

Your Severance Option

Research Council Employees' Association

Association des employés du conseil de recherché



Fernando Campomar

Division Director

(613) 295-2183

(819) 243-6497 x 268

fernando.campomar@investorsgroup.com

The Plan
by  **Investors
Group™**

Investors Group Financial Services Inc.
Financial Services Firm

This Presentation

- TM Trademark owned by IGM Financial Inc. and licensed to its subsidiary corporations.
- Insurance products and services distributed through I.G. Insurance Services Inc. , Financial Services Firm. Investors Group Guaranteed Investment Funds are segregated fund policies issued by the Great-West Life Assurance Company.
- Investors Group Trust Co. Ltd. is a federally regulated trust company and the mortgagee. Mortgages are offered through I.G. Investment Management, Ltd. Inquiries will be referred to a Mortgage Planning (Agent) Specialist.
- GICs issued by Investors Group Trust Co Ltd., and/or other non-affiliated GIC issuers.
- Commissions, fees and expenses may be associated with mutual fund investments and the use of Symphony Strategic Investment PlanningTM. Read the prospectus and speak to an Investors Group Consultant before investing. Mutual funds are not guaranteed, values change frequently and past performance may not be repeated. Symphony is an asset allocation service which provides a strategic approach to investment planning relating only to Investors Group mutual funds.
- Banking products and services are distributed through *Solutions Banking*TM. *Solutions Banking* products and services are provided by National Bank of Canada.

TM *Solutions Banking* is a trademark of Power Financial Corporation. Investors Group and design are trademarks owned by IGM Financial Inc. and licensed to its subsidiary corporations. National Bank of Canada is a licensed user of these trademarks.

- This is a general source of information only. It is not intended to provide personalized tax, legal or investment advice, and is not intended as a solicitation to purchase securities. Fernando Campomar is solely responsible for its content. For more information on this topic or any other financial matter, please contact an Investors Group Consultant.

The Advantage of world-renowned financial products & services

Investments

- Investors Group Mutual funds
- Third Party Mutual Funds
- Managed Asset programs
- Tax advantage funds
- Portfolios
- RRSPs, RRIFs
- Tax Free Savings Accounts
- RESPs
- GICs
- Annuities
- Investors Group Securities Inc.

Insurance

- Life
- Disability
- Critical Illness
- Long-term Care
- Personal Health Care
- Guaranteed Investment Funds
- Charitable Giving program

Lending

- Mortgages
- Loans, Lines of Credit

Banking

- Chequing, Savings
- Credit Cards

*Symphony Strategic
Investment Planning™*



Photo credit: [Candida.Performa](#)
/ [Foter.com](#) / [CC BY](#) It's all about love...

The Plan
by  **Investors
Group™**

Investors Group Financial Services Inc.
Financial Services Firm



The Plan
by  Investors
Group™

Investors Group Financial Services Inc.
Financial Services Firm

Choices, Choices, Choices

- Immediately Cash Out the Accumulated Severance
- Keep Accumulated Severance
- Blend of Immediate Cash Out and Keeping Accumulated Severance

Timing, Timing, Timing

There is time to decide.

You will have six months to chose your option.

You should become comfortable with the decision you will make; that may take some reflection.

How is the severance calculated?

Your severance is a benefit calculated as one week of pay times each year of employment, based on the rate of pay and up to 30 weeks of salary.

1. If you decide to immediately cash out, your severance will be calculated on your current pay rate
2. If you decide to keep the accumulated service, it will be paid at the salary rate applicable at resignation or retirement

Words of Caution

Severance Pay will no longer accumulate in the case of resignation or retirement

Severance pay will continue to accumulate for employees who are forced to leave the public service due to layoff, death, termination on probation, or because of incapacity or incompetence

Why Should I Choose to Keep the Severance as is?

- If you are planning to receive substantial pay increases through career development, and you are risk averse
- If you are close to retirement, and have many years of pension plan participation prior to 1996
- If you do not have RRSP room and a low debt level
- You are not buying back pensionable service

Why Should I Choose to Keep the Severance as is?

- If, excluding Cost of Living Adjustments, your salary increases at a fast pace:
from \$52,000 to \$88,000 over the next 15 years (69%)
- Then the value of your severance will increase, that equals a return on your severance of 3.57% compounded
- It is difficult for a very conservative investor to equal the rate of return through a principal guaranteed investment

Why Should I Choose to Keep the Severance as is?

Period of employment prior to 1996 is very important when making this decision.

You can transfer to your RRSP at retirement as a rollover \$2,000 per year on a tax free basis, and without using RRSP room AT RETIREMENT OR RESIGNATION

How are we
doing so far?

The Plan
by  *Investors
Group*[™]

Investors Group Financial Services Inc.
Financial Services Firm

Why Take the Immediate Cash Out Option?

- If you are planning to maintain a similar level of income until retirement, and you expect a better result than a guaranteed principal-guaranteed return investment would provide
- If you are planning, expect, or are currently buying back years of service
- If you would like to pay down debt, or a large purchase (be mindful of tax consequences)
- If you have RRSP room
- If your retirement savings could use a boost

Why take the Immediate Cash Out Option?

Current Salary with 15 years of contribution to pension plan: \$52,000

Future Salary at 30 years of contribution to pension plan: \$81,014 at retirement (calculated at COLA of 3% per year)

Future Value of Severance Accrued: \$23,370 vs. \$15,000 today - Present Value of Future Severance \$15,000

Your choice of investment should have a reasonable expectation to outperform inflation

Why take the Immediate Cash Out Option?

Buying Back Years of Service

Contact your HR department to find out value

Transfer the money to an RRSP account, for short term holding of funds

Transfer back from the RRSP account to the Pension Plan to buy back years of service

Options After Decision on Cash Out

- Pay Taxes at your Highest Marginal Tax Rate.
Use the outstanding funds to payoff existing debt or contribute to Tax Free Savings Accounts.
Depending on your MTR, you should count to receive between \$799 and \$536 per thousand
- Keep 100% of the Accrued Severance, but contribute to RRSP accounts (Personal or Spousal)
You can then redeem the amount over a longer period to reduce your tax liability

Why take the Immediate Cash Out Option?

Am I behind on my retirement savings?

Check on your RRSP room on your Notice of Assessment

Itemize your projected retirement expenses

Calculate if your projected government benefits income, your pension plan income, and your RRSP income

Why Chose a Blend of Options

This is an individual decision, and difficult to explain:

If you have some tenure prior to 1996 and you are planning for a retirement in a short time, then this may make sense for your situation:

You can cash out a portion to contribute to RRSPs (provided you have the room) to re-inforce your retirement savings and leave the a portion that will be transferred on a tax-free basis under section 60J of the tax code.

Don't Let your Options Expire

once the time for submitting your paperwork has lapsed, there is a default option: your money will remain as part of the severance to be paid at resignation or retirement.

There will be no more accrual of benefits from then on for future severance payments

Please Open Your Handout

You should be able to identify

- Financial planning articles
- A Personal Financial Review helper
- A Goals and Concerns aide
- Our Blue Sheet