

# DOFASCO Case Study – *Guaranteed Retirement Income*

## Steve and Liz: Their Situation



Steve and Liz are both 59 and planning to retire. Liz has no company pension and they have no RRSP's. Steve has a Dofasco pension called a Supplemental Retirement Income Plan (**S.R.I.P.**) which supplements his retirement income to the extent that the other sources of his pension, his **FUND** money and Deferred Profit Sharing Plan (**DPSP**) do not provide the income level guaranteed by the company's pension formula. Steve has a total of \$300,000\* in his **FUND** and no money in his **DPSP**.

When they retire at 60, Steve and Liz need \$45,000 a year to cover their expense and maintain their lifestyle. Jim will receive \$18,800\* from **S.R.I.P.** to age 65, then \$3,000\* annually. They will each receive \$7,700\* annually from Canada Pension Plan (CPP) at age 60 and \$6,000\* a year each from Old Age Security (OAS) when they turn 65. From age 60 to 65 this will give them a combined income of \$34,200 a year. From age 65 on Steve and Liz will have a combined income of \$30,400.

## The Challenge:

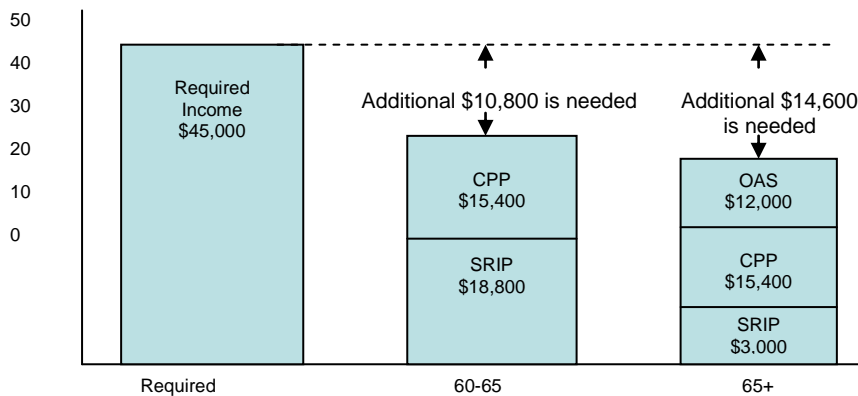
To turn all or a portion of Steve's **FUND** money into a guaranteed source of income that will help them fill the gap between their **S.R.I.P.** pension and government benefits and their anticipated retirement expenses.

To fill the gap of \$10,800 from age 60 to 65 and \$14,600 from age 65 on.

Steve and Liz need a solution that:

- Protects their income from market volatility, but still provides potential for income growth, to help them keep pace with inflation
- Provides a guaranteed predictable sustainable income for life
- Guarantee their future income will grow without risk

Total minimum guaranteed income from SunWise Elite Plus = \$16,050\*\* plus the growth potential of equities to help keep pace with inflation and changes in lifestyle.



## The Strategy:

Create two portfolios. Steve and Liz transfer \$216,000 to SunWise Elite Plus which provides a guaranteed income of \$10,800\*\*. Create a second SunWise Elite Plus portfolio with \$84,000. They will not use the funds in the second portfolio until age 65 so they will receive a 5% guaranteed income bonus each year. Their income will grow by at least \$21,000\*\*. This \$21,000 will provide an additional minimum guaranteed income of \$5,250\*\*. During retirement, SunWise Elite Plus will provide them a guaranteed income equal to 5% of the value of the Lifetime Withdrawal Threshold Amount on December 31 of the year they turn 65. They have insulated their income from market risk and can take advantage of the growth potential of equities to help keep pace with inflation.

*\*All amounts have been rounded and are approximate. CPP and OAS based on 2008 benefits. \*\*Subject to legislated minimum and maximums and certain conditions. Exceed the 5% withdrawal may have a negative impact on future payments. With the guaranteed income for life or Lifetime Withdrawal Amount (LWA), up to 5% of the deposit is available after December 31 of the year the annuitant turns 65. Payment can continue until the death of the annuitant (LWA Annuitant for joint contracts), or termination of the contract. For those who need income before age 65, SunWise Elite Plus guarantees a return of principal in the form of regular withdrawals of up to 5% annually for at least 20 years. Payments end when the Remaining GWB is nil, when the contract is terminated; on the contract maturity date or upon death of the last surviving annuitant.*

**The Result:**

By age 66 Steve and Liz knew they would have an annual minimum guaranteed income from their two SunWise Elite portfolios of \$16,050 - more than sufficient to meet expenses. When Steve turned 65 they found they had benefited from the 5% annual guaranteed income bonus for 5 years on their \$84,000 portfolio and a market reset which increased their guaranteed income by \$8,227 for life. Their investment income was now \$19,027. Over their retirement years (using 1980-2007 historical returns), Steve and Liz saw their investments perform well and their SunWise Elite portfolios provide them \$11,590 additional retirement income for life.

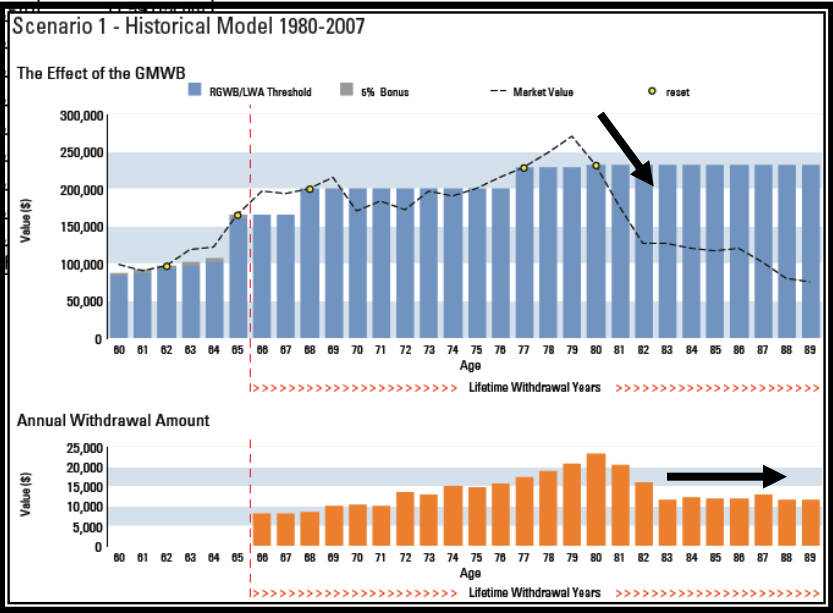
**Summary:** Steve had two portfolios. One had \$216,000 and one had \$84,000. Below is Steve's \$84,000 portfolio in SunWise Elite Plus using 1980-2007 historical returns. Steve retired in April and received a prorated bonus of \$3,150 in year 1 and \$4,200 minimum each year. He started taking his guaranteed annual withdrawal from this portfolio at the end of the year in which he turned 65.

Age	Portfolio Return	5% Bonus	Annual Withdrawals	Market Value	SunWise Elite Plus Guarantee	
					RGWB/LWA Threshold	LWA
60	25.34%	3,150	0	99,085	87,150	4,358 for 20 yrs
61	-8.01%	4,200	0	90,619	91,350	4,568 for 20 yrs
62	8.05%	4,200	0	97,264	97,264	4,863 for 20 yrs
63	21.81%	4,863	0	117,697	102,127	5,106 for 20 yrs
64	4.22%	4,863	0	121,971	106,990	5,350 for 20 yrs
65	35.69%	4,863	0	164,547	164,547	8,227 for 20 yrs
66	25.37%	0	8,227	196,714	164,547	8,227 for life
67	3.28%	0	8,227	193,890	164,547	8,227 for life
68	8.21%	0	8,430	200,321	200,321	10,016 for life
69	13.20%	0	10,016	215,266	200,321	10,016 for life
70	-15.44%	0	10,251	170,714	200,321	10,016 for life
71	14.06%	0	10,016	183,352	200,321	10,016 for life
72	1.61%	0	13,531	171,548	200,321	10,016 for life
73	22.79%	0	12,832	196,438	200,321	10,016 for life
74	4.73%	0	14,910	189,747	200,321	10,016 for life
75	13.73%	0	14,629	199,765	200,321	10,016 for life
76	15.84%	0	15,682	214,405	200,321	10,016 for life
77	15.30%	0	17,131	228,880	228,880	11,444 for life
78	17.38%	0	18,654	248,235	228,880	11,444 for life
79	17.71%	0	20,678	269,899	228,880	11,444 for life
80	-5.15%	0	23,022	231,810	231,810	11,590 for life
81	-14.33%	0	20,263	177,013	231,810	11,590 for life
82	-19.11%	0	15,913	126,159	231,810	11,590 for life
83	10.50%	0	11,695	126,299	231,810	11,590 for life
84	5.78%	0	12,099	120,229	231,810	11,590 for life
85	7.51%	0	11,939	116,110	231,810	11,590 for life
86	14.77%	0	11,994	120,060	231,810	11,590 for life
87	-4.36%	0	12,954	100,946	231,810	11,590 for life
88	-8.01%	0	11,590	80,452	231,810	11,590 for life
89	8.05%	0	11,590	74,462	231,810	11,590 for life

Steve and Liz need to know that:

- They will always receive the higher of the RIF minimum or 5% for life.
- They have guaranteed predictable sustainable income for life without risk
- Growth potential of equities and resets provide locked-in gains and help keep pace with inflation

Despite a decrease in market value late in retirement their annual withdrawal amount was locked-in and guaranteed for life.



For your personalized income strategy contact:  
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Source: SunWise Elite Plus illustrator tool at [www.sunwiseliteplus.com](http://www.sunwiseliteplus.com). See assumption for a full description and rate of return scenarios. Base on 90% equity 10% income asset mix, and an average rate of return of 8.02% after fees. Arrows denotes reset year. RGWB is prior to age 66. LWA Threshold Amount is after age 65.