

Uncovering your Clients' needs

Your Clients' inquiries provides insights into their retirement needs. Build a strategy based on core needs, then expand to address additional risks.

YOUR CLIENTS' ASK	CONSIDERATIONS	FOCUS CONCEPT	VEHICLE(S)
Should I defer government benefits until I turn 70 (CPP/QPP, OAS)?	<ul style="list-style-type: none"> Actuarial studies have shown that by deferring CPP benefits from age 65 to 70, individuals may benefit.¹ 	<ol style="list-style-type: none"> Replicate CPP/QPP and/or OAS benefits otherwise received. See the Case for Delaying CPP. 	<ul style="list-style-type: none"> Fill the retirement funding gap of delaying receiving government benefits with RRSP/RRIF withdrawals.
How can I guarantee my retirement income?	<ul style="list-style-type: none"> Basic needs (i.e. housing, food) must be covered. Government benefits aren't adequate and fewer individuals have defined benefit pensions. Longevity risk needs to be considered as it amplifies all other risks. 	<ol style="list-style-type: none"> Focus concept: GIF in a RRIF Invest in products that generate guaranteed <u>income for life</u>. Assess an appropriate percentage of assets to dedicate to guarantee basic needs (up to 25% of assets). Consider variations: payout annuity, joint annuitants, death benefits, liquidity component, indexed to inflation, etc. 	<ul style="list-style-type: none"> Life annuity. Guaranteed Investment Funds (GIFs): Sun GIF Solutions Income Series, Sun Lifetime Advantage GIF. Sources: non-registered, registered.
How can I address market and Inflation risks?	<ul style="list-style-type: none"> Lifestyle costs can increase in retirement due to inflation. Savings may protect against inflation, but markets can be volatile. 	<ol style="list-style-type: none"> Focus concept: Cash wedge strategy Set aside a portion of retirement savings to mitigate market exposure. Minimize downside market risk and review evolving risk tolerance annually. 	<ul style="list-style-type: none"> Sun Life family of mutual funds. Retain liquidity to better manage large purchases/ unexpected expenses. Consider deferring CPP/QPP, and potentially OAS benefits, as these are indexed to inflation.
How can I minimize taxation on my retirement income?	<ul style="list-style-type: none"> Tax composition is crucial. The tax liability in retirement ought to be minimized, but not at the expense of the estate. Each type of passive income is taxed differently in a non-registered account. Consider whether income is interest, Canadian dividends, capital gains, or foreign income. Excess, fully taxable withdrawals (e.g. via RRIF/LIF) are generally more effective in lower tax brackets. 	<ol style="list-style-type: none"> Focus concept: <u>T-series corporate class funds</u> & return of capital (ROC) cash flow. Build upon a fully taxable layer of income. Choose a <u>target tax-bracket</u>, layer income accordingly by managing flexible sources (e.g. TFSA, non-registered investments). Consider income-splitting opportunities, claim credits, and be mindful of income-tested benefits (e.g. OAS, age credits). 	<ul style="list-style-type: none"> Non-registered investments: <u>corporate class mutual funds</u> Corporate class funds can help minimize taxation on investment income for non-registered portfolios. Assists in tax-bracket management, mitigates potential claw-back of income-tested benefits. Consider your Client's ability to qualify for prescribed taxation, available with a Life annuity.

¹ The CPP Take-Up Decision, Risk and Opportunities, Canadian Institute of Actuaries and Society of Actuaries, July 2020. Used with permission.

Uncovering your Clients' needs

YOUR CLIENTS' ASK	CONSIDERATIONS	FOCUS CONCEPT	VEHICLE(S)
Do I address estate-transfer risk?	<ul style="list-style-type: none"> • Effective retirement plans encompass buffers to enhance flexibility. • Flexibility in retirement resources can lead to a healthier estate value. • Optimizing retirement goes hand in hand with maximizing the estate value. • There may be concerns with leaving a legacy where complex family dynamics exist. 	<ol style="list-style-type: none"> I. Review wealth transfer risks. II. Consider: family dynamics, breakdown of assets, estate taxes, probate fees, estate settlement fees, timing of distribution of assets, charitable giving objectives etc. III. Coordinate wealth transfer documents (will, joint accounts, trusts, registered accounts with named beneficiary designations, insurance, POA etc.) IV. Insurance-based investment solutions offer the ability to more quickly transfer assets to named beneficiaries, bypassing probate. V. Focus concept: Consider products (GIFs, Insurance GICs) that provide a <u>Legacy Settlement Option</u>. 	<ul style="list-style-type: none"> • GIFs. • <u>Sun GIF Solutions Estate Series</u> • 100% death benefit guarantees, lock-in market value increases through annual resets to age 80, enhance creditor protection, potential to reduce estate-transfer risk and provide timely, hassle-free transfer to beneficiaries. • Avoid the cost and delays associated with probate and estate settlement. • Legacy Settlement option – available on the Sun Life GIFs, and as of December 7, 2020, available on Insurance GICs.

Annuities	GICs	GIFs	Tactical ETF Portfolios	Mutual Funds
-----------	------	------	-------------------------	--------------

Your Clients' inquiries provide insight into their unique needs and draw attention to prevalent retirement risks including: market, inflation, mortality, health, withdrawal rate, estate, wealth transfer, investment, taxation and longevity risk. First, address the focus needs, and then expand to provide options and flexibility. Always be sure to ask, "What if?" Keep in mind: Sun Life Global Investments seeks to provide Canadians with solutions that address more dimensions of risk in the de-accumulation phase.

FOR ADVISOR USE ONLY

Information used from "The CPP Take-Up Decision, Risk and Opportunities, Canadian Institute of Actuaries and Society of Actuaries, July 2020 Report", was used with permission.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Read the fund's prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Sun Life GIFs are individual variable annuity contracts issued by Sun Life Assurance Company of Canada, a member of the Sun Life group of companies. Any amount that is allocated to a segregated fund is invested at the risk of the contract owner and may increase or decrease in value.

This document is provided for information purposes only and is not intended to provide specific individual financial, investment, tax, accounting or legal advice and should not be relied upon in that regard and does not constitute a specific offer to buy and/or sell securities. Information contained in this document has been compiled from sources believed to be reliable, but no representation or warranty, express or implied, is made with respect to its timeliness or accuracy and Sun Life Global Investments disclaims any responsibility for any loss that may arise as a result of the use of the strategies discussed.

Sun Life Global Investments is a trade name of SLGI Asset Management Inc., Sun Life Assurance Company of Canada, and Sun Life Financial Trust Inc.

SLGI Asset Management Inc. is the investment manager of the Sun Life Mutual Funds, Sun Life Granite Managed Solutions and Sun Life Private Investment Pools. Sun Life Assurance Company of Canada is the issuer of guaranteed insurance contracts, including Accumulation Annuities (Insurance GICs), Payout Annuities, and Individual Variable Insurance Contracts (Sun Life GIFs). Sun Life Financial Trust Inc. is the issuer of Sun GIC Max and Guaranteed Investment Certificates.

© SLGI Asset Management Inc., Sun Life Assurance Company of Canada, and their licensors, 2020. SLGI Asset Management Inc. and Sun Life Assurance Company of Canada are members of the Sun Life group of companies. All rights reserved.