

PENSION INFORMATION BOOKLET

Bakery, Confectionery, Tobacco Workers & Grain Millers Local 154-G



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BAKERY, CONFECTIONERY, TOBACCO WORKERS & GRAIN MILLERS, Local 154-G

PENSION INFORMATION BOOKLET

A Notice for All Members

We would like to remind our members that with our current pension plans you **will** need to seek assistance if you wish to enjoy the best that our plans can offer. There are many services in the market place that would meet your needs and we advise you to seek out and consult **with at least three financial planners before making any decisions about your retirement**; however we wish to inform our members of two organizations that are very familiar with our plans.

Mr. Dan Purdy of Purdy, McCready and Associates and the Kellogg Employees Credit Union, have both been working with our members for many years to help them understand the benefits and savings plans we have available to us as Kellogg's employees.

Dan Purdy has a very clear understanding of the pension plans as well as the Savings and Investment Plan and can help you to clearly understand your options at retirement. Dan is an independent broker who does business with a number of financial institutions and will welcome questions from any of our active members as well as retired members.

Dan Purdy is available to visit you at your home, at the union office or any other convenient location other than the plant. Dan can be reached at his direct toll free line 1-888-234-6643.

The Kellogg Employees Credit Union is a full service financial institution that has been serving the employees of Kellogg's for over 50 years. The Credit Union has licensed financial planners that are fully capable of handling all your pension investment needs including LIF'S or RIF'S. The Credit Union can provide a variety of investment options including a full array of mutual funds. The Credit Union staff is available Monday through Friday to assist you with any questions you have concerning your financial needs.

Again, we stress you seek help with your financial needs before making those important decisions about your pension. Many of these decisions are **irreversible**. It is important that you are comfortable with the person that you entrust with your business because the relationship will be ongoing. Reviews of your financial choices will need to be done annually.

Additionally, we also want to make sure you are aware that your Union has pension representatives that can help you with answers to contractual questions that you may have. The representatives can also give you an idea of what you can expect from the various plans that we have for the retiree. Our representatives are not licensed to give advice but can relay to you the experiences of others that have gone before and are aware of the many rules and regulations that surround our plan and the products available to you at retirement.

This retirement preparation handbook contains helpful information for those of you who are considering retirement. Information ranging from Canada Pension, OAS, LIF'S & RIF'S, a new pension calculator and much more is available in this handbook.

This BCTGM, Local 154-G Pension Information Booklet is designed to dispense information.

This information is subject to change. Anyone relying on this information should satisfy himself/herself as to the most current version. The user agrees to accept all risks and consequences flowing from or related to the use, retention, distribution, alteration, or deletion of this information. BCTGM, Local 154-G will in no instance be liable for any loss or other damage, including but not limited to special, incidental, consequential, or other damages, even if apprised of the likelihood of such damages.

Things to Remember Once You Commit to Retirement

Benefits Upon Retirement: If you retire at age 65 **Extended Health Care and Out-of-Province/Out-of-Canada benefits** will continue for you and your eligible dependants, provided you have completed 10 years' of service.

If you retire before age 65 (55-64) **Extended Health Care, Out-of-Province/Out-of-Canada and Dental Care benefits** are continued at no extra Premium cost to you and your eligible dependants, provided you have completed at least 25 years' of service. Dental Care benefits end when the retiree attains age 65.

If you retire and have completed 20 years of service, your **Extended Health Care and Out-of-Province/Out-of-Canada benefit Premium costs** will be fully paid for you, with a cost shared 50/50 for your eligible dependants until age 65. At age 65, this benefit is fully paid by Company.

If you are 62 and have completed 10 years' of service your **Extended Health Care and Out-of-Province/Out-of-Canada Premium costs** will be fully paid for you, with a cost shared 50/50 for your eligible dependants until age 65. At age 65, this is paid fully by Company.

Your **Extended Health Care, Out-of-Province/Out-of-Canada and Dental Care benefits** are governed by the Collective Agreement under which you retired and will not change.

Bridge Benefit: The "bridge" benefit is not a lifetime payment; it continues only to the earlier of either your age (65) or your death. It is not payable after age 65 and your spouse is not entitled to receive the bridge benefit if you die prior to age 65.

Company Provided Life Insurance: You should be aware that you have 30 days from the date of retirement to convert any of the "basic" and "optional" group life insurance policies (currently with Great West Life) to your own personal life insurance policy with Great West Life.

If you have health problems and are not insurable this is an important consideration because no medical evidence is required to convert this coverage.

Company Stock Options: Once you have retired it is very important to remember that the stock options that have been issued for you have **one year (from date of retirement) to be exercised**. If you do not exercise your options, you will lose any value that the options might have had. It is important to keep in mind that this applies only to the "**stock options**" which have not yet expired, not to your personal company stocks that you may have purchased.



Personal Profit Sharing Pension Plan, Kellogg's Pension Plan Prior to January 1,

1980: If you were hired by Kellogg Canada before 1980 and have remained as an active employee since, you may have money in the Profit Sharing Pension Plan. Contributions to this plan stopped in 1980 and the Defined Benefit Pension Plan and Retirement Savings & Investment Plan have since been introduced.

Kellogg Canada Inc. petitioned the Financial Services Commission of Ontario for full windup of this plan. The Financial Services Commission of Ontario gave their approval to windup this plan effective June 30, 2006 and all employees affected were given the required documents to transfer their funds to an institution of their choice. This Plan has been wound up and closed.

Personal Profit Sharing Early Retirement Subsidy: Members who started with the company before 1980 may be entitled to an early retirement subsidy. If you were with the company prior to 1980 and were part of the old profit-sharing pension plan you may receive an extra pension amount should you retire before age 65.

The subsidy amount you may be entitled to will depend on the formula used. The formula calculation includes years of service and the amount of money you had (in the old plan) when the calculations were done in the 1980's. If you do qualify for an amount it will be added to the new pension plan amount that you are entitled to and then any adjustment for guarantees to your new pension will be made.

You will be entitled to receive the subsidy amount for the rest of your life and your spouse will continue to receive the predetermined survivor amount in the event of your death.

Job Discontinuance Severance / Retiring Allowance Rollover: If you are eligible for any job buyouts now or in the future the best way to defer paying income tax on the buyout money is to roll the allowance into your RRSP.

The basics for a retiring allowance rollover.... They can be transferred to a Registered Retirement Savings Plan (RRSP) to defer tax. This is **in addition** to the normal limits for RRSP contributions. A portion of a retiring allowance may be transferred to an RRSP.

An individual may transfer up to \$2,000 for each year of service before 1996 plus up to \$1,500 for each year of service before 1989 in which no pension or deferred profit-sharing plan benefits were earned.

The 1995 **budget** eliminated the rollover for years of service after 1995 given the maturation of pension plans and the ability to carry forward unused RRSP limits. Most senior members will likely have much more room available than any buyout amount, which means that you should be able to defer tax on this money until you need the income.



Retirement Savings and Investment Plan (S & I): The money you have in the S & I plan (currently with Sun Life Alliance) is divided into two main Plans. Within these two plans the monies invested may be divided into several investment (Funds) accounts.

You have a **Registered Retirement Savings Plan (RRSP)** account. That money will represent the money that has been payroll deducted from your pay and invested as per your direction.

You have a **Deferred Profit Savings Plan (DPSP)** account. The DPSP will represent the money that was the company match on your payroll deduction (80% to maximums) and invested as per your direction.

You may also have a **Spousal RRSP Account**. This will be money that has been directed into a spousal RRSP account with your spouse as the annuitant. Your spouse should be the one receiving this statement. Any money in a spousal account will represent payroll deduction amounts that you had requested be put into a spousal account and invested as per your spouse's direction.

There are some rules regarding drawing income from your spousal RRSP's which you should be aware of. Once you have stopped contributing to any and all of your Spousal RRSP you will need to have 3 full years pass by before your spouse can draw monies out and not be added to your income. If you do withdraw money before the 3 years elapse, the taxes will be attributed back to you.

Your Retirement Savings & Investment Plan Money:

The money you have in your S & I Plan can remain in the investment fund plan (currently with Sun Life Alliance) until you are ready to move it. When you want to you may move the investments with help of any advisor and Investment Company of your choice. You may receive income immediately at retirement or roll your money into RRSP's and Locked-in RRSP's any day after retirement. When you are ready to withdraw income from these sources you may choose to either buy an annuity or start a RIF/LIF schedule with the investment firm or company you are with. You may also reinvest funds in another firm or company.



Contribution Limits for RPP, RRSP, DPSP

Contribution limits for registered plans are on the rise. On February 18, 2003, the federal government proposed contribution limit increases related to *Registered Pension Plans (RPP)*, *Registered Retirement Savings Plans (RRSP)* and *Deferred Profit Sharing Plans (DPSP)*. The proposed changes will give investors greater opportunities to increase their long-term savings.

Make sure you review your limits. Contributions made to your DPSP and/or RPP will affect the amount you can contribute to your RRSP for the following year.

For example, in **2006** if:

Your total RPP (Pension Plan) contributions (by your employer) = \$5000 and
Your total DPSP contributions (by your employer) = \$1500 then

Your total RRSP contribution room for **2006** = (Allowable limit*) minus \$6500

The "Allowable limits" for registered retirement savings plans (RRSP) will increase as follows:

<u>RRSP</u>		
	2007	\$19,000
	2008	\$20,000
	2009	\$21,000
	2010	\$22,000

You will also see increases to the maximum pension limit (\$1,722 per year of service) for Defined Benefit RPP:

<u>Defined Benefit RPP</u>		
	2007	\$2,222
	2008	\$2,333
	2009	\$2,444
	2010	Indexed**

Contribution limits to Deferred Profit Sharing Plans (DPSP) will increase as follows:

<u>DPSP</u>		
	2004	\$8,250
	2005	\$9,000
	2006	Indexed**

Remember — it's your responsibility to know your contribution limit of your RRSP. If you don't know what this amount is, refer to your "Notice of Assessment" that you received from the Canada Customs and Revenue Agency (CCRA) after you filed your income tax return last year. If you have additional questions, visit CCRA's website at www.ccra-adrc.gc.ca.

*Your allowable limit would be 18% of your previous year's earned income, subject to the current year's RRSP dollar limit.

****The limits will be indexed to average wage growth for subsequent years.**



Calculating Pension Credits – Basic Concepts

Tax-assisted retirement savings arrangements are designed and administered to provide income to individuals at retirement. Using these arrangements, Canadians can get tax assistance to build their retirement savings. The system is based on an overall limit of 18% of an individual's earned income, to a dollar maximum. The overall limit applies to **total** retirement savings under employer-sponsored registered pension plans (RPPs), and deferred profit sharing plans (DPSPs), and registered retirement savings plans (RRSPs).

Each DPSP and each provision of an RPP produce a **pension credit** for the member. The pension credit is a measure of the value of the benefit earned or accrued during the calendar year. The method you use to calculate pension credits depends on the type of plan and provision. A member's **pension adjustment (PA)** is the total of that member's pension credits from all plans in which the member's employer participates in the year, excluding RRSPs. The PA reduces the maximum amount that a member can deduct for contributions to an RRSP for the **following** year. The first year in which PAs had to be calculated was 1990. There are no PAs for earlier years. The first year that RRSP deduction room was reduced by PAs was 1991.



Canada Pension Plan (CPP) & Old Age Security (OAS)

Are You Living in a Same-Sex or Opposite-Sex Common-Law Relationship?

Changes to the **Old Age Security Program** and the **Canada Pension Plan** may affect your benefits. As a result of the changes that took effect on July 31, 2000:

- Same-sex common-law partners have the same benefits and obligations as opposite-sex common-law partners.
- The definition of a common-law couple, whether opposite-sex or same-sex, is two people who have been living together in a conjugal relationship for at least one year.

How the Above Changes May Affect Your Benefits

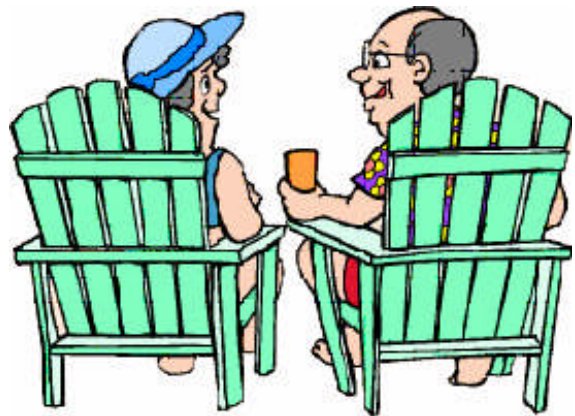
If you are single, married or already receiving benefits on the basis of a common-law relationship, your eligibility is not affected.

If you are in a common-law relationship, and you are receiving benefits as a single, your benefits could be affected.

When You Should Contact Us

Contact us if you are unsure what our records say about your marital status.

If you need to have your marital status confirmed or changed, it is important that you contact us immediately so that we can make sure you receive the correct benefits. By contacting us quickly, you reduce the chance that you will be overpaid and have to repay part of your benefits. We will also be able to help you and your partner apply for any additional benefits for which you may now qualify.



N.B.: It is important that couples record their marital status in the same way for all benefits. If you do not report your common-law relationship for the Guaranteed Income Supplement (GIS) or the Allowance, it may affect your or your partner's eligibility for other benefits in the future (e.g., CPP survivor benefits).



Canada Pension Plan (CPP)

You can apply for Canada Pension as early as age 60 as long as you have retired before you apply. You can defer starting Canada Pension to as late as age 70. The longer you wait to receive CPP the more your monthly payments will be.

We recommend that all members take the CPP as soon as they qualify; deferring your income from your own RRSP's makes more sense if there is not a need for the income.

There is far too much information to provide in this summary such as benefit splitting with a spouse, survivor benefits and more. We have included in this handout a copy of the basic CPP application for your convenience along with phone numbers and **Human Resource Development Canada (HRDC)** office locations.



HOW TO CONTACT US	DOCUMENT CHECK LIST		
<p>In Canada or the United States, call:</p> <p>1 800 277-9914 (for service in English) 1 800 277-9915 (for service in French) 1 800 255-4786 TTY/Teletypewriter Users Only</p> <p>For general information on Income Security Programs, visit our Internet site at: http://www.hrdc-drhc.gc.ca</p> <p>ONTARIO (Scarborough) Human Resources Development Canada P.O. Box 5100 Postal Station "D" Scarborough, ON M1R 5C8</p>	Documents You Need to Provide		
	Evidence of Birth	You need to provide your Birth or Baptismal certificate and your spouse's or common-law partner's Birth or Baptismal certificate.	
	Marital Status	If you are married	
		You need to provide your Marriage Certificate. If this document cannot be provided, please contact us to obtain the form titled " Statutory Declaration of Legal Marriage (Income Security Programs Statutes) ".	
	Social Insurance Number	If you are in a common-law union	
If you and your common-law partner live in a common-law relationship, or if you and your spouse lived in a common-law relationship prior to your marriage, please contact us to obtain the form titled " Statutory Declaration of Common-law Union (Income Security Programs Statutes) ".			
Indicate your Social Insurance Number on all documents before sending them to us (except originals).			
If you already provided us documents to the Canada Pension Plan or Old Age Security Program, you do not have to provide them again.			



When Do You Want Your CPP Pension to Start?

You can start to receive your retirement pension at any time between the ages of 60 and 65, at the age of 65, or after the age of 65.

Between the Ages of 60 and 65	At the Age of 65	After the Age of 65
Between the ages of 60 and 65, the amount of your pension will be reduced by 6% for each year you are under age 65 (0.5% for each month). The maximum reduction is 30%. Please be aware that if you decide to receive your CPP pension before age 65, the reduced rate continues and is not re-adjusted to a full pension amount once you turn age 65.	At the age of 65, there is no need to stop working or have low earnings from work. If you choose to receive your pension at 65, it will start the month after your 65 th birthday.	After the age of 65, there is no need to stop working or have low earnings from work. If you choose to receive your pension after the age of 65, the amount of your pension will be increased by 6% for each year you are over the age of 65 (0.5% for each month), up to 30% at the age of 70.

Applying for your CPP Retirement Pension

HRDC suggests that you **apply approximately 6 months** before you want your pension to start.

If you want your pension to start before age 65, please note that the government can only start paying you the month after they receive your application.

After the age of 65, the government can pay your pension back up to 11 months from the date they receive your application, but no earlier than the month after your 65th birthday.

Taxes and your Pension

Your CPP retirement pension is **taxable**. The government will not deduct income tax from your monthly payment unless you request it. Once they have approved your pension, they will send you a letter stating the amount of your pension. It will give you information on how to request tax deductions.

Birth Documents

If you have never applied for or received benefits from the CPP or the Old Age Security program, you must send a certified photocopy of your birth or baptismal certificate.

When you send the documents, send certified photocopies rather than the originals.

If you send your **original documents**, send them by **registered mail**. They will return all the original documents to you.



Photocopy of an Original Document

The government can only accept a photocopy of an original document if it is readable and if you have someone certify that it is a true copy of the original. The staff at any **Human Resource Center of Canada (HRCC)** will photocopy the documents and certify them for free. If you cannot visit an HRCC office, you can ask one of the following people to certify your photocopy:

- Accountant;
- Doctor, dentist, chiropractor, pharmacist;
- Manager of a financial institution; or
- Official of a federal or provincial government.

If none of these people can certify your photocopies, please contact HRDC.

People who certify photocopies have to compare the original document to the photocopy, state their official position or title, sign and print their name, give their telephone number and indicate the date they certified the document. They also must write the following statement on the photocopy:

**This photocopy is a true copy of the original document
which has not been altered in any way.**

If a document has information on both sides, both sides must be photocopied and certified.

You cannot certify photocopies of your own documents, and you cannot ask a relative to do it for you.

Please write your social insurance number on any photocopy that you send.

Disability

If you are under the age of 65 and cannot work because of a severe medical condition, you may be eligible for a CPP disability benefit. For more information contact HRDC.

Incapacity

If due to a medical condition, you were unable to apply earlier or to ask someone to apply on your behalf, please contact us to obtain a form called “**Declaration of Incapacity**” to be completed. This may allow you to receive your pension with an earlier start date.



CPP Schedule for 2007

January - December 2007

Canada Pension Plan rates are adjusted every January if there are increases in the cost of living as measured by the Consumer Price Index. The table below lists the maximum and average monthly rates for Canada Pension Plan benefits for 2007.

Canada Pension Plan Payment Rates		
Type of benefit	Average monthly benefit (October 2006)	Maximum Monthly benefit (2007)
Disability benefit	\$772.88	\$1,053.77
Retirement pension (at age 65)	\$473.09	\$863.75
Early at age 60 = 70%	\$331.16	\$604.62
Survivors benefit (under age 65)	\$347.89	\$482.30
Survivors benefit (age 65 and over)	\$293.75	\$518.25
Children of disabled contributors benefit	\$200.47	\$204.68
Children of deceased contributors benefit	\$200.47	\$204.68
Combined survivors & retirement benefit (pension at age 65)	\$667.48	\$863.75
Combined survivors & disability benefit	\$911.00	\$1,053.77
Death benefit (max lump sum)	\$2,227.82	\$2,500.00



Sharing Your Pension for Possible Tax Savings

What Does “Pension Sharing” Mean?

Married or common-law partners who are together (not separated or divorced), who are both at least 60 years of age, and who receive Canada Pension Plan (CPP) retirement pensions can share their pension benefits on the portion of the benefit earned during their time together.

This may result in tax savings. If only one is a CPP contributor, they share that one pension. The overall benefits paid do not increase or decrease with pension sharing. **You must apply to share your pension.**

How Does Pension Sharing Work?

Pension sharing adjusts the amount of the monthly retirement pension each spouse/common-law partner receives from the CPP. The following example explains how it works.

Pat and Jean have been living together in a common-law relationship since 1979. They are both over 60 and both receive a CPP retirement pension.

Jean’s monthly retirement pension is \$400. Of that, \$100 is based on income earned before moving in with Pat; this amount will not be affected by a pension-sharing arrangement. The other \$300 is based on income earned during their relationship.

Pat was not working before this relationship. Pat’s monthly retirement pension of \$550 is based entirely on income earned while living with Jean.

Their pension payments, added together, total \$950. After subtracting the portion of Jean’s pension that is based on income earned before moving in with Pat (\$100), their “shareable” pension amount is \$850. With pension sharing, they would each receive half of \$850, or \$425. In addition to the \$425, Jean would also receive the \$100 that is based on earnings prior to this relationship with Pat. Jean’s total monthly CPP payment would be \$525, while Pat’s would be \$425.

Their T4 slips will show the amount each received during the previous year and will be used when calculating their income tax.

How Do You Qualify?

To qualify for pension sharing, at least one of you must be a CPP contributor. You and your spouse/common-law partner must also:

- Both be at least 60 years old;
- Apply for or already be receiving a CPP retirement pension; and
- Apply for pension sharing.

T4 Slip Parameters

RCT No: []

Pension Plan No: []

T4 No: [] (000001 to 999999)

Footnote: []

Copy 1 (3-up)
 Copies 2,3,4

All Cost Centres
 Only CC: []

All Employees
 Employee#: [001]
 Select paycode: []

Cancel OK



What Documents Do You Need to Provide?

The documents required will depend on when you apply. If you apply for pension sharing at the same time as you apply for your retirement pension, you will need:

- Your original birth or baptismal certificate,
- Your social insurance number,
- Your original marriage certificate or proof of your common-law relationship, and
- Your spouse/common-law partner's birth certificate (if he or she is not already receiving a CPP retirement pension).



If you and your spouse/common-law partner are already receiving CPP retirement pensions, only your original marriage certificate or proof of your common-law relationship is needed. This is because you would already have supplied the other information to the CPP when you applied for your pension.

When Will Your Pension Sharing End?

If you are married, your pension-sharing arrangement will end if you and your spouse separate or divorce, or if one of you dies. If you are living in a common-law relationship, the pension-sharing arrangement will end if your common-law union ends or if either partner dies. The pension-sharing arrangement will also end if both of you request that it be cancelled.

Please note: The Quebec Pension Plan also has a provision for pension sharing, but with different eligibility requirements. If you are receiving a retirement pension from the Canada Pension Plan and your spouse/common-law partner is receiving a retirement pension from the Quebec Pension Plan, you may still apply. Your eligibility for pension sharing will be based on the legislation for the respective plans.



Old Age Security (OAS)

Old Age Security (OAS): Old age security starts for most Canadians at age 65. This benefit should start for you at the same time as your Bridge Benefit is stopping.

There are claw backs to be aware of for higher income earners after age 65. We have included in this handout information regarding OAS and who qualifies.

Who Can Receive the Old Age Security Pension?

We look at two things to determine if you can receive the Old Age Security pension: your age and your years of residence in Canada.

If you fall into either of the categories below, you may be eligible to receive the Old Age Security pension.

Category 1 - People living in Canada

- You are 65 or older.
- You live in Canada and are a Canadian citizen or a legal resident at the time your pension is approved.
- You lived in Canada for at least 10 years after reaching age 18.

Category 2 - People living outside Canada

- You are 65 or older.
- You left the country and you were a Canadian citizen or a legal resident of Canada when you left.
- You lived in Canada for at least 20 years after reaching age 18.



If you do not fall into either of these two categories, you may still qualify for a pension since Canada has social security agreements with many countries. If you have lived in one of these countries or contributed to its social security system, you may qualify for a pension from that country, from Canada or from both countries. For more information, contact us or see International Benefits.



Applying for the Old Age Security Pension

When Should I Apply?

You should apply for the Old Age Security pension **six months** before you turn 65. Normally, you must apply on your own behalf. If you are applying for someone else, please contact us for more information.

How Do I Apply?

You can print an application kit from the HRDC Forms Web site you can call our office free of charge at 1-800-277-9914 or 1-800-255-4786 (TTY/TDD) to request that a kit be mailed to you. The kit contains detailed instructions to help you apply for the Old Age Security pension, including where to send the completed application form.

What Documents Will I Need to Provide?

Depending on your situation, you will have to provide up to two kinds of documents with your application:

- **Birth or baptismal certificate** - Normally, you have to prove that you are at least 65 years old by submitting a birth or baptismal certificate. You do not have to provide these certificates if you applied for a benefit under the Canada Pension Plan and sent one of these documents at that time. If you cannot obtain one of these certificates, contact us for information about other documents that may be acceptable.
- **Citizenship or immigration documents** - If you were not born in Canada, you must submit proof of your legal status in Canada such as citizenship or immigration documents. If you have not lived continuously in Canada since age 18, you must submit proof of all the dates you arrived in Canada and when you left. Usually, you can do this with a passport.

The application kit contains more detailed information about these requirements.



How is My Old Age Security Benefit Calculated?

The Old Age Security pension is like a large pie divided into 40 equal portions. If you qualify for the "full pension," you are entitled to receive all 40 portions each month. If you qualify for a "partial pension," you will receive some, but not all, of the 40 portions each month. Whether you qualify for a full or partial pension depends on how long you've lived in Canada. See below for more details.

Full Pension

Normally, if you meet the conditions in either of the two categories below, you qualify for a full pension:

Category 1 - You meet the one condition below

- You lived in Canada for at least 40 years after turning 18.

Category 2 - You meet the three conditions below

1. You were born on or before July 1, 1952.
2. Between the time you turned 18 and July 1, 1977, you lived in Canada for some period of time.
3. You lived in Canada for the 10 years immediately before your application was approved.

If you have not lived in Canada for all of these last 10 years because you gave up residence here at some time, you may still qualify for a full pension if you meet both conditions below:

- You lived in Canada for the year immediately before your application was approved.
- Prior to these last 10 years, you lived in Canada after age 18 at least 3 times as long as the total of your absences during the last 10 years.

Partial Pension

If you don't qualify for the full pension and you meet the conditions in either of the situations below, you may qualify for a partial pension. Once a partial pension is approved, the number of portions of the "pie" that you will receive can never be increased. You will, however, qualify for any cost-of-living increases.

Consult the Old Age Security Payment Rates for current rate information.

How Much is a Partial Pension?

For each complete year of residence in Canada after age 18, you earn 1 of the 40 portions available in the pension. In other words, if you lived in Canada for 10 years after age 18, you would qualify to receive 10 portions which is equal to one-quarter of the full pension.



Receiving Your Old Age Security Pension

When Will I Begin Receiving My Old Age Security Pension?

You must apply to receive your pension. Usually, your Old Age Security pension will begin either on the month after you have met the residence requirements or the month after your 65th birthday, whichever comes later.

If you apply after age 65, you can receive a back payment to cover up to 11 months plus the month in which we receive your application. For example, if you apply for the pension when you turn 66, you would receive a back payment for 12 months of benefits. The back payment is calculated from the month that we receive your application.

When Do Payments Arrive?

Payments usually arrive in the last three banking days of each month. If your payment is more than a week late, or if you lose your payment, please contact us.

Can You Send the Payment to My Bank?

Yes. Normally, we deposit your pension payment directly into your bank account either in Canada or the United States through our Direct Deposit service. Although payment by cheque is possible, Direct Deposit offers several advantages:

- Your deposit will always be on time and you can start using the money and earning interest immediately.
- Your payment can never be lost, stolen or damaged.
- Your pension will automatically be deposited into your account if you are ill, on vacation or travelling.

Contact us to learn more about this free service. If you wish to sign up for the service, you can do so over the telephone. Be sure to have this information when you call:

Personal Information

- your Social Insurance Number;
- your telephone number, including area code; and
- your current residential address, including the postal code.

Banking Information

- the name of your bank or financial institution;
- the branch number of the bank; and
- your bank account number.

If you have a chequing account, you can find the banking information on your cheque.



What Happens if I Move?

If you are planning to move, you must contact us to tell us your new address and postal code as soon as possible. This will allow us to update our records and make sure that your payment gets to you on time. Even if your payments are deposited directly into your bank account, we still need to know your new address so we can send you important information and your yearly income tax slip.

Can I Receive My Pension Outside Canada?

Usually, we can send you your payment outside the country for as long as you want if:

- You lived in Canada for at least 20 years after reaching age 18; or
- You lived or worked in a country that has a social security agreement with Canada and are considered to meet the 20-year residence requirement.

If you do not fall into either of the above categories, we can only send your payments outside Canada for the month that you leave, and for six months after that. For example, if you left Canada in January, we would send payments until the end of July.

After July, the payments would stop. If you plan to be absent from Canada for more than six months, you must call us well before you leave. If you return to live in Canada, contact us on your return and we will start your payments again from the month of your return. Whether you are living in Canada or abroad, all payments are in Canadian dollars.

If you return to live in Canada, contact us on your return and we will start your payments again from the month of your return. Most recipients will receive their cheque in the local currency of their country of residence.

Will I Get Cost-of-Living Increases?

We will increase your pension payments to reflect any increases in the cost of living as measured by the Consumer Price Index. We make any necessary adjustments every three months-in January, April, July, and October.

The Old Age Security pension will not go down if the cost of living falls.

Consult the Old Age Security Payment Rates for current rate information.

Will My Pension Ever Stop?

If you have not lived in Canada for at least 20 years after turning 18, we will stop your pension if you are out of the country for more than six months. We will also stop the pension when you die but it is important that you instruct someone to notify us.



Old Age Security Benefit Payment Rates

The following chart shows the **maximum and average** monthly rates for Old Age Security (OAS), Guaranteed Income Supplement and the Allowance, as well as the maximum annual income to be eligible for these benefits.

For detailed monthly rates, please refer to the **Tables of Rates** for Old Age Security, Guaranteed Income Supplement and the Allowance.

Old Age Security benefit rates are reviewed in January, April, July and October to reflect increases in the cost of living as measured by the Consumer Price Index.

The term "spouse" includes a common-law partner.

Pensioners are not eligible for benefits if their income, or the combined income of them and their spouse, is more than the maximum income shown on the chart.

The Allowance stops being paid at \$27,600 while the GIS stops being paid at \$35,712.

Old Age Security Benefit Payment Rates January - March 2007				
Type of Benefit	Recipient	Average Monthly Benefit (October 2006)	Maximum Monthly Benefit	Maximum Annual Income
Old Age Security Pension	All recipients	\$467.21	\$491.93	See note
	Single person	\$418.87	\$620.91	\$14,904
Guaranteed Income Supplement	Spouse of pensioner	\$261.30	\$410.04	\$19,728
	Spouse of non-pensioner	\$406.46	\$620.91	\$35,712
	Spouse of Allowance recipient	\$337.29	\$410.04	\$35,712
Allowance	All recipients	\$354.69	\$901.97	\$27,600
Allowance for the survivor	All recipients	\$559.05	\$999.81	\$20,064

Note: Pensioners with an individual net income above \$63,511 must repay part or the entire maximum Old Age Security pension amount. The repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when a pensioner's net income is \$102,865 or above.



Are You Receiving a Pension from the Government of Canada?

Do You Live Outside Canada?

If so, please read on for some important information about your pension.

Your monthly Old Age Security (OAS) and Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits may be subject to a Canadian income tax called the “non-resident tax.”

How Does this Tax Work?

Non-resident tax is withheld from monthly OAS, CPP and QPP payments to beneficiaries living outside Canada. Normally, the tax rate is 25 percent.

It may differ if Canada and your country of residence have signed an income tax treaty.

Can I Reduce the Amount of Tax Withheld?

You might benefit from being taxed at the same rate as Canadian residents. If you choose the Canadian tax rate, you may be able to reduce the amount of tax withheld.

How Do I Change My Tax Rate?

You must complete the NR5 form, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*. To obtain this form, contact the Canada Revenue Agency.

Mail your completed NR5 form to the Canada Revenue Agency before October 31st. This will ensure that any reductions will start with your January payment(s). If you just started receiving pension benefits and wish to be taxed as a Canadian resident, you should submit this form as soon as possible.

Please note:

If you have a high income (a net world income exceeding \$62,144 for 2006) and receive Old Age Security benefits, you may also be subject to the OAS recovery tax. Information about this tax is available in a separate fact sheet for OAS pensioners living outside Canada (publication number: ISPB 216).

The total of the non-resident tax and the OAS recovery tax cannot be more than the amount of OAS benefits you receive.



Non-Resident Tax Rates by Country

Canada has tax treaties with some countries that affect the amount of non-resident tax withheld. This table shows the tax rate that applies to your country of residence.



Country of Residence					OAS benefits	CPP of QPP pension	CPP or QPP death benefit
Argentina	Hungary	Malta	Poland	Zambia			
Bangladesh	Israel	Mexico	Spain	Zimbabwe			
Barbados	Ivory Coast	Norway	Sri Lanka				
Bulgaria	Kenya	Papua-New Guinea	Tanzania				
Germany	Malaysia	Peru	Trinidad & Tobago				
Australia					15%	15%	15%
Brazil					25% or 0%*	25% or 0%*	25% or 0%*
Cyprus					15%*	15%*	25%*
Dominican Republic					18%	18%	25%
Ecuador					15%*	15%*	25%
Finland					20%	20%	25%
Ireland					15%	15% or 0%*	15%
Italy					15%*	15%*	25%*
Netherlands					25%	15%	25%
New Zealand					15%*	15%*	15%*
Philippines					25%*	25%*	25%*
Portugal					15%*	15%*	25%
Romania					25% or 15%*	25% or 15%*	25%
Senegal					15%*	15%*	25%
United Kingdom of Great Britain and Northern Ireland					0%	0%	25%
United States					0%	0%	0%
All other countries					25%	25%	25%



Are You Receiving An Old Age Security (OAS) Pension?
Is your income over \$62,144?
Do you live outside Canada?

If so, please read on for some important information about your Old Age Security (OAS) pension.

In accordance with the *Income Tax Act*, if your net world income exceeds \$62,144 (for 2006), you may have to repay part or all of your pension.

How Do I Know if the Recovery Tax Applies to Me?

You must pay the recovery tax if:

- your annual net world income is more than \$62,144 (for 2006, in Canadian dollars); and
- you live in a country where the non-resident tax on Canadian pensions is 25 percent.

How Do I Calculate the Repayment Amount?

Your repayment calculation is based on the difference between your income and the threshold amount for the year. The first step is to figure out how much higher your income is than the threshold. You must repay 15 percent of that amount.

For example:

The threshold for 2006 is \$62,144.

If your income in 2006 was \$75,000, then your repayment would be 15 percent of the difference between \$75,000 and \$62,144:

$$\begin{aligned} \$75,000 - \$62,144 &= \$12,856 \\ \$12,856 \times 0.15 &= \$1,928 \end{aligned}$$

You would have to repay \$1,928 for 2006.

How Does the Recovery Tax Payment Work?

In January, you receive:

1. an *OAS Return of Income* (OASRI) form that you must fill out; and
2. an NR4 OAS information slip to use when you fill out your OASRI form.

Your NR4 OAS information slip shows the amount of OAS paid to you in the previous year and the amounts deducted for taxes. When you fill out your OASRI form, be sure to fill in the amounts that are indicated on your NR4 slip. Also, be sure to enter the OAS repayment amount on line 235 of your OASRI form.

You must send the OASRI form to the Canada Revenue Agency (CRA). **If the CRA does not receive this form, you will not receive OAS payments beginning in July.** To make sure that your OAS pension payments are not interrupted, **be sure to submit your OASRI form by April 30.**

What if These Deductions Cause Financial Hardship?

In that case, you may apply to the Canada Revenue Agency for a review of your situation.



Please note:

If you live outside Canada and receive an OAS pension, you must also pay the non-resident tax. This tax is deducted from monthly OAS pension payments. Information about the non-resident tax is available in a separate fact sheet (publication number: ISPB 226).

The total of the non-resident tax and the OAS recovery tax cannot be more than the amount of OAS benefits you receive.

Contact us

About your **Old Age Security** or **Canada Pension Plan** benefit:

1-800-277-9914* (toll-free in Canada and the U.S.)

1-613-990-2244 (from all other countries)

1-800-255-4786 (TTY) (toll-free in Canada and the U.S.)

Fax: 1-613-952-8901

On the internet or by email, please visit:

www.sdc.gc.ca

Social Development Canada
Income Security Programs
Ottawa, ON K1A 0L1

***Our lines are busiest at the beginning and end of the month. If your inquiry can wait, it's best to call at other times.**

If you contact us, please remember to provide us with your social insurance or OAS account number.



Filing Your Income Tax Return Within Canada

Is My Old Age Security Pension Taxable?

Like most other retirement income, your basic Old Age Security pension is taxable income. Pensioners who earn individual net income of \$63,511 or more as of 2007 (including the Old Age Security pension) have to repay part of their pension benefits (see The Repayment of Old Age Security Pension Benefits (Deductions for higher-income seniors)). These repayments are normally deducted each month from your pension payment.

If you live outside of Canada, you may be subject to non-resident tax (see The Old Age Security Recovery Tax).

How Do I Calculate the Repayment Amount?

Your repayment calculation is based on the difference between your income and the threshold amount for the year. The first step is to figure out how much higher your income is than the threshold. Your repayment amount is 15 percent of that amount.

For example:

The threshold for 2006 is \$62,144.

If your income in 2006 was \$75,000, then your repayment would be 15 percent of the difference between \$75,000 and \$62,144:

$$\begin{aligned} \$75,000 - \$62,144 &= \$12,856 \\ \$12,856 \times 0.15 &= \$1,928 \end{aligned}$$

You would have to repay \$1,928 for 2006.

How Do I Pay the Income Tax on My Pension?

You can pay income tax in three different ways:

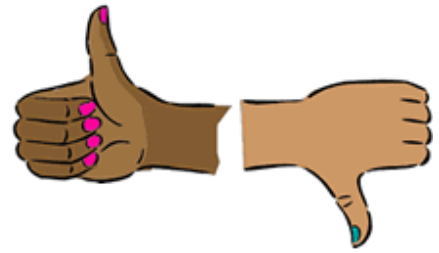
- Each month. If you wish, we can deduct income tax from your monthly pension.
- Four times a year. You may be required by law to pay your income tax in quarterly instalments.
- Yearly. Many Canadians determine how much tax they owe when they file their annual tax return and pay their income tax at that time.

Contact us for more information or contact your local Canada Revenue Agency (CRA) tax services office.

How Do I Include Pension Information in My Tax Return?

Each January, you will receive an OAS tax slip that will show the amount of Old Age Security pension you received during the previous year. The amount will reflect your regular benefits, any back payments you received during the year and any taxes you have had deducted. You should use the information on your OAS tax slip to prepare your tax return and submit a copy of the slip with your return.





Appealing a Decision

What Can I Do if I Do Not Agree With a Decision Affecting My Old Age Security Pension?

If you disagree with a decision that affects your pension, you have the right to an explanation. Call us first and we can explain the reasons for our decision. If you are not satisfied with our response, you may request a "reconsideration." To do this, you must send a letter to the Regional Director of Income Security Programs within 90 days of receiving notice of our decision. Please refer to Regional Offices for the correct mailing address. In your letter, provide the Regional Director with:

- your name;
- your address;
- your Social Insurance Number; and
- your reason(s) for making the appeal.

If you are not satisfied with the Regional Director's response, you can appeal the decision to the Office of the Commissioner of Review Tribunals.

Consult our fact sheet on The Old Age Security Appeals Process for more information.



Life Income Funds (LIF) / Retirement Income Funds (RIF)

Most people have a hard time understanding LIF/RIF; it does not have to be complicated. This is not an investment it is simply the schedule that you attach to your investment to determine the income amount to pay out of your investment.

LIF/RIF income funds are for the most part simply government schedules for regularly scheduled payments from your retirement savings plans. The difference between LIF and RIF is the source of the funds involved.

For the most part a LIF is the schedule that is used for locked in pension money like the old profit sharing pension plan.

A RIF is the schedule that would be applied to RRSP money such as the money in your S & I plan.

The main difference between the two schedules is that the LIF has a maximum allowable amount that can be withdrawn in a year. Both the RIF and LIF have a minimum amount that must be withdrawn once started.

It is worth noting that for the most part both schedules can be stopped and re-started at a later date up to age 69. After age 69 income must be taken every year.

LIF rules currently state that you must annuitize the balance of your account by age 80.

There are now Life Retirement Income Funds (LRIF's) available in Ontario that works that same as a LIF but do not require annuitizing at any age.

Your investment could be a GIC, a Mutual Fund or a Segregated Fund (Seg Fund). The later being our investment of choice because of the guarantee of the money invested over time.

Whatever investment portfolio you have your RRSP's and Locked-in RRSP's in after retirement but prior to starting income should for the most part allow a LIF or RIF schedule to be attached to it without interrupting the investment or the contract that the investment is in.

RIF and LIF Minimum / Maximum Schedule

This is the schedule that determines the **minimum amount of scheduled payments** for both RIF's and LIF's. It also shows the maximum amount that applies to LIF only.

Important note: Remember that the percentage is a percentage of what is left in your account at the end of each year. If you have an investment that is growing at a faster rate than the rates below you would experience an income increase the following year. If you have an investment that is performing at a rate that is less than the rates below you will have less left in the account at year's end and the following years income would be lower.



RIF and LIF Minimum / Maximum Schedule

Below is the 2007 table of LIF maximum withdrawal percentages.

Age as at January 1, 2007	Minimum withdrawal percentage	Maximum LIF withdrawal percentage for Saskatchewan, Ontario, New Brunswick & Newfoundland	Maximum LIF withdrawal percentage for Quebec, Manitoba, Nova Scotia & British Columbia	Maximum LIF withdrawal percentage for Federal (PBSA)
50	2.50 %	6.27 %	6.10 %	5.67 %
51	2.56 %	6.31 %	6.10 %	5.71 %
52	2.63 %	6.35 %	6.10 %	5.76 %
53	2.70 %	6.40 %	6.10 %	5.80 %
54	2.78 %	6.45 %	6.10 %	5.85 %
55	2.86 %	6.51 %	6.40 %	5.90 %
56	2.94 %	6.57 %	6.50 %	5.96 %
57	3.03 %	6.63 %	6.50 %	6.02 %
58	3.13 %	6.70 %	6.60 %	6.09 %
59	3.23 %	6.77 %	6.70 %	6.16 %
60	3.33 %	6.85 %	6.70 %	6.24 %
61	3.45 %	6.94 %	6.80 %	6.33 %
62	3.57 %	7.04 %	6.90 %	6.42 %
63	3.70 %	7.14 %	7.00 %	6.52 %
64	3.85 %	7.26 %	7.10 %	6.63 %
65	4.00 %	7.38 %	7.20 %	6.75 %
66	4.17 %	7.52 %	7.30 %	6.89 %
67	4.35 %	7.67 %	7.40 %	7.04 %
68	4.55 %	7.83 %	7.60 %	7.20 %
69	4.76 %	8.02 %	7.70 %	7.39 %
70	5.00 %	8.22 %	7.90 %	7.59 %
71	7.38 %	8.45 %	8.10 %	7.82 %
72	7.48 %	8.71 %	8.30 %	8.08 %
73	7.59 %	9.00 %	8.50 %	8.38 %
74	7.71 %	9.34 %	8.80 %	8.72 %
75	7.85 %	9.71 %	9.10 %	9.11 %
76	7.99 %	10.15 %	9.40 %	9.55 %
77	8.15 %	10.66 %	9.80 %	10.07 %
78	8.33 %	11.25 %	10.30 %	10.68 %
79	8.53 %	11.96 %	10.80 %	11.40 %
		LIF must be converted to a life annuity at age 80 for all provinces except New Brunswick		LIF must be converted to a life annuity at age 80
80	8.75 %	12.82 %	11.50 %	
81	8.99 %	13.87 %	12.10 %	
82	9.27 %	15.19 %	12.90 %	
83	9.58 %	16.90 %	13.80 %	
84	9.93 %	19.19 %	14.80 %	
85	10.33 %	22.40 %	16.00 %	
86	10.79 %	27.23 %	17.30 %	
87	11.33 %	35.29 %	18.90 %	
88	11.96 %	51.46 %	20.00 %	
89	12.71 %	100.00 %	20.00 %	
90	13.62 %		20.00 %	
91	14.73 %		20.00 %	
92	16.12 %		20.00 %	
	17.92 %		20.00 %	
94 and above	20.00 %		20.00 %	



How Canadians See Their Preparations for Financial Security

Almost one-third of non-retired Canadians in their late 40s and 50s said they were not making adequate financial preparations for their retirement. A number of demographic and labour market factors were associated with this view, according to analysis of GSS data.

For example, 33% of women said their financial preparations were inadequate, compared with 29% of men. Women were also more likely than men to say that they expect their retirement income to be inadequate, or barely adequate to maintain their standard of living after leaving the labour force.

Financial characteristics were also important factors. Concerns about their financial future were most prevalent among people who did not have private pension coverage, who did not own their home, who had lower personal and household incomes, and who had fewer weeks of employment during the year.

People who were widowed, separated or divorced were far more likely to feel that their financial preparations were inadequate, compared with those who were married or living in a common-law relationship. Again, individuals who immigrated to Canada since 1980 were much more likely than others to report concern about their financial preparations.

The General Social Survey also asked respondents who had already retired to compare their financial situation to their situation during the year before retirement. Among recently retired Canadians, the majority (53%) said that their financial situation was about the same as it was the year before they retired. Just over 13% said their financial situation had improved since then.

Together, two-thirds of recent retirees either experienced no change or an improvement in their financial standard of living after leaving the labour force. The remaining one-third (34%) reported being financially worse off.



General Social Survey (GSS): Social Support and Aging (2002)

New data from the General Social Survey (GSS) underscore the extent to which people in their late 40s and 50s are uncertain about when they will retire.

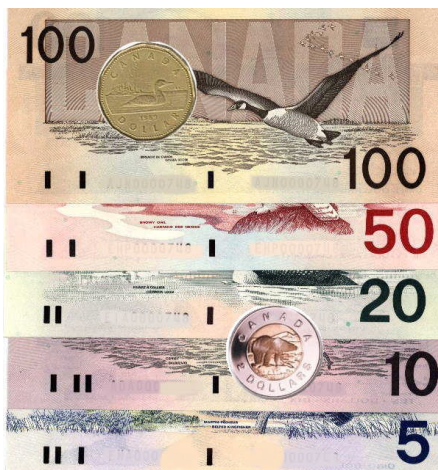
The GSS data also showed that nearly one-third of people in their late 40s and 50s feel they haven't made adequate financial preparations to maintain their standard of living after they leave their job.

Just over 6 million people were aged 45 to 59 in 2001, according to Census data. They include about three-quarters of the baby-boomer generation born between 1946 and 1965. In the next decade, as the baby boomers move through their 50s and 60s, more Canadians than ever before will be poised to make the transition to retirement.

About 12% of Canadians aged 45 to 59 did not know when they plan to retire, while an additional 18% said that they did not intend to ever retire. Together, these two groups represent nearly 1.4 million people; almost one-third (31%) of all non-retired Canadians aged 45 to 59.

The plans, preferences and expectations for retirement among this group will have a large impact on whether the long-established trend towards retirement at younger ages will continue. Evidence from the Labour Force Survey shows that since the late 1970s, the average age of retirement in Canada declined from about 65 to 61 years of age.

GSS data show a wide variation in the age at which Canadians plan to retire. Just over one-fifth (22%) of non-retired people aged 45 to 59 said they plan on retiring before 60, while comparable proportions said they plan on retiring between 60 and 64 (22%) or at 65 (23%). Only 3% said they plan on retiring after 65. The remaining 31% said either that they don't know when they plan on retiring, or that they do not intend to retire.



About two-thirds of Canadians approaching retirement age felt they were making adequate financial preparations to maintain their standard of living after they left their job. However, nearly one-third felt they were not making adequate financial preparations.

This finding is consistent with data from the 1999 Survey on Financial Security, which showed that, given their current asset situation, about one-third of Canadians may not have saved enough to replace two-thirds of their earnings, or to generate an income in retirement that is likely to be above Statistics Canada's low-income cut-off.



Note to readers

Data for this release came from the 2002 General Social Survey, which was conducted between February and December 2002. The survey covered almost 25,000 individuals over the age of 45 and asked questions about help provided to and received by seniors, as well as transitions to retirement and retirement experiences.

This release highlights some of the aspects of retirement planning. Just over 6,500 respondents aged 45 to 59 who had not yet retired were asked about their intentions for retirement and the adequacy of their financial preparations for retirement.

About four out of every five (79%) of these 'non-retirees' had been employed for all of the year prior to the survey, while about 15% were employed for part of the year. A small share (6%) had not worked during the prior year because of household responsibilities, illness or other reasons.

Also available today is a report titled General Social Survey Cycle 16: Caring for an aging society (89-582-XIE, free) that explores the consequences of providing care to an aging society.

Age of Retirement: Few Canadians Expect to Retire Before Age 60

A substantial number of non-retired Canadians aged 45 to 59 were uncertain about their retirement transition, with nearly one-third either unable or unwilling to state the age at which they plan to retire.

Almost one-fifth (18%) reported that they did not intend to retire. However, in 2002, less than 7% of Canadians aged 65 and older participated in the paid labour force, and less than 4% of Canadians aged 70 or older participated.

The likelihood of not intending to retire was strongly associated with financial characteristics. For example, individuals with personal incomes of less than \$20,000 were almost three times as likely to say they did not intend to retire as individuals with personal incomes of \$40,000 or more. Similarly, intentions to forego retirement were more prevalent among individuals who did not own their home than among those who did.

Financial characteristics such as lower household income and absence of private pension coverage were also associated with the likelihood of individuals saying that they did not know when they plan to retire.

Uncertainty about retirement was especially prevalent among immigrants who arrived in Canada since the beginning of the 1980s. Almost one-half (47%) of non-retired immigrants aged 45 to 59 reported that they did not know when they planned to retire, or that they did not intend to retire. As well, 45% of non-retired immigrants expressed concerns about the adequacy of their financial preparations for retirement.



This is consistent with research showing that the earnings gap between Canadian-born workers and immigrants who arrived in Canada widened during the past two decades. Studies show that many new immigrants have fared poorly in the labour market of the 1990s.

Given the trend towards retirement at younger ages during the past two decades, it might be anticipated that the prevailing attitude among working-age Canadians was to retire early. However, less than one-quarter (22%) planned to leave the labour force before 60, and only 44% planned to retire before 65.

Indeed, the largest share (45%) planned to retire between 60 and 65. Their average planned retirement age, at 60.8, is similar to the current average age of retirement of 61.2, based on the Labour Force Survey.



Statistics Canada, Survey of Financial Security

Data excluding employer-sponsored registered pension plans	1999					
	Canada			Newfoundland and Labrador		
Number of family units	12,215,629			198,630		
	Family units with component			Family units with component		
		Average amount	Median ² amount		Average amount	Median ² amount
	%	\$	\$	%	\$	\$
ASSETS	100.0	237,163	136,600	100.0	114,687	75,780
Financial assets	93.0	74,774	16,500	80.8	37,801	6,670
Within registered plans	61.0	56,442	20,000	42.0	34,112	15,000
RRSPs and LIRAs ³	54.9	51,189	20,000	39.1	32,658	14,500
Other registered plans ⁴	14.7	42,967	10,000	x	x	x
Outside registered plans	90.0	39,047	4,400	79.5	20,424	2,000
Deposits in financial institutions	87.9	14,970	2,670	78.1	7,657	1,500
Mutual funds and investment funds, stocks and bonds (saving and other)	30.0	53,928	7,500	19.4	15,407	2,000
Other financial assets ⁵	8.9	64,948	8,000	x	x	x
Non-financial assets	100.0	138,593	103,000	100.0	77,755	61,500
Principal residence	60.4	149,661	125,000	73.2	66,440	60,000
Other real estate	16.5	116,999	65,000	17.0	42,225	15,600
Vehicles	77.2	13,329	9,000	77.1	10,616	7,000
Other non-financial assets ⁶	100.0	18,689	10,000	100.0	13,767	10,000
Equity in business	18.7	155,610	10,000	x	x	x
DEBTS	68.0	55,155	29,000	75.3	29,332	17,000
Mortgages	35.1	82,844	69,000	25.1	46,332	40,000
Principal residence	32.7	76,116	67,000	24.2	42,237	40,000
Other real estate	4.7	88,550	60,000	x	x	x
Line of credit	15.9	13,542	5,000	x	x	x
Credit card and instalment debt ⁷	38.5	3,033	1,800	52.6	2,614	1,500
Student loans	11.8	10,361	7,280	19.8	15,831	12,500
Vehicle loans	21.2	11,226	9,000	31.7	10,130	8,000
Other debt	16.3	9,301	4,000	19.4	8,562	3,000
NET WORTH (assets less debts)	99.9	199,789	81,000	100.0	92,612	53,000
x Data unavailable, not applicable or confidential.						
1. Family units: economic families (a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption) and unattached individuals (a person living either alone or with others to whom he or she is unrelated).						
2. The value at which half of all family units have lower net worth and half have higher net worth.						
3. Registered Retirement Savings Plans (RRSPs) and Locked-in Retirement Accounts (LIRAs).						
4. Plans other than RRSPs or LIRAs, e.g., Registered Retirement Income Funds (RRIFs), Deferred Profit Sharing Plans (DPSPs) and Registered Education Savings Plans (RESPs).						
5. Includes treasury bills, mortgage-backed securities, money held in trust, annuities, money owed to the respondent and other miscellaneous financial assets, including shares of privately held companies not held within registered plans.						
6. The value of the contents of the respondent's principal residence, valuables and collectibles, copyrights and patents, etc.						
7. Includes major credit cards and retail store cards, gasoline station cards, etc. Instalment debt is the total amount owing on deferred payment or instalment plans where the purchased item is to be paid for over a period of time.						
Source: Statistics Canada, Survey of Financial Security.						
Last modified: March 13, 2001.						



Wills and Power of Attorney

When was the last time you updated your will and power of attorney for death and for while you are alive? We are very sure that more of you do not have this current than do. Most people do not like to deal with this subject and even the ones that have dealt with it don't review and update often enough. If you have not done a will and living power of attorney it is essential that you do before any more time goes by. If you have had all this put in order but did it more than even a couple of years ago it is very important to have a professional review and make sure all is in order.

A living will has changed in very recent times and if you do not have a valid one you could find the government taking over your affairs if you were deemed incapable, while you are still alive. Do not procrastinate.

If you have chosen retirement make sure all is in order now and then you will not have to deal with it later or worse leave it for others to sort out. The cost is minimal, the reward and piece of mind are worth it.



Power of Attorney

A will provides for management of an estate after death.

A Power of Attorney provides for management of your estate during your lifetime if you are unable to do so.

Anyone can become incapacitated due to illness, senility or accident and if you become incapacitated without a Power of Attorney, your family may have to go to court to gain permission to manage your affairs.

Substitute Decisions Act - The *Substitute Decisions Act* came into place in April 1995.

The *Substitute Decisions Act* allows a person to designate a Power of Attorney to make both financial and personal care decisions. They do not have to be the same person.

In a Power of Attorney, one person (the Grantor) authorizes another person (the Attorney) to act on his behalf at an appropriate time and/or under certain circumstances.

The actions of the Attorney are binding on the Grantor, but there is an obligation to act in the Grantor's best interests and to keep accounts of transactions. The use of the word "Attorney" does not mean that a lawyer has to be appointed. In fact, it is usually someone else.



In the absence of a Power of Attorney, the law allows the Public Guardian and Trustee office to look after a person's affairs. Family members, a trust company selected by the incapable person's spouse or a person who already has a Power of Attorney for Property for some but not all of the incapable person's property may apply to replace the Public Guardian and Trustee. Security may be required to be posted by this new guardian.

A Power of Attorney that was made without considering the implications of the new law should be checked with a lawyer to be sure that it is valid under the new legislation.

There are two basic types of Power of Attorney. The first is a Power of Attorney to do business known as a "Continuing Power of Attorney for Property." The second is a "Power of Attorney for Personal Care" wherein you appoint someone to make medical and other care decisions on your behalf if you are not able to make them. In addition, a person may wish to utilize a limited Power of Attorney for a specific purpose or time length.

The Power of Attorney is often drawn up at the same time as a will and it should be updated as circumstances change. Lawyers will often retain the document in their safe until the Grantor's health deteriorates, removing the possibility for it to be abused, or misplaced.

Who to Appoint as Attorney - Anyone who is at least 18 years of age and mentally competent can be appointed as the Attorney. Conversely, the person granting a Power of Attorney must also be at least 18 years old and mentally competent. **The Attorney does not have to be a lawyer, and is often the spouse or an adult child.**

A Power of Attorney grants someone authority to act on your behalf and to sign your name, so the Attorney should be selected with care. They need to be trustworthy and able to competently handle your affairs. It is practical to choose someone who lives close enough to be able to deal with situations easily. Many trust companies are prepared to act as attorney for a fee.

It is possible to name more than one person to act "Jointly" or "Severally." "Jointly" means that all would have to sign documents to make them legal, and "Severally" means that any one of the attorneys could act on your behalf. If they are required to act jointly, include instructions on treating disagreements in the Power of Attorney. Some lawyers favour naming an alternate to act in the event that the original person is unable to serve as attorney.

It is important to discuss your wishes with the person named in your Power of Attorney so that they can manage your affairs in the way that you would like.

Most people do not want a Power of Attorney to come into effect until such time as they become unable to do business. A restriction should be put into it to that effect. If such a restriction is not included, the Power of Attorney will come into effect immediately. It should also include a mechanism to trigger the date that it comes into effect. Normally this might be a letter from the family doctor. Some require two doctors. In the absence of a triggering mechanism in the document itself, the legislation provides for an "assessment" of the grantor. That assessment can be expensive, usually over a \$1000.



One of the problems with a continuing Power of Attorney for property is that once it comes into effect, it will remain in effect until revoked. If revoked, it ceases to exist and cannot be exercised again.

Accordingly, if a person is mentally competent, but wishes to leave his business affairs in the hands of someone else for a short period of time, a continuing Power of Attorney for property should not be used. A separate Power of Attorney for a specific purpose or a limited time should be prepared.

For example, financial institutions have Power of Attorney forms that apply only to that institution. The Power of Attorney may be limited to the operation of bank accounts and payment of bills, mortgages and loans or it may be general and permit the attorney to borrow money in the principal's name and manage investments. **As with any legal document, read it carefully before signing and consult a lawyer if you have concerns or questions about it.**

The lender's Power of Attorney may be useful in addition to a legal Power of Attorney, but is usually too limited by itself to allow someone to carry on the farming business.

Under the new law, Attorney's are entitled to payment specified in the legislation. Your Power of Attorney can specify an amount different from the legislation if you so choose.

Power of Attorney for Personal Care - Under the *Substitute Decisions Act*, a person can choose someone through a Power of Attorney to make personal care decisions for you if you are mentally incapable of making the decisions yourself.

Again the attorney is not a lawyer, but anyone over 18 years old that you trust to act on your behalf. You cannot appoint as attorney someone who is providing you with care for compensation unless that person is also a relative.

The Power of Attorney for Personal Care can include instruction to the Attorney, with regard to your wishes. The instructions need to be clear and specific and should be discussed with the person appointed as attorney. Remember that you will not be able to clarify your wishes at the time the Power of Attorney is needed.



Health practitioners are prohibited from administering any treatment until the person they wish to treat has consented to the treatment. A health practitioner is forbidden to administer treatment, if they believe that the person requiring treatment is not mentally capable, until such time as they receive consent to administer the treatment from a person authorized to give such consent. However, health practitioners may give treatment without consent if the person needing treatment is experiencing severe pain or is at risk.



Powers of Attorney for Personal Care can normally deal with the following matters:

- The appointment of an attorney and the appointment of an alternate if the first named is unable or unwilling to make a decision or is not readily available to make a decision
- The types of decisions the attorney is authorized to make
 - medical directives with respect to treatment
 - provisions with respect to payment of compensation to the attorney for assumption of responsibility
 - provisions to protect the attorney from decisions that might be unpopular with some family members

Wills

A will provides for the administration and distribution of an estate after death. A will should include how assets are to be divided, name a trustee, name a guardian for children under the age of majority and name a trustee to manage a trust if there is one.

For a farmer, a will is the key component of a total estate and business plan. The will deals both with the long-term plan as well as possible short-term contingencies.

Without a doubt, one of the most important documents you will sign in your lifetime is a will. It is perhaps the only document that gives you control over your assets at the time when you are not available to provide instructions. As such, you can appreciate the importance of having a will properly drafted so that your true intentions are set out and interpreted correctly. The preparation of a will is sometimes simple, but often complex issues may arise that require proper legal advice. The will is the document that implements the estate plan and should be viewed in the context of overall estate planning as opposed to the mere preparation of what may appear to be a common document that is being prepared merely because you believe you should have one.

Wills need to be updated as circumstances change, like a significant event in your family, business or asset ownership.

Note that under the *Family Law Act* (F.L.A.), a spouse has the option to choose to take that portion of the estate identified as theirs in the will or elect to take that portion to which the spouse is entitled to under the F.L.A. In simple terms, the surviving spouse has the right to one-half of the increased value of the estate of the deceased spouse. See the *Family Law Act* section in this paper for additional information on F.L.A.

The original will is often kept with a lawyer for safekeeping or in a safety deposit box. Let the trustee know where it can be found. Most people keep a copy for their own information.

There are two types of wills: holograph and witnessed.

Holograph Will – is totally handwritten and signed with the whole name, date and place that it was written. The holograph will does not need to be witnessed. The forms available in bookstores cannot be used as a holograph will unless re-written in the testator's own handwriting. Properly witnessed, the store form can serve as a "witnessed" will. Due to their informality, holograph wills can be the source of problems in estate settlement. Holograph wills should only be used when absolutely necessary.



"Witnessed" Will – is also referred to as a will in **English Form**. English Form means that it follows a form originating in Great Britain. A will must be witnessed by two persons who are neither married to each other or beneficiaries. Farm estates are large and complex enough that it is wise to have a "witnessed" will developed with the assistance of a lawyer. The use of a lawyer leaves less room for a will be contested or interpreted in a way contrary to your wishes. He or she can serve to ask questions to determine what you really intend and to use legal language in the will that is recognized by the court and lawyers so that it can be interpreted with the meaning you intended. The cost of preparing a will depends on complexity of the will and whether a full estate plan is performed.

Trustee (formerly known as the Executor) – **The trustee is responsible for managing the estate.** A trustee should be chosen who has the skills, ability and desire to carry out the duties. It is practical to choose someone who lives close to the estate.

The trustee named in your will does not have to accept the responsibility, so it is best to discuss the position with the person first. It is also wise to name an alternate trustee in case the original person is unable to accept the responsibility.

Financial professionals such as lawyers and accountants can serve as trustees but often it is better to have a person with family involvement. The trustee can hire a professional to handle the paperwork if necessary and the estate pays the fees.

Trustee's Duties

- make funeral arrangements in accordance with family wishes
- locate the original of the last will
- apply for probate
- gather assets and arrange payments of debts including income tax
- file tax returns for any untaxed years
- should obtain a clearance certificate from Revenue Canada that taxes are paid
- arrange for distribution and sales of assets

There should be no distribution of assets in the first six months without court authorization or permission of the spouse since dependants have 6 months to contest a will. The distribution of the assets may also be subject to claims under the *Family Law Act*. See below.

A current list of assets and a record of where insurance policies, RRSP's, bank accounts and other important papers can be found makes the trustee's job much easier, and can give the family peace of mind that all assets have been located.

Probate – is when a will is proven valid or authenticated in court. It confirms that the will is the deceased's and that it is the last will. It also verifies the appointment of the person named in the will as trustee.

The probate fee in Ontario is assessed on the value of the estate at a rate of \$5 per \$1,000 value of the estate on the first \$50,000 and \$15 per \$1,000 thereafter.



Probate fees can be avoided in a couple of ways. If title to a property is in one individual's name, then the property becomes part of the estate and subject to probate fees. Jointly held assets, on the other hand, pass directly to the surviving joint tenant, usually the spouse, rather than passing as estate assets and being subject to the probate fees. Do not confuse joint tenants with tenants-in-common.

Insurance policies and RRSP's with individuals named as beneficiaries pass directly to the beneficiary rather than into the estate. This is useful if the proceeds are not needed to pay the expenses of the estate.

Taxes – there are no estate taxes in Ontario at this time, unless you think of the probate fee as a tax.

However, capital assets may be subject to capital gain calculations. Farmland, farm partnership interest and farm corporate shares incur capital gains when they pass to anyone other than a spouse or child. When the above assets pass to a child or spouse, a rollover occurs and the gain is postponed.

In many circumstances it may be wise to trigger capital gains to use up the unused capital gains exemption. The trustee may elect to transfer at a higher value not exceeding the fair market value thus triggering a capital gain. The estate could apply any remaining balance of the deceased's \$500,000 capital gain exemption. As a result, the asset would transfer at a higher adjusted cost base value for future calculations.

An accountant familiar with the appropriate sections of the Tax Act is highly recommended to help the trustee deal with these options and others available to the estate.

Like most things, if you fail to take active steps to do something, the government will step in and provide it for you. This is particularly true if one fails to prepare a will.

Without a will, one's estate will be distributed in accordance with the provisions of the ***Succession Law Reform Act*** ("SLRA"), legislation in Ontario governing the laws relating to estate administration. Your estate will be transferred by virtue of sections 44 through 49 of the SLRA as follows:

1. Only Spouse Survives
 - All to Spouse
2. Spouse and Children Survive
 - Less than \$200,000 – All to Spouse
 - More than \$200,000 – first \$200,000 to Spouse and remainder divided among spouse and children with spouse entitled to one-third of remainder
3. No Spouse – Children Surviving
 - Divided equally among children



4. No Spouse – No Children
 - Parents, siblings, nephews/nieces, next of kin
5. No Next of Kin
 - To the government (*Escheats Act*)



As you can see, it is unlikely that the lines of intestate succession will coincide with your specific plans for distribution. This is the primary reason why the development of an estate plan implemented through a will is of vital importance in preserving and distributing your wealth.

Your will can also identify specific sentimental articles to be left to specific people. Often the articles will not have major value, but it will be important to you for the right person to have it. Many a family has suffered heartache over trying to decide who should get what.

Guardian – a guardian for children under the age of majority can be suggested in a will. The court does not have to accept the person named in the will, but it does carry considerable weight.

Some questions to ask yourself when choosing a guardian are: Where does the guardian live? What will it do to the children to lose their parents and then move away from their school and friends? Is the guardian able to care for the children? Grandma and Grandpa may love them dearly, but be unable or unwilling at their age to take on a young family. Does your single sister, who is great with kids, really want them full time? Can your brother with four children of his own cope with your three as well?

Once you have chosen a guardian, discuss your wishes with them, and determine if they are willing to accept the responsibility.

Revocation of a Will

A will is automatically revoked by any of the following:

1. Marriage, unless the will expressly states that it is made in contemplation of marriage.
2. Making of a new will.
3. Written notice of revocation.
4. Burning or tearing of it with the intention to destroy it.



Pension Calculator

Estimated pension income (Life only) for Kellogg Union employees revised June 2006.

Formula \$75 for each year of service from 1980 as of June 2006

Date Retiring	Max Pension
2007 March	\$ 2,044
2007 June	\$ 2,063
2007 September	\$ 2,082
2007 December	\$ 2,100
2008 March	\$ 2,119
2008 June	\$ 2,138
2008 September	\$ 2,157
2008 December	\$ 2,175
2009 March	\$ 2,194
2009 June	\$ 2,213
2009 September	\$ 2,231
2009 December	\$ 2,250
2010 March	\$ 2,269
2010 June	\$ 2,288
2010 September	\$ 2,306
2010 December	\$ 2,325
2011 March	\$ 2,344
2011 June	\$ 2,363
2011 September	\$ 2,381

Date Retiring	Max Pension
2011 December	\$ 2,400
2012 March	\$ 2,419
2012 June	\$ 2,438
2012 September	\$ 2,456
2012 December	\$ 2,475
2013 March	\$ 2,494
2013 June	\$ 2,513
2013 September	\$ 2,531
2013 December	\$ 2,550
2014 March	\$ 2,569
2014 June	\$ 2,588
2015 September	\$ 2,606
2015 December	\$ 2,626
2015 March	\$ 2,644
2015 June	\$ 2,663
2016 September	\$ 2,681
2016 December	\$ 2,700
2016 March	\$ 2,019
2016 June	\$ 2,738

Provided by: Purdy, McCready & Associates

Note: we are working independently. This estimate is not provided by Kellogg Canada Inc. Amount is fixed based on the date you retire. The income does not increase based on this schedule once you retire. This does not include any early retirement subsidy you may be entitled to. Any change to the current factor of \$75.00 will affect the above numbers. This calculator should be updated if used after any negotiated change to \$75.00.



Pension Work Sheet for Employees Hired Before 1980

Name			
Age			
Retirement Date			
New Pension (post 1980)			
Early Retire Subsidy	+		
Total Fixed Income	=		
Estimated Option reduction	=	Employee Spouse	_____ / _____
Bridge Benefit (payable to age 65)	+		
Total	=		
Old Pension Income Est. **	(\$)	+	
S & I Income Est. **	(\$)	+	
Other RRSP Income Est. **	(\$)	+	
CPP Income Est. (age 60 +)		+	
OAS Income Est. (age 65 replaces bridge)		+	
Grand Total Income Est.**		=	

** You must remember that any money put into investments to produce income will produce variable returns and variable income depending on the performance of those investments. The fixed income amounts remain constant the variable income amounts ** are subject to change.

These are estimates only they are not calculated or confirmed by Kellogg Canada. We are working independently and have done estimates based on information you have provided along with published figures to do these estimates. While every effort has been made to provide accurate numbers these figures are not to be taken as final numbers nor mistaken for information provided by Kellogg Canada Inc.

Dated _____



Pension Work Sheet for Employees Hired from 1980

NAME _____		
Age		_____
Retirement Date		_____
Early Retire Subsidy	+	_____
Total Fixed Income	=	_____
Estimated Option reduction	=	Employee Spouse _____ / _____
Bridge Benefit (payable to age 65)	+	_____
Total	=	_____
S & I Income Est. **	(\$) +	_____
Other RRSP Income Est. **	(\$) +	_____
CPP Income Est. (age 60 +)	+	_____
OAS Income Est. (age 65 replaces bridge)	+	_____
Grand Total Income Est.**	=	_____

** You must remember that any money put into investments to produce income will produce variable returns and variable income depending on the performance of those investments. The fixed income amounts remain constant the variable income amounts ** are subject to change.

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Dated _____

