

NOVEMBER 1999

PROSPECTS

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Retirement planning
Now's the time!

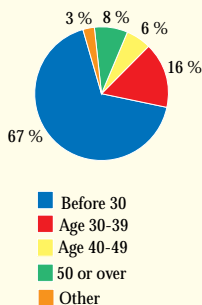
Québec 

IS RETIREMENT PLANNING A PRIORITY FOR QUEBECKERS?

How do Quebecers view retirement planning on the eve of the year 2000? Here is information from a poll of about 1000 people carried out recently by SOM at the request of the Régie des rentes du Québec.

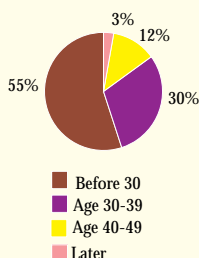
At what age should you start financial planning for retirement?

The people who participated in the poll generally recognized that it is important to start saving early for retirement. Ideally, said 67% of them, you should start financial planning for retirement before the age of 30. The majority, that is 55% of them, said that they had begun doing so before 30. Another 30% said that they started between 30 and 39, giving a total of 85% of respondents who began before the age of 40.



At what age did you start financial planning for retirement?

In reality, financial planning is sometimes limited to contributions to the Québec Pension Plan. If we look at the results by age group, slightly less than 30% of those between 18 and 24 said they had begun financial planning for retirement in other ways than contributing to the Québec Pension Plan. In the 25-34 age group, 42% of respondents contribute only to the Plan and in the 35-44 age group, it is 29%.



Among the respondents who have not yet begun financial planning for retirement, 35% said they never think about it, whereas 40% said that they intended to begin before age 39. Of that number, 17% said they planned to begin preparing for retirement before age 30.

Income: a determining factor

In addition to age, a worker's income is a determining factor in the decision whether or not to start financial planning for retirement. Most of the respondents who had not yet taken any steps to do so said that they could not invest in their future because they had a variety of financial constraints. Almost 50% stated that they did not have enough money to begin saving for retirement, while 7% said that they could not contribute because they did not have a steady job or simply were not employed. Another 6% of respondents said that they had never worked and 3% said that they did not save because they were still students.

What is your current situation when it comes to financial planning for retirement?

It can be easy to put off financial planning for retirement, particularly when you are young and have your whole life ahead of you. As a result, some people contribute only to the Québec Pension Plan while others think further ahead and include retirement savings in their budget, which they invest in an RRSP or another savings instrument. A fairly significant proportion of workers also have the opportunity to participate in their employer's supplemental pension plan, which is usually called a "pension fund". However, many people tend to underestimate the capital required to ensure sufficient income replacement after retirement and do not see the need or urgency to begin saving as soon as they have a job.

Yet the time factor has a significant impact on the amount of money available after retirement. Let us take a look at some examples:

Mark

Mark began contributing to an RRSP when he was 20 years old. At the beginning of each year until

his 27th birthday, (that is, for 8 years), he invested 2 000 \$. At age 65, on the basis of an 8% average annual rate of return, Mark's savings will be worth 396 220 \$.

Caroline


Caroline began contributing at age 30. At the beginning of each year, like Mark, she puts 2 000 \$ into an RRSP. If she continues to do so until age 65, she will have saved 70 000 \$ over 35 years. If she gets the same rate of return on her investments, (an annual rate of 8%), her savings will be worth 372 204 \$.

Mark will have invested 16 000 \$, that is 54 000 \$ less than Caroline, yet he will end up with 24 016 \$ more. Caroline will have contributed to her RRSP 4 times longer than Mark to accumulate a smaller amount. These examples are a good illustration of the difference made by contributing early, in your early 20s, or later, in your early 30s.

Example of retirement income

A person with a registered retirement income fund (RRIF) worth 50 000 \$ when he or she retires at age 65 will have a gross average monthly amount of 360 \$, giving an annual pension of 4 320 \$ before income tax. To that amount you must add the Old Age Security pension (410 \$ a month in 1999), a retirement pension under the Québec Pension Plan (the average monthly amount was 365 \$ a month in 1999) and a pension from his or her former employer if the person contributed to such a plan during his or her years of employment.





Interview with Mr. Guy Morneau,
President and General Manager of
the Régie des rentes du Québec



"The Régie intends to continue informing and educating workers so that they are able to ensure their financial security and make informed decisions when the time comes."

Demographic changes could transform public pension plans

Mr. Guy Morneau became President and General Manager of the Régie des rentes du Québec one year ago. In the opinion of this seasoned manager who has been working in public service for several years, the demographic changes that will take place in Québec society over the next few decades could have a major impact on public pension plans if the government is not careful.

Prospects ❖ *What are the challenges facing you as head of the Régie des rentes du Québec?*

Mr. Morneau ❖ The drop in birth rates and the large number of baby-boomers that will be retiring in the next few years will have a significant impact on demographics in Québec. Public expenditures that are affected by demographics will be under additional pressure due to an aging population. The sectors most affected by demographics are health and income security after retirement.

Therefore, it is crucial that we adapt our system for protecting retirement income to this new reality because it will have a major impact on the funding of public pension plans and the benefits they provide. The Régie des rentes du Québec has quite a challenge. It must ensure that the Québec Pension Plan takes into account the new Québec society that will gradually be emerging. It also means that the Régie must constantly be on the lookout for, and even in the forefront of, new trends so that the necessary adjustments can be made at the right time.

Prospects ❖ *Does that mean that the reform that came into effect on 1 January 1998 was just the first stage in the process of adapting the Québec Pension Plan and that workers can expect more increases in the contribution rate?*

Mr. Morneau ❖ There is no expectation of any new increases in the contribution rate to the Plan once it has reached 9,9% in 2003 because the reform has resulted in structural solutions that correct pretty well all the difficulties. We have reviewed the Plan's financing to ensure its viability and long-term survival. The steps taken will ensure that future gener-

ations receive benefits just as current generations do. In fact, the results of the most recent actuarial analysis, published in March 1999, clearly indicate that as of 2002, more money will be coming into the fund than will be paid out of it, and that in 50 years, the fund will have a reserve that is 3,2 times greater than the annual amounts that are paid out of it. That means that the increase in contribution rates to a permanent rate of 9,9% will be sufficient to pay future benefits, even to those who come after the baby-boomers at the middle of the 21st century.

However, new values and concerns will certainly arise. In 1966 when the Québec Pension Plan was created, Québec society was one of the youngest in North America whereas it will soon be one of the oldest. Such a radical transformation will certainly lead to other changes. Moreover, you have to remember that the Plan was defined and revised on the basis of demographic projections and that there may be discrepancies between the projections and the type of society that dominates in Québec in 50 years because our society is constantly changing.

Prospects ❖ *Will the Québec population age at the same rate as populations in the rest of Canada and other industrialized countries?*

Mr. Morneau ❖ Québec demographics are a bit less "advantageous" than in the rest of Canada where there is a higher growth rate. With a lower birth rate than the Canadian average, (in fact lower than most industrialized countries), and a fairly stable rate of immigration, experts expect that the Québec population will drop from 24% of the population of Canada to about 19% or 20% in 2030-2050. The population is expected

to grow until about 2020, and then stabilize at approximately 8,4 million.

Furthermore, Québec has only 35 years to adapt to the fact that the proportion of the population age 65 or over will go from 12% to 24% by about 2030. This transition period is one of the shortest if we compare it to other countries with an aging population.

Prospects ❖ *What changes can we expect on account of this new demographic reality?*

Mr. Morneau ❖ If the projections are accurate, there will be only 2,1 economically active persons (20 to 64 years of age) per retiree (age 65 or over) in around 2040-2050, compared to 4,7 now. Therefore, there will be fewer people to pay public expenditures and the expenditures will be higher because of the large number of older persons.

The composition of the working-age population will be very different; it is therefore logical to assume that demographic problems will be exacerbated if the recent enthusiasm for early retirement and early departure incentive programs continues.

Indeed, society will have to rethink issues such as work and retirement. There are already signs of change elsewhere in the world. For example, in the United States, the retirement age has gone from 65 to 67. Therefore, if circumstances justify it, we cannot radically exclude the possibility that employers and even governments may some day take steps to encourage older people to continue working to a certain extent. In fact, society will need the knowledge and experience of older persons to rise to the new economic challenges. O.D.



WHAT CAN A FINANCIAL PLANNER DO FOR YOU?

Financial planners are becoming better known and the title of financial planner is considered in itself a guarantee. But what services do they offer? Do they all have adequate training? What protection does the public have in the event of dissatisfaction? And what is the role of the Institut québécois de planification financière (IQPF) with respect to the quality of the work of financial planners?

“Everyone can benefit from financial planning advice,” says Mr. Boucher, an actuary and financial planner, who is also President of the IQPF. If you do not have a complete personal balance sheet in hand, how can you adopt financial strategies and optimize your returns?

The role of the IQPF

“Basically, the IQPF takes care of training and qualification. It grants the diploma needed to get a financial planning permit and is responsible for continuing education, which is now mandatory,” explains Mr. Denis Boucher, an actuary and financial planner who is President of the IQPF and Vice-President of Aon Consulting. Financial planning has been recognized by law as a discipline in itself and is subject to specific norms in terms of both professional practice and the studies needed to obtain a diploma.

To receive a diploma, which makes it possible to get a permit, financial planners must take basic training that has been approved by the IQPF. As of 1 October 1999, students must also do a mandatory internship. Not just anybody can say he or she is a financial planner! The diploma is harder to get than it used to be and utilization of the title is subject to strict ethical rules. So the public can be reassured that these professionals have the necessary knowledge to work as financial planners and are allowed to advertise themselves as such.

How do you choose one?

“The choice of a financial planner depends a lot on your needs, explains Mr. Boucher. In addition to the means of payment, which varies from one to another, each financial planner acts a bit as a general practitioner and also has a speciality or other title, for example, notary, registered life insurance agent or group savings representative. Of course their services are not free of charge: consumers pay for them directly or indirectly.

In fact, financial planners must tell you where their salaries comes from.”

The questions related to retirement that usually bring people to a financial planner’s doorstep may include: Am I going to have enough money to live on? Is my employer’s pension plan a good one? Given my retirement goals, how much do I need to save? They want accurate information, to know how much they need to save and what they can or cannot afford.

What services are available?

Whoever the client may be, financial planners have a structured process that is part of their standard practice. The first step is establishing goals and priorities. For example, does the future retiree have children in school? Does he or she want to travel or move to the country? Then, the planner gets the relevant information from the client and from financial agencies, preserving confidentiality. A proper balance sheet is drawn up with a detailed analysis that takes the client’s goals and priorities into account as well as his or her investment profile and tolerance for risk.

A budget is drawn up on the basis of an assessment of income, expenditures and

savings habits, which shows the client’s spending habits. Then the planner analyzes the elements that could prevent the client from reaching his or her goals: a drop in income, changing careers, losing a job, early retirement, disability, death... At the same time, the planner will also look into setting up a pension fund and estate preservation. Then he or she can make recommendations taking legal and fiscal aspects into account. The planner then writes a report, presents it, explains it and does follow-up.

Financial planning gives future retirees a clear view of their current financial situation. With the information at hand, they can make informed choices regarding the savings plan that is best for them. Mr. Boucher explains that the cost of the service varies according to several factors: the complexity of the file, the availability of the information, the client’s preparation, etc., as well as the way in which the financial planner is paid. However, he estimates that you should expect it to take several hours and cost a few hundred dollars.

Recourse if you are dissatisfied

If a client feels that he or she did not receive proper service, or was treated unethically by a financial planner, the client can file a complaint with the Bureau des services financiers, created under the recent *Act respecting the distribution of financial products and services*, which receives consumer complaints. That agency, in addition to the *Chambre de sécurité financière* deals with ethical and fraud-related issues that are submitted to it.

There are 3 types of financial planners

- employees of financial institutions who give advice to members or clients;
- employees of a company that sells financial products and services who help clients choose products offered by the company;
- financial planners who are either self-employed or work in a consulting firm, and who charge fees. They do not sell any financial products.

GENERATIONS CROSSROADS. A TIME TO WORK, A TIME TO REST

An aging population, changes in the job market, psychological and financial planning for retirement — these are all hot topics. In an effort to encourage the different generations to discuss these topics together and to raise public awareness of the importance of financial planning for retirement, particularly among young people, the Régie des rentes du Québec created an exhibition called “Generations Crossroads. A Time to Work, A Time to Rest”, in association with the Québec Musée de la civilisation and other partners.

In addition to a documentary film, the exhibition has a number of interactive elements that are reminiscent of the Snakes and Ladders board game, illustrating the ups and downs of professional life. Visitors are invited to participate in a questionnaire game on topics that range from demography to work and different pension plans. Here is a sample of some of the questions, just to give you a foretaste. Sharpen your pencils!

- 1 What percentage of a worker's income do experts say he or she should have after retirement?
• A) 65% • B) 70% • C) 75%
- 2 What percentage of Canadians in average or high income brackets do official statistics say experience a drop in income after retirement?
• A) 65% • B) 75% • C) 85%
- 3 What percentage of workers will have only federal financial assistance measures and the Québec Pension Plan as sources of income after retirement?
• A) 28% • B) 36% • C) 41%
- 4 A basic retirement income under the Québec Pension Plan can be paid to you (if, of course, you contributed to the Plan) as of:
• A) age 55 • B) age 60 • C) age 65
- 5 What percentage of a worker's average earnings does a retirement pension under the Québec Pension Plan replace?
• A) 15% • B) 25% • C) 35%

- 6 In 1999, what is the monthly maximum of the retirement pension payable under the Québec Pension Plan to new beneficiaries that are age 65?
• A) 689 \$ • B) 704 \$ • C) 751 \$
- 7 The Old Age Security pension is paid by the federal government. What is the monthly amount that all eligible Canadians receive as of 1 January 1999?
• A) 390 \$ • B) 410 \$ • C) 430 \$
- 8 At what age do workers have to start contributing to the Québec Pension Plan?
• A) age 18 • B) age 21 • C) age 25
- 9 What is the proportion of Québec workers who are covered by a supplemental pension plan?
• A) about 40% • B) about 45% • C) about 50%
- 10 On what percentage of your income can you make contributions to an RRSP (provided you do not go beyond the 13 500 \$ ceiling)?
• A) 18% • B) 28% • C) 38%

Answers: 1-B • 2-B • 3-B • 4-B • 5-B • 6-C • 7-B • 8-A • 9-B • 10-A



HONOURABLE
MENTION AT THE GRANDS
PRIX QUÉBÉCOIS
DE LA QUALITÉ

The Régie des rentes du Québec was recently awarded an honourable mention at the Grands prix québécois de la qualité. These prestigious awards are in recognition of the high standards of private and public agencies that have applied the principles of quality in all aspects of their activities and have obtained noteworthy results. This public recognition, which was set up by the Québec government in 1998, highlighted the continued efforts of the Régie and its employees in all levels of the agency over the last few years: leadership, information and analysis, strategic planning, human resources management and development, procedures management, results, client services and client satisfaction.

It's a date

At the Museum

The exhibition “Generations Crossroads. A Time to Work, A Time to Rest.” is presented at the Québec Musée de la civilisation until 12 December 1999. Then it will become a travelling exhibition and will be on tour in Québec museums for at least 2 years, stopping in several Québec towns. The Régie des rentes du Québec, the Québec Musée de la civilisation, the Caisse de dépôt et placement du Québec and the Fonds de solidarité of the Fédération des travailleurs du Québec all worked together to bring about this exhibition.



Québec ■■

For additional information contact:
Musée de la civilisation de Québec
85, rue Dalhousie, Québec
Telephone : 1 418 643-2158 Fax: 1 418 646-9705

On television

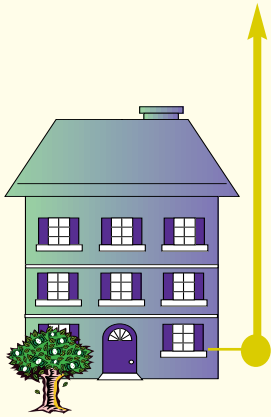
“Generations Crossroads” is also a televised questionnaire game broadcast (in French) on VOX, the new name for the Videotron cable distributor's community channel. The show is usually aired on Tuesdays at 8:30 p.m. and rebroadcast several times a week, depending on the region. Two teams compete in a friendly match each week.

WHERE WILL MY MONEY COME FROM AFTER I RETIRE?

You may as well get used to the idea right now: the lottery ticket that you buy every week may never make you millionaire. To build up your retirement income, you will have to count on the same tools as most of the rest of us: the federal Old Age Security pension, the Québec Pension Plan, supplemental pension plans and RRSPs. Let us take a closer look at the Québec retirement income security system, which is often compared to a 3-storey house.



First Storey: Federal Government Measures



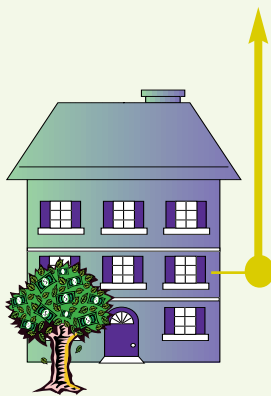
This is the storey where you find assistance measures that are part of society's means for fighting poverty by helping older people whose income is insufficient. The federal *Old Age Security Act* is the source of 3 so-called assistance measures: the Old Age Security pension, the Guaranteed Income Supplement and the Spouse's Allowance.

What is known as the "old age pension" is the first of these measures. It is a set amount paid to all Canadians age 65 or over who meet certain residency requirements. However, part of the payment is recovered if the beneficiary's income is greater than a certain amount, which is set at 53 215 \$ in 1999.

Low-income older persons who receive the Old Age Security pension may be entitled to a Guaranteed Income Supplement. The amount varies according to the beneficiary's income and family situation. The supplement is reduced by 0,50 \$ for each dollar that the person or couple receives from a source other than the Old Age Security pension.

Certain persons between 60 and 64 years of age can benefit from a Spouse's Allowance until they reach 65. To be eligible, you must have a spouse over age 65 who receives an Old Age Security pension, or you must be widowed.

Second Storey: The Québec Pension Plan



As is the case for most private plans, the Québec Pension Plan, which is a public plan, is funded by contributions from both employees and employers. It ensures a basic income following the shift from employment to retirement. If possible, your pension under the Plan must be supplemented by other sources of income because it is equivalent to only about 25% of your earnings, up to a certain maximum (750 \$ a month in 1999).

The Québec Pension Plan is simply a foundation on which to build a retirement income. In return for the money that workers invest in it, they receive financial protection not only for retirement, but also in the event of disability or death. All workers who contribute to it benefit from this protection regardless of the type of job they have or the activity sector of the company for which they work. Self-employed workers and part-time workers are also covered by the Plan and contributions to the Plan can be transferred from one job to another.

considered to have stopped working. This applies to you if you are in one of the following situations: your estimated earnings for the 12 months following your application for a retirement pension are no greater than 25% of the maximum pensionable earnings (that is, the maximum earnings on which you can make contributions, which is 37 400 \$ in 1999); you are on pre-retirement leave, even if you are still on the employer's payroll; or your salary has been reduced by at least 20% under a phased retirement agreement with your employer.

Who is entitled to it?

All persons who have worked in Québec at some point or another since 1 January 1966 will normally have contributed to it and, therefore, are entitled to benefits under the Plan.

The Québec Pension Plan provides for payment of a retirement pension at age 65, but you may be entitled to it as of age 60 if you participated for more than one year and have stopped working or are con-

How much is it?

The amount to which you are entitled varies according to 2 factors: the employment earnings recorded under your name since 1966 (the Québec Pension Plan's first year) and the age at which you begin receiving your pension.

If you retire between 60 and 65 years of age, which is considered to be an early retirement under the Plan, your retirement pension will be reduced by 1/2% for each month remaining before your 65th birthday. However, if you apply for your pension after 65, it will be increased by 1/2% a month, but not by more than 30%. There is a detail worth noting: the Régie des rentes du Québec excludes some months in which employment earnings were low or nil from its calculations. This results in an increased pension because the average pensionable earnings are increased.

Third Storey: Private Pension Plans



This category includes any measures that supplement the Québec Pension Plan: supplemental pension plans (usually referred to as employer pension funds), and registered retirement savings plans (RRSPs).

Supplemental pension plans are set up by employers on a voluntary basis and are funded by employer contributions, and sometimes also by member contributions. The proportion of workers who benefit from such protection is estimated to be about 45%.

Some plans are required to send their members a statement of benefits at least once a year. It contains useful information such as the total contributions you have made to the plan and an estimate of the pension to which you will be entitled. If your plan does not provide for such a statement, the plan administrator can inform you of your benefits.

In order to accurately assess what a supplemental pension plan can offer you when you retire, you must know whether the plan is integrated, that is, whether your supplemental pension will be calculated taking into account your pension under the Québec Pension Plan.

RRSPs were created to encourage workers to save for retirement. RRSPs are an individual or group savings plan in which the income tax payable on the amounts invested plus interest is postponed until retirement. The tax benefits make RRSPs particularly advantageous for those who want to put money aside.

Contributions to an RRSP are subject to the rules set out under the federal *Income Tax Act*. Contrary to amounts in a supplemental pension plan, which are locked-in, amounts accumulated in an RRSP can be withdrawn at any time. However, since they are retirement savings, it is best not to withdraw them before retirement, especially since they would be subject to income tax.

There are 3 choices about what to do with an RRSP when you retire: you can withdraw it, which involves paying a significant amount in income tax; you can purchase a life annuity (a set amount that is paid periodically for the rest of your life) or a fixed term annuity (pension paid for a set period); or you can convert your RRSP to a registered retirement income fund (RRIF) from which you draw an income, provided you make the conversion before 31 December of the year of your 69th birthday. While there is a minimum income, there is no annual maximum income.

The 3 stories of the “retiree’s house” will ensure that you have a comfortable retirement and that a significant drop in your standard of living will not shake its foundations.

A VIDEO ENTITLED

“ Ensemble au fil des ans ”

To get a clear picture, ask for your Statement of Participation

If you would like to know the amount that will be paid to you from the Québec Pension Plan when you retire, you can ask the Régie to send you a Statement of Participation (by filling out the application form on the back of this newsletter). The statement provides information on how much you have contributed to the Plan, the monthly amount of retirement pension that you have accumulated so far, and the amount that you would receive today if you were 65 and you stopped contributing. It also shows how much you will receive each month if you continue to participate in the Plan until age 65.

The Régie des rentes du Québec has produced a video (in French only) that presents the Québec Pension Plan at a get-together in the country in honour of George, who has just retired at 65 years of age. You can borrow the video free of charge from the Régie’s client services centres, the Vidéothèque of the Québec Ministère des Relations avec les citoyens et de l’Immigration, (418 643-5168), and branches of the Videotron SuperClub throughout the province.

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HOW TO REACH THE RÉGIE

For questions concerning the Québec Pension Plan, you can telephone the Régie des rentes du Québec at one of the following numbers:

Québec region: (418) 643-5185

Montréal region: (514) 873-2433

Elsewhere in the province: 1 800 463-5185

 Service for the hearing impaired (TDD/TTY users) : 1 800 603-3540

You can contact the Régie by Internet or by mail:

Internet address: <http://www.rrq.gouv.qc.ca>

Mailing address: Régie des rentes du Québec
Case postale 5200
Québec (Québec) G1K 7S9

You can also go to one of our temporary offices in nearly 60 locations in Québec. The visits are announced in the local newspapers. You can also meet with a representative of the Régie at a client services centre in one of the following cities:

**Chicoutimi
Drummondville
Hull
Montréal
Rimouski**

**Rouyn-Noranda
Sainte-Foy
Sherbrooke
Trois-Rivières**

Québec 
Régie des rentes

WHAT DOES *your future* HOLD?

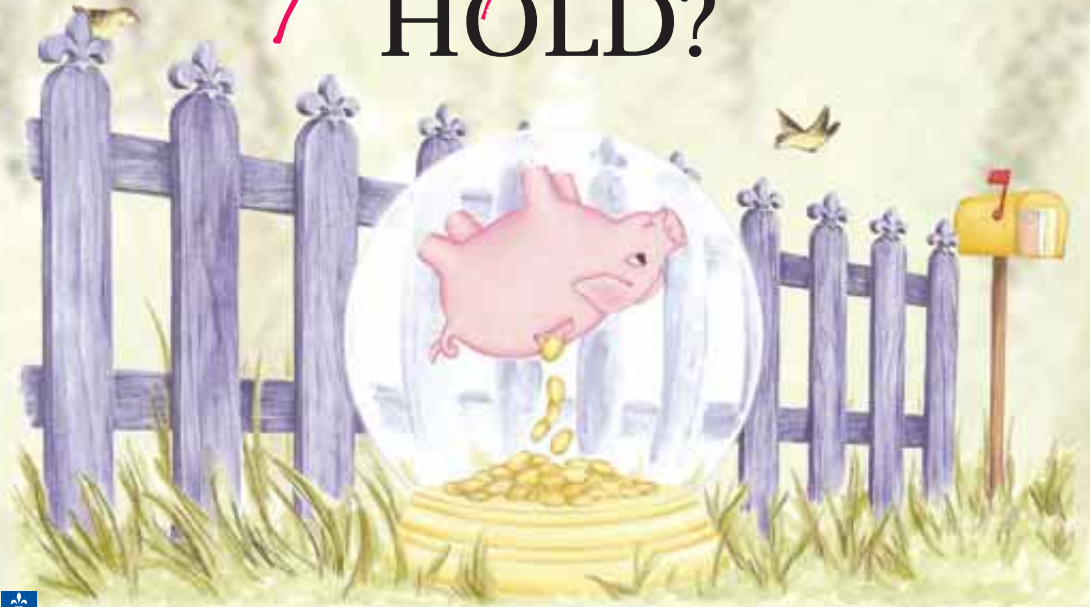
Ask for your
Statement
of Participation

Complete the form
below. Be sure to
sign it.

Send the form to:

Régie des rentes
du Québec

Service aux cotisants
Case postale 5200
Québec G1K 7S9



This form is not a pension application.
Please print.

Application for a Statement of Participation
in the Québec Pension plan

Family name

Given name

Address (number, street, avenue, boulevard.)

Apartment number, post office box, etc.

City or town

Province

Postal code

Telephone number (at home)

Telephone number (at work)

Language of correspondence

English E
French F

Date _____

Signature _____

Have you received family allowances paid **directly to you** for children born after 31 December 1958?
(Allowances are usually paid to the mother.)
If so, provide the given name and date of birth for each child.

Child's given name

Date of birth
year month

1 9 _____

Were there periods during which the family allowances were not paid directly to you?
If so, give the months and years on another sheet.