

Is Your Retirement Income Guaranteed?

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As a result of the Dental Profession not having the option of incorporating until the early 2000's, many could only resort to the traditional RRSP method.

However, whether you are 71 this year, and forced to take an income, or 50 years of age and in the accumulation stage, you need to be aware of your options in order to reap the most income during your retirement.

In most cases, there have been two main options for taking a retirement income. This is via a RRIF, (Registered Retirement Income Fund, mandatory at age 71) or via the Annuity Income option.

However, more recently, there is another option which provides guarantees during both the accumulation and retirement income stages. I'll compare all three options later. In light of the market volatility we have been experiencing, some

will run for cover, and accept GIC type returns. In today's environment, this hardly keeps up with inflation.

However, if you include "market risk" into your investment mix, you run the chance of your asset value dropping by 20-30%, as it did in 2008. This followed the huge market downturn in 2000-2002 (20-30% per year).

Let me put this in perspective. Take a 71 year old who has \$1,000,000 in his RRSP account. If the market takes a 25% hit, his asset value will now be \$750,000. He was also required to take a mandatory income of about \$73,000. His asset value is now \$677,000. How can he ever recover? His expected retirement income level will either be reduced substantially, or the income will end prematurely.

So why not consider the option of protecting your retirement income level while still participating in market growth?

Let's compare these three registered plan options:			
	Guaranteed	RRIF	Annuity
Accumulation Stage			
Guaranteed minimum annual growth (on asset income value)	Yes 5% (for life)	No	N/A
Can you be invested in the markets?	Yes	Yes	N/A
Asset Income values re-set every 3 years (the higher of 5% or market value)	Yes	No	No
Are re-set values guaranteed on death?	Yes	N/A	N/A
Income Stage			
Is annual income guaranteed for life (regardless of market volatility)?	Yes	No	Optional
Can additional withdrawals be made?	Yes	Yes	No
So what does this mean in terms of retirement income – "non-guaranteed versus "guaranteed"?			
Example: Individual age 71	Guaranteed	Non-Guaranteed (RRIF)	
Current RRSP asset value	\$1,000,000	\$1,000,000	
Assumed average investment rate of return (simulated with market volatility)	7%	7%	
Level income (regardless of market returns)	\$52,500 (guar. for life)	\$52,500 (to age 90 & not guar.)	
Total Lifetime Income	\$1,575,000 (to age 100)	\$1,050,000 (to age 90)	

That's a differential of \$525,000 during your lifetime! I would encourage you to explore these options that can protect your retirement income level regardless of market conditions during your lifetime. It creates "Peace of Mind". TW