Your Employee and Family Assistance Program is a support service that can help you take the first step toward change.

Investing for retirement: all you need to know about retirement income options

Putting away a few hundred dollars each month into a savings account, GIC or Canada Savings Bond is a good start—but it likely won't get you where you need to go when it comes to investing for retirement. To be able to enjoy a healthy, happy retirement lifestyle, you'll need a plan—and the sooner you get started, the better.

Understanding investments

Investing requires putting your money to work for you in some combination of growth and income. Naturally, growth and income are more uncertain than the interest rates paid on savings. That uncertainty, however, shouldn't discourage you from investing. Despite all the conflicting advice on investments, there is widespread agreement on a few key points:

- The sooner you start investing for retirement, the less you'll have to put away each payday to achieve the same retirement income.
- Don't let the future just happen. Educate yourself about investing, financial planning and retirement planning. You'll not only make better decisions, but it's likely you'll feel a greater sense of control and security simply because you're taking an active role in planning for your future.
- Analyze and understand your personal financial style. Learn about your risk tolerance—a mix of your comfort level with variability and risk in investing, combined with your age and length of time until retirement.
- Based on your personal style and risk tolerance, choose a mix of equity, fixed income and cash equivalent investments that meet your goals and feelings about risk. Then, stick to that mix over time.
- Contribute the same amount of money each payday so that your dollars buy more bonds or stock when prices are low, and fewer when prices are high.

Choosing the best retirement options for you

Before you retire, allow for ample time to plan what you want to do with the money you've accumulated in your Registered Retirement Savings Plan (RRSP).

Keep your RRSP for as long as possible to get the tax-deferred growth. When it's time to mature your RRSP, your best options are an annuity or a Registered Retirement Income Fund (RRIF). When deciding, consider the following:

- **Annuities** provide a guaranteed monthly income that doesn't require time or effort to manage. There are two types: life annuities, which continue payments for as long as you live, and fixed-term annuities, which make payments for a specific period. Remember that once you've signed an annuity contract, it's irrevocable.

- **RRIFs** offer more flexibility and control over your savings and may give you a better return. And they can hold the same investments as your RRSP. A minimum amount, based on your age, must be withdrawn from your RRIF each year.

One approach you can take is to purchase enough annuity income for your basic living expenses, and then invest your remaining RRSP savings in a RRIF. Determining the best option depends on your needs and objectives. With careful planning and good advice from a professional, you'll be able to decide on the best fit for you.

Benefit options for when your situation changes

When you leave a company to change jobs, start your own business, or for other reasons, you'll be faced with important financial decisions.

Pension options. If you belong to an employer-sponsored pension plan, you may be able to keep the money in the plan and receive a deferred pension benefit. A second option is to transfer the accumulated pension benefits to a locked-in RRSP, also called a locked-in retirement account (LIRA), and then invest the money yourself. You will need professional advice to determine which option is likely to give you more money at retirement.

Shelter a retiring allowance. A retiring allowance could include severance or termination pay, payments for long service, or for unused sick leave. It might also include a settlement for wrongful dismissal. You may be able to roll all or part of a retiring allowance into an RRSP.

Replace group insurance. You usually have 31 days after you leave the company to convert group life insurance to individual coverage without medical evidence.

If you are in good health and a non-smoker, you may be able to get new individual coverage at a lower cost than you could by converting to the individual insurance available through your group plan.

If you don't have personal disability insurance, you might arrange for an individual disability policy. If your spouse works, you may be able to obtain health and dental coverage through his or her group plan. If not, consider private insurance.

The benefits of RRSPs

Whether it's the traditional RRSP season or not, smart investors can get a head start on contributions to their RRSPs for next year, and take advantage of these benefits:

More retirement money. The sooner you contribute, the more your savings will benefit from tax-deferred compounding. An annual $5,000 contribution made at the beginning of every year will grow to $930,511 after 35 years, assuming an average annual return of eight per cent. Contributed at the end of every year, that same $5,000 will grow to only $861,584—almost $70,000 less.

Maximum annual contributions. It's easier to save a small amount each month than to come up with thousands of dollars at RRSP time. A regular savings plan is the most certain way to make the maximum contribution every year.

More take-home pay. By contributing regularly, you may be able to pay less tax during the year instead of waiting for a refund when you file your tax return. Apply to Canada Revenue Agency to authorize your employer to withhold less income tax from your paycheque.

Considering all of your retirement income options can be an overwhelming task. Fortunately, assistance is available. For further information on the options outlined in this article, consider hiring a financial advisor. He or she will be able to work with you to develop a plan that will ensure the most rewarding investments for your retirement.

please refer to your benefit material for more information. For immediate assistance, call 1.844.880.9137.