



*the Saskatchewan Pension Plan Newsletter*  
**Pension Planner**



**YOUR RETIREMENT GROWS HERE**

2017

**Countdown to Retirement**



Accumulating funds for retirement is only one side of the story - making these funds last for the balance of your life requires some planning if you want to reach your financial goals. A key factor in reaching your goal is to have a well thought out plan. It is good to start by asking yourself these three questions:

- ✓ What are your current and long-term cash flow needs?
- ✓ What is your risk tolerance?
- ✓ What are your estate planning needs?

There are several other factors which can affect your plan including the health of you and your spouse, the level of flexibility versus security you want, your financial obligations and the amount of time you are willing to spend managing your financial affairs.

Canada Revenue Agency (CRA) requires that your retirement savings be cashed in or converted into some form of retirement income by the end of the year you turn 71. It is never too soon to look at what options are available. If you are 55 years of age you may retire from SPP.

To turn your savings into retirement income, you have some important choices to make. There are several options to consider when retiring from SPP:

- ✓ Turning your money into a regular stream of income by choosing one of our annuities;
- ✓ Managing your money through a LIRA or PRRIF with another institution; or
- ✓ Using a combination of SPP annuities and a transfer option.

The choice is yours. ❖

**Option 1: Annuities**

An annuity is a contract that provides you with a guaranteed income stream payable for your life which means you will never outlive your money. Your pension is not affected by market fluctuations; there are no investments to manage; and regardless of your age, annuity payments qualify for the pension income amount. However, your pension cannot be cashed in and the terms cannot be altered.



Depending on the type of annuity you choose, payments may continue to your spouse or as a lump sum payment to another beneficiary after your death. SPP currently offers three types of annuities which pay a fixed monthly benefit, guaranteed for your lifetime. All the investment decisions are left to SPP. ❖

<b>Life Annuity</b>	This provides the highest monthly payment with no survivor or death benefits payable. All pension payments stop at death.
<b>Refund Life Annuity</b>	At death your beneficiary receives the remaining account balance. The death benefit is calculated by subtracting total payments received from account balance at retirement.
<b>Joint and Last Survivor Annuity</b>	At your death, your surviving spouse or common-law partner receives a monthly payment for the rest of his or her life. The continuing benefit for your joint survivor is 100%, 75%, or 60% of your monthly pension, as chosen at retirement.

**The question isn't at what age I want to retire, it's at what income.**

**George Foreman**

## Option 2: LIRA or PRRIF at another financial institution:

A Locked-in Retirement Account (LIRA) is a holding account, similar to your SPP account, which is locked-in until retirement. A LIRA allows you to manage your investment portfolio and earnings accumulate tax-free. This option requires continuous ongoing investment decisions.

Once funds are converted into a LIRA you cannot make further contributions and you are not allowed to make withdrawals. There is no option to create income. You are required to convert your LIRA to either a life annuity or PRRIF once you choose to retire or turn 71.

A Prescribed Registered Retirement Investment fund (PRRIF) is a vehicle that gives you the opportunity to manage your investments. Once funds are transferred to a PRRIF, your funds can be cashed out, transferred to another PRRIF or used to purchase a life annuity contract. With a PRRIF, you can choose the payment amount, subject to prescribed minimums, which are based on your age and the value of your account. With this flexibility, comes the responsibility to ensure that your money lasts as there are no guaranteed payment periods. Lump sum withdrawals and poor investment performance can erode the capital in the fund and you risk outliving your money. Once set up, a person cannot make further contributions. Withdrawals will be taxed as income in the year they are received and can also impact your marginal tax rate for the year. Income from a PRRIF does not qualify for the pension income credit until you reach age 65. ❖

## Option 3: Combination

Combining an SPP annuity with a PRRIF may help to reduce the risk that you will run out of money. It guarantees monthly income while maintaining some flexibility.

SPP has a long-term service commitment, low expense ratio and a 30 year average interest rate of 8 percent. Once the balance of your SPP account has been transferred to another financial institution, you lose the opportunity to take an annuity from SPP. When comparing SPP annuities to other financial institutions, consider the term of the annuity – SPP pays for your lifetime while others may be for a fixed term and stop at a certain age. At one's death, any balance remaining in your SPP account, depending on your choice of annuity, will be paid out to your beneficiary. ❖

## ANNUITY, LIRA OR PRRIF – YOUR CHOICE TO MAKE

When considering what to do with your SPP funds at retirement, the choice is yours. You can purchase an annuity from SPP, transfer out to a LIRA or PRRIF, or choose a combination of both an annuity from SPP and a LIRA or PRRIF with another financial institution. When you leave a portion of your funds in SPP and transfer the remaining funds to a LIRA or PRRIF, you allow yourself a level of diversity by not putting all your eggs in one basket. With an SPP annuity, you are guaranteed a stable, monthly income for life while the balance of funds transferred out can be managed at your discretion, allowing for flexibility in terms of accessing it.

A carefully considered decision now could benefit you for the rest of your life. If you would like more information on your options or have questions about this article, please contact our retirement officer toll-free at 1-800-667-7153. ❖



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This SPP Newsletter is issued to provide members with general information about retiring from SPP.

If any discrepancy arises between the information contained in this newsletter and the Act, the Act will prevail.

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