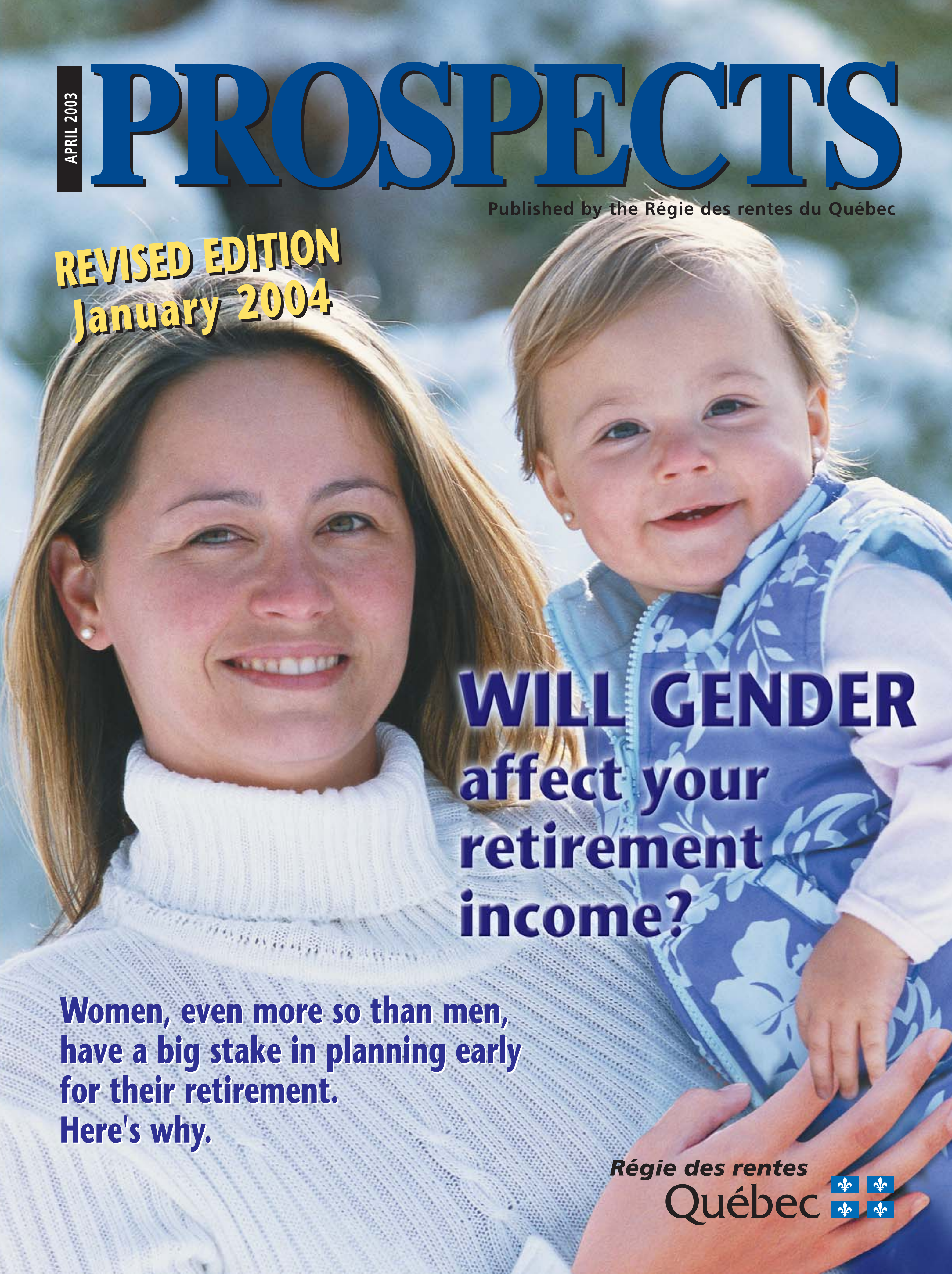
APRIL 2003

# PROSPECTS

Published by the Régie des rentes du Québec

REVISED EDITION
January 2004



## WILL GENDER affect your retirement income?

**Women, even more so than men, have a big stake in planning early for their retirement. Here's why.**

Régie des rentes
Québec

# WILL GENDER AFFECT YOUR R

**Women, even more so than men, have a big stake in planning early for their retirement. Here's why.**

Obviously, financial planning for retirement is not a matter of gender, but of income. However, women's income is on average lower than men's. Therefore, we can conclude that women have less flexibility than men do when it comes to savings. Statistics seem to bear this out. From 1993 to 1999, men 35 to 44 made average annual contributions of 1 564 $ to registered retirement savings plans (RRSPs), as opposed to 848 $ for women in the same age bracket. Yet, they paid contributions on about the same percentage of their income (4,2% versus 3,8%).

Canadian economist and researcher Ms. Monica Townson has been involved for a long time in looking for solutions to reduce poverty among older women. In a study published in 2000 by Status of Women Canada, she drew up a list of factors that explain the difference between men's and women's retirement incomes.

***Women's lower earnings:*** Statistics Canada reported that in 2000, women who worked full time earned on average 71,7% of the average earnings of men.

***Family responsibilities:*** Among women 35 to 54, the average income of those who have a spouse is lower than that of all women, even if they work full time. Yet, this age group corresponds to the years when earnings are ordinarily the highest. Some say that this difference is attributable to the family responsibilities that are most often assumed by women.

***Combination of paid and unpaid work during working life:*** The years during which mothers stay at home are years for which they do not contribute to their supplemental pension plan, also called pension fund. This choice comes with some costs as it may affect the possibilities of early retirement.

*A woman will pay more than a man of the same age to receive an equivalent pension.*

***The changing structure of the labour market:*** An increasing number of women are employed in part-time and non-standard jobs, including self-employment, temporary jobs or contract work, thereby affecting the saving they do for retirement. While a great number of these jobs are poorly paid, they are often accompanied by little or no job security and rarely include fringe benefits (pension plans, maternity leaves, etc.)

***Women's life expectancy:*** In 2000, the life expectancy of women at birth was 81,4 years compared to 75,5 years for men. As a result of this difference, women often have to pay more when they purchase an annuity. According to Ms. Sophie Potvin, an actuary at the Direction de l'évaluation et de la révision of the Régie des rentes du Québec,

# RETIREMENT INCOME

"The sex of the person is normally taken into consideration when an annuity is purchased. A woman will pay more than a man of the same age to receive an equivalent pension."

Pierre Joosten

**Ms. Sophie Potvin, an actuary at the Direction de l'évaluation et de la révision of the Régie des rentes du Québec**

***Widows:*** In Canada, 80% of the 1,5 million widowed persons are women and more than 75% of them are 65 or older. In 2003, the pensions paid by the Québec Pension Plan to surviving spouses amounted to 1,3 billion dollars and out of this amount, only 117,1 million dollars were paid to widowers! Yet, many women leave it up to their spouses to plan for retirement, even though they stand a good chance of surviving them.

## *Good reasons to plan*

In 2001, the average annual income of retired women was 18 119 $, compared to 28 654 $ for retired men. Since the pension paid by the Québec Pension Plan is calculated on the basis of the person's earnings and contributions, it is no wonder that, in 2003, the average monthly pension paid to women (291,70 $) is lower than that paid to men (495,60 $). Are women condemned to having just enough to get by?

***"We just get caught up in our daily lives! We must learn to plan carefully according to our lifestyle choices, whether they are going to school, having children or taking a sabbatical, because these choices will affect the way we live once we retire."***

Toronto financial planner Ms. Gail Vaz-Oxlade, author of some ten books on personal finance, believes instead that women must learn to better plan for their retirement." We just get caught up in our daily lives! We must learn to plan carefully according to our lifestyle choices, whether they are going to school, having children or taking a sabbatical, because these choices will affect the way we live once we retire."

Women can aspire to have a comfortable retirement if they plan and save regularly. "Regardless of our age or our disposable income," adds Ms. Gail Vaz-Oxlade, "we must set money aside. We brush our teeth every day because we don't like to go to the dentist and we don't want to lose our teeth. Do we think about the dentist every day? Not really. We simply brush our teeth. No one questions such a habit. The same applies to setting money aside for retirement: it's a good habit to develop."

"Financial autonomy is all in your mind," says Ms. Lison Chèvrefils, financial planner and author of *Mesdames, prenez vos affaires en main*! "It's a matter of attitude. You do not need to save a million dollars, but just to set money aside every month."

Whether you are a salaried employee, self-employed, temporarily at home or a student, this issue of *Prospects* will provide you with information about public and private pension plans and profitable strategies to make sure that you have a retirement income that meets your needs.

Norm Betts

**Ms. Gail Vaz-Oxlade, author of some ten books on personal finance**

# PLANNING FOR RETIREMENT: IT'S EASIER THAN YOU THINK

**In your opinion, will your standard of living at retirement be higher or lower than at present? If, like two out of three people, you plan on keeping the same lifestyle, how much money do you have to save every year?**

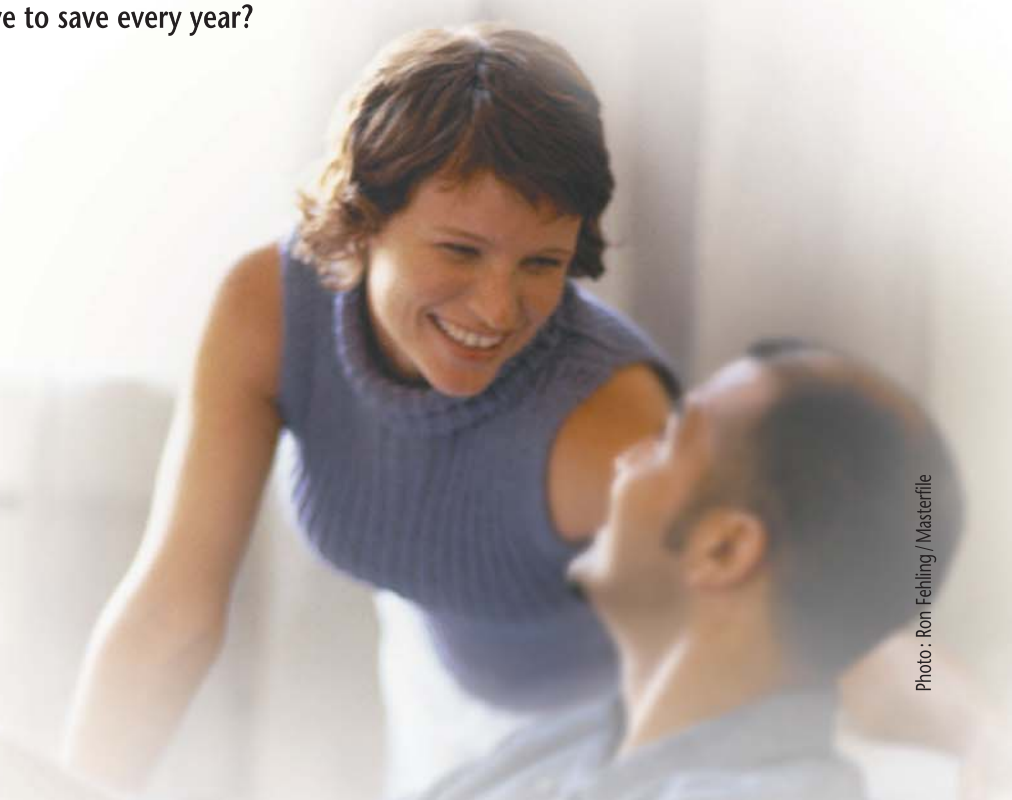


Photo: Ron Fehling / Masterfile

According to a SOM poll conducted in August 2001 for the Régie des rentes du Québec, 81% of Quebeckers have never calculated the amount they need to save every year to maintain their lifestyle after they retire. So, you're not alone. However, whether you are single or have a spouse, individual retirement planning is paramount, and an assessment of your personal situation will give you the true facts.

The site of the Régie des rentes du Québec **(www.rrq.gouv.qc.ca)** proposes a five-step exercise to determine the annual amount that you must set aside, depending on your retirement goals. Once you have the results, nothing prevents you from consulting a financial planner to assess your financial situation and optimize your strategies. Ready?

## 1 Determine the income you will need for retirement

Without knowing exactly what your needs will be 30 or 40 years from now, it is possible to have a pretty good idea. It is estimated that a person who wishes to retire at 65 without changing her lifestyle will need approximately 70% of her average gross income of the last three years. Why 70%? Because some expenses — such as mortgage payments, providing for the children's needs, your contributions to the public plans — will decrease or even disappear after you retire. Also, a drop in income means a reduction in income tax. Table 1 shows Ariane's case. Her average gross income for the last three years is 30 000 $. She therefore estimates that 21 000 $ will be sufficient to keep up her lifestyle.

Remember that this 70% rule is an average. If you earn less than 30 000 $ and expect that you will still have to pay rent after you retire, the percentage will be a little higher. Conversely, if your gross income is in a higher bracket, for instance 80 000 $ a year, a percentage of 60% or 65% may be sufficient. You can also draw up a retirement budget by printing the form proposed under step 1 on the web site.

**TABLE 1**
**Expected retirement income if Ariane retires at 60**

| (In 2004) | From 60 to 64 years of age | As of age 65 |
|---|---|---|
| Old Age Security pension | 0 $ | 5 550 $ |
| Québec Pension Plan | + 5 250 $ | + 5 250 $ |
| **TOTAL** | **= 5 250 $** | **= 10 800 $** |
| Estimated needs | 21 000 $ | 21 000 $ |
| Difference to make up | 15 750 $ | 10 200 $ |

This is Ariane's expected retirement income. It is based on her average income for the last three years, or 30 000 $. The difference to make up represents Ariane's loss of income if she chooses to retire at 60. Table 2 shows the monthly amounts that Ariane will have to save starting as of today, depending on her age.

## 2 Decide the age at which you wish to retire

Not everybody shares the same vision of retirement. While some dream of quitting completely at 55, others think about phasing-in retirement until age 65 or plan on earning employment income well after that age. However, one thing is sure: the earlier you retire, the more you will have to count on your personal savings and your pension plans. Indeed, the retirement pension under the Québec Pension Plan can be paid only as of age 60. As for the Old Age Security pension, it is payable only at age 65. (Tables 1 and 3 show the difference in income for Ariane according to whether she retires at 60 or at 65). In addition, if you use your personal savings earlier, they will be less productive. Retiring at 55 or at 65 can make a difference of several thousand dollars! Finally, remember that the earlier you retire, the longer the period over which your savings will have to last.

## 3 Determine the sources of income you can count on

The Régie des rentes du Québec presents retirement income as a three-storey house. The first floor is made up of the federal Old Age Security program, available as of age 65. The second floor is occupied by the Québec Pension Plan. You contribute to this Plan as soon as you earn more than 3 500 $ a year (as an employee or a self-employed worker). The pension you will be paid usually represents 25% of the average earnings recorded under your name (the maximum earnings are 40 500 $ in 2004).The maximum monthly retirement pension is 814,17 $ a month in 2004, or 9 770 $ a year. Your pension amount will be lower if you begin receiving it between 60 and 65 years of age (as you have contributed for a shorter period and the pension will be paid to you for a longer period), but it will be higher if you begin receiving it between 65 and 70 years of age. The third floor represents your other income sources, such as your private pension plan (pension fund), your RRSP, etc. To find out the approximate amount that you will have accumulated at retirement, use the calculation table on our web site. You need only your most recent statements of participation or statements of benefits.

## 4 Compare your expected income with your estimated needs

You are now ready to calculate the difference between your estimate in step 1 and your expected income (the amounts determined in step 3). Tables 1 and 3 illustrate the results for Ariane, assuming that she has not yet set any money aside.

## 5 Determine how much you need to save

If the result obtained in step 4 is positive, great! It means that, based on your current situation, odds are that you will have sufficient income to keep up your lifestyle during retirement. However, you should repeat the process regularly: your disposable income, just like your needs after you retire, could change.

A negative result indicates that you may not have enough money to keep up your lifestyle during retirement. At least you now know where you stand. It is up to you to make changes by reviewing your savings habits, your retirement goals or the age at which you wish to retire. Remember that the result shows what is lacking from your retirement income, without taking into account the money you have already saved and the money you will need to set aside in the future. The last five-step calculation table on the Régie's site allows you to find out how much more you will have to save every year to reach your retirement goals.

**TABLE 2**
**What Ariane must save starting today up until age 60**

| | | | |
|---|---|---|---|
| If Ariane is: | 25 | 35 | 45 |
| she should save: | 268 $ a month | 446 $ a month | 864 $ a month |

The calculations were done using a yearly interest rate of 6 %.

**TABLE 3**
**Expected retirement income* if Ariane retires at 65**

| | |
|---|---|
| Old Age Security pension | 5 550 $ |
| Québec Pension Plan | + 7 500 $ |
| **TOTAL** | **= 13 050 $** |
| Estimated needs | 21 000 $ |
| Difference to make up | 7 950 $ |

By choosing to retire at 65, Ariane's annual pension payable by the Québec Pension Plan increases by 2 250 $. Her annual loss of income is reduced by the same amount and represents, in monthly savings, much lower amounts, regardless of her age (table 4).

* In 2004 dollars

**TABLE 4**
**What Ariane must save starting today up until age 65**

| | | | |
|---|---|---|---|
| If Ariane is: | 25 | 35 | 45 |
| she should save: | 128 $ a month | 205 $ a month | 362 $ a month |

Calculations were done using a yearly interest rate of 6%.

# STARTING TODAY, SET MONEY ASIDE REGULARLY

**Young women do not have enough money, older women no longer have enough time. And what if the most important thing was to save regularly, starting today?**

### *Savings of 100 $ a month in an RRSP until age 60*

| TABLE 1 | Interest rate | | | |
|---|---|---|---|---|
| If you begin at | 4% | 6% | 8% | 10% |
| 25 --> | 89 992 $ | 137 360 $ | 214 257 $ | 339 879 $ |
| 35 --> | 50 885 $ | 67 629 $ | 90 899 $ | 123 332 $ |
| 45 --> | 24 466 $ | 28 691 $ | 33 761 $ | 39 844 $ |

### *Savings of 1 200 $ a year in an RRSP until age 60*

| TABLE 2 | Interest rate | | | |
|---|---|---|---|---|
| If you begin at | 4% | 6% | 8% | 10% |
| 25 --> | 88 383 $ | 133 722 $ | 206 780 $ | 325 229 $ |
| 35 --> | 49 975 $ | 65 837 $ | 87 727 $ | 118 016 $ |
| 45 --> | 24 028 $ | 27 931 $ | 32 583 $ | 38 127 $ |

"What about saving 5 $ a day? Too much? Then determine a percentage of your income (5% or 10%) with which you are comfortable, then increase this proportion as your situation allows it." Financial planner Ms. Gail Vaz-Oxlade believes that everyone can set money aside, as every penny counts. "If you wish to have a nest egg when you retire, you must start saving starting today. Stop putting off until tomorrow, because tomorrow will always be tomorrow!" Why start early? Because compound interest on each dollar saved generates still more interest, throughout the year. Just look at the opposite tables. The first one illustrates the return on 100 $ invested at the end of each month (1 200 $ a year), up to age 60. The second table shows how you get less return for the same amount invested only once a year. [See the tables that follow.]

### *How much will my RRSP be worth?*

Let's look ahead in time, and see the life annuity that you will be able to purchase at age 60 with an RRSP invested at 6%.

| TABLE 3 | Savings of 100 $ a month (data from Table 1) | | Savings of 1200 $ a year (data from Table 2) | |
|---|---|---|---|---|
| You began investing at... | RRSP accumulated | Monthly pension* | RRSP accumulated | Monthly pension* |
| 25 | 137 360 $ | 737 $ | 133 722 $ | 718 $ |
| 35 | 67 629 $ | 363 $ | 65 837 $ | 353 $ |
| 45 | 28 691 $ | 154 $ | 27 931 $ | 150 $ |

* The amounts are estimated. For the purposes of the calculations, we assumed that the pension is indexed by 2% every year. Unlike the tables on pages 4 and 5, these amounts are not shown in 2004 dollars.

## And what about my house?

Once putting money aside for retirement has become an official budget item, it is no longer possible to get around it if there are unexpected expenses. Buying a house even becomes possible, provided that the mortgage payments do not monopolize the entire disposable budget. The golden rule is to pay off the mortgage as soon as possible, at least before you retire. A good strategy consists of using RRSP tax deductions to make early mortgage payments. One thing is certain, you cannot wait until you have paid off your mortgage to start saving, as your savings will not have time to grow.

## Group RRSPs

Group RRSPs are not SPPs subject to the *Supplemental Pension Plans Act*. The responsibility of employers that set up a group RRSP is limited to making payroll deductions and to forwarding them to the financial institution in your name. The employer is not required to contribute to such a plan, and the employees' participation is optional. Its main advantages are to allow employees to make systematic savings on their salaries and to reduce the income tax payable at source. RRSPs also make it possible to negotiate administrative expenses with the financial institution.

# GOOD HABITS THAT COULD CHANGE YOUR FUTURE

**"If you are debt-free, you are already rich," says financial planner Lison Chèvrefils. "Shout it from the rooftops: planning for retirement begins with adequate budget management".**

Get rid of your debts! Give priority to paying off the balance on your credit cards, which can cost you up to 20% in interest rates. Also, take the necessary steps to pay off your student loans and optimize the refund of your mortgage.

Véro Bonami

Ms. Lison Chèvrefils, financial planner and author of *Mesdames, prenez vos affaires en main !*

***What you don't see won't hurt you.*** "The strength of the Québec Pension Plan," says Ms. Lison Chèvrefils, "has to do with the principle of deductions at source. We have no control over this amount, and that's just as well! You can do the same thing for your personal saving by authorizing automatic withdrawals. Money you don't see is money you don't spend."

***A little bit goes a long way.*** With compounded interest, weekly deductions make it possible to pay off a debt more quickly than monthly deductions. "The same applies to both credit cards and mortgage payments," says Ms. Lison Chèvrefils. And with the Internet, you no longer need to make a detour to your financial institution to make a payment on your credit card.

***Something extra.*** In the first years, mortgage payments are used almost exclusively to pay off the interest. Speeding up your payments in the first years allows you to pay off your mortgage faster. You could, for example, have your mortgage payment increased by 25 $ a week, and ask that this amount be applied to the capital. With this extra little bit, you can save thousands of dollars.

***There is strength in numbers.*** Tell your employer that you are interested in a Group RRSP's (above) or a supplemental pension plan. Consult page 9 to find out more.

# AND ADJUST IT TO MEET ANY LIFE CHANGES

**Retirement planning should be reassessed regularly, at least each time your situation changes.**

## You have just graduated

Having a new diploma in hand often means that you have to pay back a substantial amount. Is it really possible to save for retirement under these circumstances? "A student who starts out her career with a salary of 23 000 $ and a student loan that she has to pay back must give priority to the repayment of the loan, because she is paying more interest than income tax," says Ms. Lison Chèvrefils. On the other hand, she suggests to her young clients who earn a higher salary — 40 000 $ for example — to contribute to an RRSP and to use the tax deduction to repay the loan.

## Your family is growing

Whether you stop working for a few months or a few years, you can already expect a drop in income and an increase in expenses. "We plan so many things when we decide to have a child, why not plan saving also?" says Ms. Chèvrefils. The additional effort made *before* becoming a parent makes it possible to fill the "gap" resulting from the years of maternity, since the amounts accumulated will grow during (and after) the maternity leave.

## Spousal RRSPs

If you plan to drop out for a few years, your spouse could invest in a spousal RRSP. Under this formula, your spouse gets the usual tax deduction, but the money is invested in your name. Your spouse loses nothing on the deal since he will be able to invest his income tax refund in his own RRSP. "Think about it," says Ms. Chèvrefils, "the 2 000 $ that you didn't invest in your RRSP during the five years you spent at home, at 7% interest, represents a loss of income of 62 423 $, 25 years later! It really adds up!"

## A helping hand from the Régie

The Québec Pension Plan provides for the exclusion of the periods during which a parent was eligible for family allowances for a child 0 to 7 years of age. "The stay-at-home parent does not contribute to the Plan," says Ms. Monique Maheu, Director of Contributions and Benefits, at the Régie. "It is therefore advantageous to exclude those years when calculating the pension; otherwise, they would cause a decrease in the pension amount." This provision is in addition to another provision allowing the exclusion of 15% of the years in a person's contributory period (the years in which earnings were the lowest). This raises the average earnings and increasing the pension amount.

Ms. Monique Maheu, Director of Contributions and Benefits

## Budget

Do not lose sight of your objectives! Draw up a budget and revise it each time there are changes, whether it is a new job or judo lessons.

## If you separate

Whether you and your partner are married, in a civil union or de facto spouses (same sex or opposite sex), you must take into consideration the eventual partition of pensions.

## Québec Pension Plan

In 2001-2002, Québec recorded 19 668 judgments of divorce, legal separation and civil annulment. If you are among this number, your total earnings (yours and those of your ex-spouse) recorded under the Québec Pension Plan during your union will be divided equally, and this could affect the amount you receive when you retire. "Unless the legal judgment specifically states that the spouses have renounced partition of the earnings recorded under the Québec Pension Plan, the partition of the earnings recorded during the union is automatic," specifies Ms. Monique Maheu. In 2001-2002, there were 9 867 partitions of earnings. Since 30 June 2000, you can benefit from partition if you were a de facto spouse, under certain conditions:

- You separated after 30 June 1999;
- You must have been separated for at least 12 months;
- You must file a joint application, unless provided otherwise in a written agreement on partition;
- You must have lived in a conjugal relationship for at least three years, or for at least one year if a child was born or is to be born of your union, or was adopted during your union.
- Neither you nor your de facto spouse can be married to another person at the time of your separation.

***Application for simulated partition:*** Do not renounce partition too quickly! The Régie suggests that you apply for a simulation of partition of earnings, to see how partition would affect your future pensions. "This is a tool that makes it easier to make a decision at the time the property is divided," says Ms. Monique Maheu. "In some cases, the former spouses can decide that another form of partition would be more advantageous for both of them. This decision will then be based on adequate information." In 2001-2002, 4 759 simulations of partition were prepared by the Régie.

***Supplemental pension plans:*** They are also subject to partition. To that effect, you should first ask the plan administrator

for a statement of benefits for purposes of partition (the employer can give you the name and address). You can submit this request if you are under mediation or if legal proceedings for the breakdown have begun. Former de facto spouses (including same-sex spouses) must file a joint application. "Since partition of family patrimony went into effect," says Ms. Jacqueline Beaulieu, notary at the Régie's Direction des régimes de retraite, "we have realized that SPPs are often the most important asset of the household. Therefore, they must always be taken into consideration at the time of a breakdown in a relationship." Nevertheless, partition is not always the best solution, if for example, you are both members of a pension plan and the statements show little difference. Remember that partition of an SPP does not mean that you will receive money right away, as the amounts will generally be locked-in until you retire. However, this does not mean that you should leave your share in your former spouse's plan. A financial planner will be able to assess your situation and recommend that you transfer the amounts to a locked-in retirement account or a life income fund.

Photos: Pierre Joosten

**Ms. Jacqueline Beaulieu, notary at the Régie's Direction des régimes de retraite**

# *WITH A SUPPLEMENTAL PENSION PLAN, YOU HAVE A HEAD START*

**In Québec, 45% of the labour force are members of supplemental pension plans (SPPs). Are you?**

***A defined benefit plan*** guarantees you a predetermined retirement pension. In general, a percentage of your salary is calculated and multiplied by your years of service. Let's imagine that Ariane's employer (our investor on page 4) sets up such a plan. Her average salary of 30 000 $ x 2% x 20 years would provide Ariane with an annual pension of 12 000 $, largely making up for her loss of income of 7 950 $ (table 3). Under this plan, the contributions made by Ariane and her employer are deposited into a pension fund to finance the pensions promised. In certain plans, the employer alone contributes. In all cases, the employer is responsible for the funding of the pensions promised.

***Under a defined contribution plan***, you do not know in advance the amount of your pension, only the amount of the contributions. Your contributions and those of your employer are predetermined, according to a percentage of your salary. When you retire, your retirement pension amount will depend on the total amount you have accumulated, along with the investment income.

***Finally, a simplified pension plan*** predetermines your contributions and those of your employer, but it is set up and administered by a financial institution. This more recent formula was developed for small business and releases the employer from administrative duties. It provides the same protection as a defined contribution plan and, in general, the administrative costs are lower.

What you gain with those plans. If you are a member of a pension plan, you save regularly and you are assured that the amounts saved will be used solely for retirement. Also, your contributions to a supplemental pension plan (SPP) are deducted from your income. In case of death or divorce, your spouse is also protected. The employer's contributions can even be more advantageous than a pay increase because they are not subject to income tax until you retire.

What your employer gains with these plans: The employer can also subtract his contributions from the company's income and the calculation to determine his contributions to certain programs, such as employment insurance. In addition, companies that offer supplemental pension plans are more attractive for employees than competitors that do not provide any.

### The Régie and Supplemental Pension Plans

Finally, remember that your money is safe. The Régie des rentes du Québec supervises SPPs (over 2 000 in Québec) and makes sure that they are administered in accordance with the *Supplemental Pension Plans Act*. In particular, the Régie supervises the funding of plans to ensure that the commitments are respected. Most of the employees of the public and parapublic sectors of Québec are members of defined benefit plans. The Commission administrative des régimes de retraite et d'assurances (CARRA) has the mandate to administer these plans. The rules under these plans can differ slightly from those provided for SPPs.

# WHAT AM I ENTITLED TO FOR THE YEARS I SPENT AT HOME?

**What does retirement look like for women who spent many years, even their entire lives, away from the labour force?**

## Québec Pension Plan

***Retirement pension amount:*** Your pension is calculated on the basis of the employment earnings recorded under your name since 1966 or since your 18th birthday, as shown on your Statement of Participation (see page 11). It is equal to 25% of the average monthly earnings recorded (the maximum earnings are 40 500 $ in 2004). In the calculation, 15% of the total years are excluded (those when your earnings were the lowest). This raises your average earnings. If you have been eligible for family allowances for children from 0 to 7 years of age in the past, the earnings for these years are excluded if they are lower than your other average earnings, which also increases your average earnings.

**Retirement pension under the Québec Pension Plan**

| You begin receiving it at: | Maximum monthly pension in 2003 |
|---|---|
| 60 | 569,92 $ |
| 65 | 814,17 $ |
| 70 | 1 058,42 $ |

***Retirement pension sharing:*** Under certain conditions, a retirement pension can be shared between you and your spouse to save income tax. Both of you do not need to have contributed to the Plan for the retirement pension to be shared, but you must both be at least 60 years of age. If you both contributed to the Plan, you must both be receiving your retirement pensions before your pensions can be shared.

***Surviving spouse's pension:***
The surviving spouse's pension is intended to provide you with a basic income if your spouse dies. Same-sex spouses are also entitled to this pension. The pension amount is calculated on the basis of the contributions that the deceased made to the Plan, your age, and whether you support children who were your spouse's dependents. The pension increases when you turn 45 and 55; it decreases at 65. Minor children of a contributor are entitled to a monthly pension of 61,18 $.

**Maximum surviving spouse's pension (QPP)**

| | |
|---|---|
| You are under 45 | |
| - without any dependent children | 403,18 $ |
| - with one or more dependent children | 660,12 $ |
| - and disabled | 687,45 $ |
| 45 to 54 | 687,45 $ |
| 55 to 65 | 704,90 $ |
| 65 or over | 488,50 $ |

The pension paid to the surviving spouse varies according to the contributions made by the deceased. The amounts shown above are the maximum monthly amounts payable in 2004.

## The federal Old Age Security Pension program

***The Old Age Security (OAS) pension:***
You are eligible for this pension at age 65 if you have legal status in Canada and have resided in the country for at least 10 years since age 18. The OAS pension is a taxable amount determined according to the number of years of

**Benefits paid under the federal Old Age Security p**

| Type of benefit |
|---|
| Old Age Security pension |
| GIS (single person) |
| GIS (spouse of a non-pensioner) |
| GIS (spouse of a pensioner) |
| GIS (spouse of a person receiving the Allowance) |
| Allowance |
| Allowance for the survivor |

1. The amounts shown are effective from January to May 2004. They are indexed every three months, except for the individual net income, which is indexed once a year.
2. The maximum income includes all income (combined for a couple), except for the Old Age Security pension. It indicates the maximum amount beyond which no supplement or allowance is paid.

## If you become disabled…

If you have a serious and permanent disability, you may be eligible for a disability pension under the **Quebec Pension Plan**. However, you must have contributed sufficiently to the Plan and be under age 65. When you turn 65, the disability pension is replaced by a retirement pension. The amount to which you would be entitled is shown on your Statement of Participation. Minor children of a disabled contributor can also be entitled to a monthly pension of 61,18 $.

residence in Canada. As with all benefits under the federal program, you must apply for it in writing about six months before your 65th birthday.

***The Guaranteed Income Supplement (GIS):*** This benefit is paid to people who have little or no income (see table below) and who already receive the OAS pension. It is not taxable.

***The Allowance (A):*** This benefit, which is not taxable, is paid to spouses between 60 and 65 of people who receive the OAS pension, if the couple's income is low.

***Allowance for the survivor (AS):*** This benefit is not taxable and is paid to people between 60 and 65 who have little or no income and who meet the eligibility requirements.

| rogram[1] | | |
|---|---|---|
| | Maximum monthly amount | Maximum annual income[2] |
| | 462,47 $ | see note[3] |
| | 549,63 $ | 13 200 $ |
| | 549,63 $ | 31 968 $ |
| | 358,01 $ | 17 232 $ |
| | 358,01 $ | 31 968 $ |
| | 820,48 $ | 24 672 $ |
| | 905,83 $ | 18 096 $ |

3. Persons who earn 59 790 $ or more (including the OAS pension) have to repay part of the OAS pension. These repayments are normally deducted from the pension payments. No pension is paid when the net income is greater than 96 788 $.

## TO FIND OUT EVERYTHING YOU NEED TO KNOW, START HERE!

**Internet Resources**

*www.rrq.gouv.qc.ca The Régie des rentes du Québec provides a great deal of information on planning and preparing for retirement. The five-step planning tool is there for you, as well as tips and strategies based on the result obtained.*

*www.canadabenefits.gc.ca The site of Human Resources Development Canada presents the federal Old Age Security program. On this site, you can find the Old Age Security Application kit as well as a great deal of information.*

*www.jo-annevincent.com* Finances au féminin *deals with a variety of aspects pertaining to women and money (French only). The author is a financial planner.*

*www.webfin.com All the financial planning issues are discussed, including retirement planning. Includes various practical calculators.*

*www.gvomoney.com The web site of financial planner Ms. Gail Vaz-Oxlade. This site provides answers to many questions as well as columns on money matters. A section is intended for women.*

**PUBLICATIONS**

*CHÈVREFILS, Lison,* Mesdames, prenez vos affaires en main!, *Les Éditions Transcontinental inc., Montréal, 2000.*

*RÉGIE DES RENTES DU QUÉBEC,* Start building for retirement today! Guide to Financial Planning for Retirement, *Gouvernement du Québec, 2002-2003 Edition (available at www.rrq.gouv.qc.ca ).*

*VAZ-OXLADE, Gail.* A Woman of Independent Means: A Woman's Guide to Full Financial Security, *Stoddart Publishing Co. Limited, Toronto, 2001 (revised edition).*

## Your Statement of Participation in the Québec Pension Plan

The Régie des rentes du Québec sends contributors a Statement of Participation. You will receive this statement every four years, beginning at age 24, until you apply for your retirement pension. It shows your earnings and contributions to the Québec Pension Plan and an estimate of your retirement, surviving spouse's and disability benefits. A valuable retirement planning tool. Read it and keep it in a safe place.

# HOW TO REACH US

For further information on the Québec Pension Plan and the system for financial security after retirement:

**By Internet**
www.rrq.gouv.qc.ca

**By telephone**
**Québec area:**
**(418) 643-5185**
**Montréal area:**
**(514) 873-2433**
**Toll-free:**
**1 800 463-5185**
Service for the hearing impaired (TDD/TTY required):
**1 800 603-3540**

**By mail**
**Régie des rentes du Québec**
**Case postale 5200**
**Québec (Québec) G1K 7S9**

**In person**
At one of our client services centres or during our periodic visits to certain Québec towns. Call first before coming in to see us. In most cases, you can get the information you need by telephone.

To find our address and telephone number or our calendar of visits, consult our Internet site by clicking on "How to reach us" or call us.

**For further information on supplemental pension plans, LIRAs, LIFs and simplified pension plans, call (418) 643-8282.**

Régie des rentes Québec


**PROSPECTS**

is published twice a year by the Direction des communications of the Régie des rentes du Québec.

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PROSPECTS
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# Start building for retirement today!

**To maintain your standard of living after you retire, you will need at least 70 % of your pre-retirement income.**

**Your retirement financial security is like a three-storey house.**

**30%** (or more) — **Third floor**
Your private pension plan, RRSPs and savings

**25%** — **Second floor**
Québec Pension Plan*

**15%** — **First floor**
Old Age Security Pension, Guaranteed Income Supplement, etc.*

**70%** (or more)

*based on an income of 40 500 $ in 2004

## Indispensable tools

The Internet site of the Régie
**www.rrq.gouv.qc.ca**

The *Guide to financial planning for retirement*, call **1 888 698-6788**
or see our Internet site

Régie des rentes
Québec