

**HOW TO GET MORE RETIREMENT
INCOME WITH LESS RISK**

FEBRUARY 2023 DC SUMMIT

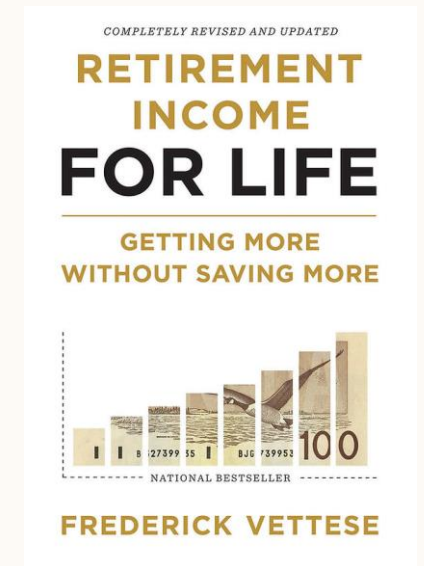
Frederick Vettese

WHO THIS IS FOR

- Employers who sponsor CAPs
- CAP members
- Financial planners


DECUMULATION GOALS

- Maximizing retirement income, and
- Making it last for life



HURDLES TO OVERCOME

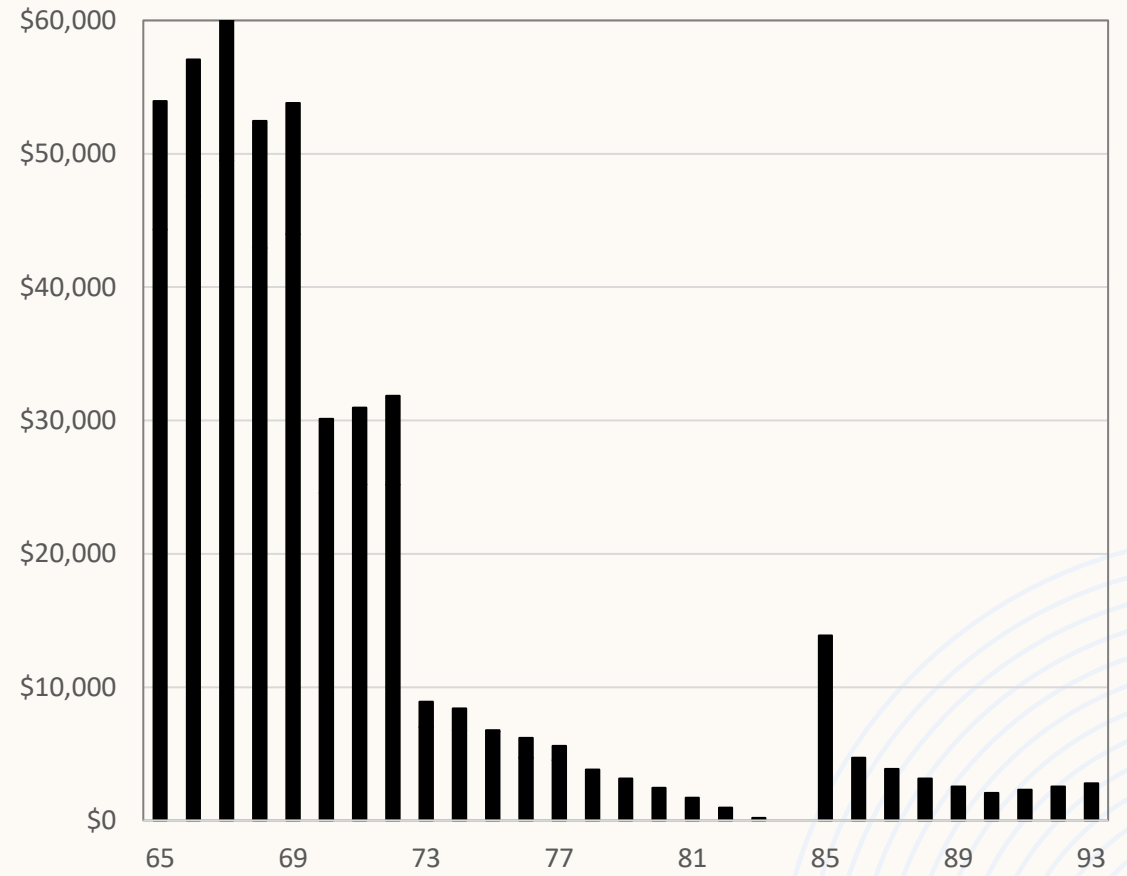
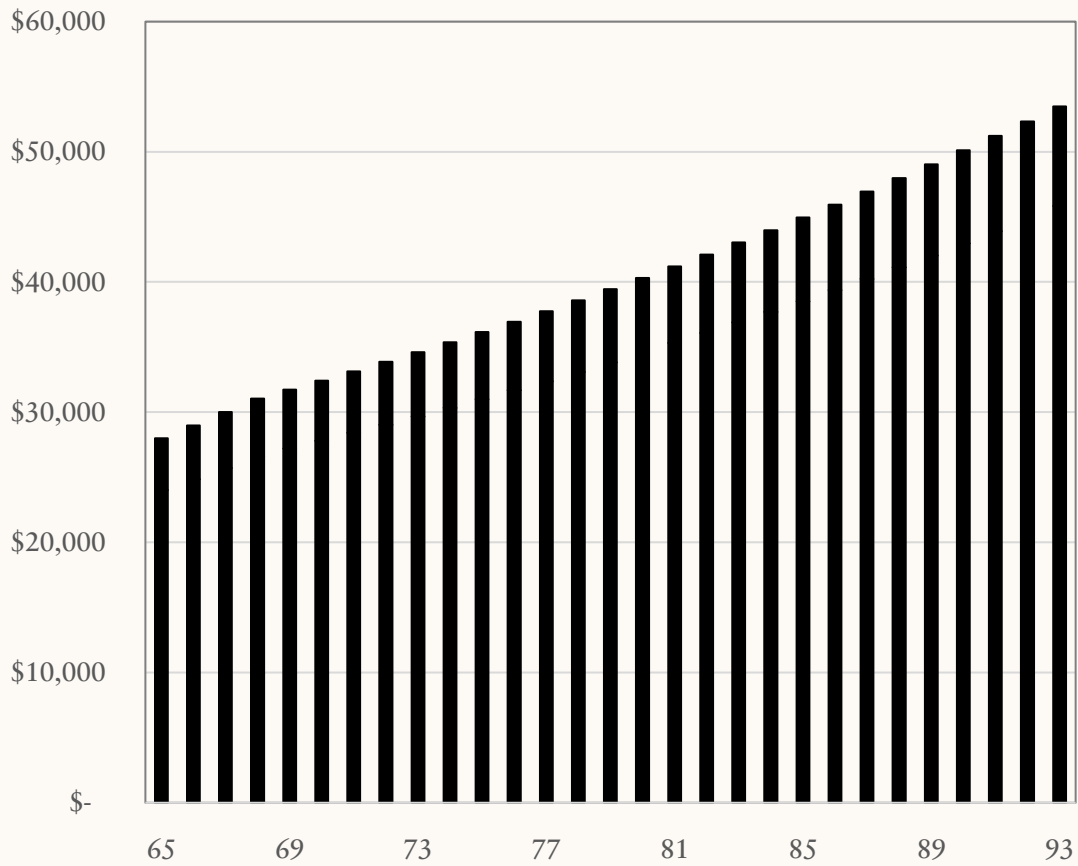
- Uncertain investment returns
- Unpredictable inflation
- Unknown lifespan
- Flawed thinking



**“ IT AIN’T WHAT YOU DON’T KNOW
THAT GETS YOU IN TROUBLE,
IT’S WHAT YOU KNOW FOR SURE
THAT JUST AIN’T SO. ”**

Mark Twain

WHICH INCOME PATTERN IS PREFERABLE?



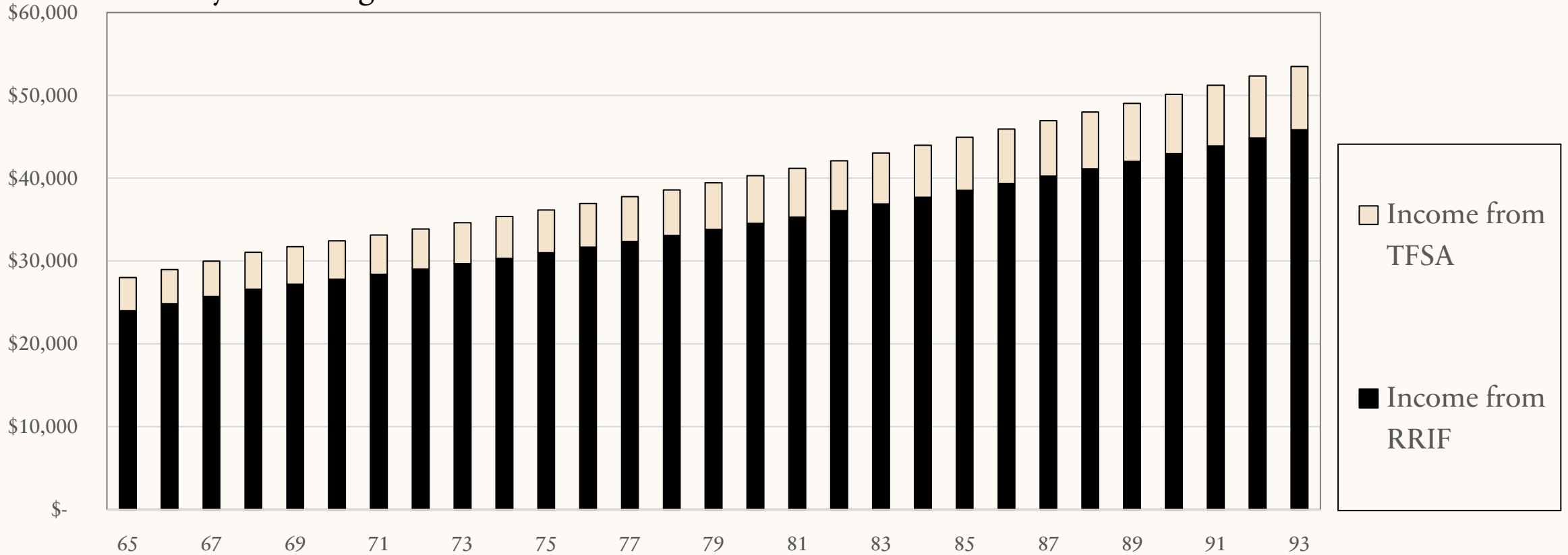
MEET THE THOMPSONS

	Nick	Susan
Age	65	62
Group RRSPs	\$350,000	\$250,000
Individual TFSAs	\$50,000	\$50,000
Asset mix	60/40	60/40
Other income	CPP/OAS	CPP/OAS



WHAT THE THOMPSONS ARE HOPING FOR

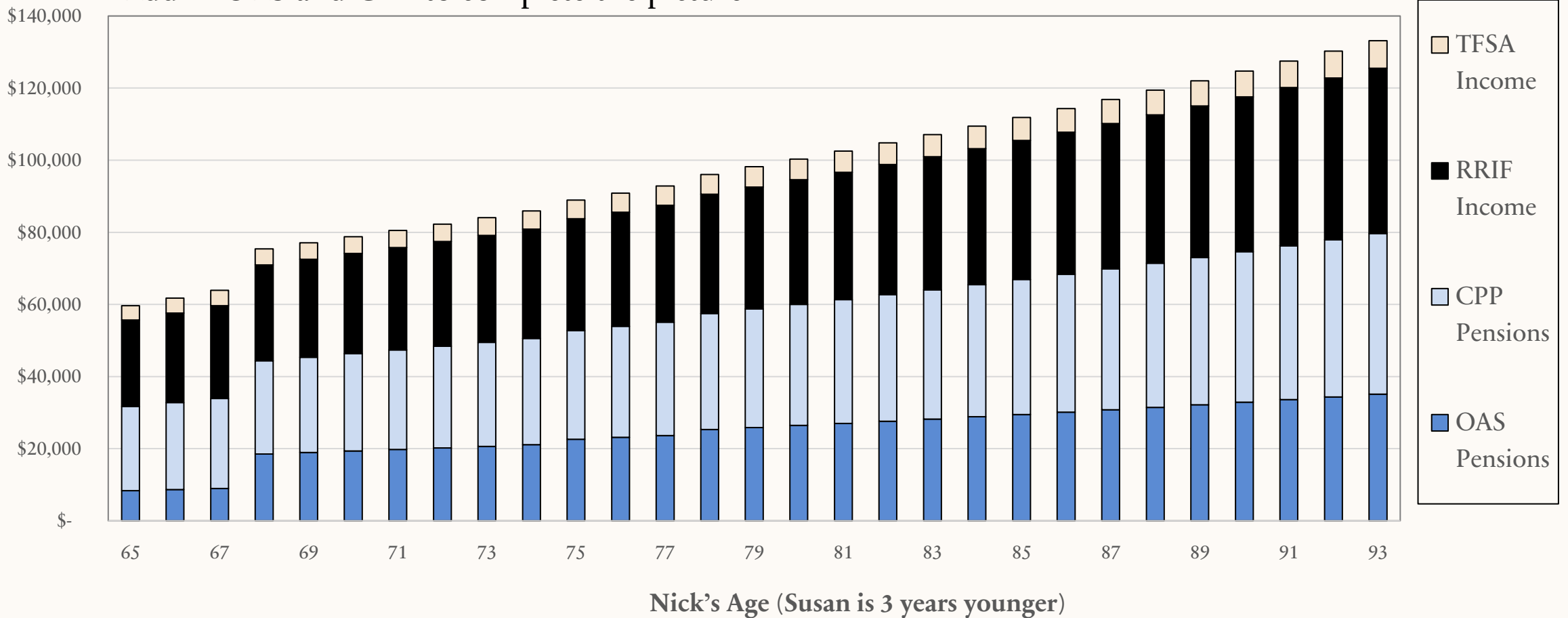
Steadily increasing income based on the 4% rule



Nick's Age (Susan is 3 years younger)

WHAT THE THOMPSONS ARE HOPING FOR

Add in OAS and CPP to complete the picture



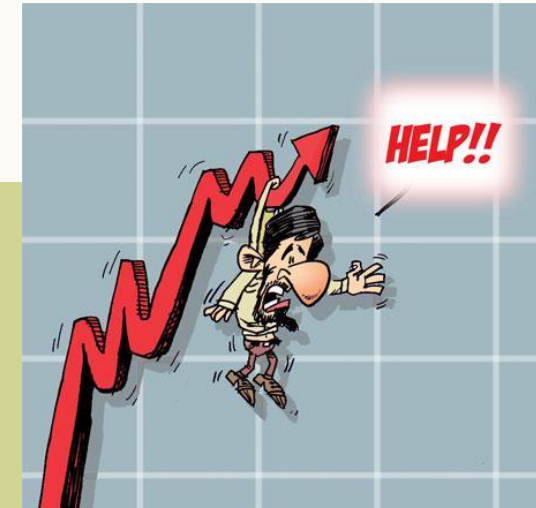
BUT REALITY INTERVENES



Poor investment returns

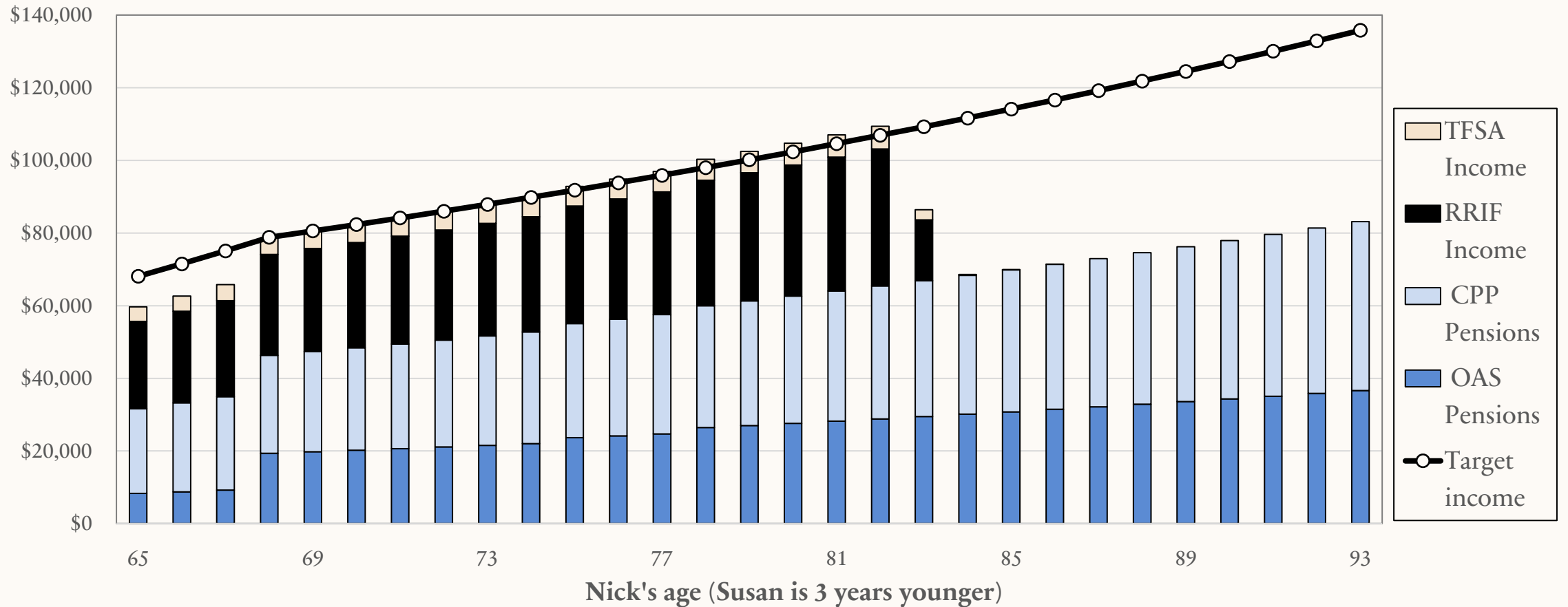


A few spending shocks



Inflation is high

NET RESULT – A DEFICIT OF \$42,000/YR



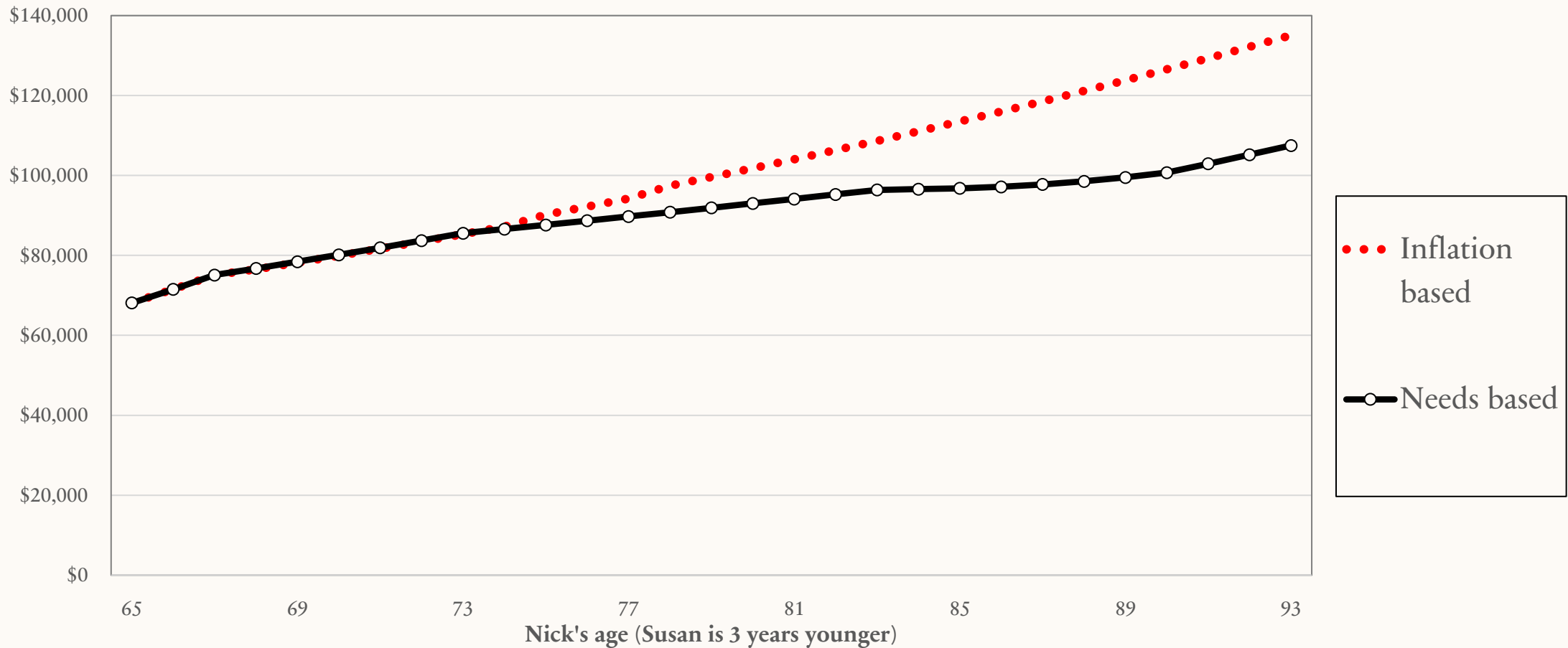
OPTIONS FOR NICK AND SUSAN

- Reduce income
- Get a part-time job in retirement
- Invest more conservatively
- **Try a different decumulation strategy**

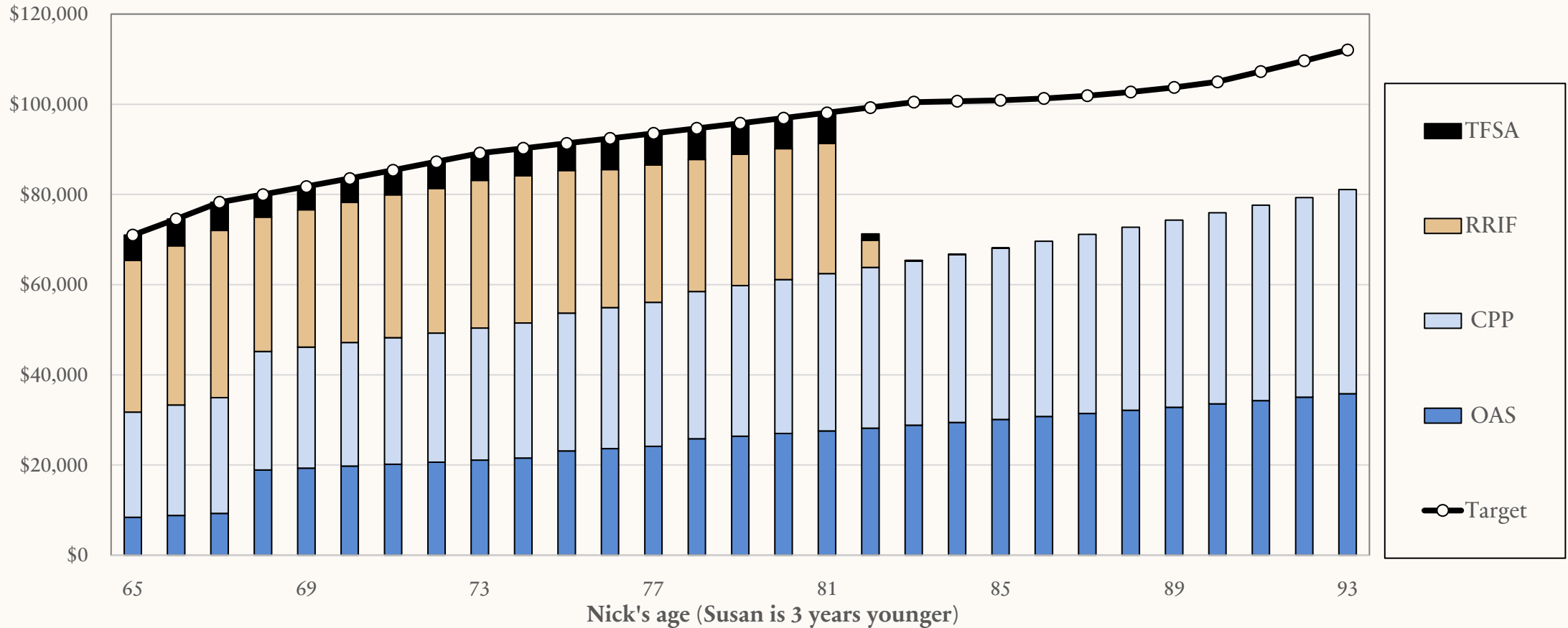
LET'S REBOOT

- Fill in the gap in income before Susan turns 65
- *Increase* the initial withdrawal amount
- Change the future retirement income target

INCOME NEEDS GROW SLOWER AFTER 70



SITUATION AFTER THE REBOOT

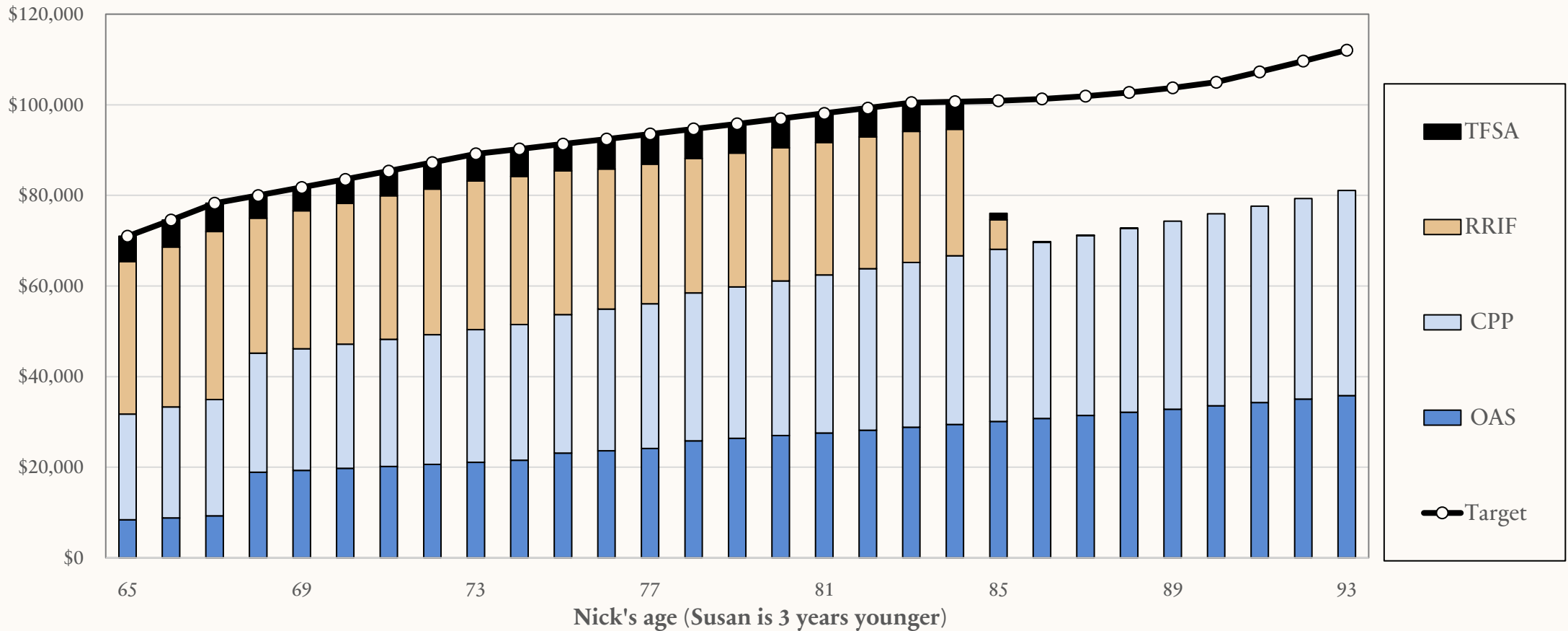


BRING ON THE ENHANCEMENTS

Enhancement 1:

Pay yourself more and service-providers less (reduce fees)

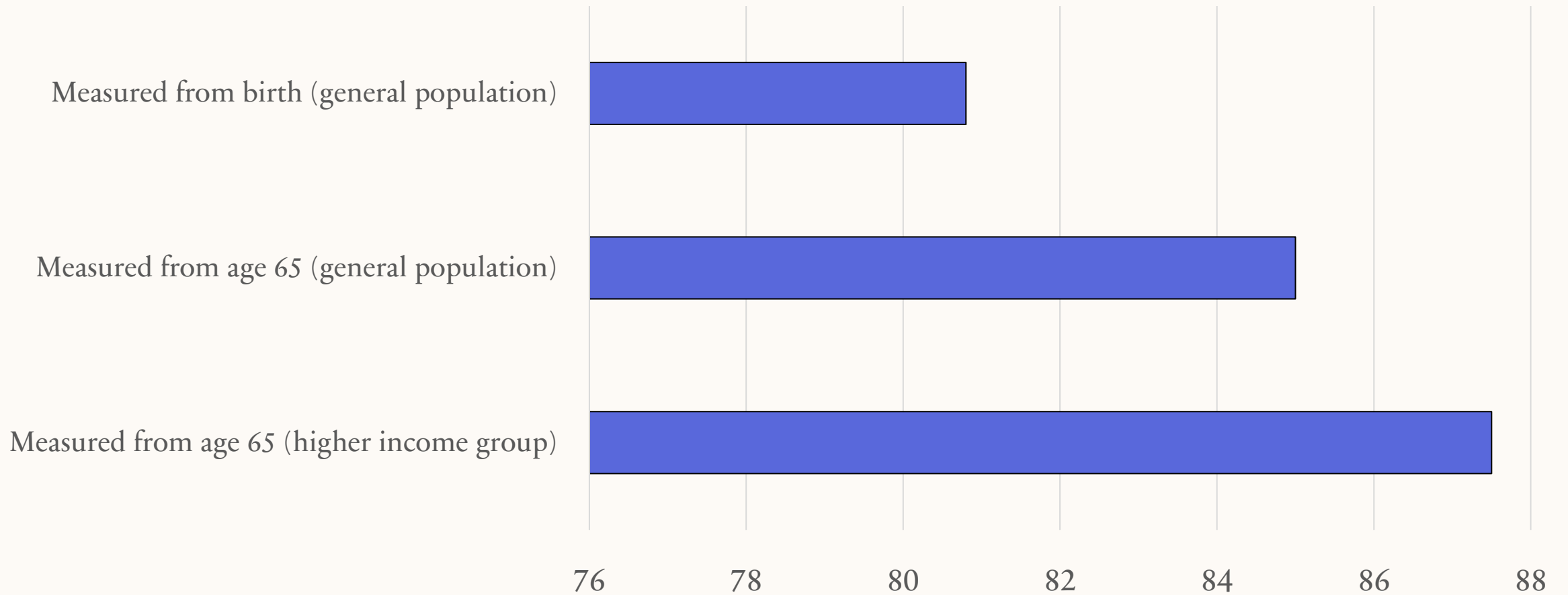
AFTER ENHANCEMENT 1 (REDUCE FEES)



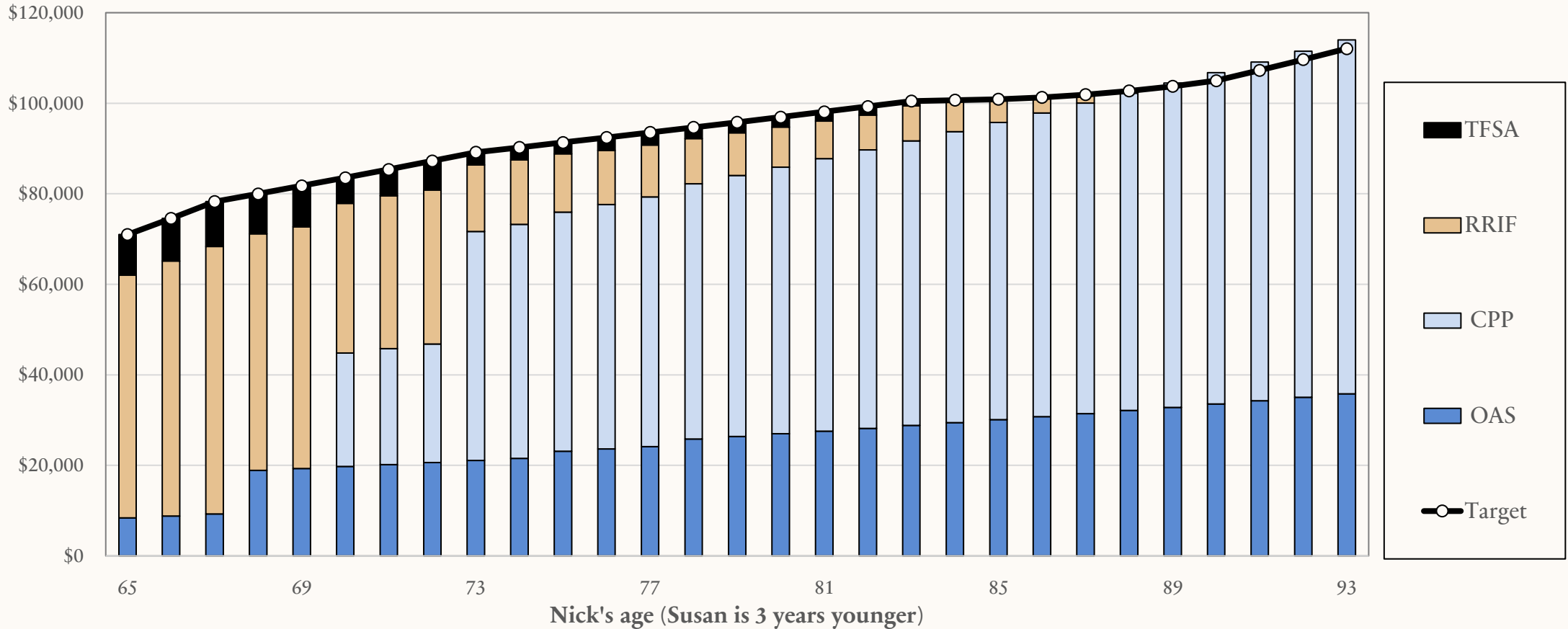
ENHANCEMENT 2

Transfer investment, inflation and longevity risk to the government.
(Defer CPP to age 70.)

RETIREES UNDERESTIMATE LIFE EXPECTANCY



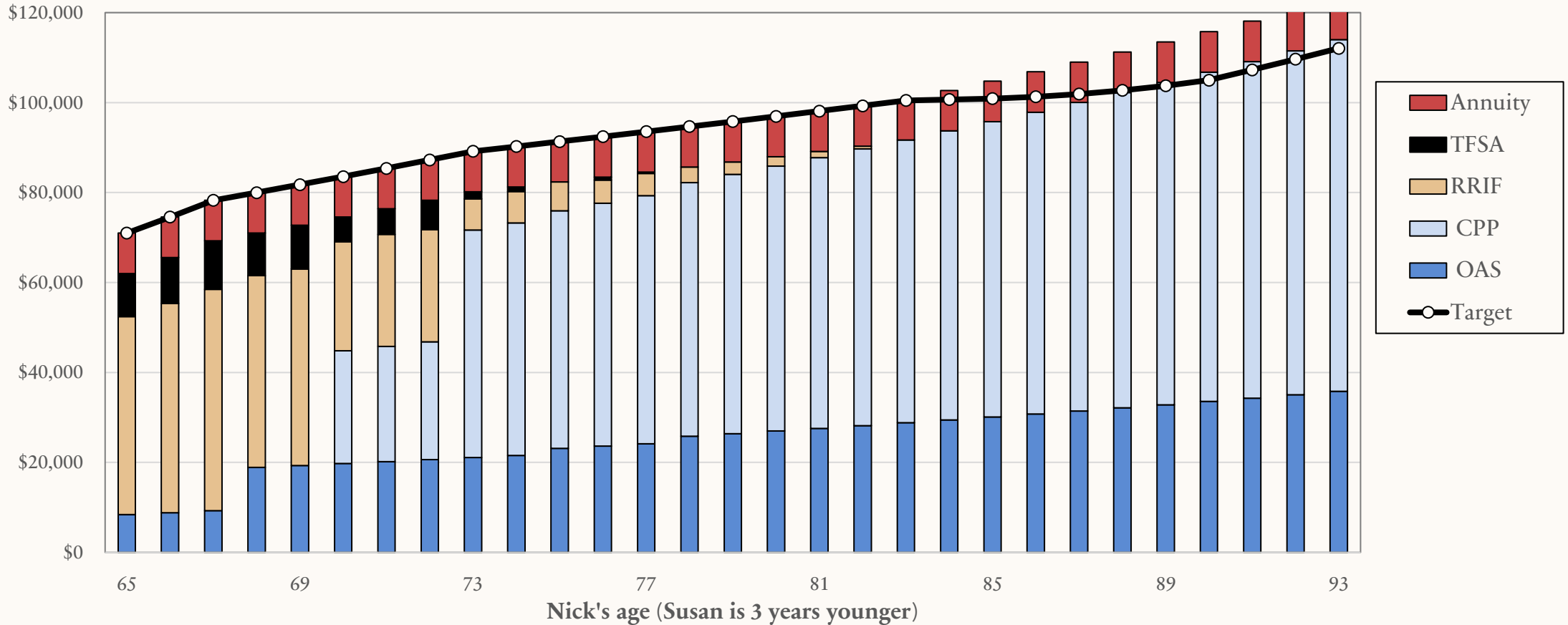
AFTER ENHANCEMENT 2 (DEFER CPP TO 70)



ENHANCEMENT 3

Transfer even more investment and longevity risk (by buying a life annuity from an insurance company).

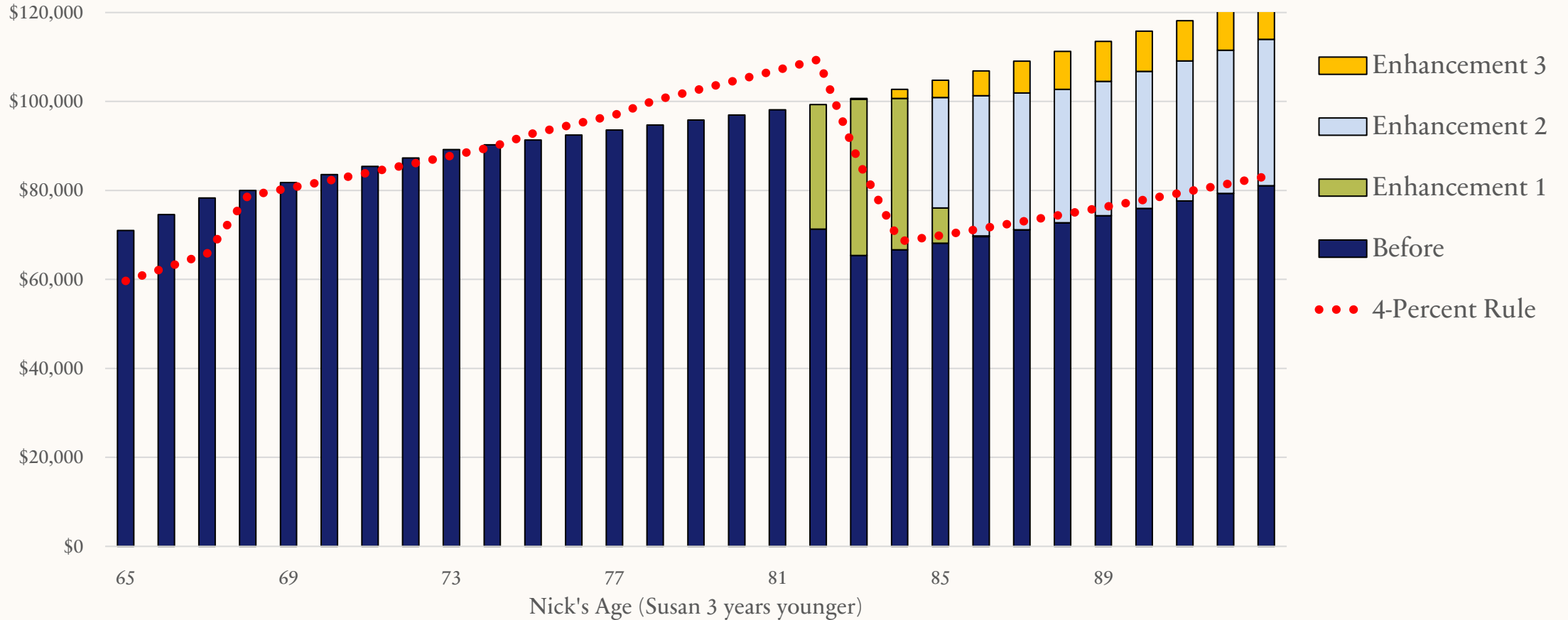
AFTER ENHANCEMENT 3 (ANNUITY)



IS AN ANNUITY A GOOD IDEA?

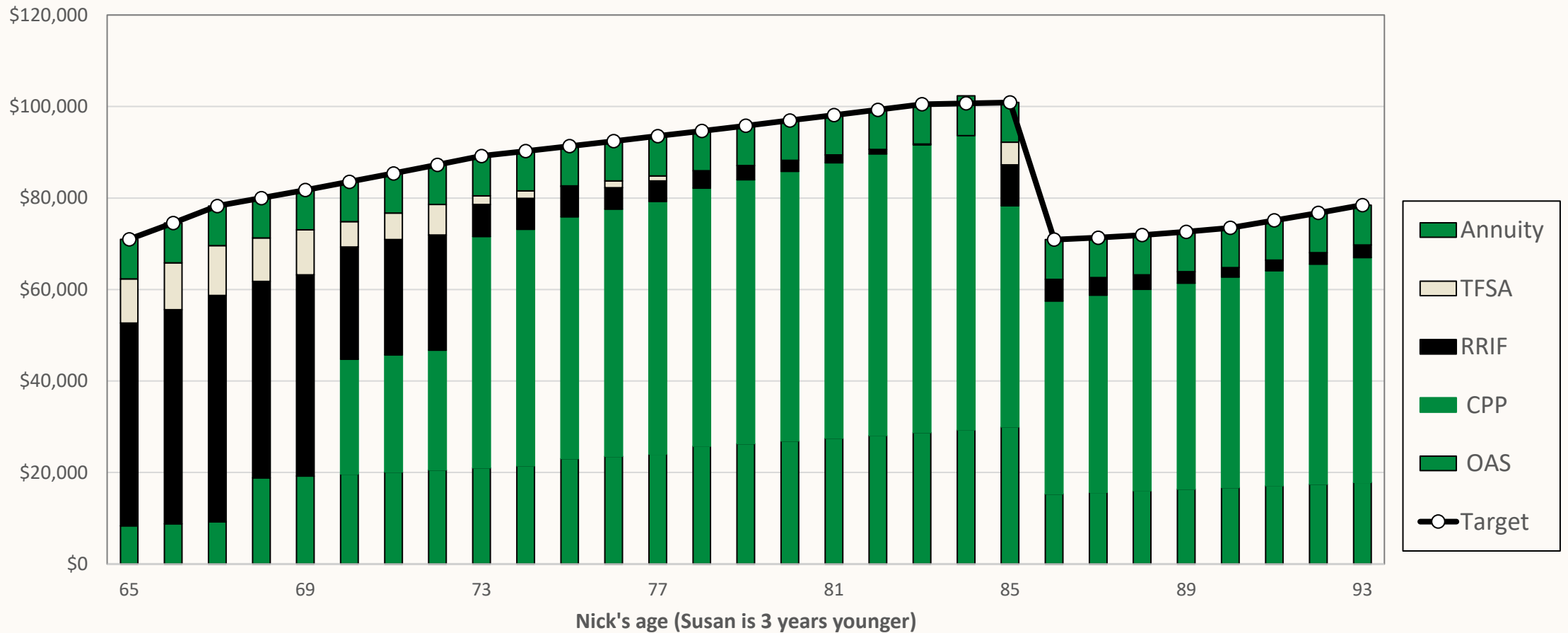
- It protects against 10th percentile investment returns
- But not median investment returns
- Not so good if inflation spikes again
- Alternative is to defer OAS... Sometimes.

PROGRESS: FROM 4% RULE TO E2



AN THERE IS A BONUS....

INCOME AFTER AGE 72 IS SECURE



ENHANCEMENT 4 - PERC

PERC tells you how much income you can draw.

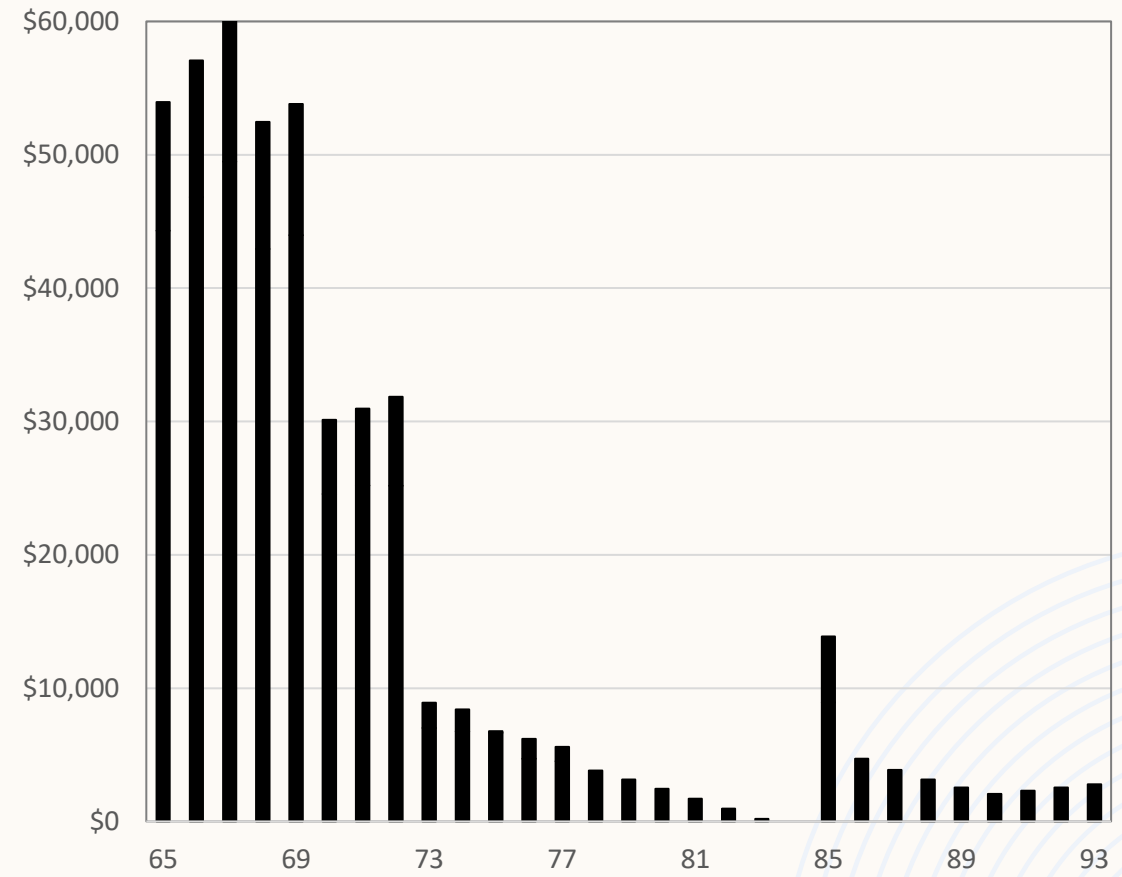
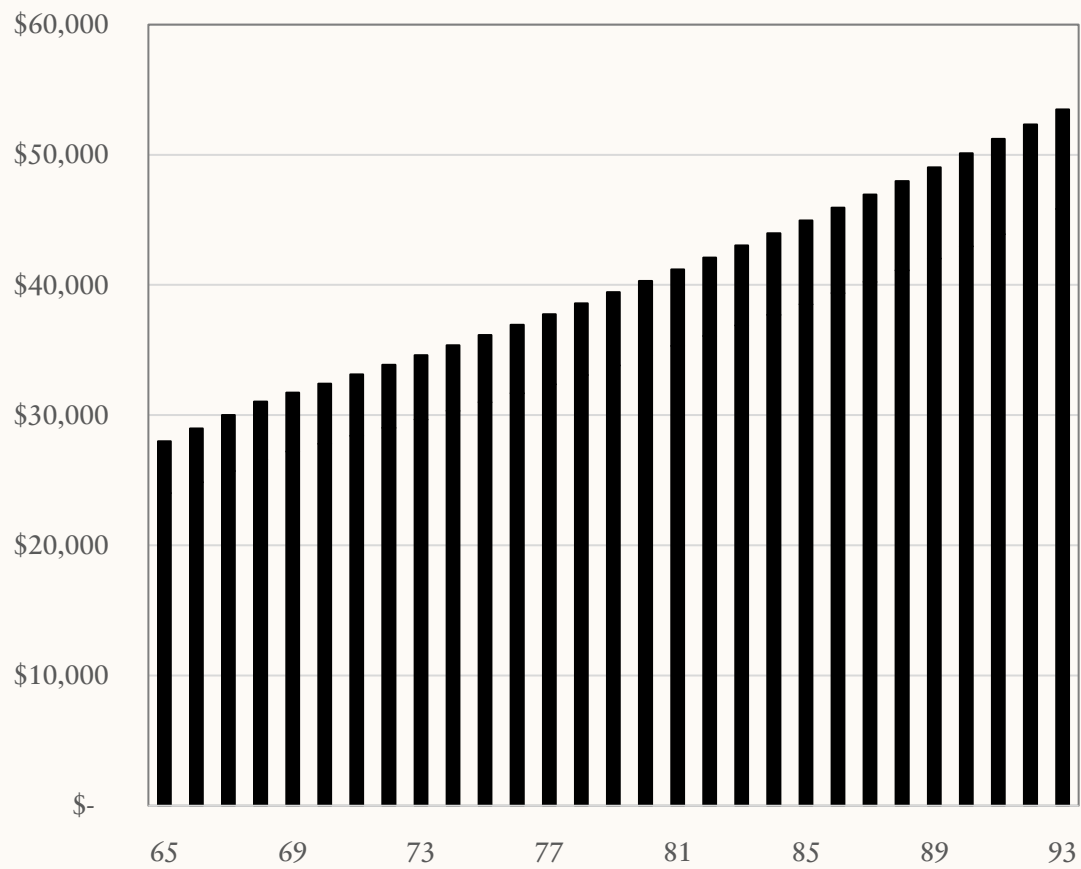
PERC

- **Personal Enhanced Retirement Calculator**
- Free, confidential, no obligation
- It takes the 3 enhancements into account
- www.perc-pro.ca

QUESTION FOR CAP SPONSORS

Will retiring employees arrive at a solution like this on their own?

THIS TRANSITION IS NOT EASY TO DO



IS THIS SOLUTION PERFECT?

- No, sometimes you defer CPP only to age 67 or 68, or not at all
- Sometimes you defer OAS too
- You don't always buy an annuity
- Ideally, you customize the solution for each retiree

CONCLUSIONS

- Much of the risk in CAPs can be eliminated
- But few retirees will get there on their own
- In-plan decumulation not as important as access to low-cost funds and inclusion of spouse in the process
- Employers can play a part by raising awareness

QUESTIONS?

Frederick Vettese

fredvettese@gmail.com

info@perc-pro.ca