

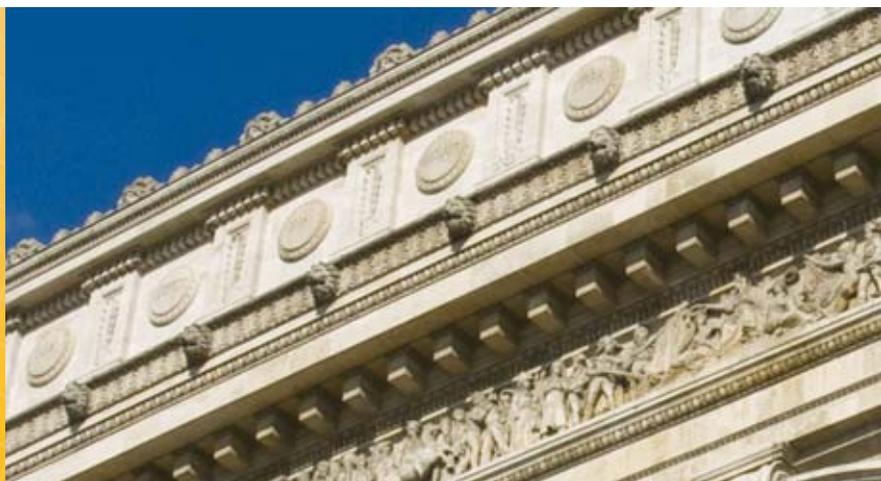
Build a retirement income plan to last a lifetime

What's inside

- Let's talk about retirement
- Four factors drive your retirement income strategy
- Where do you want to be in retirement?

Let's talk about retirement

You've been saving for years and probably have some ideas about what you want your retirement to be like. To get there, not only will you need to protect and grow the assets you've accumulated, you'll need to turn those assets into income that will last the rest of your life. So where do you begin?



It all starts with a simple conversation with your advisor.

Together, you can create a retirement blueprint that can lay the foundation for a solid income plan. This guide can help; it provides simple tools that will help you:

- understand the four factors that will drive your retirement income strategy,
- assess where you want to be in retirement, and
- take a look at where you are now.

When you approach your income plan one step at a time, you can look forward to a future full of possibilities, cushioned from risks.

Let's get started by taking a look at the four factors you need to consider as you plan and protect your retirement lifestyle.

Most people who are nearing retirement are optimistic about retirement income planning

78% **look forward to financial freedom.** Planning for retirement gives them the choices they need to live the life they want.

68% **plan to live stress-free.** These people feel good about having planned for the future.

54% **will put themselves first.** They're looking forward to a retirement income plan that helps them do the things they've been putting off.

40% **worry about the unexpected.** This group fears the impact an accident or illness will have on their plan.

Source: Sun Life Financial's 2008 Customer Segmentation Study, Research

Four factors drive your retirement income strategy

Planning for lifetime income doesn't have to be hard. Understanding the four factors that drive your retirement income strategy will help. As you read through this section and discuss these factors with your advisor, ask yourself these questions:

- What would living into my 90s be like for me?
- Over a 30-year retirement, will I be able to afford the things I buy today?
- Will my money last?
- Will I be able to do – and spend – what I want, whenever I want?

Consider solutions that provide lifetime income

Rather than even try to predict how long you'll need income, consider how good you will feel that you'll have some source of income that will continue for as long as you live.

Better yet, consider solutions that will secure income for as long as both you and your spouse live.

1. Longevity factor

Thanks to medical advances and healthier lifestyles, there's a good chance you could live well into your 90s. Think how much more confidently you could face the future if you knew your income would never run out, no matter how long you live or how markets perform. Having guaranteed income for life can help you maintain your standard of living and not be challenged to make ends meet when you're most vulnerable.

If you're 65, what's the chance you will live to 80, 85, 90, or 95?

Age	Female	Male	One member of a couple
80	79%	68%	93%
85	62%	49%	80%
90	41%	30%	58%
95	19%	13%	30%

Source: Society of Actuaries, 2000 Basic Table (Annuities) for females, 2000 Basic Table (Annuities) for males.



Consider solutions that can increase your retirement income over time

Your income will need to increase over time just to be able to sustain your current lifestyle. As you evaluate lifetime income solutions with your advisor, make sure to look for options that offer you the potential for increasing income.

2. Inflation factor

The longer you live, the more it's going to cost to buy the same goods and services. Even if inflation averages only 3.5 per cent a year, in 25 years it could take twice as much money to buy the same items that you are buying today. As inflation drives up costs, you want to make sure your retirement income can increase to help you keep pace. Income solutions that can offer increasing payments can help you maintain your lifestyle.

Compare the average annual cost of groceries for a 65-year-old couple.



At 65 today

By age 95

Source: Bank of Canada inflation calculator using Statistics Canada's monthly data for consumer price indexes for Canada, 1914-2009 (for the period of 1979 to 2009, the average annual inflation rate was 3.59 per cent).

3. Investment factor

Markets go up and markets go down. Down markets combined with untimely withdrawals can erode your nest egg faster than you might have planned for. Ideally, you want positive returns, especially while you withdraw income in retirement, so that your money will last longer. Since you can't control investment performance, it's important to be aware of how your investment returns can affect your income – and what you can do to minimize any negative impact.

Consider solutions that can protect you from market downturns

To protect yourself from withdrawing too much too soon from a shrinking portfolio, you'll want to consider guaranteed retirement income solutions that can protect you from market fluctuations and downturns. There is likely a combination of income product solutions that will help you meet all your needs.

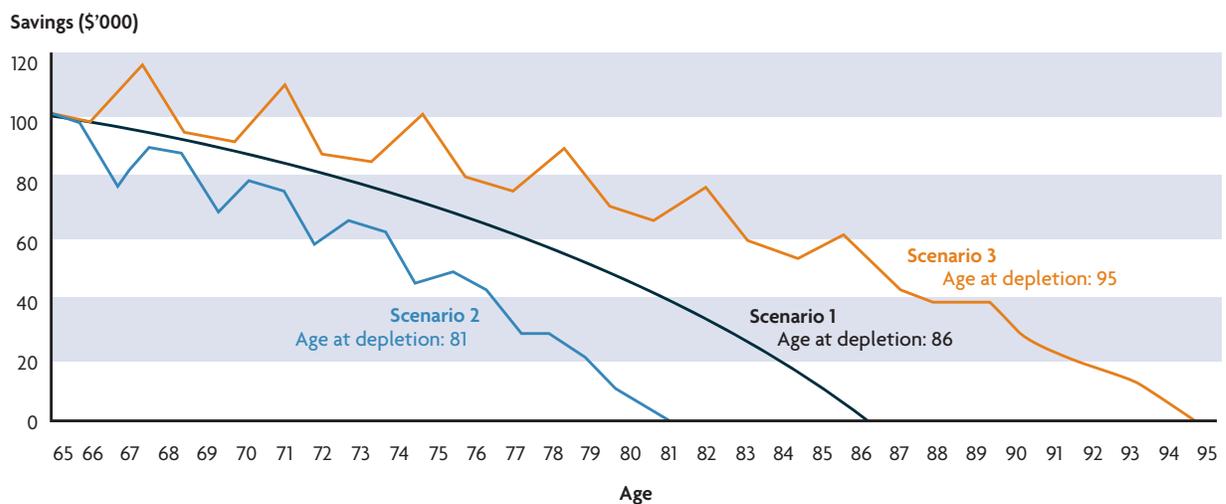
The earlier your returns are positive, the longer your portfolio may last.

In the example below, both portfolios had an 8 per cent average rate of return, but the sequence of when the returns occurred was very different, and this had a dramatic, long-term impact.

The difference can mean years.

The chart below shows the impact of the sequence of returns. It assumes a \$100,000 portfolio with an annual withdrawal of \$9,000. Here are three scenarios:

- **Scenario 1**, with a constant 7 per cent annual return, the money will last until age 86
- **Scenario 2**, if the portfolio experiences the poor return early (-13 per cent, followed by +7 per cent and +27 per cent), the money will last until age 81
- **Scenario 3**, if good returns are achieved at the beginning (+27 per cent, followed by +7 per cent and -13 per cent), the money will last until age 95.



Source: Asset Allocation and the Transition to Income, Milevsky & Salisbury, September 2006.

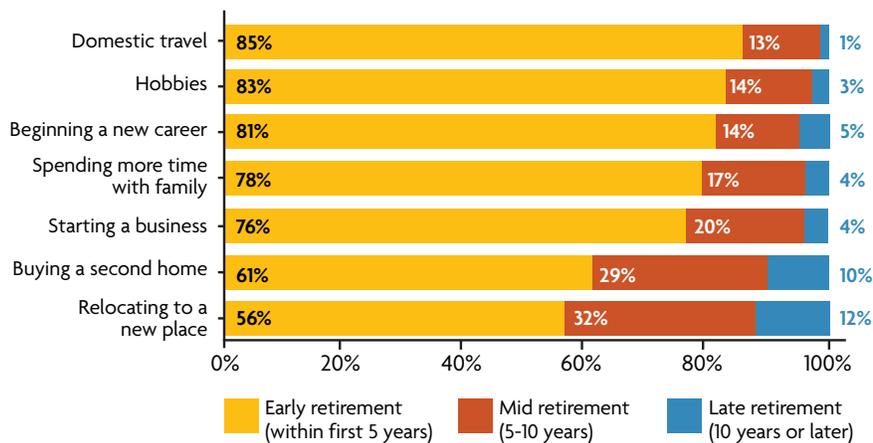
4. Lifestyle factor

How you live your life and spend your money in retirement will be unique to you and will change over time. Given that your retirement can span more than 30 years, it's hard to prepare today for every opportunity and every contingency. Make sure your lifetime income plan includes solutions that give you the flexibility to access the money you need, whenever you need it. This way you can use it for unplanned expenses without dramatically affecting ongoing income so you can make the most of your retirement.

Most people plan to spend more, earlier in retirement.¹

Engaging in activities early in retirement could drive up income needs earlier than planned, and leave an income gap down the road.

Note: For those who anticipate pursuing these activities.



Having an understanding of the four factors provides a foundation for an appropriate income strategy. Now let's take a look at where you want to be in retirement.

Be prepared to cover increasing health-care costs

Government funding currently covers only 70 per cent of total health spending in Canada. The rest of these expenses are paid for out-of-pocket by the patient or by private insurance.

Canadian Institute for Health Information, Health Care in Canada 2007 (Ottawa: CIHI, 2007).

Consider flexible solutions that can adapt to your changing needs

70 per cent of people say their income needs will vary throughout retirement.¹ If you'll need more income earlier in retirement, you and your advisor can structure an income strategy that builds in the flexibility and control you'll need. This can help you live your life the way you want as well as the comfort of knowing you also have solutions that will guarantee lifetime income.

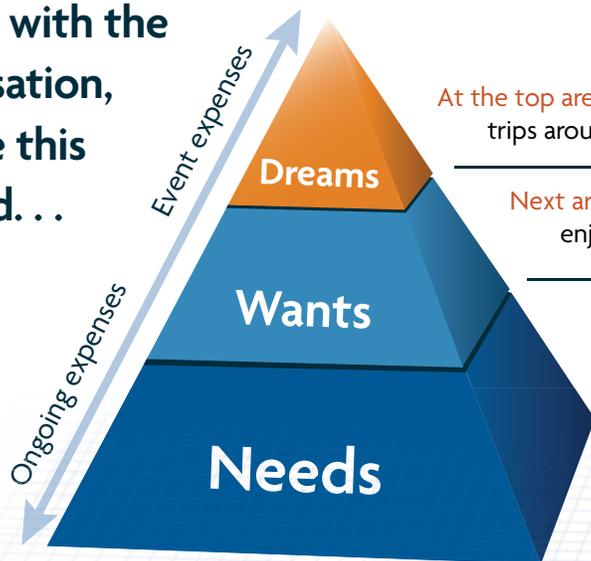
¹ Sun Life Financial, Consumers' Views of Anticipated Lifestyle. Research 2007.

Where do you want to be in retirement?

Now that you understand the four factors, you can begin building your retirement blueprint. A great place to start is a conversation with your advisor about where you want to be in retirement.



To help with the conversation, imagine this pyramid. . .



At the top are your dreams
trips around the world or a vacation home

Next are your wants
enjoying a weekend getaway or taking up a hobby

At the foundation are your basic needs
paying for household expenses, groceries,
prescription drugs, etc.

In my dream retirement, I would...

Achieving your dream retirement depends on how well you plan.

By sharing your dreams and wants, you and your advisor can create a plan to fund both your ongoing expenses and your one-time event expenses that can make your retirement truly memorable.

To help you get to your dream retirement, your advisor needs to know more about you and what you want for yourself, your spouse, and your family. Take five minutes to answer the questions below.

Question	When?	Estimated cost?	How often?
Where will you travel? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
What new hobbies will you pursue? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Will you move or buy a vacation home? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
What expenses worry you most? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Who needs your financial support? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Will you start your own business? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Will you volunteer? Make charitable contributions? _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Other _____ _____	Retirement years ... <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+ <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11+	\$ _____ \$ _____	Ongoing One time <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Now that you and your advisor have a better understanding about where you want to be in retirement and what your larger concerns are, you are ready to take a look at where you are now.

Where are you now?

Discussing where you are now with your advisor will help ensure that your retirement strategy is as unique as you are, and filled with the activities you identified in the previous section.



Are you on the verge of retiring? Retiring in five or 10 years? Already retired?

The timing of your retirement date is an important consideration in your income plan. This section will help you take an honest look at where you think you are on your retirement timeline and how you might define your greatest income need.

This is where I think I am. . .

Check the box where you think you are now based on the descriptions provided and your income need. Fill in your desired retirement age. Make sure your timeline and any factor you think is most important to you is represented here.

Desired retirement age: _____

<input type="checkbox"/> Saving for retirement	<input type="checkbox"/> Retiring soon	<input type="checkbox"/> Already retired
<ul style="list-style-type: none"> I want to protect my assets; I don't need income now 	<ul style="list-style-type: none"> I need flexibility in my income I want to save some income for future needs I need asset protection and I want to manage my exposure to market fluctuations 	<ul style="list-style-type: none"> I need the maximum amount of income now and later I want to minimize taxes I want to have some extra assets or income for unexpected expenses
Factors to consider:		
Investment	Longevity, inflation, investment, and lifestyle	Longevity, inflation and lifestyle

Now that you have reviewed your timeline and income need, you and your advisor can begin to build a retirement income strategy that bridges the income gap between where you are now and where you want to be in retirement. Let's recap what you've learned and start a new conversation.

How to bridge the gap

As you start a new conversation with your advisor, you may want to discuss what income options are best suited to your retirement strategy. Most people will make use of more than one option to meet their needs.



Income options can include:

- Guaranteed lifetime income with an annuity
- Withdrawals from guaranteed savings plans, or market-based mutual funds
- Guaranteed investment or market-based registered retirement income funds
- Guaranteed minimum withdrawal benefits in segregated funds.

Ask your advisor for a copy of our workbook “*Eight steps to a better retirement*” for more information on these alternative retirement income options.

Whether you need protection against market fluctuations or need income now, later, or whenever, your advisor can help you build a retirement plan unique to your needs.

Options people say would make them feel more prepared

38% **don't want to lose their investments.** These pre-retirees would like to be guaranteed they won't lose what they have invested, particularly in the early years of retirement.

32% **want income for life.** This group would like to be assured that they'll be guaranteed to receive income for the rest of their lives.

30% **want to be in control.** These people would be interested in having flexibility and control over their guaranteed income as well as where and how it is invested.

26% **want growth to be an option.** This group would like to know their income may potentially increase over time whether through market-based investments or guaranteed income plans that increase with inflation.

Source: Sun Life Financial, *Consumers' Views of Anticipated Lifestyle. Research 2007.*

Talk to an advisor about Sun Life Financial today.

For more information and resources, visit www.sunlife.ca/MyFinancialPlan | Call 1 877 SUN-LIFE (1 877 786-5433)

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Life's brighter under the sun

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