



Your
Guide
to
Retirement
Planning

Contents

What’s the big deal about retirement planning?1

- How much money will I need?
- Where will the money come from?
- Sources of retirement income

What can I expect to receive from government plans?3

- Old Age Security (OAS)
- Canada Pension Plan (CPP)

What can I expect to receive from the IAM Plan?4

How do I estimate my retirement income gap?6

How do I fill my income gap?7

- How much of a contribution increase to the IAM plan would fill my retirement income gap?
- How much would I need to save each year to fill my retirement income gap?

The IAM Pension Plan: a pension plan that delivers11

- What if I already have a pension plan at my workplace?

A history of excellence and dedication to its members11

- How does the Plan do it?

Research the IAM Plan13

- Talk to your IAM representative

Charts

Your retirement income goal1

Calculating your OAS3

Canada Pension Plan (CPP)3

Estimated Annual Pension earned from now to retirement4

Total estimated annual IAM Plan pension5

Total estimated annual income from government plans and IAM Plan5

Retirement income gap6

Contribution rate increase (Cents per hour)7

Total savings needed at retirement8

Value of current savings at retirement date9

Additional savings needed at retirement10

Annual savings required10

What's the big deal about retirement planning?

Regardless of your retirement plans, you'll want to be financially comfortable. Many people today will spend as many years in retirement as they do working at a career. Making certain you have enough income to cover 20, 25, or 30 years takes planning. Retirement planning can make the difference between a retirement filled with disappointment and stress and a retirement that offers the freedom and flexibility to do the things you enjoy. The earlier you start planning, the more time you will have to overcome previously unforeseen obstacles that arise.

How much money will I need?

While individual situations may vary, experts say that on average a retiree will need approximately 70% to 80% of his or her gross pre-retirement income to maintain a standard of living similar to the one enjoyed before retirement.

Your retirement income goal

		<i>Current annual income</i>	
X		<i>(% of income you think you will need at retirement)</i>	
=	\$		A

Where will the money come from?

The term “three-legged stool” is often used by professional retirement planners to describe the three primary sources of income you will need to support yourself after you stop working.

Sources of retirement income:

1. Government sponsored public pensions (Old Age Security, Canada/Quebec Pension Plan, Guaranteed Income Supplement, etc.);
2. Workplace pension plan such as the IAM Labour-Management Pension Fund (Canada) (IAM Plan); and
3. Personal savings.

The important thing to remember is that you will need all three legs of the stool to support you in your retirement.

What can I expect to receive from the government plans?

Old Age Security (OAS)

If you have at least 10 years of Canadian residency at age 65, your annual OAS pension may be estimated using the following formula. If you have lived in Canada for 40 years or more, you get the maximum OAS.

Calculating your OAS

(Years of residency)	X 2.5 =	<input type="text"/>
	÷ 40 =	<input type="text"/>
	X \$5,457 =	<input type="text"/>
	<small>(estimated 2003 OAS maximum)</small>	

Canada Pension Plan (CPP)

If your earnings have always been above the Year's Maximum Pensionable Earnings or YMPE (\$39,900 in 2003), you may assume that you will receive the maximum CPP pension. If this is not the case, you may obtain a statement of your contributions and earnings from the Income Security Programs (look under Human Resources Development Canada in the blue pages of the phone book) to help you estimate the amount.

Canada Pension Plan

Age 60	\$ 6,731 <i>per year maximum in 2003</i>
Age 65	\$ 9,615 <i>per year maximum in 2003</i>

What can I expect to receive from the IAM Plan ?

The amount of pension you have earned to date is shown in a benefit statement that is sent to you after the end of each year (provided you have earned at least 1 month of credit in that year). You then need to figure out how much you will earn from now until you retire. You earn pension based on your employer's contribution rate and the number of hours you worked during the year. Assuming you will work 1,800 hours each year and your employer's contribution rate remains the same, you may estimate the pension you will earn in the future by using the following formula:

Estimated Annual Pension earned from now to retirement

		<input type="text"/>		<i>(Contribution rate per hour)</i>
X 600 =		<input type="text"/>		
X	<input type="text"/>	=	<input type="text"/>	<i>(Future benefits)</i>
	<i>(Years to retirement)</i>			

B

Total estimated annual IAM Plan pension

	<i>(Benefits earned to date [From your annual benefit statement])</i>	
+	<i>(Future benefits)</i>	B
<hr/>		
=	<i>(Total IAM Plan benefits)</i>	

Total estimated annual income from government plans and IAM Plan

	<i>(OAS)</i>	
+	<i>(CPP)</i>	
<hr/>		
+	<i>(IAM Plan)</i>	
<hr/>		
=		C

How do I estimate my retirement income gap?

To estimate your retirement income gap, subtract the total estimated annual income from government plans and the IAM Plan (C) from the retirement income goal (A) that you calculated earlier.

Retirement Income Gap

	<input type="text"/>	A
	<i>(Goal)</i>	
-	<input type="text"/>	C
	<i>(IAM Plan Pension)</i>	
=	<input type="text"/>	D
	<i>(Gap)</i>	

Public pensions are great, but they don't guarantee a worry-free retirement

While government sponsored public pensions provide a very important income base for almost all seniors; it is not enough to provide for a comfortable retirement.

About one in six Canadian seniors still has an income below the Statistic Canada poverty line, and poverty levels are much higher for single seniors, particularly women.

How do I fill my income gap?

- Negotiate a higher contribution rate for the IAM Plan. Ask your IAM representative to help you negotiate a higher contribution rate and;
- Start your own retirement savings; take the initiative to prepare for your retirement; or
- Do both of the above.

How much of a contribution increase to the IAM plan would fill my retirement income gap?

You can figure out the amount of the increase by using the following formula:

Contribution rate increase

(Cents per hour)

$$\frac{\text{(Gap)}}{600} = \text{Rate per hour}$$

$$\frac{\text{Rate per hour}}{\text{(Years to retirement)}} = \text{Contribution rate increase}$$

(Add this to your current contribution rate)

You should know that there are limitations under the Income Tax Act on how much contribution may be made to a registered pension plan. Generally, your total contributions to registered pension plans and RRSPs must not exceed 18% of your earnings.

How much would I need to save each year to fill my retirement income gap?

If you plan on using personal savings and RRSP to fill the retirement income gap, we can help you get a rough idea of how much you will need to save each year by making a few assumptions about certain events that are hard to predict in real life. We assume that you will live to age 87, and you will earn a real rate of return of 2.5% per year after inflation. On this basis, we have come up with a series of factors to help you get a rough idea of how much you will need.

To estimate the amount of savings you will need at retirement to fill the retirement income gap, multiply that number by the following factor, depending on the age at which you want to retire:

<u>Age</u>	<u>Factor</u>
55	22.10
60	19.69
65	16.96

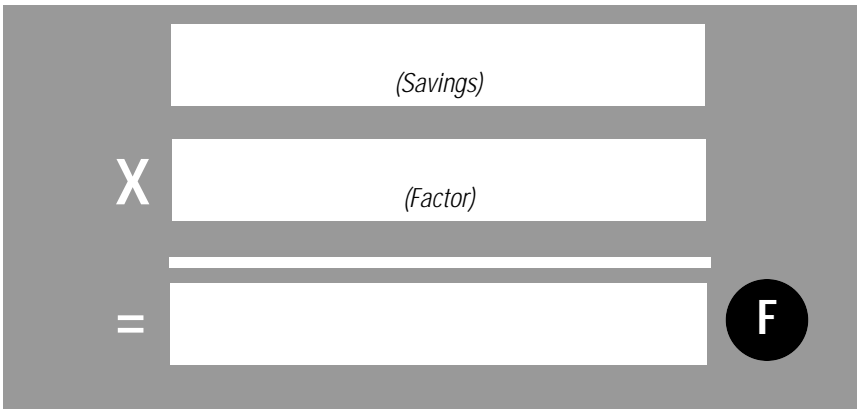
Total savings needed at retirement

	<input type="text"/>	D
	<i>(Gap)</i>	
X	<input type="text"/>	
	<i>(Factor)</i>	
=	<input type="text"/>	E

If you have savings (including RRSP), these savings will likely grow between now and the time you retire. To estimate their value at your expected retirement date, multiply your savings by the following factor, depending on the number of years until your retirement date:

Years to Retirement	Factor
10 years	1.28
15 years	1.45
20 years	1.64
25 years	1.85
30 years	2.10
35 years	2.37
40 years	2.69

Value of current savings at retirement date



Subtract this amount (F) from Savings Needed at Retirement (E), to estimate how much savings you must have to meet your retirement income goal:

Additional savings needed at retirement

	<input style="width: 90%; height: 30px;" type="text"/>	E
-	<input style="width: 90%; height: 30px;" type="text"/>	F
=	<input style="width: 90%; height: 30px;" type="text"/>	G

To calculate the amount you will need to save each year, multiply the Additional Savings Needed by the following factors, depending on the number of years to your expected retirement date:

Years to Retirement	Factor
10	0.089
15	0.056
20	0.039
25	0.029
30	0.023
35	0.018
40	0.015

Annual savings required

	<input style="width: 90%; height: 30px;" type="text"/>	G
X	<input style="width: 90%; height: 30px;" type="text"/>	
=	<input style="width: 90%; height: 30px;" type="text"/>	

Note: The numbers you calculated using the above procedures and factors are rough estimates intended to raise your awareness on the need to save for retirement. How much you will need to save will likely change over time as your circumstance changes. You are urged to do further analysis with the help of a qualified financial planner.

The IAM Pension Plan: a pension plan that delivers

What if I already have a pension plan at my workplace?

If you have already got a pension plan, that's great, but don't sell your retirement years short. You need to research the pension plan being offered at your workplace. Find out:

- What kind of benefits does it provide; and
- How does it match up to the IAM Plan?

Talk to your IAM representative about whether the IAM Plan can give you a better deal.

Join the IAM Plan early, retire with more money

Say you join the IAM Plan when you are age 25. Your employer contributes 80¢ an hour to the plan for you. You work on a full-time basis until retirement. If you retire at age 65, you will get a pension of \$1,600 a month for the rest of your life. Now, suppose you join the plan at age 35. You will only get \$1,200 a month. As you can see, the earlier you join the plan, the more time you will have to earn more pensions.

A history of excellence and dedication to its members

The IAM Plan has a superb track record. Not only does the pension plan provide the extra income you need at retirement, that 2nd leg of the stool, but also it provides higher benefits than many company plans.

How does the Plan do it?

The Plan's commitment is to you and your comfortable, secure retirement. This is why the Plan's Board of Trustees reinvests all surplus assets and investment gains right back into the Fund. The pension plan exists solely for your benefit; your employer has no access to these surplus assets or investment gains.

Just take a look at our track record:

- 2001 3.25% increase in benefit earned up to 2001
Pensioners received a 3.25% increase in benefit
- 2000 3% increase in benefit earned up to 1999
Pensioners received a 3% increase in benefit
- 1999 Pensioners received a 3% increase in benefit
- 1997 7% increase in benefit earned up to 1996
Pensioners received a 10% increase in benefit
- 1996 3% increase to benefit earned up to 1995
- 1995 Pensioners received a 2% increase in benefit
- 1994 5% increase to benefit earned up to 1993
- 1993 2% increase to benefit earned up to 1991
Pensioners received an increase of \$1 for each year of retirement
- 1992 5% increase to benefit earned up to 1990
Pensioners received an increase of \$2 for each year of retirement before 1991
- 1991 Pensioners received a 5% increase in benefit
- 1990 10% increase in benefit earned up to 1989 Pensioners received a 5% increase in benefit
- 1989 Pensioners received an increase that relates to the length of time of retirement
- 1982 Benefit accrual rates were increased by 25%
- 1979 Benefit accrual rates were increased by 11%

Research the IAM Plan

If you do not have a workplace pension plan or if you are interested in learning more about the IAM Plan before joining the Plan:

Find out:

- The types of pensions that are available from your IAM Labour Management Pension Plan;
- How a pension benefit is calculated; and
- What payment options are offered.

The answers to these and many other questions you may have about the Plan can be found in the following summary plan description (SPD). The SPD is a summary of the key features of the plan in plain language; it is not the Plan's legal document.

Talk to your IAM representative

The sooner you get into the plan, the more money you will have in your retirement years.



*“The best is yet to be;
the last of life for which
the first was made.”*

Robert Browning

