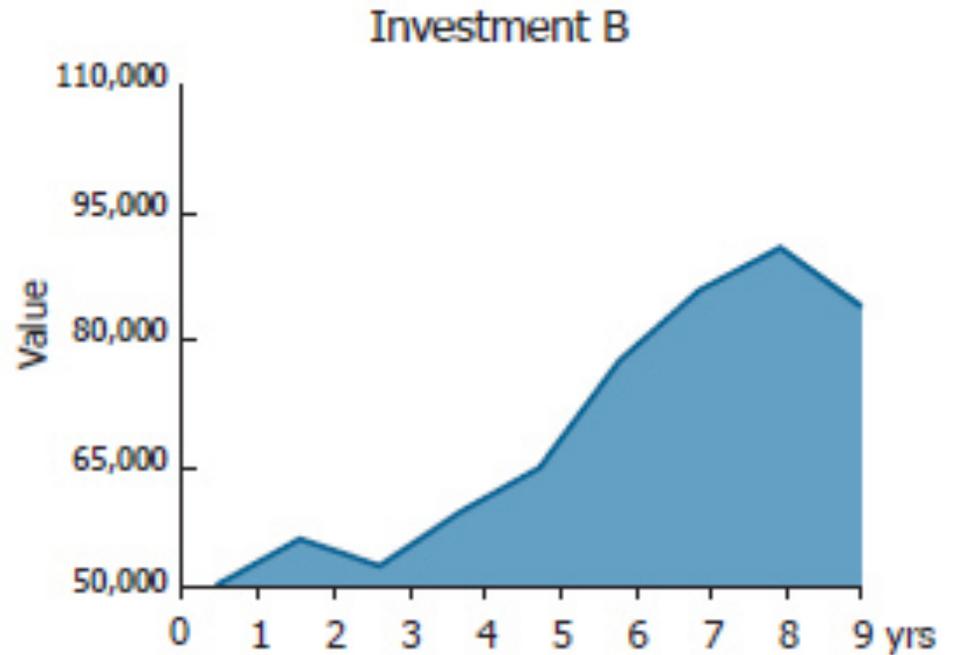
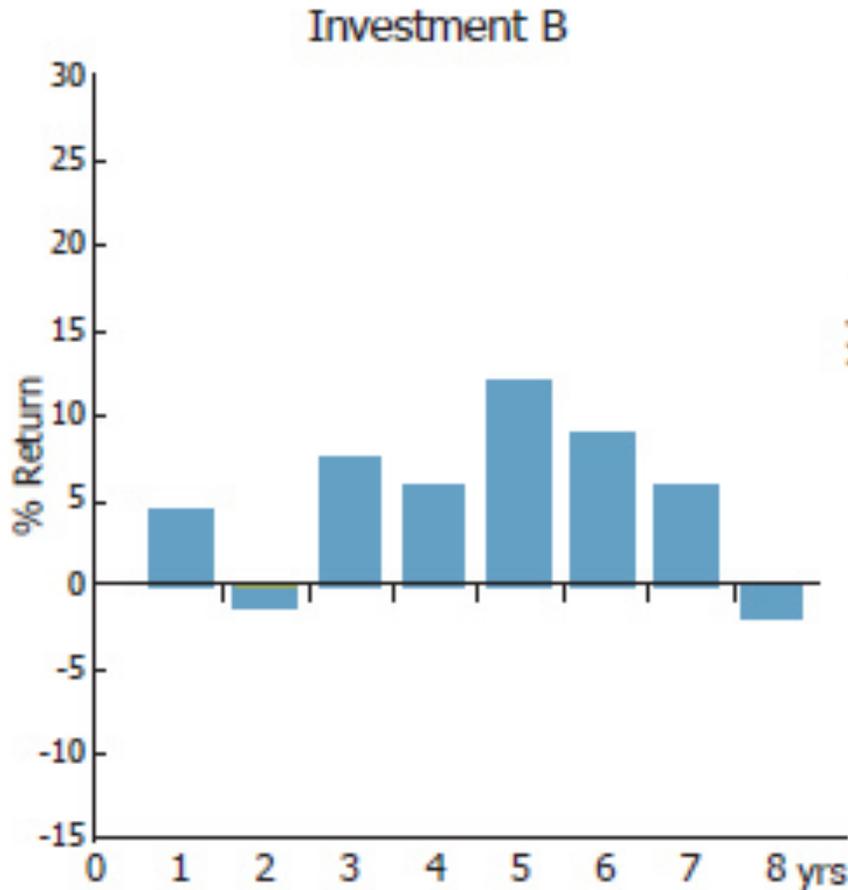
7. The following bar charts show annual rates of return earned by three hypothetical investments over an eight-year period.
- The mountain charts below show the value of a \$50,000 deposit made at the beginning of year one, over the eight-year period. Given the fluctuation of the returns for these three investments and their ending values, which would you choose?

# INVESTMENT A WITH A 5% AVERAGE ANNUAL RETURN AND ENDING VALUE OF \$72,339



For illustration purposes only

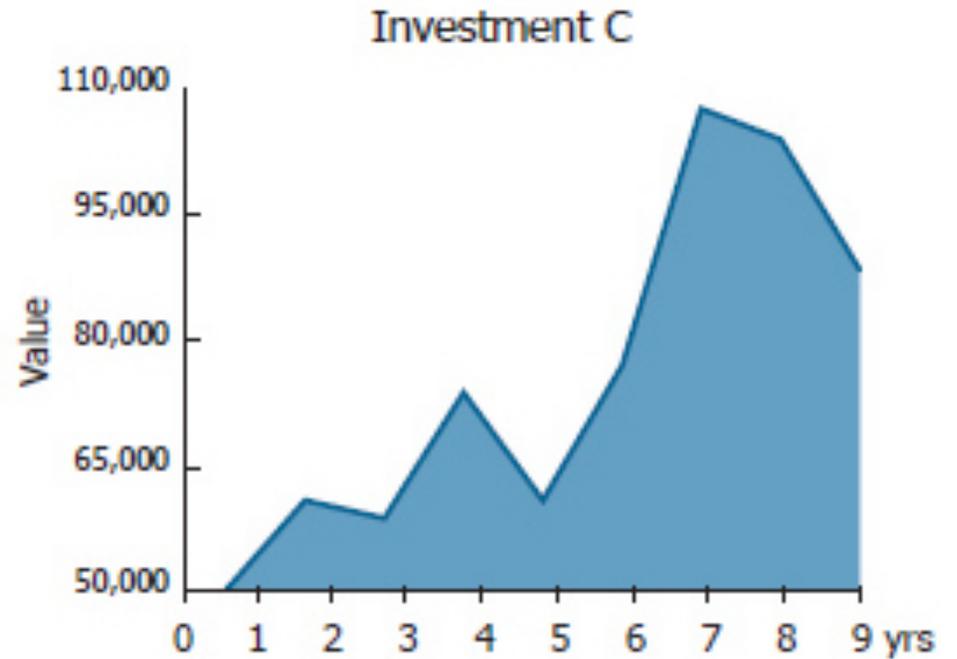
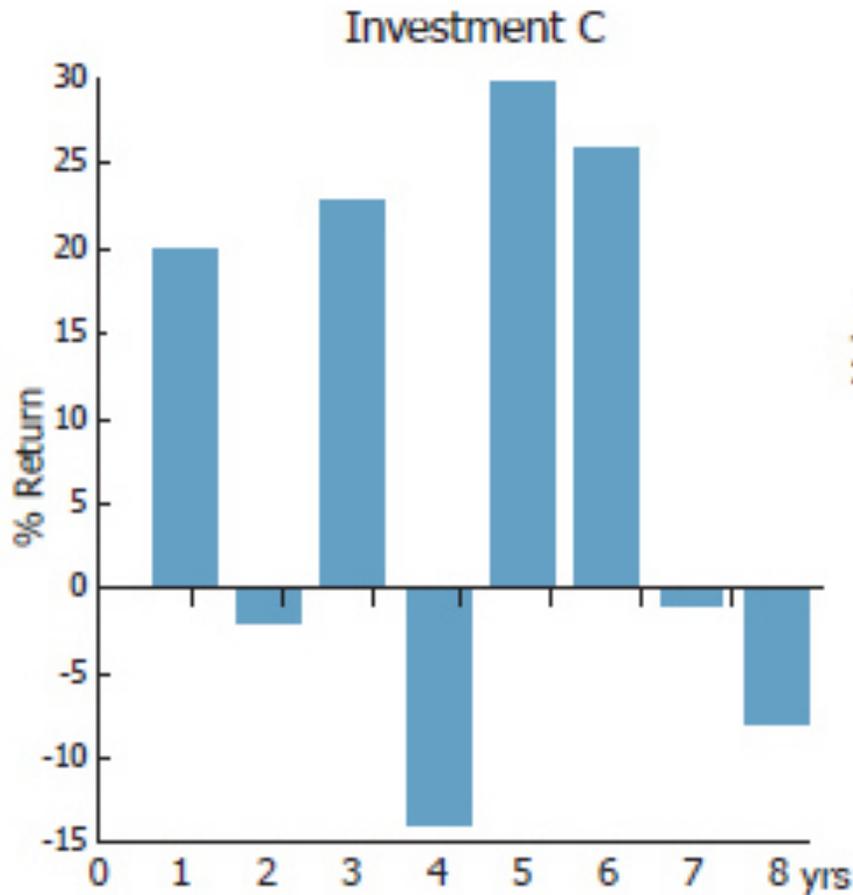
# INVESTMENT B WITH A 7% AVERAGE ANNUAL RETURN AND ENDING VALUE OF \$84,613



For illustration purposes only

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# INVESTMENT C WITH AN 8% AVERAGE ANNUAL RETURN AND ENDING VALUE OF \$89,585



For illustration purposes only

## 8. WHICH STATEMENT BEST DESCRIBES YOUR CONCERNS ABOUT MARKET FLUCTUATIONS?

- I am uncomfortable with any significant fluctuation in my portfolio from year-to-year and I am content for my portfolio to keep pace with inflation.
- I am willing to invest a modest amount in stocks (less than 50%) to have my portfolio grow slightly faster than inflation. I understand that the value of my portfolio will fluctuate a small amount.
- I am willing to invest moderately in stocks (50%-65%) to have my portfolio grow faster than inflation. I understand that the value of my portfolio will fluctuate somewhat.
- I am comfortable investing heavily in stocks (more than 65%) to have my portfolio grow much faster than inflation. I understand that the value of my portfolio may fluctuate significantly.

# Investor Profile Questionnaire

## Which Portfolio Fund is right for you?

Your total number of points will indicate which of our five **Portfolio Funds** will best meet your needs. You have scored 170, which means our **Balanced Portfolio Fund** is best suited to your needs.

Points	Portfolio Fund	Underlying Fund Mix
81 to 170	<p><b>Balanced Portfolio Fund</b></p> <p><b>Target asset mix:</b> 50% equities, 50% fixed income.</p> <p><b>Fund objective:</b> To provide a balance between a high level of income and capital growth.</p> <p><b>Appropriate for:</b> Investors who have a medium to long-term investment horizon and who are willing to accept a moderate degree of fluctuation in the value of their capital.</p>	 <ul style="list-style-type: none"> <li>50% Empire Bond</li> <li>15% Empire Canadian Equity</li> <li>15% Empire Dividend Growth</li> <li>5% Empire Small Cap Equity</li> <li>7.5% Empire American Value</li> <li>7.5% Empire International Equity</li> </ul>

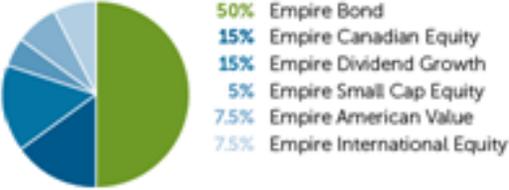
## About Empire Life Portfolio Funds

Each of our **Portfolio Funds** invests primarily in a strategic mix of other Empire Life Segregated Funds to maximize your return, while minimizing risk. All of our Portfolio Funds are automatically rebalanced to ensure the Fund is meeting its objectives and your needs.

# Investor Profile Questionnaire

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# Investor Profile Questionnaire

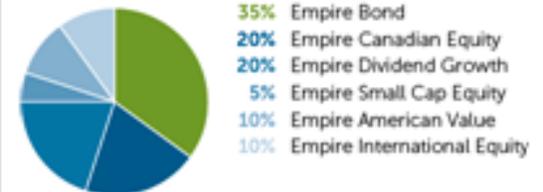
171  
to  
290

## Moderate Growth Portfolio Fund

**Target asset mix:** 65% equities, 35% fixed income.

**Fund objective:** To achieve long-term growth with an emphasis on capital appreciation, while still providing some income.

**Appropriate for:** Investors who have a long-term investment horizon and who are willing to accept fluctuation in the value of their capital.



# Investor Profile Questionnaire

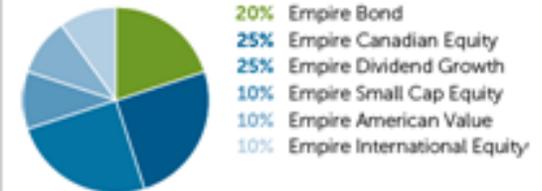
291  
to  
350

## Growth Portfolio Fund

**Target asset mix:** 80% equities, 20% fixed income.

**Fund objective:** To achieve long-term growth through capital appreciation, with some consideration given to generating income.

**Appropriate for:** Investors who have a long-term investment horizon who are willing to accept a high degree of fluctuation in the value of their capital.



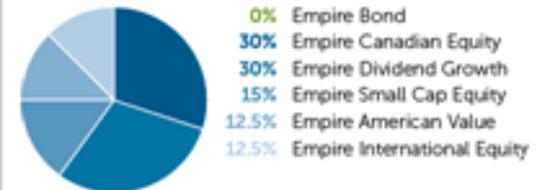
351  
to  
400

## Aggressive Growth Portfolio Fund

**Target asset mix:** 100% equities.

**Fund objective:** To provide long-term growth and capital appreciation.

**Appropriate for:** Investors with a long-term investment horizon and who are willing to accept significant fluctuation in the value of their capital.



*\*Empire Life Portfolio Funds are segregated funds that invest in underlying Empire Life Segregated Funds.*

# INVESTOR PROFILE QUESTIONNAIRE

- Export to Excel
- Convert to pdf
- Append to existing pdf



Empire Life - Investor Profile Questionnaire.url

# CANADIAN RETIREMENT INCOME CALCULATOR POST-RETIREMENT BENEFIT (PRB) CALCULATOR

- Government of Canada

[https://srv111.services.gc.ca/INT\\_01.aspx](https://srv111.services.gc.ca/INT_01.aspx)



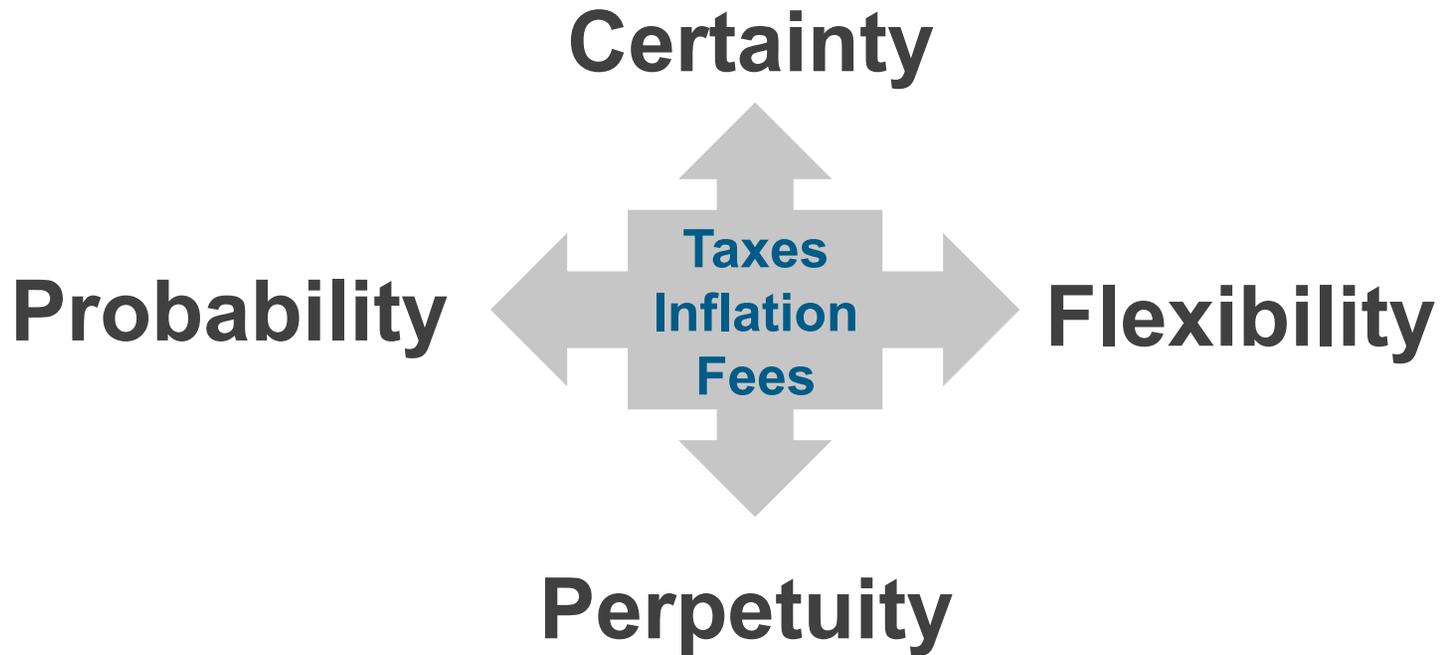
Welcome to the Canadian Retirement Income Calculator..url



Post-Retirement Benefit (PRB) Calculator.url

# STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

The four investor considerations:



Source: Your Retirement Income BluePrint

**CAUTION**

**THIS SIGN HAS  
SHARP EDGES**

**DO NOT TOUCH THE EDGES OF THIS SIGN**

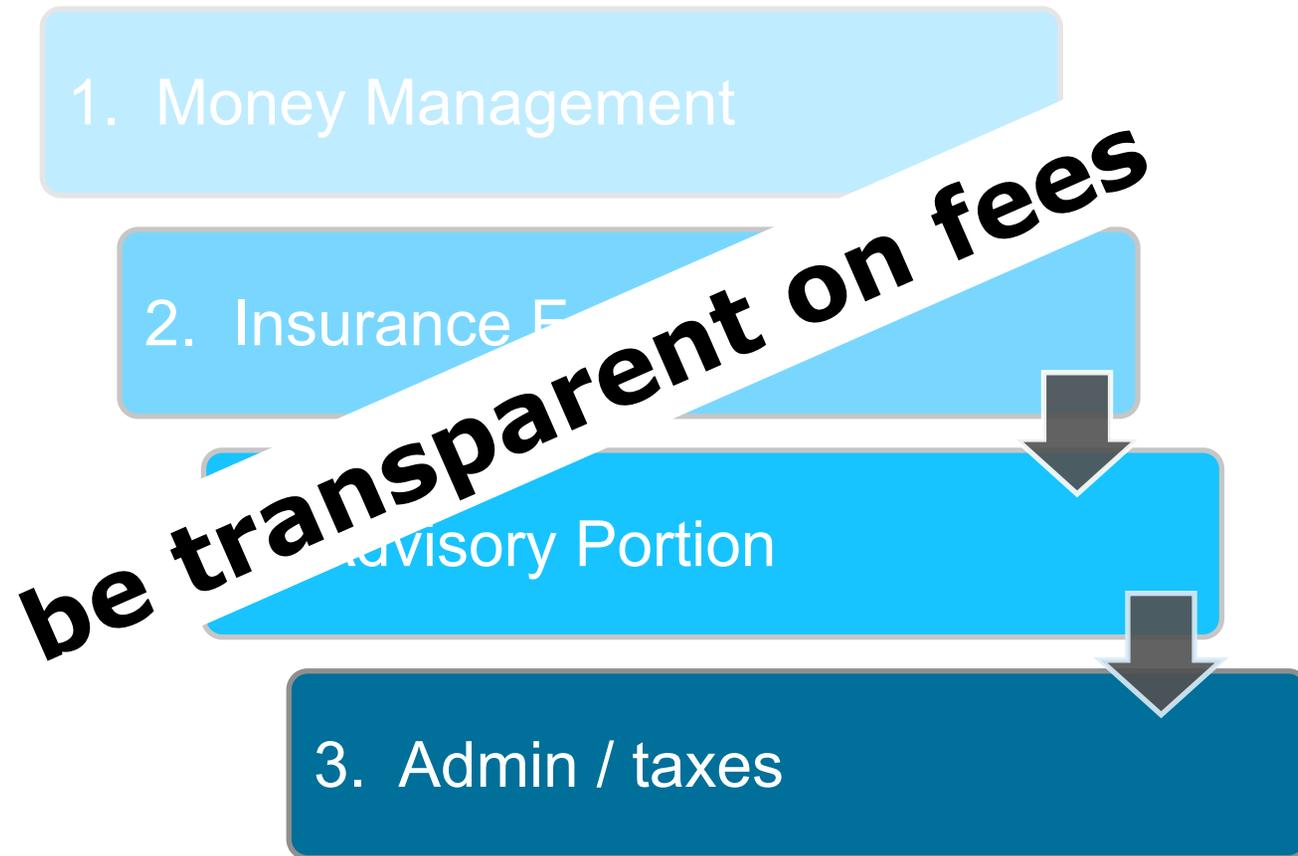


**ALSO, THE BRIDGE IS OUT AHEAD**



# STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

Fee Components:



Source: Your Retirement Income BluePrint

## STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

- Level of fees is valid measure for making decision if you are comparing same end result



## STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

- Level of fees is not valid measure for making decision if you are comparing different end result



## YOU ALSO NEED TO COMPARE ...



After-fee investment returns



Tools and strategies being employed



Cash flow (yield) that can be created from income-producing assets



**Quality** of retirement income planning advice and resulting benefits

## IN YOUR CURRENT ARRANGEMENT ...

- What is your **current cost** for investment management?
- What is your rate of return on your investment(s)?
- What is your return after fees?
- What is your tax-adjusted return?
- What is your cash flow (yield)?
- What is your cash flow, after tax?

**What are you getting in return for the advisory portion of the fee that you are paying?**

## **STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE**

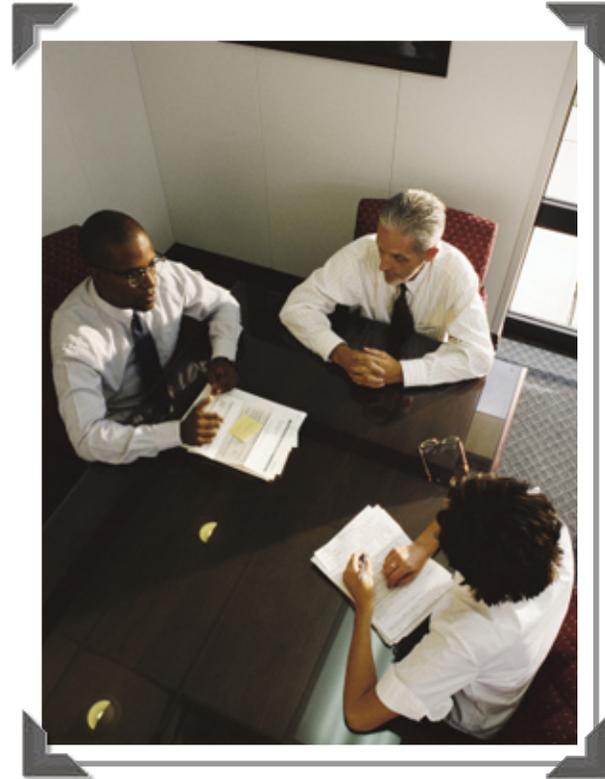
### **Retirement income specialist benefits clients:**

- Assists in execution of plan
- Saves on income and estate taxes
- Preserves Government benefits and entitlements
- Provides intelligent disassembly/conversion of assets
- Employs advanced deferral strategies
- Provides survivor income and estate/legacy planning
- Employs tools and strategies specific to taking income
- Realizes benefits of competent advice

## STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

### What we cannot control:

- Stock markets
- Interest rates
- Inflation
- Currency
- Advisor behavior
- Client behavior



“History teaches us that investors  
behave wisely ...  
once they have exhausted all  
other alternatives.”

....Steve Leuthold



## STEP 5: ALIGN INVESTMENTS WITH PLAYBOOK PROFILE

### What we can control:

- Asset allocation
- Which investments will create income
- What we defer for tax purposes
- Navigating the tax brackets
- Initial and ongoing investment recommendations
- Investment costs
- Rate of withdrawal from assets
- Quality of advice we provide

## BENEFITS OF CONSOLIDATING

- Better planning, no conflicting advice, less confusion
- More control over amounts and sources of income
- More efficient asset allocation / better portfolios
- Access to different investment structures
- More opportunity for tax-efficiency / savings
- Less administration – reporting, number of cheques
- More orderly, expedient and less costly wealth transfer – easier for beneficiaries and estate
- More efficiency, better control, simplified through changing retirement stages

## STEP 5. ALIGNING INVESTMENTS FOR INCOME

- This is a different time from accumulation — a **“game change”**
- Current investments were set up for **accumulation**
- Investments need to be aligned **with the Playbook Profile**, not the other way around
- There are **different tools and strategies**, UNIQUE to efficiently creating income

# SEQUENCE OF RETURNS

- Stress testing plans and solutions?
- Options to generate adequate spendable dollars when market downturn, low performing period in portfolio?

### RATE OF RETURN AND IMPACT ON ACCUMULATION VS. WITHDRAWAL

		Average Return	Acc. Value	Withdrawal Value
Year:	1 2 3 4 5 6 7 8 9 10			
A	7 7 7 7 7 7 7 7 7 7	7%	\$196,715	\$100,000
B	9.4 14 13 23 -4 10 -1 21 -4 -7	7%	\$196,715	\$117,986
C	-7 -4 21 -1 10 -4 23 13 14 9.4	7%	\$196,715	\$ 83,150

Assuming: \$100,000 deposit for accumulation comparison  
 \$ 100,000 starting balance for withdrawals  
 \$ 7,000 annual withdrawal for withdrawal comparison

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### WHEN DID YOU GET ON RATE OF RETURN CYCLE?

Return Sequence (repeated)	Ruin Age	+/- Months
+7%, +7%, +7%...	86.50	
+7%, -13%, +27%...	83.33	-38
+7%, +27%, -13%...	89.50	+36
-13%, +7%, +27%...	81.08	-65
+27%, +7%, -13%...	94.92	+101

14 yrs. (spanning from -65 to +101 months)

Assuming \$9000 annualized spending/withdrawal beginning age 65

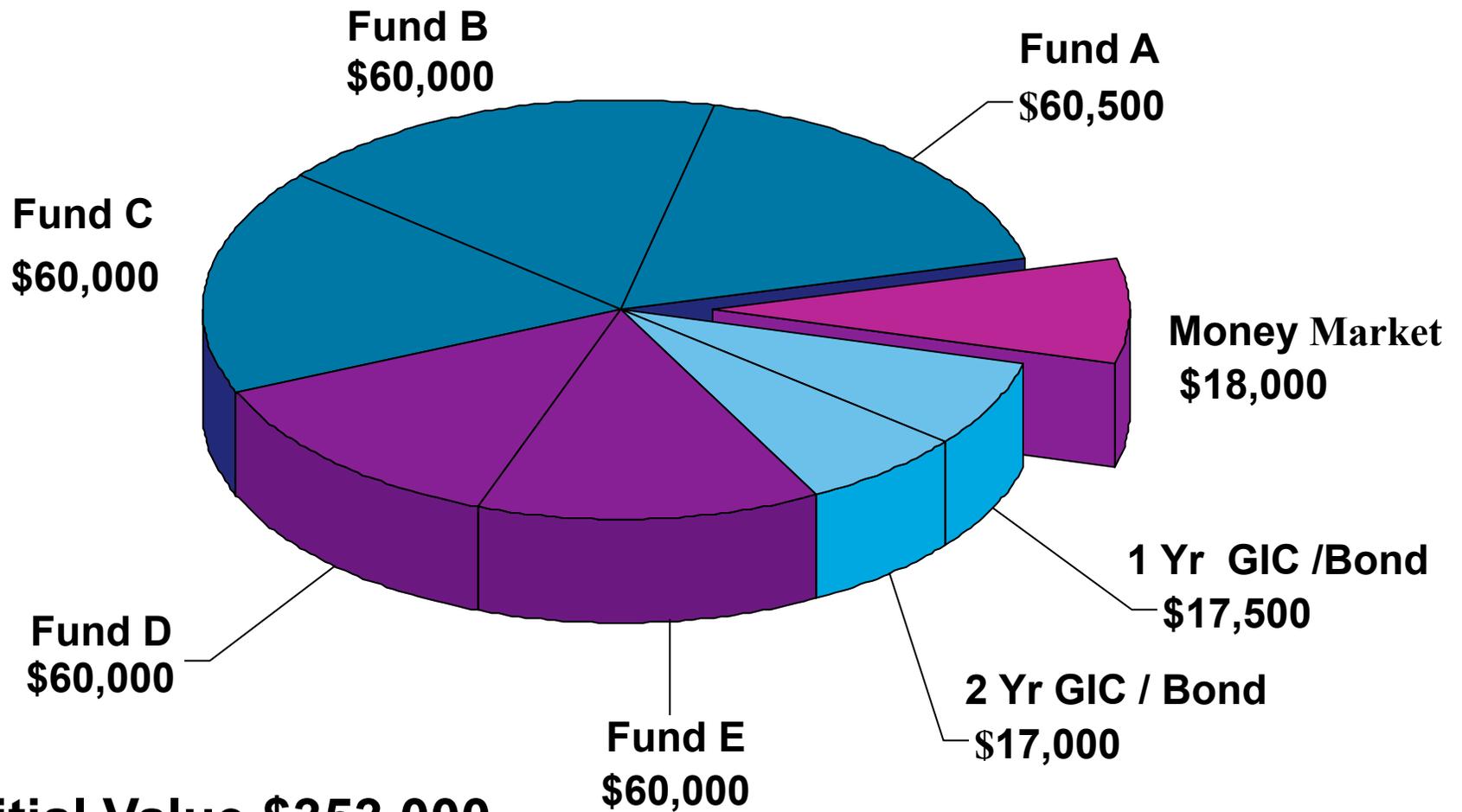
Source: Retirement Ruin and the Sequencing of Returns Moshe Milevsky

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SO WHAT **STRATEGY**  
DO YOU EMPLOY FOR  
TAKING INCOME WHEN  
THE MARKETS  
ARE DOWN?

# THE CASH WEDGE



**Initial Value \$353,000**

For illustration purposes only

Source: Your Retirement Income BluePrint

## AN INCOME DELIVERY PROCESS

- Allocate to profile / meet plan objectives
- Expect certain positions to be flat or negative
- Replenish cash wedge / pool with profits
- Direct other profits to lagging positions
- Manage this through Investment Policy Statement



# ADDRESSING SEQUENCE OF RETURNS

AND FUND MANAGER



# EMPIRE LIFE FUNDS

## RETIREMENT INCOME PLANNING: WITHDRAWAL PHASE

Three factors that help create a more **predictable and stable** cash flow:

1. **All Equity:** select a Portfolio Manager that displays competent downside protection
2. **Portfolio:** select a Portfolio Manager that displays competent Tactical Asset Allocation decisions
3. **Distributions:** in cash to create a “cash wedge” to fund future income needs

# RETIREMENT INCOME PLANNING: WITHDRAWAL PHASE

## Series T6 Mutual Fund

Equity fund

– two sequences of return

1. 2004 to 2013

2. change sequence beginning with negative returns

- Capture Ratios: 90% upside / 60% downside
- Annual distribution at December 31
- Starting sum \$1 million

Scen	Year	1	2	3	4	5	6	7	8	9	10
1	ROR*	5.68	7.29	17.29	-5.14	-29.6	16.36	6.83	-6.72	11.96	28.57
2	ROR*	-5.14	-29.6	16.36	6.83	-6.72	11.96	28.57	5.68	7.29	17.29

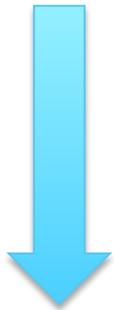
\*Source: Paltrac, CIFSC Global Equity Mutual Fund Category Average Annual Returns

# RETIREMENT INCOME PLANNING: CASH FLOW

Capture Ratios (90% upside / 60% downside) \$538,154



Scenario 1 Cash Flow over 10 yrs.= \$507,061



Capture Ratios (90% upside / 60% downside)  
\$481,690

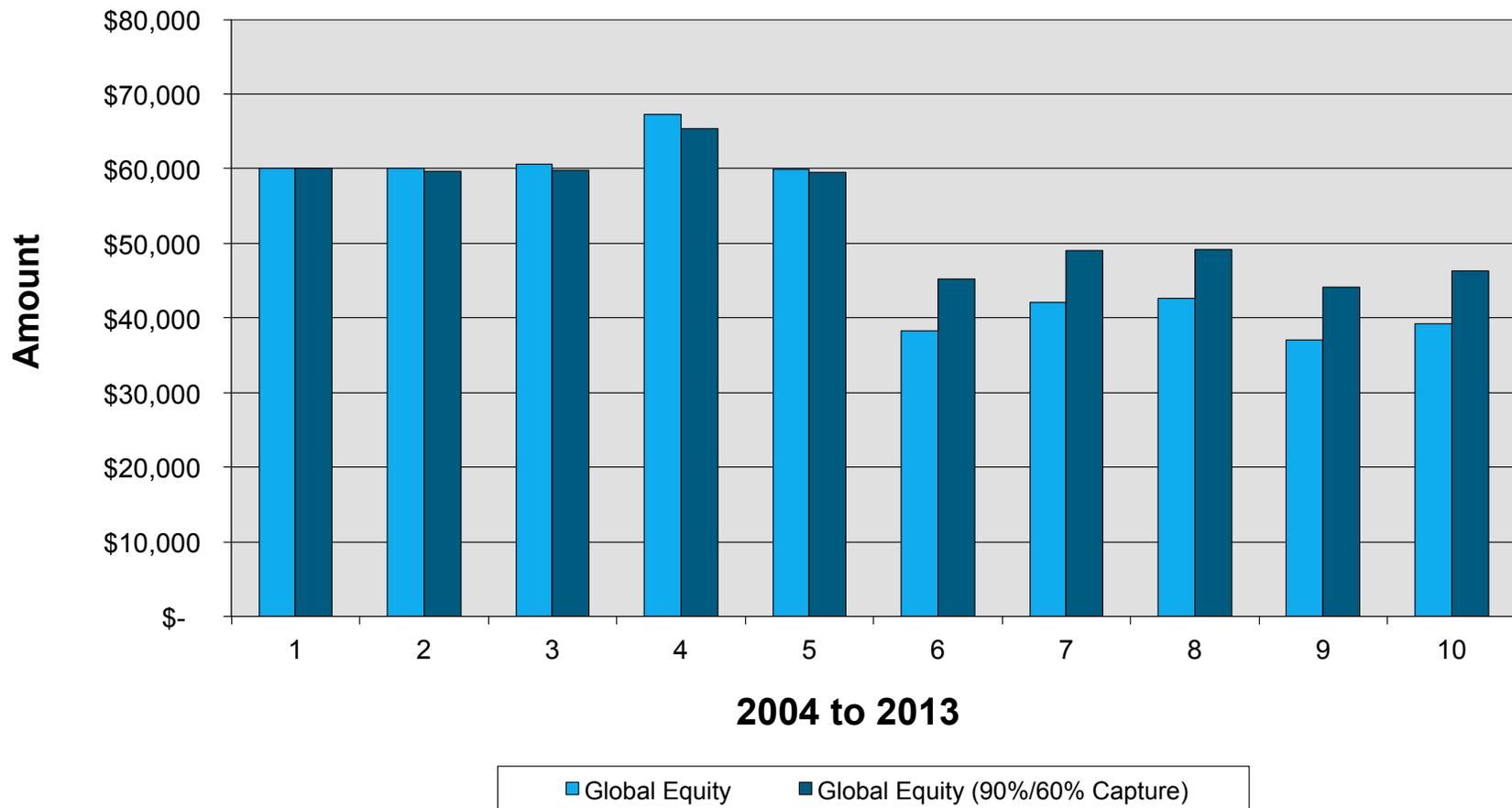
Scenario 2 Cash Flow over 10 yrs.= \$420,826



For illustration purposes

# RETIREMENT INCOME PLANNING: Scenario 1

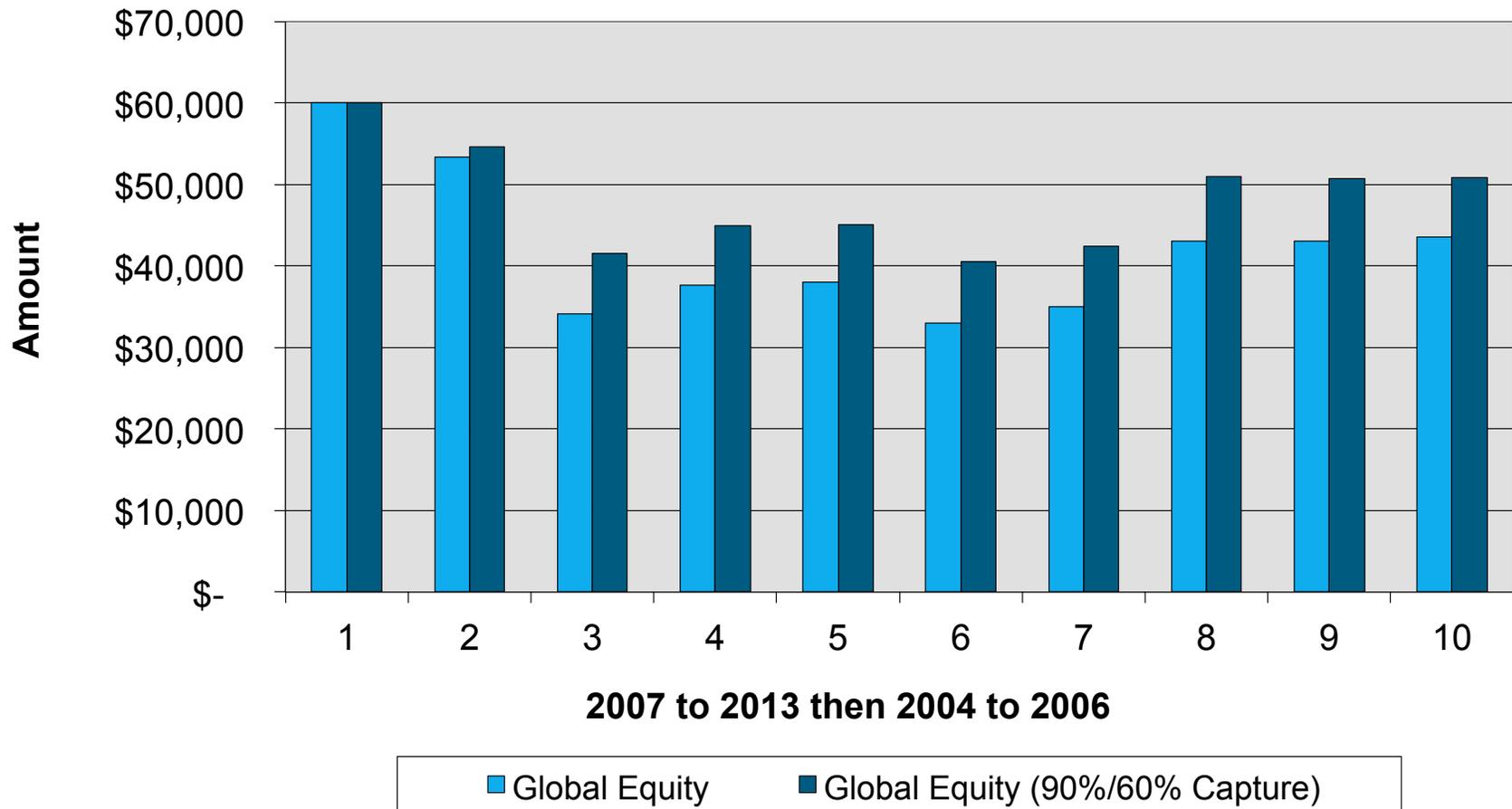
## Cash Flow



For illustration purposes

# RETIREMENT INCOME PLANNING: Scenario 2

## Cash Flow



For illustration purposes

# RETIREMENT INCOME PLANNING: MARKET VALUE YEAR 10

Capture Ratios (90% upside / 60% downside) \$926,133



Equity Fund Market Value \$804,746

Note: True for either return scenario

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## IMPORTANT INFORMATION

Empire Life Investments Inc. is the Manager of the Empire Life Mutual Funds (the “Funds”), is the investment manager for the Empire Life segregated funds and is a wholly owned subsidiary of The Empire Life Insurance Company. The units of the Funds are available only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such units.

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The payment of distributions is not guaranteed and may fluctuate. The payment of distributions should not be confused with a fund’s performance, rate of return or yield. If distributions paid by the fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a fund, and income and dividends earned by a fund are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The sale of Series T units may trigger capital gains or losses.

Past performance is no guarantee of future performance. A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value.** Policies are issued by The Empire Life Insurance Company.

The investment recommendation illustrated within this presentation includes both insurance and mutual fund products. Insurance products are issued by The Empire Life Insurance Company and the mutual funds are offered by Empire Life Investments Inc. The recommendations for these products may only be offered by financial advisors who are licensed to sell these products.

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# RIIA WITHDRAWAL RATIOS

(RETIREMENT INCOME INDUSTRY ASSOCIATION)

## Withdrawal rates in relation to asset value

Excess funding → < 3.6%

Constrained → >3.5% < 7.1%

Underfunded → > 7%



It's about sustainability!

# THE INCOME CONTINUUM



Not merely about **INVESTING** their assets  
➔ About how you help them **USE** their assets

Source: Your Retirement Income BluePrint

## STEP 6: RISK MANAGEMENT

- Investment Risk
- Longevity Risk
- Withdrawal Risk
- Encroachment Risk
- Taxation Risk
- Inflation Risk
- Health Cost Risk



# HEALTH RISK MANAGEMENT

- Critical illness
- Long-term health care



# DO THE FOLLOWING REFLECT YOUR FEELINGS AND PRIORITIES?

## I DO WANT TO

- Continue to enjoy a certain quality of lifestyle
- Ensure my spouse can enjoy retirement
- Be able to make choices
- Maintain my independence and dignity
- Be able to have access to the amount of care and the type of care that I will need

# DO THE FOLLOWING REFLECT YOUR FEELINGS AND PRIORITIES?

## I DON'T WANT TO

- Be a burden to my spouse or on my family
- Be forced to accept the lowest form of care / facility
- Have to go on long waiting lists
- Reduce or exhaust my retirement assets by paying for my long-term care
- See my children's/grandchildren's inheritance reduce
- Create emotional and financial hardship for my spouse or family

## AN INTERGENERATIONAL ISSUE

- **41%** of seniors are single
- From 5 or 6 kids to 1, 2 or 0
- **Geographically spread out**
- Many families require 2 incomes
- There is a **difference between caring and providing care**
- Do you really want your children doing this?

## HAVE CHILDREN SPLIT PREMIUM

- Split among family members
- Protect nest egg from being scrambled
- Takes pressure off of local children
- Alleviates concerns over parents

***If this is not the solution, then tell me what your plan is so that we can document it***

# THE TRUE COST FOR COVERAGE

- A claim validates purchase decision
- Refund of premium options
- Give up the net, after-tax return

Is it better to give up potential investment returns or lose capital?

**Using insurance vehicles to cover “risks” allows you to have greater discretion with your capital.**

# HEALTH RISK MANAGEMENT

Consider Insurance

- Critical illness
- Long-term health care



# CROSS SELLING

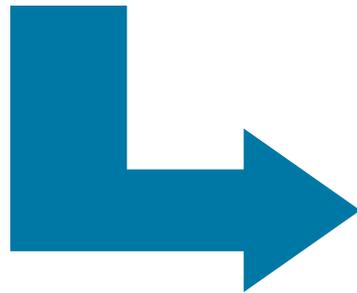
Consumers who met with their life insurance agent discussed living benefits products.

	Met with insurance specialist
Disability insurance	58%
Critical illness insurance	52
Long-term care insurance	44
Health or dental insurance	35
Travel medical insurance	35

Source: LIMRA's 2009 *Tracking the Opinions of the Public in Canada*

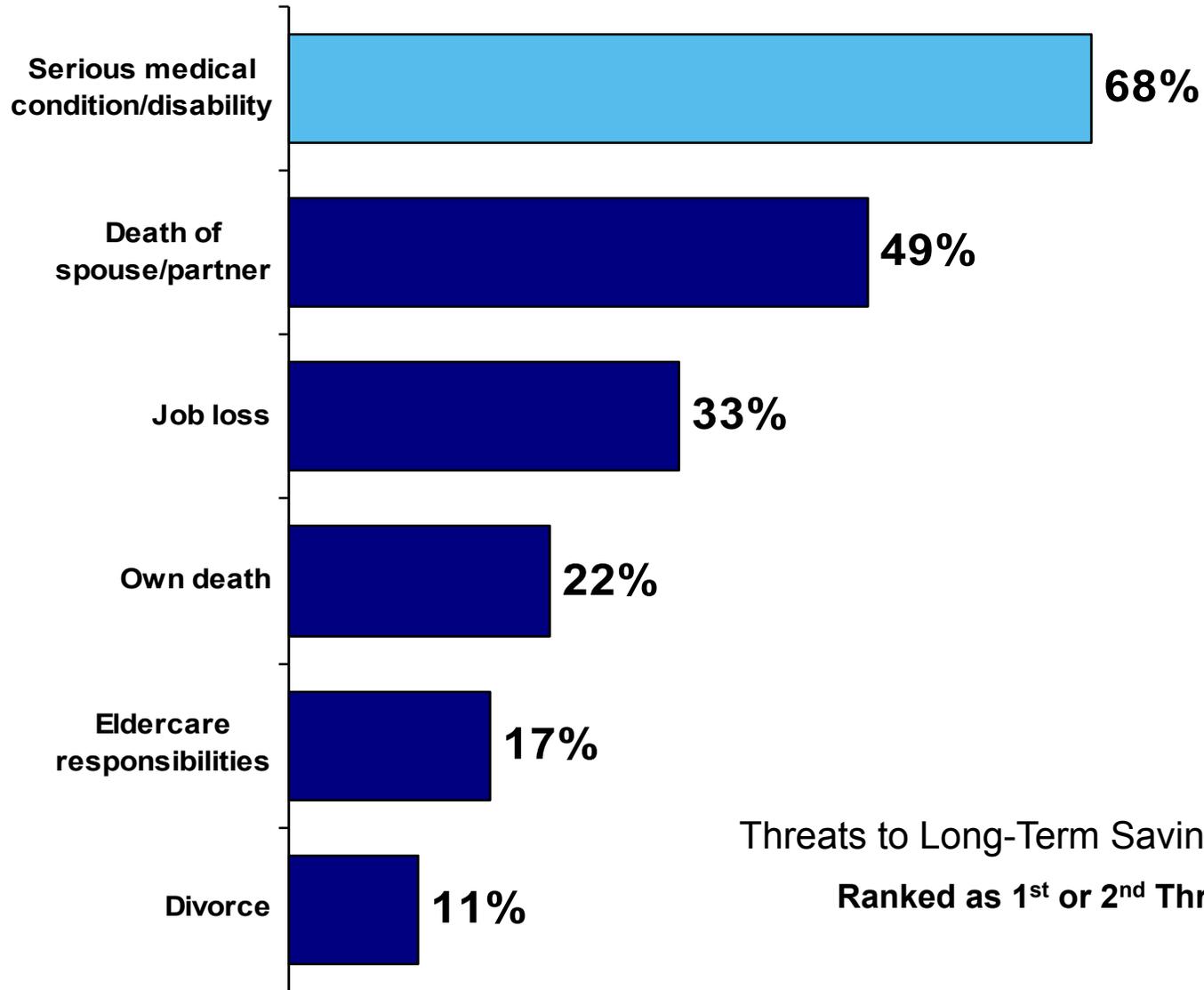
# PUSHING CARE OUT INTO THE COMMUNITY

- Home care
- Community assistance
- Programs to support independent living



**Aging in  
Place**

# FINANCIAL CONCERNS



Threats to Long-Term Savings Goals  
Ranked as 1<sup>st</sup> or 2<sup>nd</sup> Threat

# ASSISTED LIVING AND LONG-TERM CARE



# LONG TERM CARE: THE BOOMER REALITY

Concern over long term care not limited to today's elders

- Housing, feeding, schooling adult children
- Providing care to aging parents



**“Wants” vs “Needs”**

# CHANGES IN FAMILY STRUCTURE

## In the past –

- Larger family units
- Families lived closer
- Fewer women worked



## Today –

- Smaller family units
- More women in established careers
- Women outnumber male caregivers 3.5 to 1
- Women care for children 17 yrs; an elder 18 yrs

## THE RESULT

- Significant number of boomers will spend their senior years on their own
- A large number of singles will be women
- Retirement savings may not be what they expected



## PLANNING AND HEALTH

**74%** Canadians with no financial plan to fund long term care in retirement Source: Guide to Long Term Care Insurance, CLHIA, 2012

**82%** say personal finances would be affected if they developed chronic condition Source: 2013 SunLife Canadian Health Index

**10 yrs.** of retirement...How long average Canadian will deal with sickness/ disability Source: 2013 Report on the Health of Canadians, Heart & Stroke Foundation

## THE OPPORTUNITY

**4/10** Canadians who have had serious health event or diagnosis experienced financial hardship Source: 2013 SunLife

Canadian Health Index

**56%** of them used credit cards, lines of credit personal savings, family or mortgaged homes to pay for it.  
Source: 2013 SunLife Canadian Health Index

**13%** Canadians have set aside money for health

**care** Source: Guide to Long Term Care Insurance, CLHIA, 2012

# EVALUATING YOUR OPTIONS



- No single perfect solution
- Flexibility in types of care – who, where
- Ease of qualifying for benefits
- Guarantees against premium increases
- The cost today
- Precautions against forgetting to pay premium



# WEALTH TRANSFER

## LEAVING LEGACIES NOT LIABILITIES



# STEP 7: TRANSFER YOUR WEALTH

Leaving a legacy via:

- Gift
- Sale of assets
- Estate distribution; lifetime and via will
- Beneficiary designation



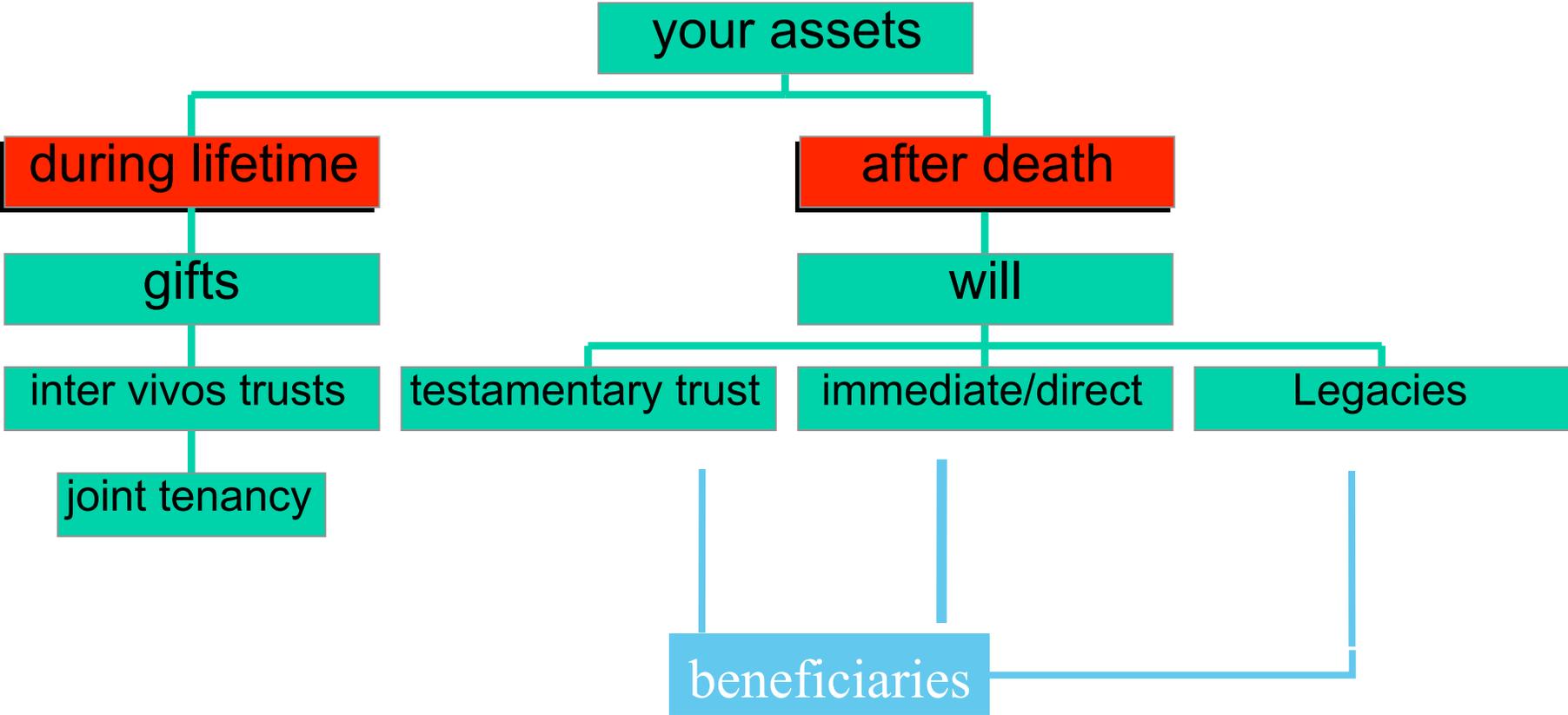
# WHAT IS LEGACY PLANNING?

- Ongoing process during life and at death
- Value of a planned estate
  - Certainty
    - Who gets the property
    - When / how property distributed
  - Estate taxes reduced
  - Simplifies estate administration
- The Science Of How To Disperse Wealth



# Legacy

## ~~ESTATE PLANNING~~

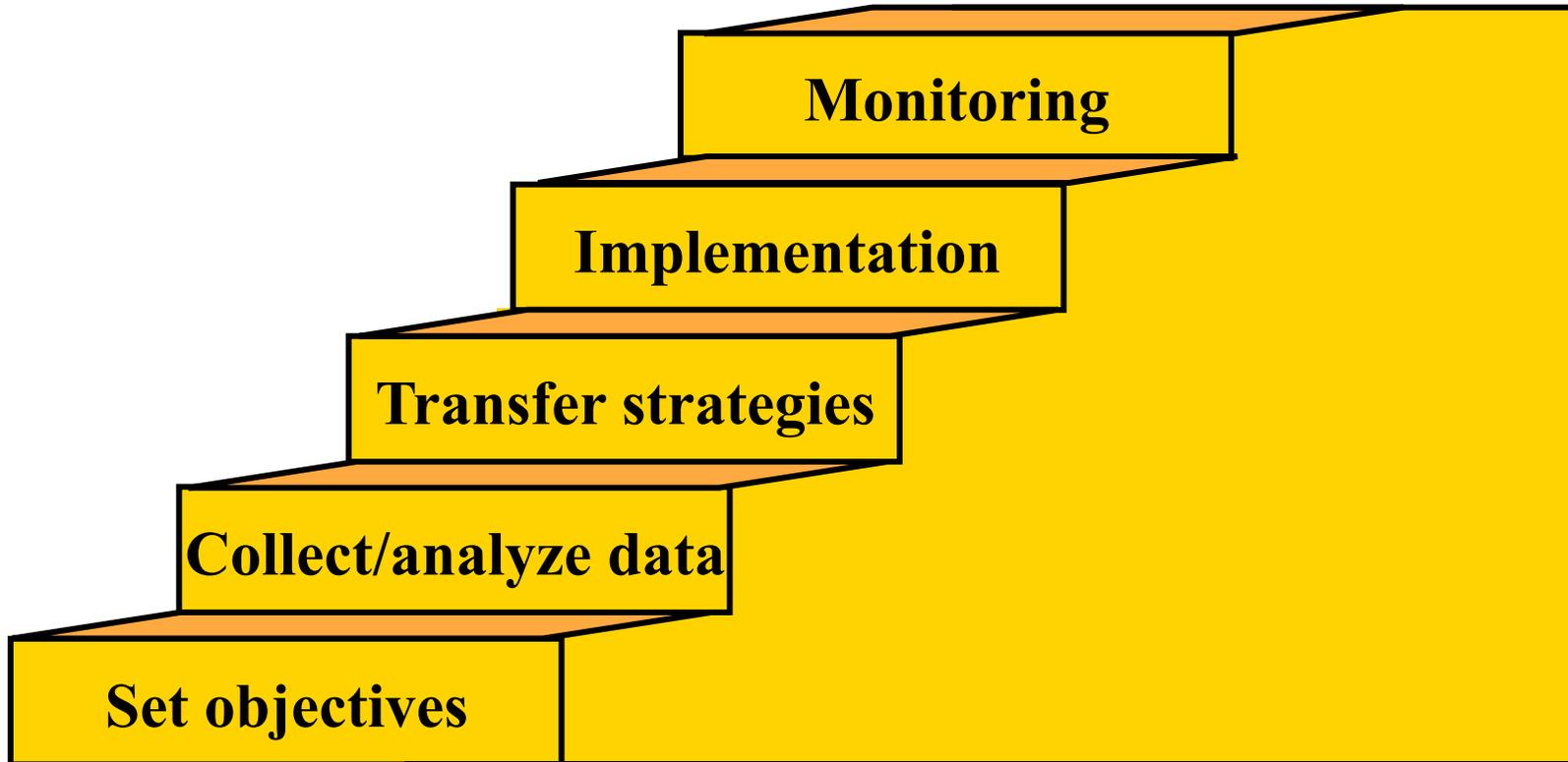


# THE COMMON-LAW BOOM

- Between 2001-06:
  - @ 50-54 increased 43.5%
  - @ 55-59 increased 63.9%
  - @ 60-64 increased 71.1%
- KISS formula isn't so!!!
- Approach to money
- Filing/planning as a couple
- Co-habitation agreements?
- Disability planning including Powers of Attorney
- Estate planning including trusts



# FIVE STEPS OF LEGACY PLANNING



# POWERS OF ATTORNEY (POAS)



- Types of property POAs
  - Specific
  - General
  - Springing
  - Enduring
- Effect of incapacity
- Power of Attorney for Personal Care

# DOCUMENTING ADVANCE WISHES

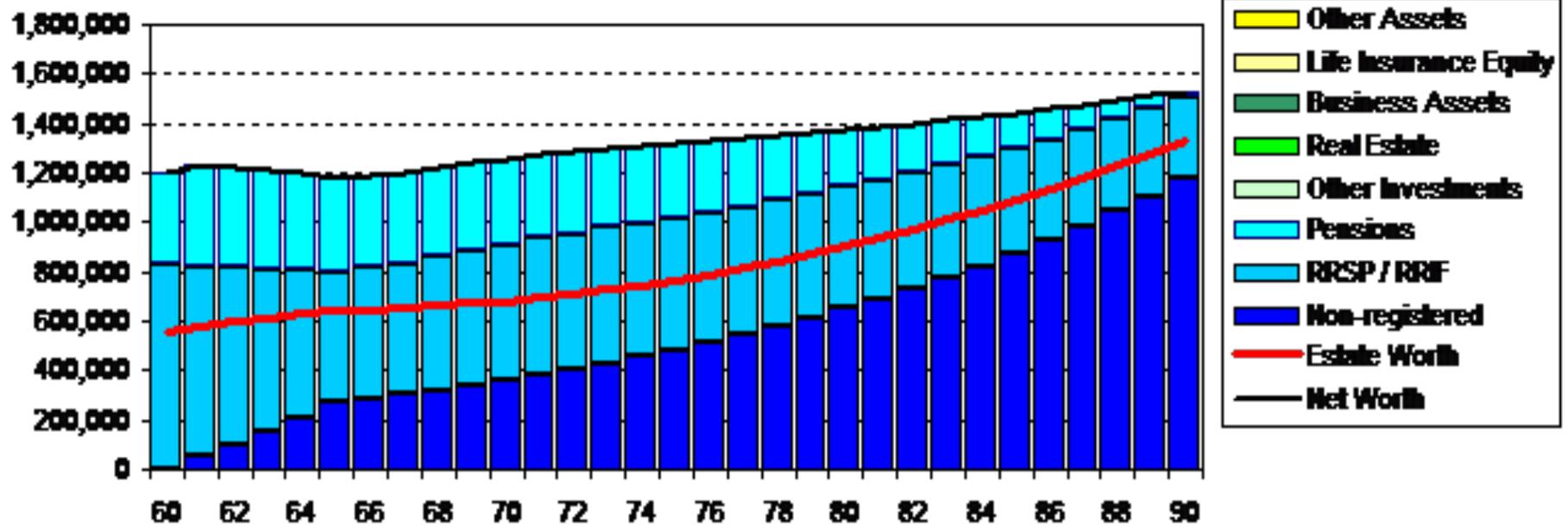
- Many purposes:
  - Client's personal preferences
  - Prevent family anxiety, conflict & uncertainty
  - Power of Attorney, Partners, Doctors know elders wants
  - Authorizes Power of Attorney medical staff
  - Evidence of client's personal and business values



## STEP 7: WEALTH TRANSFER/LEGACY PLANNING

- Of the part of your estate that you don't get to spend, where do you want that to go?
  - Spouse, children, other heirs, favourite causes/charities
- Do you need an income from all of your investable assets?
  - Yes....Insured Annuity Strategy
  - No...Personal/Corporate Legacy strategy

# STEP 8: ASSESS IMPACT ON NET WORTH



For illustration purposes only

## RECOMMENDED COURSE OF ACTION (FORMAL INCOME PLAN FROM A BANK)

At retirement the liquidation of accounts will be based on the following order: Non-registered, TFSA, Registered.

No assets have been set aside to cover the emergency expense.

*We, Duncan and Nicole Pringle, have reviewed and accept the information contained within this plan an*



“At retirement the liquidation of accounts will be based on the following order: Non-registered, TFSA, Registered.

No assets have been set aside to cover emergency expense.

# “INTELLIGENT DISASSEMBLY” VARIABLES

- Amounts of registered vs. non-registered
- Age at which retirement comm
- Health of individuals
- Amount of aff<sup>d</sup> assets, measured against sum of assets
- Other assets forming part of retirement income
- Tools used to defer non-registered assets
- Length of time over which we have two tax-payers

**IT DEPENDS**

## THE EIGHT STEP RETIREMENT **INCOME** PLAN

1. Assess current life stage
2. Determine lifestyle and time objectives
3. Establish financial goals and priorities
4. Create income needed through layering
5. Align investments with the Playbook Profile
6. Health Risk Management
7. Wealth Transfer/Legacy Planning
8. Assess impact on net worth

# RETIREMENT INCOME PLANNING PLAYBOOK RESOURCES

- <https://www.empire.ca/advisor/business-building/tax-and-estate-planning/retirement-income-planning/secure/fr/>

# LISTEN FOR CLIENT CONCERNS

- Liquidity
- Capital Preservation
- Guarantees
- Control
- Legacies



# ADVISOR'S PRIMARY RESPONSIBILITY

- Provide meaningful, actionable advice
- Protect downside of client's plans and portfolios
- Portfolios not one big block
  - Different purposes, needs, dreams, expectations
- Engaged planning process



# THE RETIREMENT INCOME PROCESS

1

## Competent Planning

- Tailoring to client
- Tax-efficiency
- Build in Contingencies
- Proven strategies
- Course of action

2

## Aligning Investments

1. Investment management
2. Layering income
3. Asset management

3

## Efficient Execution

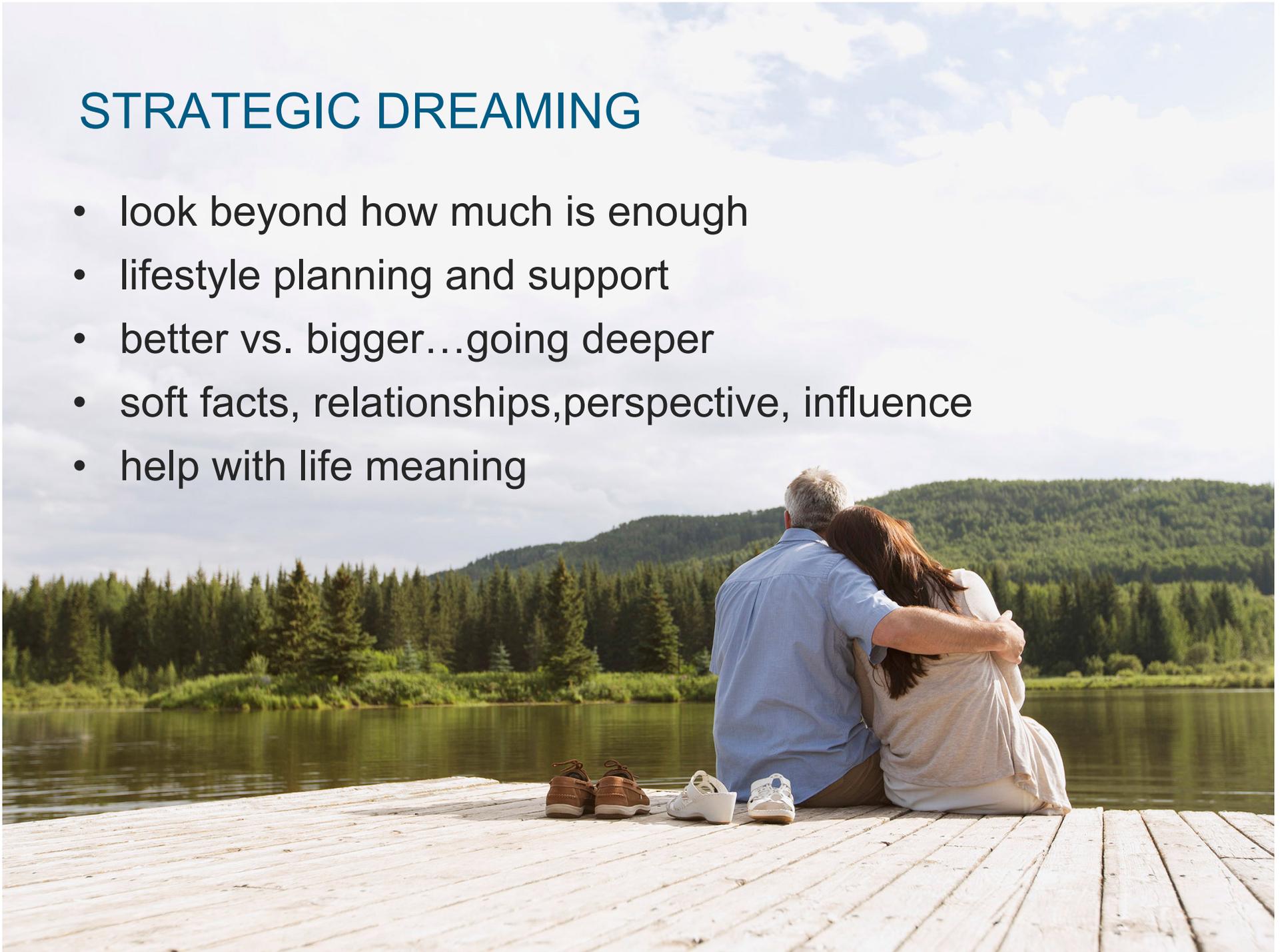
- Service / Processes
- Applying acumen
- Experience and insight
- Making it all work

## RIGHT KIND OF HELP

- One time where you need specific advice
- This is complicated stuff
- Not a lot of financial advisors are doing this in a comprehensive way
- Great opportunity for financial business right now
- Not prescriptive advice
- You need someone to help you do this efficiently
- I see a lot of mistakes being made

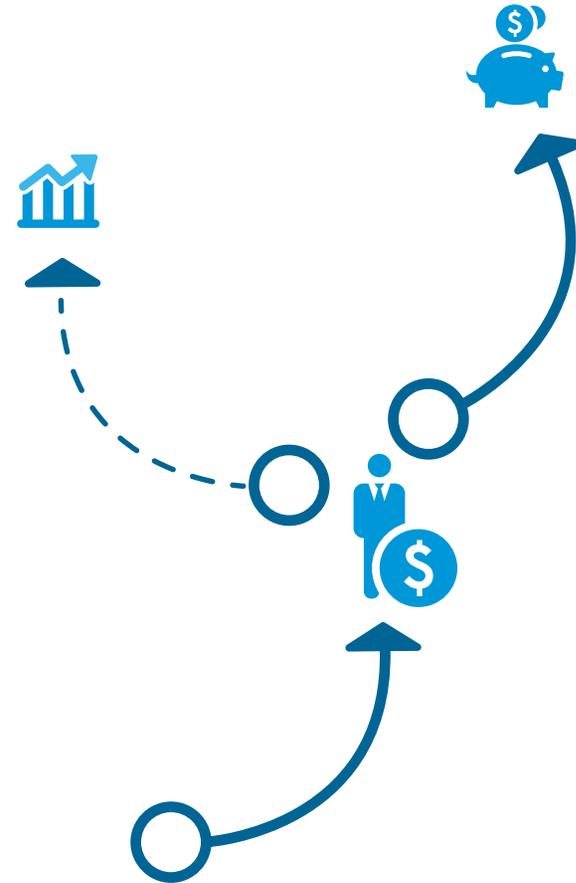
# STRATEGIC DREAMING

- look beyond how much is enough
- lifestyle planning and support
- better vs. bigger...going deeper
- soft facts, relationships,perspective, influence
- help with life meaning



# ROLE OF ADVISORS

- Strip away confusion
- Focus on key benefits
- Balance details with information overload
- Ensure informed decisions



## WHY INCOME SPECIALISTS WILL WIN

- Very few advisors are proficient
- Fastest growing market
- Multiple product solution market
- Involves larger asset base per client
- Results in larger advisor compensation per client
- Progressively builds residual income
- The business “sticks”

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