Canada Life™

smart retirement

Making the most out of your retirement savings

The importance of naming a beneficiary

Naming a beneficiary is extremely important to ensure your eligible remaining assets go to the right people when you die. You can name more than one beneficiary. There may be some restrictions on your LIF and LRIF accounts, as pension legislation dictates such funds be provided to your spouse if applicable.

Here are some useful tips and key information when naming beneficiaries.

Decide who gets what

For assets such as RRSPs, RRIFs, LIFs, LRIFs and annuities, you need to designate beneficiaries to make sure your wishes are clear.

Tip: Make sure you designate a beneficiary for every single plan; treat them individually, and remember that filling in the beneficiary designation on your form is just as important as your signature.

Review your beneficiaries

It's important that you periodically review and, if necessary, update your beneficiaries for company pension plans, insurance policies, etc. That's because a beneficiary could die, or you could have a change of heart about who you've already named.

Tip: Keep in mind that for retirement plans governed by pension legislation, your spouse is automatically your beneficiary, unless they sign a waiver. And be aware that the definition of who qualifies as your spouse can vary from one pension plan to another and between provinces.

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Leaving money to charity

Many people want to leave a portion of their wealth to charity. Since 2000, federal budget changes allow you to name a charity as the direct beneficiary of an RRSP, RRIF, LIF, LRIF and annuities. Doing so will also protect the proceeds of the donation from probate tax, making your gift even greater.

Tip: It's a good idea to contact a charity in advance to find out the best way to help them with your estate. They can advise you about options such as making the charity a beneficiary of a life insurance policy or annuity.

Minimize probate fees

Assets under a life insurance company policy such as segregated fund RRSPs, RRIFs, LIFs, LRIFs and payout annuities can be passed on without probate fees to a designated beneficiary.

Tip: In order to get the best possible advice on how to minimize probate fees from your estate, you should discuss your particular circumstances with your legal and tax advisors to establish a plan that's right for you.

For more information about designating beneficiaries on your Canada Life retirement income products, call our *Retirement Information Line* Monday to Friday from 8 a.m. to 5 p.m., ET 1-800-305-1444.

Important fund information

As a result of our fall/winter 2007 *Investment manager review* (IMR), we will no longer offer the Jarislowsky Fraser International Equity Fund (S253) to you. This is because the fund has underperformed against its benchmark over the past five years and has struggled with a net loss of assets. We've been monitoring the situation and have seen no progress, which has prompted us to take this action.

Through our IMR process, we regularly monitor the performance of investments to ensure they meet standards and expectations. This process is in line with our commitment to provide you with quality investment options and services.

What does this mean for you?

From Sep. 22 to Sept. 26, we'll suspend transactions in your plan while we move any balances in the discontinued fund. However, you can still inquire about your account through *VIP Net* or the *Retirement Information Line* during the fund changes.

If you prefer, we can automatically move your savings to the recommended fund (see following chart) on Sept. 22. Otherwise, you have until this date to select another fund option. You can do this on *VIP Net* (www.canadalife.com>Online Services>VIP Net) or by calling the *Retirement Information Line* at 1-800-305-1444. Our bilingual client service representatives will be happy to help you between 8 a.m. and 5 p.m., ET on weekdays.

Please note that after Sept. 22, your balance in the Jarislowsky fund will be redeemed and the proceeds allocated to the recommended fund automatically.

Fund to be discontinued	Recommended fund
Jarislowsky Fraser International Equity Fund (S253)	SRA European and Pacific Equity Fund (S205)
Please note that the investment management fees (excluding fund operating expense) for the SRA European and Pacific Equity Fund are lower than the Jarislowsky Fraser International Equity Fund.	

If your plan is an RRSP, RRIF, LIF or LRIF, there are no tax implications with this change. If you're invested in the Jarislowsky fund on a non-registered basis, there may be implications for your 2008 taxes. For more information about this, you should consult your financial advisor or a tax specialist.

FYI: *Investment manager review*

In addition to the Jarislowsky fund closure, we've also placed the AIM Trimark Global Equity Fund (S51) "on watch" due to significant turnover in its investment managers. We'll monitor this fund closely to ensure that the transition to new managers is successful. In particular, we'll be monitoring the consistency of the investment management.

Please review your statement enclosed with this newsletter to see if you have balances in these funds and to determine whether they still suit your investment needs. You can also review fund reports and fund performance history on *VIP Net* or contact us for more details.

2008 budget highlights

Two specific items proposed in the federal budget could have an impact on your retirement.

Tax-free savings account introduced

Starting in 2009, Canadians may be eligible to contribute up to $5,000 annually to a tax-free savings account (TFSA). While contributions won't be tax-deductible, investment earnings and withdrawals will be tax-free. Withdrawals may be made at any time and for any reason. Amounts withdrawn in a year will be added to the account holder's contribution room for the subsequent year. In addition, unused contributions can be carried forward indefinitely.

"An RRSP is primarily designed for retirement. In many ways, a tax-free savings account is like an RRSP for everything else in your life," the government proclaimed in its budget document. "It is a powerful incentive to save."

However, the big difference is that TFSA contributions aren't deductible. The budget document suggests other possible uses, such as saving for a first car, putting money away for a special project, or seniors who want to stretch their retirement income further. For people who have no room in their RRSP for more contributions, the TFSA could supplement their retirement plan(s).

More flexibility for locked-in federally regulated pensions

This proposed change offers more flexibility for holders of a federally regulated life income fund (LIF). Currently, LIF holders are permitted to withdraw funds at retirement, however, there are strict annual withdrawal limits. Budget proposals include allowing people who are 55 or older with LIF balances of less than $22,450 to wind up their LIF with the option of transferring to another non-locked-in, tax-deferred savings vehicle. As well, people who are 55 or older would be allowed a one-time conversion of up to 50 per cent of the balance of the LIF into a tax-deferred savings vehicle with no maximum withdrawal limit.

At the time of this newsletter's printing, these budget items were still at the proposal stage and may undergo changes before being passed into law.

info

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