

GET THE FACTS



Guaranteed Lifetime Income for Retirement

As you approach retirement, you will likely want to start thinking about ways to use your savings to generate income that will last throughout all your retirement years.

To help protect physicians against the risk of outliving their money, or the danger of an ill-timed market downturn, the Advantages Retirement Plan™ will provide guaranteed lifetime income through deferred annuities, which are not typical annuities available in the retail market. Through our program, you can purchase annuities using existing RRSP savings or new RRSP contributions, once you are age 50 or older.

✓ FACT 1 RISKS TO YOUR RETIREMENT FINANCES



For physicians, the transition from your working years to your retirement years can affect more than just your lifestyle. Your finances also undergo a big transition when you switch from “accumulation” (building up your retirement nest egg) to “decumulation” (turning your saved nest egg into retirement income). Longevity and sequence of returns can be risks to your retirement finances.



Longevity Risk

Longevity risk refers to the possibility of living a very long time in retirement, longer than you have planned for financially.



Sequence of Returns Risk

Sequence of returns risk is the possibility that even if your invested funds achieve the investment growth you're looking for over the long term, a market downturn in the years leading up to or early in retirement (when you start to withdraw funds) will negatively affect how long your funds will last. That is, the order or sequence of returns of your investment returns permanently impacts how much income your funds can generate in retirement.

✓ FACT 2 WHAT IS A LIFE ANNUITY?



One way you can help to protect your retirement income against longevity and sequence of returns risks is through a life annuity – an insurance product that will provide monthly income for as long as you are alive, regardless of what age you live to be.

- **What an annuity delivers is certainty.** In exchange for the premium paid to the life insurance company, a guaranteed amount of income is paid by the insurance company for the insured person's life, regardless of

economic and market conditions over time.

- **An annuity also provides security.** Life insurance companies in Canada are required to hold sufficient capital at all times to secure the benefits they have promised to pay under policies they have issued.

Annuities can either be immediate or deferred. Payments for immediate annuities start right away, whereas payments for deferred annuities start at a later date.

✓ FACT 3 ANNUITY PROVIDER: BROOKFIELD ANNUITY

Brookfield
Annuity

The Investment Committee for the Advantages Retirement Plan™ has selected Brookfield Annuity Company as the plan's annuity provider. Brookfield Annuity was incorporated in 2016 and has a sole focus on annuity solutions. It achieved a 5% share of the Canadian group annuity market in both 2017 and 2018, its first two full years of operations. Brookfield Annuity is a wholly owned subsidiary of Brookfield Asset Management Inc., a global alternative asset manager that currently has over \$500 billion in assets under management.

✓ FACT 4 DEFERRED GROUP ANNUITIES



OMA Insurance uses group purchasing power to negotiate and secure competitive pricing on deferred life annuities for the Advantages Retirement Plan™. Members will be able to purchase life annuities in increments over time. You can choose how much of your retirement income from your RRSP savings you want to guarantee, if any, starting as early as age 50. The plan will shift a portion of your RRSP contributions into the guaranteed lifetime income offering based on your instructions.

The Advantages Retirement Plan™ also takes into account your other sources of retirement income such as government benefits (e.g. CPP and OAS) so that you can see a more holistic picture of how much you may wish to purchase in deferred annuities available to you through the plan. In Canada, most retirees will receive some form of guaranteed income in retirement through the Canada Pension Plan (CPP) and Old Age Security (OAS); both

benefits are paid monthly, indexed to inflation, and will continue for your lifetime.

But you will likely not have enough monthly income during your retirement years if you choose to rely only on CPP and OAS, which is why you may wish to purchase additional guaranteed income for your retirement years. If you were receiving the maximum payment from both CPP and OAS today, in total you would have about \$21,470, per year (~\$14,110 from CPP and ~\$7,360 from OAS, using 2020 benefit amounts).^{1,2} Note that the OAS benefit can be “clawed back” if your income is above a minimum threshold and eliminated completely once your income is above about \$128,100 per year as of 2020.³

1. See <https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-benefit/amount.html>

2. See <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html>

3. See <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html>

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Retirement Plan™

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To learn more about the plan, visit
omainsurance.com/retire