

Commonly Asked Questions and Answers For New Retirees - From RTO/ERO PEEL

After retirement you still need to develop a comprehensive retirement plan that considers your after-tax income over the next 15-20 years compared with the costs of your goals and dreams. After-tax income needs to be compared to day-to-day living expenses plus medical costs plus debt (if any), plus future car replacements, home repairs, post-secondary expenses, travel plans, weddings, income tax liabilities etc.

1. Does my pension ever increase?

Yes, your pension keeps pace with the CPI (Consumer Price Index) up to 8%, which is added to your pension once a year in January. If it is over this percentage it is banked for future years when inflation is less.

2. Can my pension be reduced?

No. The pension at retirement can't be reduced. It is protected under the Ontario Pension Benefits Act.

3. Can I teach after retirement and not lose my pension?

Yes. You can return to teach (as an Occasional) up to 95 days in each of the first three years. (If the last day, 95th, is early in the month, you can teach to the end of that month.) The years are usually consecutive but don't need to be. After that only 20 days is allowed per year. If you teach one day in a year, then, you have used up one of the years. If you teach beyond the 95 days, you are encouraged to contact OTPP.

A full-time teacher may not be a member of RTO-ERO nor participate in its benefits.

4. Can I do some other form of teaching and not affect my pension?

Yes, you can teach, without affecting the limits in Question 3, if you are employed by an employer NOT contributing to the Ontario Teachers' Pension Plan (OTPP). e.g. some colleges, universities, private schools, out-of-province schools, native schools, international schools, companies and organizations needing teachers.

5. How does my pension change with the Canada Pension Plan?

CPP (Canada Pension Plan) will augment your OTPP income, starting anytime from age 60. If taken at age 60 you must ensure that you meet the eligibility criteria. You must stop working or have low earnings for a 2 month period. The CPP amount is calculated at the time of retirement, then inflation adjusted annually. The Ontario Teachers' Pension Plan (OTPP) percentage reduction at age 65 is listed on your OTPP statement that is available on-line.

6. How do I decide whether to take my Canada Pension Plan at age 60 or age 65?

For most retirees, it is to their financial advantage to take CPP at age 60. An added benefit is that the reduction factor on your Teachers Pension does not apply until age 65. Other factors to consider are: the effect of employment income; income tax considerations with employment income; health and

longevity; and continuing contributions with another employer. Everyone's situation is different and you need to plan ahead for the decision. If the person takes CPP at age 60, the crossover point is about age 77-78 when the person will get less from CPP than if they waited until age 65 to collect CPP. For information on CPP call 1-800-277-9914 or go to www.hrhc-drhc.gc.ca.

7. If I remarry after I go on pension, will the new spouse be eligible for a survivor pension? No, not under the conditions for the first spouse. You can apply for a new survivor pension BUT it is very costly.

8. I have provided my spouse with the automatic 60% survivor pension. If my spouse dies before me, will the reduction continue? Yes, reductions are permanent.

An enjoyable retirement depends on affording your dreams. Financial well-being can be from your income or savings on things such as car purchases, health insurance, travel costs etc. It can also be helpful to keep more of your money through saving on taxes, OAS clawbacks, estate planning, RRSP withdrawal planning, higher return on investments etc. The following questions are a sample of topics that may be of interest to you.

1. Do I know how to maximize my RRSP – when to take it out and how to get it out in a tax efficient manner?

RRSP's later have to be converted to a RRIF (Registered Retirement Income Fund) and mandatory withdrawals made which are taxable. This may push you into a higher tax bracket if CPP is taken at that time? Again, a plan is needed to maximize the beneficial impact of the RRSP – when and how to take it out.

2. Do I know the best way to buy a car or the real cost of financing a car when the dealer says 0%?

Consult your financial advisor on the best way to buy a car as everyone's circumstances are different. Find out the real cost of leasing or dealer financing before you buy a new car. The real cost of buying a car is not 0%.

3. Do I know the difference between a bond and a bond mutual fund in my RRSP or other account? And which is best for me?

A bond can pay directly a coupon rate of interest and also rise and fall in value. A mutual fund holding bonds charges a fee that reduces your income. It may be better to hold the bond (no fee) rather than hold a mutual fund. Note: only securities licensed advisors can sell bonds.

4. Do I know the better alternatives to a GIC for income?

There are a number of alternatives to GICs with higher rates that are guaranteed and not locked in to a time period.

RTO-ERO is always here to help you with your questions.

D 39 First VP - Chris Dodd 905.820.0543 or email crdodd@sympatico.ca

D 39 Pension - Bob Murphy 905.451.8056 or email rjmurphy1@rogers.com

Provincial RTO – 416.962.9463 OTPP – 1.800.668.0105 CPP – 1.800.277.9914

Commonly Asked Questions and Answers *For Teachers Approaching Retirement* **From RTO/ERO PEEL**

1. Just because I am eligible to retire - should I?

Retiring is a complex issue and carries with it a unique set of circumstances. First, you have to be able to afford it. Second, it is an emotional issue - are you emotionally ready? Your retirement planning should encompass a financial plan, a lifestyle plan and an estate plan.

The decision should be made after careful consideration of many issues for the retiree and their family. It is too important to make a mistake.

2. How do I know I can afford to retire?

A retirement plan needs to be developed with your financial advisor considering your future after-tax income from pensions, RRSP/ RRIF/ CPP/ OAS and employment. This is then compared to the cost of your day-to-day living expenses, debt repayment, future expenses (such as car replacements, travel, support for family) and your goals and dreams to determine if your after tax income is enough now and will continue to be enough in the future, after inflation.

3. What is the value to me of working longer?

The answer varies for each person, as individual circumstances are different. The important concept here is that various scenarios should be developed with a qualified financial advisor who is knowledgeable about your pension plan; board benefits; medical benefits and most importantly your family and financial circumstances. These different scenarios will then show you the value of working longer- you can then determine if it is worth doing so.

4. Is the 60% survivor pension choice the best choice for me?

This has to be decided before you retire with the OTPP. The pension plan will default to the 60% survivor pension – but everyone's circumstances are different. You can choose anywhere from 50-75%. The decision should be made looking ahead at the needs of the survivor balanced with the cost of providing that benefit. Your cost of increasing the survivor benefit at 55% or more can be obtained from the OTPP. A retirement plan will assist with making this important decision that, once made, is irreversible.

5. I have provided my spouse with the automatic 60% survivor pension. If my spouse dies before me, will the reduction continue?

Yes, reductions are permanent.

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