Concordia University Part-time Faculty Association

Association des professeur(e)s à temps partiel de l'Université Concordia

FINANCIAL & RETIREMENT PLANNING FOR PART-TIME FACULTY

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Disclaimer: This document *was prepared by CUPFA and not by Concordia University. It may be updated from time to time*. The contents of this document contain the best information we were able to acquire at the time of writing, but rules and definitions may change over time and links to websites change. Readers should confirm all information and acquire professional advice before acting on any information contained in this document. CUPFA is not responsible for any financial decisions that you make.

We recommend you also read our companion document ***"How the Pension Plan Works for Part-Time Faculty"*** which you will also find on the CUPFA website www.cupfa.org.

For information or comments on the contents of this document contact CUPFA Treasurer, June Riley, at june.riley@cupfa.org.

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INTRODUCTION

The average Canadian is expected to reach about 80-85 years of age.
Within couples there is a 30% chance of one spouse reaching the age of 90.
Life expectancy advances every year with medical breakthroughs.
This means retirement can easily last for 20 to 25 years or longer.

Putting in place a sound retirement plan is the essential first step towards achieving the retirement lifestyle you want - and ***it is never too late (or too early) to get started***.

As a rule of thumb, experts recommend your retirement income should be roughly 70 to 80% of your pre-retirement income in order to maintain your standard of living. But this may not be accurate depending on your assets, savings and projected sources of income, and the lifestyle you want to achieve when you retire. ***It's a matter of determining where you are now, where you want to be in the future, and how to get there.***

Step 1: Where are you now?

To determine your current financial status, first determine your net worth.
Net worth equals your assets (the value of things you own including savings and investments) minus your liabilities (the total of what you owe, including any financial commitments you have). Net worth calculations should be updated annually, since your circumstances constantly change.

Step 2: Decide how much you will need when you retire.

This depends on what type of retirement lifestyle you have in mind and what sources of income you can count on. It's a good idea to project the income and expenses you will have during retirement. To help you, a budget planning sheet follows right after this page. It will be available on the CUPFA website as an Excel spreadsheet so that you can work on it whenever you like.

Step 3: Deduct from what you will need, all sources of retirement income

The common sources of retirement income are:

- Quebec or Canada Pension Plan
- Old Age Security and possibly Guaranteed Income Supplement
- Private Pension - e.g. Pension Plan for Employees of Concordia University
- Your savings - in an RRSP or TFSA or both, or in unregistered accounts
- Other personal assets

Your Budget

Current Monthly Expenses:		Monthly Expenses after Retirement:	
Housing:		**Housing:**	
Rent, mortgage		Rent, mortgage	
Property taxes		Property taxes	
Maintenance		Maintenance	
Insurance		Insurance	
Utilities:		**Utilities:**	
Hydro		Hydro	
Gas		Gas	
Sewer & water		Sewer & water	
Phone(s)		Phone(s)	
Internet		Internet	
TV cable/satellite		TV cable/satellite	
Car:		**Car:**	
Loan, lease payment		Loan, lease payment	
Insurance		Insurance	
Gas		Gas	
Repairs		Repairs	
Other Expenses:		**Other Expenses:**	
Groceries		Groceries	
Restaurants		Restaurants	
Personal clothing		Personal clothing	
Clothing for work		Toiletries	
Toiletries		Medical	
Medical		Dental	
Dental		Entertainment	
Travel to work		Magazines, books etc.	
Entertainment		Hobbies	
Magazines, books etc.		Vacation/Travel	
Hobbies		Gifts	
Vacation/Travel		Donations	
Gifts		Miscellaneous	
Donations			
Miscellaneous			
Personal Insurance:		**Personal Insurance:**	
Health insurance		Health insurance	
Disability insurance		Disability insurance	
Life insurance		Life insurance	
Financial:		**Financial:**	
Personal loans		Personal loans	
Bank fees		Bank fees	
Credit cards		Credit cards	
Savings		Savings	
Company pension contributions			
Stock purchase plan			
Taxes:		**Taxes:**	
Income tax		Income tax	
CPP and EI premiums			
TOTAL:		**TOTAL:**	

This page will be available as a separate Excel spreadsheet at www.cupfa.org

Projecting Forward - The Rule of 72:

Because prices go up every year, you have to go beyond estimating what your expenses will be in today's dollars. You have to project what your costs will be when you retire.

The Rule of 72 allows the investor to quickly and efficiently answer two questions:

- How long will it take me to double my money if I earn X% interest? (or how long will it take my costs to double if inflation is X%)
- What return must I earn if I wish to double my money in X years?

Using the Rule of 72 When the Interest or Inflation Rate is Known
Suppose you want to know how long it will take to double your money if you can earn 12%. Just divide the magic number 72 by the interest rate. The answer is 6 years.

$\frac{72}{12\%}$ = 6 years to double your money provided you can earn 12%

Using the Rule of 72 When the Number of Years is Known
The Rule of 72 can also be used backwards. Suppose you want to know what percentage you need to earn on your money in order to double your money in 4 years. Again just divide 72 by the number of years and the answer is 18%.

$\frac{72}{4 \text{ years}}$ = 18% needed to double your money in 4 years

Projecting Inflation - your retirement expenses using the Rule of 72:

Suppose you calculated on the previous page that you would need $3,000 per month if you were to retire today.
Assuming an inflation rate of 3%: $\frac{72}{3\%}$ = in 24 years your costs will double to $6,000.

So if you are planning to retire at age 65 and you are now 41 years old, your monthly costs will be $6,000. There are more precise formulas that can be used as shown below.
(Multiply by 1+ the inflation rate raised to the power of the number of years.)

How much would $3,000 in expenses grow to if you plan to retire at age 65 assuming 3% inflation per year (the superscripts = number of years to retirement):

If you are 60 years old today: $\$3,000 \times 1.03^{5} = \$3,478$

If you are 50 years old today: $\$3,000 \times 1.03^{15} = \$4,674$

If you are 40 years old today: $\$3,000 \times 1.03^{25} = \$6,282$

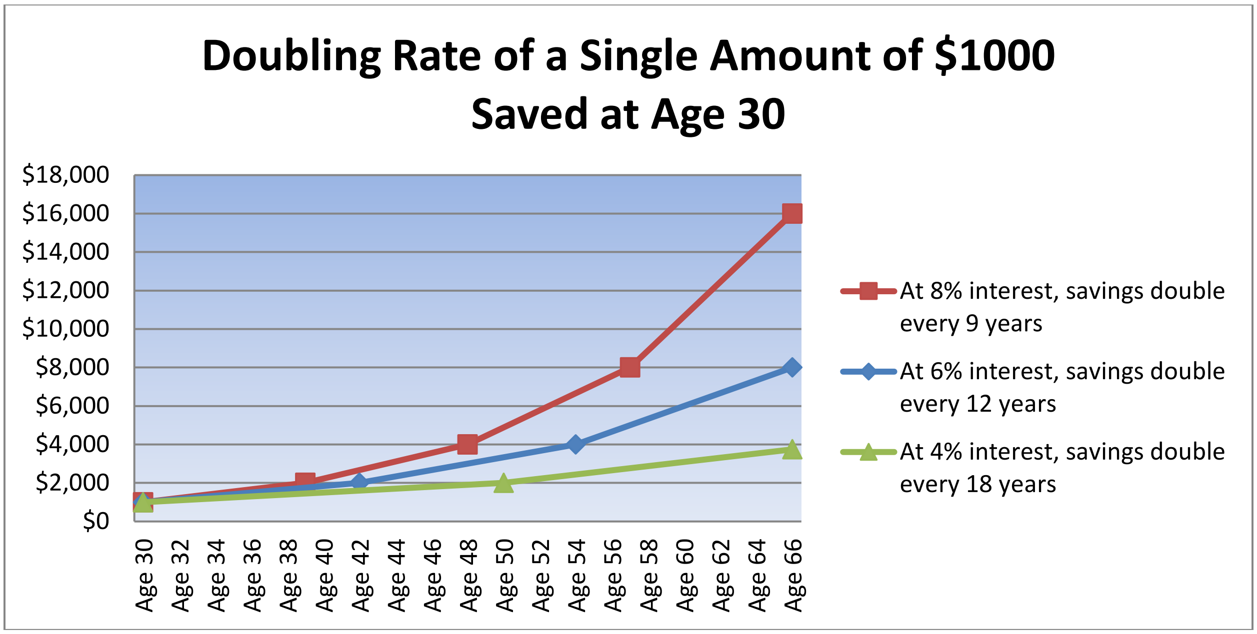
If you are 30 years old today: $\$3,000 \times 1.03^{35} = \$8,442$

And of course costs will continue to rise after you retire, so you have to plan some way to have your income grow once you retire.

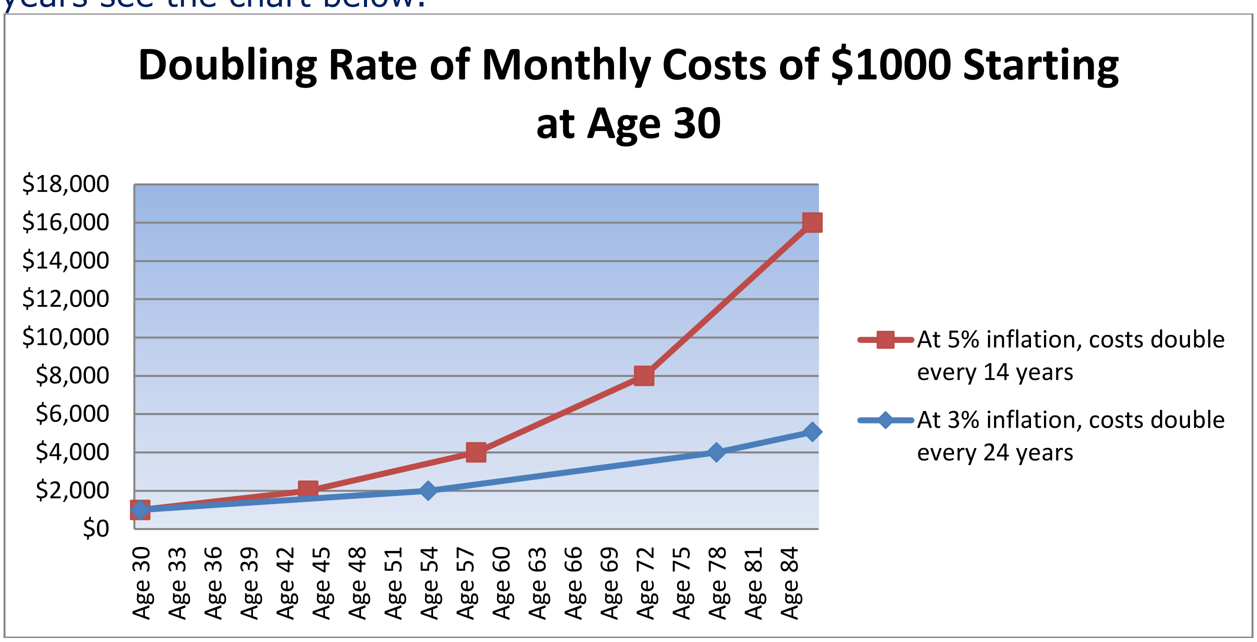
Rule of 72 Illustrations

The Rule of 72 helps you project forward a single amount of money from a single time period.

To give you some idea of how sensitive the future value of your savings are to small differences in interest earned see the chart below.



To illustrate how small increases in the inflation rate affect your cost of living in later years see the chart below.



Now that you know what you will need:

Deduct from your projected expenses your expected income from government and private pension plans. The balance must be made up with your savings and other assets.

Quebec Pension Plan (QPP) & Canada Pension Plan (CPP)

The Quebec Pension Plan and the Canada Pension Plan are very similar, but not identical. The C/QPP provides lifetime retirement income based on your retirement age and the year's maximum pensionable earnings*****.

***YMPE** = Yearly Maximum Pensionable Earnings published by Canada Revenue every year. You can Google it. For 2024 the YMPE is $68,500.

The monthly C/QPP benefit is calculated as 25% to 33% of the average maximum pensionable earnings on which you contributed. (From 2019 through 2025 the C/QPP will be gradually enhanced so that you can earn higher benefits in exchange for higher contributions – see links about this on last page).

Earnings greater than the YMPE are not pensionable for C/QPP. Because most people earn less than the YMPE for a number of years, *most people do not earn the maximum C/QPP benefit.* Some low earning years can be left out of the calculation. (*See Glossary about Contributory Period for more information.)*

Benefits normally begin at age 65, but you can choose to receive reduced benefits as early as age 60, provided you meet certain eligibility requirements*. Your benefits will be reduced by 7.2% for each year that you retire before age 65. If you work to age 70, your CPP and QPP benefits can be up to 42% higher than at age 65 if you keep contributing.*

NEW as of January 1, 2024, a person:

- will be able to apply for his or her pension at age 72 at the latest where they will receive a higher pension than if they applied at age 70.
- aged 65 and over who is already receiving their retirement pension will be able to able to stop contributing to the QPP (workers who turn 72 automatically stop contributing to the QPP). It is however generally advantageous to continue contributing to the QPP after age 65 as contributions grant entitlement to a retirement supplement which is indexed and paid for life.
- working part-time or with low earnings after age 65 will no longer have these lower earnings impact the calculation of their retirement pension. This will allow retirees to begin receiving their pension later.

There is a link to a calculator for QPP benefits on the last page.

Canada and Quebec pension plans also pay ***disability and survivor benefits***. Disability is paid, provided a range of criteria are met, up to age 65 and then this converts to pension. Disability payments are taxable and can impact other disability income you are entitled to receive, e.g. from an employer's health plan.

Old Age Security (OAS)

The OAS is not based on your employment history. It is a lifetime, flat-rate pension payable at age 65, provided you meet certain residence and other requirements.

The maximum OAS benefit for 2024 is $713.34 per month from age 65 to 74 and $784.67 per month for those age 75 and over. OAS is adjusted every three months to reflect increases in the Consumer Price Index. You can apply for OAS six months before your planned retirement date starting at age 65. Please see the link on the last page for recent changes to the OAS.

Supersize your OAS: You can delay the start of your OAS for up to 5 years. In return your payouts get bumped up by *7.2% for every year you defer*. That means the government expects to make fewer payouts over your lifetime, but they will be bigger. For example, if you are eligible to receive the maximum OAS in 2024, delaying would mean an extra $616 per year deferred plus inflation adjustments, or $3,080 per year if deferring for 5 years. Deferral makes sense if you are likely to live a long time (depending on your health and your medical history), or if you work past age 65 and will be in a lower tax bracket in retirement than while working.

Clawback of OAS: If your net income after age 65 exceeds a certain level ($90,997 in 2024), the excess is taxed at 15% up to your full OAS amount. OAS benefits are reduced at the time of payment to reflect this clawback. For individuals aged 65 to 74, with a net income greater than $148,065 in 2024, the OAS pension would be zero since the full OAS amount would be clawed back (for individuals aged 75 and over, with a net income greater than $153,771 in 2024, the OAS pension would be zero).

Here is a link to a useful article that can help you decide when to begin benefits in light of inflation and the OAS clawback:
https://www.advisor.ca/retirement/retirement-news/how-inflation-affects-oas-timing/

Guaranteed Income Supplement (GIS)

The GIS is an additional monthly amount paid to OAS pensioners who have a yearly income (either individually or combined with a spouse or common law partner) below a certain level. The supplement amount is adjusted every 3 months to *partially* reflect increases in the Consumer Price Index.

According to Service Canada (the Canadian government's website), the maximum possible GIS benefit for 2024 is $1065.47 per month for a single person (conditions apply). The average amount of GIS is more like $500, and to qualify for the GIS your income must be below $21,624 in 2024 if you are single (a slightly higher income threshold if you have a spouse). If you are a pensioner but do not receive the maximum OAS you should contact Service Canada to get more accurate information about your benefits. There are links at the end of this document.

The allowance: If you are eligible to receive the Guaranteed Income Supplement, your spouse or common-law partner may be able to receive the Allowance benefit, if your spouse or common-law partner is 60 to 64 years of age and meets other qualifying criteria.

PENSION PLAN FOR EMPLOYEES OF CONCORDIA UNIVERSITY:

Government pension plans, the Old Age Supplement and the Guaranteed Income Supplement are not meant to fully provide for your retirement income. Your private pension plan, like the one at Concordia University is a central component of your needed retirement funds.

The Pension Plan for Employees of Concordia University provides **benefits that are defined*** ahead of time based on a set formula using your pensionable earnings and years of credited service. As a result, your benefits are guaranteed and protected, regardless of economic or market conditions.

Investment returns on your contributions do not affect your **defined benefits***. The University is responsible for ensuring that the plan is sufficiently funded to provide the pension benefits that you earn under the plan.

Once you have earned enough in a calendar year to become eligible, you can be enrolled as an *accruing service* member. This means you will make payroll contributions and build retirement income under the plan.

Your contributions represent 45% of plan costs, while the University contributes 55% of plan costs. This is a more generous arrangement than at other universities where the costs are split 50-50 between employer and employees.

Considerations for being a member of the Pension Plan for Employees of Concordia University: Your pension contributions will somewhat lower your RRSP contribution limit but your contributions are tax deductible so taxes will be reduced. Most importantly you will accumulate guaranteed benefits while only paying 45% of the costs. Also, in the event of financial distress, pension benefits are a safer form of income than income from your RRIF (matured RRSP).

For full details read the information about the plan on Carrefour/Services/HR/Pension, and in CUPFA's own document on How the Pension Plan Works for Part-Time Faculty which you can find at www.cupfa.org.

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*There are two kinds of pension plans, defined benefit and defined contribution.

A *defined benefit* pension plan stipulates what your monthly lifetime pension will be ahead of time based on your pensionable earnings and years of credited service. Your monthly payments are guaranteed by the employer. The Pension Plan for Employees of Concordia University is a defined benefit plan.

In contrast, a *defined contribution* pension plan means that on your retirement you receive a lump sum equivalent to your accumulated pension (the “commuted value” of your pension) and from that point forward you assume personal responsibility for investing your pension savings, and you bear the risk of any shortfall in your investments. An article in The Economist magazine published on 7 April 2011 ("Over to You" from special issue on Pensions) estimates that pensioners tend to fare considerably worse with defined contribution pension plans compared to defined benefit plans.

THE CONCORDIA PENSION PLAN, QPP, CPP and OAS

<table>
<tr><th></th><th>Concordia Pension Plan</th><th>Quebec Pension Plan (QPP)</th><th>Canada Pension Plan (CPP)</th></tr>
<tr><td rowspan="2">Earliest age you may start to receive benefits:</td><td rowspan="2">The first day of any month within 10 years preceding age 65. An actuarial reduction will apply.</td><td>Age 60 with reduction and must meet eligibility requirements.</td><td>Age 60 with reduction and must meet eligibility requirements.</td></tr>
<tr><td colspan="2">*If you retire in 2024 at age 60, QPP or CPP max.= $873.34 per month.</td></tr>
<tr><td></td><td colspan="3">Benefits accumulate until you choose to retire. Therefore, the later you retire, the higher your benefits will be. For QPP and CPP, it can be possible to accumulate up to 42% more benefits by working until age 70.</td></tr>
<tr><td rowspan="2">Normal retirement age:</td><td rowspan="2">Age 65.</td><td>Age 65.</td><td>Age 65.</td></tr>
<tr><td colspan="2">*If you retire in 2024 at age 65, QPP or CPP max.= $1364.60 per month.</td></tr>
<tr><td rowspan="2">Latest age you may start to receive benefits:</td><td rowspan="2">December 1st of the year you reach age 71. An actuarial increase will apply.</td><td>Age 72.</td><td>Age 70.</td></tr>
<tr><td colspan="2">*If you retire in 2024 at age 70 the maximum QPP or CPP is $1,937.73 per month. (If 72, QPP max = $2166.98)</td></tr>
<tr><td>When to apply:</td><td>Apply by EMAIL or IN WRITING to Pension Services <u>three (3) months</u> before you wish to begin to <u>draw your pension</u>.</td><td>Apply 1 to 3 months prior to the month you wish to receive benefits.</td><td>Apply <u>at least</u> one month past the day of your 59th birthday and 6 months before you want benefits to begin.</td></tr>
</table>

Most people do not earn the full maximum QPP benefit. However CPP and QPP benefits are fully indexed for inflation.

Can I collect my Concordia Pension Plan but not collect QPP or CPP?
Yes. The Concordia and the QPP or CPP are independent of each other.

As mentioned earlier, you should also apply for Canada's Old Age Security (OAS) regardless of which province you retire in.

You may also be eligible for the ***Guaranteed Income Supplement (GIS)***.
See information links on last page regarding OAS and GIS.

Information on OAS and GIS is on page 7.

Your Savings

Websites for C/QPP, OAS, GIS and your annual Concordia pension statements will all project what your retirement income will be from these sources by age 65. These estimates change every year as you continue to participate and/or be eligible for all these plans.

Take your projected costs at retirement, subtract what you estimate you will receive from government and private pension sources. The difference is what you must make up with your own savings or other assets.

Suppose you projected that you will need $3250 per month at age 65 to retire. If C/QPP will pay you $1000 per month, OAS $450 per month, and Concordia Pension will be $800 per month. Then:

$3250	projected monthly expenses at retirement
- 1000	from C/QPP
- 450	from OAS
- 800	from Concordia pension plan
$1000	

Then you will have to have savings sufficient to provide you with $1000 per month income (or $12,000 per year) at retirement.

As a general rule of thumb - for every extra $500 per month that you need ($6,000 per year), you will need about $120,000 in savings - assuming 5% interest, and this does not include tax on the interest. It sounds like a lot, but the earlier you start saving the more achievable these goals can be.

Assuming you can earn 5% annually on your savings you will need $240,000 in savings at retirement to provide $1000 per month.

Alternatively you may be able to sell an asset like a house, or you may choose to continue working part-time, or even start a small business.

How your Savings Grow:

Types of Investments:

You can earn interest by having Guaranteed Investment Certificates which pay very low interest, or buying bonds. In that case the interest you earn will be taxed at the full income tax rate that you pay on your employment income. *Historical average returns on government bonds (1962-2011) has been around 7%.* (GICs pay much less than this.)

You can invest in stocks (equities) of companies. In that case you can earn money two ways: dividends and capital gains. Dividends are part of the profits of a company. Capital gains happen when you sell your shares at a profit - it's the difference between what you paid for stocks and what you sell them for. You will typically pay about half the tax on dividends and capital gains compared to the tax on interest earned from bonds. *Historical average returns on stocks (1962-2011) has been around 9%.*

The potential return on stocks is more volatile than that of bonds on a year to year basis. But over time, returns from stocks (or exchange traded funds, or other mutual funds based on equities) tend to be higher than that of bonds, and are taxed at a lower rate than the income from bonds.

The extent to which your savings can grow depends on

- *how much rate of return you can earn each year,*
- *the tax you will have to pay on those earnings, and*
- *the number of years you have to retirement.*

Your earnings can earn compound growth over time. Compounding is the return that is earned on the principal amount invested PLUS all the accumulating interest or dividend payments. Compounding can result in dramatic growth in the value of an investment over time. The longer the time the money compounds for and the higher the rate of return, the more your savings are worth in the future.

How fast can your savings grow?

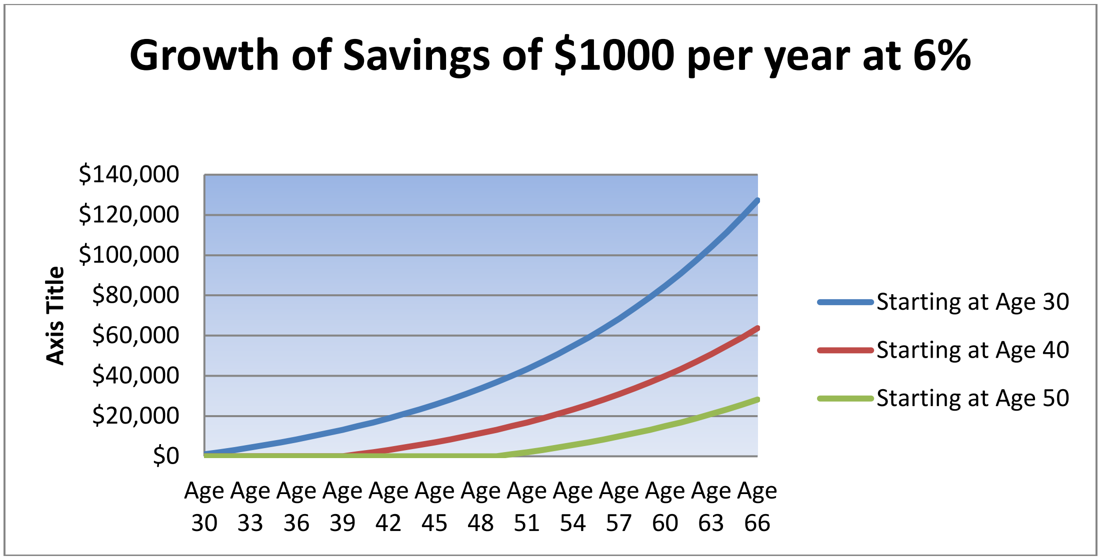
The earlier you start and the higher the return, the faster your savings grow.

Assume $2000 per year saved and 0% tax until age 65:

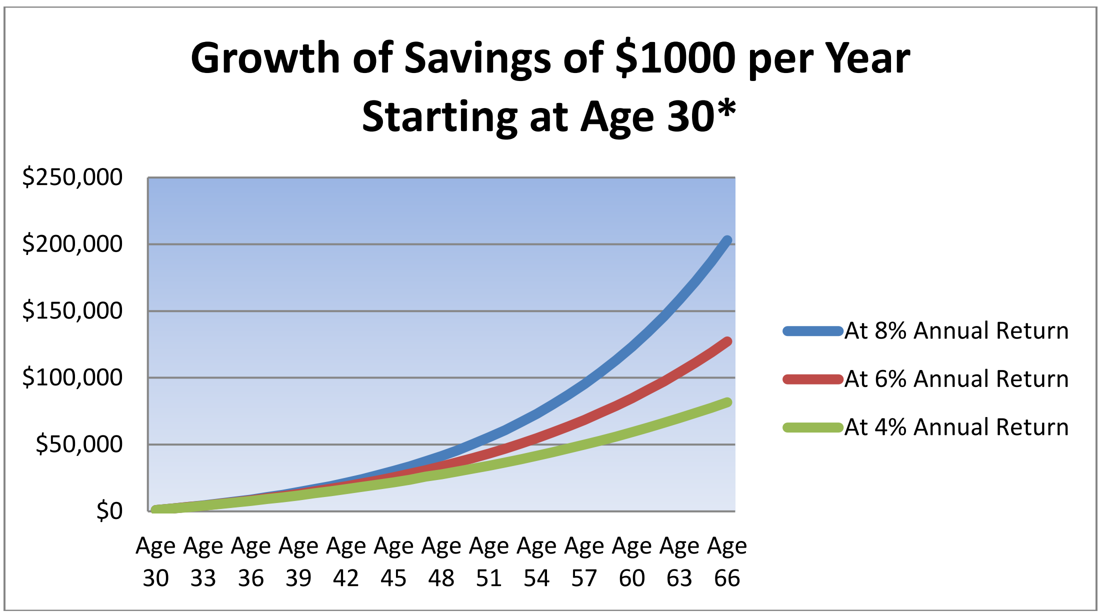
	Return of 6%	**Return of 9%**
A 55 year old saving for 10 years will have:	$26,362	$30,386
A 45 year old saving for 20 years will have:	$73,572	$102,320
A 35 year old saving for 30 years will have:	$158,116	$272,620

The graph on the following page illustrates this point.

As shown here, the most dramatic compounding takes place in later years. So the earlier saving starts and the longer it can compound, the more dramatic the results.



The graph below highlights the importance of getting ***enough growth*** in your savings.



But to get the most out of your returns, it is critical that you try to shelter your savings from tax!

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*There is a different formula that we use to project forward a regular payment stream (called an annuity). The formula is: amount of regular deposit x $\frac{[(1+r)^t - 1]}{r}$ where r = interest rate and t = number of years

for example $1000 deposited per year at 8% for 37 years would be: $1000 x $(1.08^{37} - 1)/.08$ = $203,070

Tax-Free Savings Plans

Registered Retirement Savings Plan (RRSP):

The advantages of contributing to an RRSP account are that you receive a tax deduction on the amount you contribute, and the income and growth of your investments are sheltered from tax until you withdraw funds from the plan.

Inside the plan you can invest your savings in stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.

The plan is intended for people who are, as is typically the case, in a lower tax bracket during retirement than they were in during their income earning years. That way the tax deduction you receive for your contribution is at a higher tax rate than the one you will pay on withdrawals.

You can contribute a maximum of 18% of your previous year's annual earned income up to a maximum of $31,56 0 for 2024 less your Pension Adjustment. The upper limit is indexed to wage growth and published by the Canadian government every year. Your notice of assessment from the Canadian government will indicate what your own contribution limit is each year.

You can top up the plan. If you haven't contributed the maximum in previous years, you could have unused contribution room to carry forward. Unused contribution room from a previous year can be carried forward to any future year.

You can withdraw funds at any time, not just at retirement, but withdrawals from the plan do not create additional contribution room, and you will pay income tax on the funds withdrawn at the rate that applies to you in the year of the withdrawal.

You cannot own an RRSP beyond December 31 of the year you turn 71. At that point the contents of your RRSP must either be transferred into a RRIF (Registered Retirement Income Fund), and you must take regular withdrawals from that age onward, or you must purchase an annuity. This is a law intended to ensure retirees have retirement income.

Tax Free Savings Account (TFSA):

The advantage of contributing to a TFSA is that you can shelter your savings from income tax for as long as you live. There is no upper limit on the age someone has to be to contribute. You must be 18 years of age or older to open a TFSA.

Inside the plan you can invest your savings in stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.

Your money will grow tax free until you withdraw it and then you will only pay tax on the earnings you record from that point forward.

There is no tax deduction for contributions.

There is a limit on how much you can contribute each year.

However, you can always top up the plan. If you under-contribute in one year, or for multiple years, you can make up for it in a later year. If you take money out one year, you can recontribute it in a later year.

The TFSA has been available since 2009. The annual limits from 2009 forward are below.

Annual Limits for TFSA:

2009 - 2012:	$5,000 per year
2013 - 2014:	$5,500 per year
2015:	$10,000
2016 - 2018:	$5,500 per year
2019 - 2022:	$6,000 per year
2023:	$6,500
2024:	$7,000

So if you have never contributed and you were at least 18 years of age in 2009, and you open a TFSA this year, you can contribute all the unused limits from 2009 to the present ($95,000 as of 2024). You must be careful not to over-contribute as you will then be taxed 1% per month on contributions that exceed the limit. You can find out your unused contribution room from the Canada Revenue Agency at **cra.gc.ca/myaccount**.

Concordia University Group RRSP & Group TFSA Plans:

You can contribute your own money by payroll deduction. The management fees are low and you can set a variety of investment goals within these plans. It's a great idea!

There is extensive information and some downloadable PDF brochures about this are on Carrefour/Services/HR/Benefits. There is also a PowerPoint file by Canada Life (formerly Great West Life), manager of the plans, on the CUPFA website under Pensions & Retirement Planning/Retirement.

Tax Free First Home Savings Account (FHSA):

As of 2023 Canadians can open and contribute to an FHSA which is a registered plan allowing a first-time home buyer to save, to buy or to build a qualifying first home tax-free (up to certain limits).

The FHSA combines aspects of both an RRSP and TFSA to create a new savings account vehicle with a lot of flexibility around contributions and deductions.

The FHSA is a registered plan that would allow first-time home buyers the ability to save up to $40,000 (lifetime FHSA limit) on a tax-free basis to be used toward the purchase of a first home. Similar to an RRSP, contributions to the plan are tax-deductible. However, withdrawals to purchase your first home would be non-taxable, similar to a TFSA.

You may contribute up to $8,000 per calendar year to the FHSA, which will remain invested until the time needed to purchase your first home. At that point, you can withdraw the original contributions and accumulated growth in the account on a tax-free basis. (You can withdraw for reasons other than buying a home but those withdrawals will be taxable.)

Other Planning Considerations

There are some additional interesting planning considerations regarding the FHSA.

There are no attribution rules on gifts to adult children. Parents or grandparents have the option to gift their children and grandchildren an amount that the recipient can use to contribute towards their FHSA and begin the process of saving for their first home. The child or grandchild would get the deduction on their tax return, and if they did not require the deduction during the year (they were at school and not working full-time) they can carry forward the deduction to a future year when they start working full-time.

For more information about this new plan click on the following link:

https://www.canada.ca/en/department-finance/news/2022/08/design-of-the-tax-free-first-home-savings-account.html

HOW TO FIND A FINANCIAL ADVISOR OR PLANNER:

A financial advisor can help to assess your current financial situation, help you develop your financial goals and needs, give advice on investments, and review and help you update your investments. A financial planner can advise on short-term goals like saving for a residence, or for life-long support on a wider range of financial issues including how to save on taxes, appropriate levels of insurance, estate planning and more. But the process of finding just the right advisor or planner for you can be complex and time consuming.

My message to you is that this is something everyone can and should do.

Most financial institutions such as banks and insurance companies will provide rudimentary personal financial advice at no charge provided you have an account at that institution. They are paid to sell the products that their companies provide – which may be fine.

Then there are independent investment management firms that do not have their own mutual funds and can give perhaps more objective advice for free to account holders.

Finally there are independent investment advisors and portfolio managers who charge a fee for their services to manage your investments, which you can claim as carrying charges against investment income on your tax return. (Note that fees in connection with services on your Registered Pension Plan, Registered Retirement Income Fund, Registered Retirement Savings Plan and Tax-Free Savings Account are not deductible.)

To help you through the various criteria to consider, questions to ask, and ways to find just the right financial advice, the two links below should help. You can also check out the PowerPoints on the CUPFA website from the 2020 orientation on "How to Choose an Investment Professional" by our member Ricardo Romeo. You will find it on www.cupfa.org under Member Meetings/Financial Workshop May 2020.

https://www.canada.ca/en/financial-consumer-agency/services/savings-investments/choose-financial-advisor.html

https://www.mymoneycoach.ca/blog/find-best-cfp-certified-financial-planner-advisor-manage-money-retirement-planning-wealth-management-personal-finances.html

INSURANCE CONSIDERATIONS:

For general information on benefits at Concordia: Part-time faculty should read article 15 of the CUPFA Collective Agreement for details on available benefits. You can also read details of the Health Plan at the main Concordia website Carrefour > Services & Resources > Human Resources > Benefits > CUPFA & CUCEPTFU > Health Plan.

If any <u>problems or issues</u> *arise with regard to benefits at Concordia, part-time faculty should* ***ALWAYS CONTACT CUPFA FIRST*** *before contacting the University.*

For those planning to retire and are covered under the Health Plan at Concordia the following details are relevant:

Prescription drug coverage stops at age 65 or as soon as you end your employment at Concordia, whichever comes first. At that point, part-time faculty must register with the RAMQ (Régie de l'assurance maladie du Québec) for prescription drug coverage even if that faculty member is still working at Concordia. RAMQ covers about 8,000 drugs. The Common Drug Review (CDR) is the process undertaken by the Canadian Expert Drug Advisory Committee (CEDAC) to review the clinical evidence and make drug reimbursement listing recommendations for new drugs. The CDR is funded by participating federal and provincial/territorial governments. *<u>Quebec does not participate in the CDR</u>* which means it may not cover a drug you may need.
https://www.ramq.gouv.qc.ca/en/citizens/health-insurance

The Comprehensive Health Plan at Concordia University ends once a part-time faculty member stops working for Concordia. Part-time faculty who reach age 65 but *<u>are still working at Concordia</u>* may elect to remain covered under the Comprehensive Health Plan for coverage other than for prescription drugs, in which case they will be required to pay additional premiums. This is a good idea.

Options to continue your health insurance after leaving your job

Sun Life: If you're leaving an employer group benefits plan with any provider, in most cases you can qualify for a "Sun Life Choices" insurance plan (with the exception of Choices Critical Illness Insurance), you don't have to be an existing Sun Life benefits plan member. You must contact Sun Life within 60 days of the end of your coverage to qualify. You can call Sun Life about this at **1-877-893-9893** or go to link:
https://www.sunlife.ca/en/explore-products/insurance/workplace-benefits/leaving-your-workplace-health-and-benefits-plan/

Canada Life offers a similar plan called "PlanDirect".
https://www.canadalife.com/insurance/health-and-dental-insurance/health-care-benefits-for-departing-employees.html

Blue Cross also offers a similar plan called "Blue Choice Conversion Plan"
https://www.pac.bluecross.ca/advicecentre/story/groupbenefit-ending

There are likely other insurance companies that have similar options.

Disability Insurance
Thanks to Article 15 of our Collective Agreement, as part-time faculty we do have remarkably good short-term disability coverage. **But because we are part-time, we are not eligible for long-term disability coverage.** Therefore unless you have another full-time job where you are covered, you _may_ want to consider _private long-term disability_ or _critical illness_ insurance.

The time to get disability or critical illness insurance of any kind is before you are diagnosed with an illness. If you wait until after you are diagnosed the insurance companies can refuse coverage.

What are the odds of being injured or having a disabling medical condition?

For short-term disability: *A full one in six Canadians will be disabled for three months or more before age 50.*

For long-term disability: *Many illnesses or injuries can disable a person for extended periods of time. The most common disabling disease is cancer. The Canadian Cancer Society says that about 42.5% of the population will be diagnosed with cancer of some sort (that's 1 in every 2.3 people), with more than half of all cancers diagnosed in the age group 50-74. Statistics Canada reports the incidence of heart disease also jumps from 2% of the population to 6% starting in our 50s.*

The following is a link to a good explanatory article on disability insurance that appeared in Money Sense magazine in 2012.
http://www.moneysense.ca/2012/01/30/disability-insurance-preparing-for-the-worst/

While you are still working: Private Long-Term Disability Insurance

Disability insurance partly replaces your wages (it pays a monthly income) if you are unable to work. Disability plans will either cover you for "any occupation" or "own occupation." The latter is much better, because under this definition, total disability means the inability to work at your regular job. With "any occupation," total disability means the ability to perform the duties of any job. That means that if you become disabled, but you could perform a less demanding job, you may not get the benefit. Often plans offer "own occupation" coverage for the first two years of the benefit period and then switch to "any occupation" after that.

To give you a quick idea of the cost involved in private disability insurance, a private "own occupation" disability policy for a 40-year-old male white-collar non-smoker that pays $3,000 a month until age 65 (90-day waiting period) would cost about $140 a month. The same policy for "any occupation" would cost about $75 a month. When calculating your coverage, keep in mind that payments from private disability insurance are tax-free, while the payout from most corporate plans is taxable.

Reports on privately obtained long-term disability insurance (outside of a group plan), are that this insurance is quite expensive and it can be difficult to collect on a claim. The policies are complex and rules are intricate - read these policies very carefully before signing. The following is a link to a helpful website about this:
http://www.disabled-world.com/disability/insurance/claims/

Critical Illness Insurance:

Critical illness insurance pays out a tax-free lump sum payment following the diagnosis of one of several illnesses covered by your policy. This insurance only makes sense if you help to support your family, but you can't get disability insurance because you have no earned income. *<u>This is a "named peril" type of insurance. If you get a disease not specifically named in the policy then it is not covered. Cancer, for instance, is only covered if it is one of the very specific types listed, exactly as listed.</u>*

Disability (& Life) Insurance on loans:

Depending on your coverage at Concordia, or possibly other places of work, it may be a consideration to have life/disability insurance on your debts especially once you enter your 50s, when health issues become more common. This would cover your loan payments should you have a protracted illness. Your bank will price this insurance for you. You will find it is expensive so not everyone will opt for this. *<u>(Note: It is not recommended to retire while still paying off your mortgage or other sizeable debts.)</u>*

Other Insurance Considerations in Retirement:

The following types of insurance policies are typically purchased by individuals once they retire.

Supplemental Medical Insurance:

With this type of insurance, premiums are charged and then these programs reimburse you for costs associated with an illness or accident which aren't covered by the provincial health plans, such as prescription drugs, registered specialists and therapists, dental care, vision care, etc. You can purchase supplemental health insurance from companies like Blue Cross, etc. Also There is a helpful article about this type of insurance with at the following link:
https://www.newretirement.com/services/medicare_supplemental_insurance.aspx

Be aware that companies that offer coverage without your having to provide medical information may require that you pay premiums for 2 to 3 years before any benefits can be paid.

Travel Medical Insurance:
<u>You should obtain travel medical insurance whenever you leave Quebec.</u> You can contact CAA, Blue Cross, any professional societies that you may belong to, etc., to get quotes and information. Quebec is the only province that has not signed a reciprocal payment agreement with other provinces and it only compensates at it's own payment level *<u>which is the lowest in the country</u>*. This means if you are covered by any other province's provincial medical insurance, if you become sick while elsewhere in Canada, payment is automatically covered by the province you are insured under. But if you are covered by RAMQ and you become sick elsewhere in Canada, depending on the treatment and the place, you may have to pay all medical costs up front and then be compensated later by RAMQ at RAMQ rates. One anecdotal reference I found cited a person having knee surgery in Ontario, had to pay
$2000 for the surgery there and received only $1400 from RAMQ as compensation.

Be aware also that you need to read the "exclusions" on any privately obtained medical insurance policy. Some exclusions are quite extraordinary.

Dental Insurance:

Coverage for this is expensive and it is usually cheaper to just put aside some regular savings to cover this on your own.

Term Life Insurance:

This is an estate consideration. Quebec does provide a $2500 death benefit to help with funeral expenses, but this is taxable. If this is a concern for your beneficiaries, then term life insurance might be something to consider.

Long-term Care Insurance:

Long-term care insurance protects a person's financial resources if something happens to their health in retirement. The policy would cover things like in-home care to help you dress and eat, or help provide care in a facility, such as a private nursing home. *(There is a significant quality difference between government paid nursing homes and private ones.)*

According to Canadian Life and Health Insurance Agency; Institute for Research on Public Policy about *43% of Canadians over age of 85 currently receive home care. About 750,000 senior citizens could find themselves living in health care institutions by 2036, compared with about 300,000 today. Less than 1% of Canadians currently have long-term care insurance.*

The costs and benefits of long-term care insurance depend on several factors and how old you are when you start to pay premiums. *If you start paying in your 50s* the premiums are much lower than if you wait until you are in your 60s.

Deciding whether or not to pay for the protection that comes with long-term care insurance requires that you consider the following factors:

- How much are you saving now, and can you continue to save for retirement as well as fund the insurance premiums?
- How much is your nest egg likely to be worth when you are in your 80s and could you fund the annual cost of a semi-private room in a long-term care facility?
- Will you have family members nearby who could take some responsibility for you, or will you be relying on others if you need additional support?
- What is your prediction for your health, based on how you're doing currently and any other hereditary factors that might afflict you?

The Council on Aging has written an excellent guide to long-term care insurance. It provides insight on the types of policies available as well as some ballpark costs. The article is on the CUPFA website.

There is much more to retirement planning than this. Specific types of investments and insurance considerations are things that you should seek professional advice on.

YOUR ESTATE:

The Importance of Having a Will

A will is a legal document in which you specify who will inherit your property after your death, and what the share of each person will be.

There are many advantages of making a will. By making a will you can choose who you wish to inherit your assets, rather than this decision being made by the laws of intestacy. You can give opportunities to others by passing on your possessions.

You can choose to pass certain belongings to certain individuals, for example, your car, a painting, a family heirloom. This can ensure that items of sentimental value are retained in the family.

With a will you can ensure that your loved ones are provided for. Without a will some of the people you love may have to go through a court action to make a claim which can be lengthy and expensive.

You can ensure that the people you choose will administer your estate. The preparation of a will allows you to choose your executor who will deal with the winding up of your estate in the way you have requested. If there is no will a family member or other party with an interest may have to petition the Court to become your executor.

It will also make it easier for your loved ones to deal with your affairs when you are gone. Dying without a will adds all sorts of complications to the administration of an estate and can increase the cost and work involved for the executors.

You should re-read your will from time to time to make sure that it still reflects your true intentions, and that it matches your current situation.

The following is a link provided by the Province of Quebec about wills in this province.
https://www.quebec.ca/en/justice-and-civil-status/wills-estate

The following is a link with examples of the distribution of property if there is no will
https://educaloi.qc.ca/en/capsules/dying-without-a-will/

Your Protection Mandate - A Living Will

A Living Will is called a Protection Mandate in the Province of Quebec. It allows you to maintain control over your own health care decisions, even when you can't make them.

A Living Will provides instructions regarding your medical care if you were to become ill or incapacitated and unable to state your wishes. Through a Living Will, you may indicate types of treatment you do or do not want to receive. You may also appoint someone to make your health care decisions if you are unable to make them.

Most families are grateful for a Living Will, particularly when they are faced with end-of-life choices. A Living Will can help your family make the best of a difficult situation because you will have chosen one or more people whose judgment you trust to make your health care decisions. You will have also given them some guidance about those decisions.

You should create your Protection Mandate or Living Will with the assistance of a lawyer (or notary in Quebec). You should also discuss it with your family members and physician. You can find more information at the following link:

https://www.quebec.ca/en/justice-and-civil-status/legal-protection/protection-mandate

Power of Attorney

A power of attorney gives a person power to administrate your property.

There are many different situations in which you need to give another person responsibility for carrying out a particular action on your behalf. For example, you could be leaving on vacation and not have time to sell your car or sign the lease for a new apartment. Or you could be physically disabled, but mentally sound, and need someone to carry out your financial transactions. You may think your spouse can do such things on your behalf, but not without a power of attorney.

You should discuss, wills, protection mandates and power of attorney with a notary if you are in the Province of Quebec, or with a lawyer if you are outside the province of Quebec.

As with the financial planning for your retirement, it is best to seek out professional advice for all aspects of your estate planning.

You can get free professional financial advice from your bank, investment company or life insurance broker, or you can pay for professional financial advice from private investment firms. Research shows clients can earn 20 to 40% more on their savings when they work with a professional financial advisor.

GLOSSARY OF TERMS

Not all the terms listed below are in the text of this document but you may run into these terms when using the links at the end of this document to find more information.

Commuted Value (CV) of your Pension The CV is a lump sum payment representing the present value of a member's accrued pension. In layman's terms, the CV represents how much money you would have to invest today to pay your future monthly pension. The CV goes by many names: transfer value, lump sum value, and actuarial present value. Calculation is based on actuarial factors such as your age and the interest rate at the time you retire.

Consumer Price Index The Consumer Price Index (CPI) is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers.

Contributory vs Non-Contributory Membership in Pension Plan Prior to 1 January 2018 it was possible to be a non-contributory member, with the University making all the contributions for you, so that you would earn half the pension benefits of contributory members. This is briefly explained on page 6 of this document. Quebec law governing University pension plans changed so that the non-contributory option was eliminated as of 1 January 2018.

Contributory Period for Quebec & Canada Pension Plans (C/QPP) The total span of time during your life when you *may* contribute to the C/QPP is called your contributory period. It is used in calculating your C/QPP benefits. Your contributory period begins when you reach age 18 or January 1966 (the start of the C/QPP) and continues until you begin receiving your Canada or Quebec pension, reach age 70 or die (whichever is the earliest). To protect you, some low-income periods will be dropped out of the calculation, such as:

- months for which either a *disability pension* under the C/QPP or an *unreduced income replacement indemnity* from the Commission de la santé et de la sécurité du travail (CSST) was paid
- starting in 1966, the months for which *family benefits from Québec or Canada* for a child under the age of 7 were paid or the months during which the contributor was eligible for such benefits but none were payable
- the months during which your earnings were the lowest (up to 15% of the period).

Dropping out periods of low earnings *increases* the amount of your benefit.

Deemed Salary for Full-Time Faculty at Concordia The Pension Plan stipulates that part-time employees will have their years of credited service and final average earnings based on the salary for an equivalent full-time employee at the University. For CUPFA members Concordia bases this on the salary for a probationary full-time faculty member. For members of CUCEPTFU, TRAC & CARE see the Appendix in our document How the Pension Plan Works for Part-Time Faculty.

Defined Benefit Pension Plan A defined benefit pension plan stipulates what your monthly lifetime pension will be ahead of time based on your pensionable earnings and years of service. Your monthly payments are guaranteed by the employer.

Defined Contribution Pension Plan A defined contribution pension plan means that on your retirement you receive a lump sum equivalent to your accumulated pension (the "commuted value" of your pension) and from that point forward you assume personal responsibility for investing your pension savings, and you bear the risk of any shortfall in your investments.

Draw Your Pension These are the words you use when you want to start receiving your Concordia Pension. *Do not say you want to "retire"* unless you are absolutely certain you will no longer be working for the University in any capacity whatsoever.

Final average earnings The highest three (3) consecutive calendar years of *pensionable* earnings in the history of your employment at Concordia. For CUPFA members this is the GREATER of the average of the highest 3 consecutive years of annualized CUPFA salary (6 x salary for 3 credit course) OR the highest 3 consecutive years of a CUFA Step A1 lecturer's salary. Your pension benefits are calculated based on your final average earnings times your years of credited service.

Final Average YMPE This is the average YMPE over the last few years before you retire including your retirement year. YMPE is defined below. This is part of the Pension Formula and is a consideration if you retire at age 65 or later. (For the pension plan at Concordia the Final Average YMPE is calculated over 3 years. For QPP it is calculated over 5 years.)

Financial Advice Professional financial advice is usually available free of charge from your bank, investment company or life insurance company. You can also sometimes find a professional financial advisor by word of mouth and in some cases you can pay by the hour.

Locked-In By Federal and Provincial law, if you terminate employment for reasons other than retirement or death, members or former members *of private pension plans* may not cash in the commuted value of benefits earned in a private pension plan. The funds must be transferred to Locked-In Retirement Account (LIRA) until you retire. Funds inside the LIRA may accumulate earned interest or dividends but withdrawals are not permitted until retirement. At retirement, the funds within the LIRA must then be converted into an income generating product or account such as a Life Annuity or Life Income Fund (LIF). The reason for this requirement is to ensure that a plan member's pension entitlement is used for the purpose originally intended, which is to provide income in retirement for that person, and where applicable that person's spouse. (An RRSP is not suitable for such transfers because funds within an RRSP can be withdrawn at any time.) There are limited exceptions to this requirement. These include:

- The amount of pension payable at the pension plan's normal retirement age or the commuted value payable from a pension plan falls below prescribed limits;
- The balance in a locked-in RRSP or LIF falls below prescribed limits.

"LIRA" Locked-In Retirement Account (Compte de retraite immobilisé CRI) or "LRSP" Locked-in Retirement Savings Plan - names vary by province: A type of registered retirement savings alternative that locks in the pension funds in investments until retirement or age 71. While the funds are locked in, they are unavailable for cash-out. At retirement or age 71 pension funds in a LIRA or LRSP are used to purchase a Life Annuity or transferred to an income generating account such as a Life Income Fund (LIF) or a Locked-in Retirement Income Fund (LRIF). (LRIF is same as LIF, names of funds vary by province.) Upon reaching the retirement age, the Life Annuity, LIF or LRIF provide a pension for life.

Life Annuity or Annuity (rente ou une rente viagère) This is an investment product offered by *life insurance companies*. You can invest in it by making installment payments over time or you can purchase it with a lump sum amount. Based on the amount invested, a life insurance company makes guaranteed regular income payments to an investor that contain both interest and a return of principal. Annuity payments can continue for the lifetime(s) of one or two people, or for a chosen period of time. There are tax implications for purchasing annuities so, as with all retirement decisions, professional advice should be sought out before making a purchase.

"LIF" Life Income Fund (Fonds de revenu viager FRV) or "LRIF" names vary by province: This is a type of locked in retirement account (LIRA) that is used to hold private pension funds, and eventually pay out retirement income. Funds inside a LIF cannot be withdrawn in a lump sum; rather, owners must use the fund in a manner that supports retirement income for their lifetime. Each year's Income Tax Act specifies the minimum and maximum withdrawal amounts for LIF owners, which takes into consideration the LIF fund balance and the owner's annuity factor. (The annuity factor takes into account actuarial details such as age of LIF owner and interest rates.)

"RRIF" Registered Retirement Income Fund (FERR fonds enregistré de revenu de retraite) By law, individuals who hold RRSPs, Spousal RRSPs and Group RRSPs are required to close these plans no later than the last day of the year in which they turn 71. Many individuals choose to transfer these RRSP assets to a RRIF or Spousal RRIF. The RRIF pays out a prescribed mandatory minimum payment each year, but there is no maximum annual withdrawal limit. All withdrawals are taxable. If you withdraw more than the prescribed minimum amount the tax on the excess amount will be withheld at source.

Retire The University interprets this word to mean you are ***permanently*** *leaving the employ of Concordia University* and are of pensionable age and entitled to Pension Benefits. CUPFA recommends you instead tell the University you wish to *draw your pension* rather than retire.

Year of Credited Service (or just "Year of Service") This is *your pensionable earnings* from a given calendar year *divided by* the *deemed salary for a full-time lecturer* for a given calendar year under the CUFA collective agreement. Your pension benefits are based on your final average earnings times your years of credited service.

Yearly Maximum Pensionable Earnings (YMPE)
The maximum earnings for which contributions can be made to the Canada Pension Plan / Quebec Pension Plan (earnings ceiling) during the year. Increases from year to year in YMPE reflect a CPP legislated formula that takes into account the growth in average weekly wages in Canada.

INFORMATION RESOURCES

Carrefour – Services – Human Resources - Pensions:
Here you can find:

- Full text of the Pension Plan for Employees of Concordia University;
- Key details of the pension plan and information on retirement planning;
- The **pension@ccess** link – where you can access your pension statements, find forms to change your beneficiary, and the pension calculator. Note: the pension calculator for joint & survivor reductions cannot project forward for CUPFA members because our employment fluctuates. ***IMPORTANT:*** ***If you are logging onto Pension@ccess for the first time*****,** do not try using your usual netname and password. Instead read the instructions in the User Guide before signing in.

Concordia's Pension Services Office: S-FB-1130 visit their offices to change beneficiary designation. Otherwise email: pensions@concordia.ca to have forms sent to you or ask general questions.

Yearly Maximum Pensionable Earnings (YMPE):
You can look up the YMPE as published by the Government of Canada. Just Google it mentioning the year you are interested in or try the following link.
https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/pspa/mp-rrsp-dpsp-tfsa-limits-ympe.html

ANNUAL ORIENTATIONS:

CUPFA expects to have periodic orientation meetings on pension and retirement planning. Members will be notified when these meetings are scheduled.

Concordia Pension Services also holds an annual information meeting on the Pension Plan for the Employees of Concordia University which is usually held in September.

Quebec Pension Plan: 1-866-873-2113 or (514) 873-2433 or 1-800-463-5185

http://www.rrq.gouv.qc.ca/en/retraite/rrq/Pages/calcul_rente.aspx
and:
https://www.rrq.gouv.qc.ca/en/programmes/regime_rentes/Pages/regime_rentes.aspx

QPP Statement of Participation -To calculate your benefits
http://www.rrq.gouv.qc.ca/en/services/services_en_ligne/Pages/releve_participation.aspx

QPP Link on Joint and Survivor Benefits:
http://www.rrq.gouv.qc.ca/en/retraite/rcr/rcd/prendre_retraite/Pages/forme_rente.aspx

QPP Link on LIRA and LIF:
http://www.rrq.gouv.qc.ca/en/retraite/source_revenus_retraite/regimes_prives/Pages/rcr.aspx

Canada Pension Plan: 1-800-277-9914
https://www.canada.ca/en/services/benefits/publicpensions/cpp.html

Changes to CPP starting in 2019:
https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-enhancement.html

Old Age Security - General Info and Changes to OAS: 1-800-277-9914
https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security.html

Guaranteed Income Supplement (GIS): 1-800-277-9914
https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/guaranteed-income-supplement.html
The Guaranteed Income Supplement provides additional money, on top of the Old Age Security, to low-income seniors living in Canada. To be eligible for the GIS benefit you must be receiving the Old Age Security Pension and meet certain income requirements.

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For information or comments on the contents of this document contact your CUPFA Treasurer, June Riley, at june.riley@cupfa.org.