

Future retirement income needs special attention

By PAUL J. ROCKEL
Herald Special

The Federal government has long recognized that there should be a means for Canadians to derive an income in their "Golden Years."

Over the years, in addition to pension plans provided by private and government employers, social safety nets such as Old Age Security and the Guaranteed Income Supplement were introduced to assist lower income people. The Canadian Pension Plan makes provision for additional income to those who were employed, on a sliding scale for incomes up to the government's inflation adjusted upper limit of earnings which is now about \$28,000.

Both of these programs at their best will provide about 25 per cent of final employment income. Not usually sufficient!

Recognizing that this would not be enough, tax deductible RRSPs, DPSPs, were introduced by Ottawa several decades ago. Rules for tax deductible contributions to pension plans were revised.

Because of the tax deductions allowed, it has the effect of putting a ceiling on government tax revenue. This cap also applies to the deductions available through Registered Pension Plans

(RPPs). This ceiling or cap limits the government's revenue loss because all of the earnings in these plans are tax-free until paid out as pensions or RRIFs, annuities or deregistered RRSPs. In this way Ottawa and the provinces help us save for retirement.

The amount of income that you will receive in retirement from an RRSP or a DPSP is directly related to the amount of money in the plan, ie: it can only pay out the earnings of the money in the plan or else the capital in the plan, when the capital is gone there will be no more income. The Canada Pension Plan pays benefits from CPP tax revenue as it goes along ... there is no funding, no pool of capital to invest to pay the benefits. The benefits are paid out of current revenue. As inflation and a growing number of older people qualify for increased benefits, it is the younger employed who are being saddled with the costs of this well intentioned but seriously flawed program.

In an RPP (Registered Pension Plan) there is a maximum benefit payable of \$60,025 after 35 years employment or 2 per cent per year times the average of the best three consecutive years of earnings. This upper limit again was set to cap tax deductions along the way. Although several



IT'S YOUR MONEY
Paul J. Rockel

changes to pension legislation (Bill C-52) were passed on June 27, 1990, there is currently ongoing committee proposals for further amendments. It may be that these limits will be raised in some cases. We do know that RRSP limits have been raised. Let's not talk about the deal the Federal politicians have set up for themselves.

At the present time however a 20 year employee in a pension plan who earned \$55,000 per year in the last three years is limited to a pension of 2 per cent times 20 years times \$55,000 or \$22,000 per year.

No wonder the government has increased the RRSP limits even for those who have an employer sponsored pension plan.

Members of the largest pension plans in Ontario may have a lot more to worry about. In 1987 a provincial task force explored the idea of merging the Ontario Teachers, OMERS, Ontario Public Service, Hospital and

Hydro pension funds into one big fund similar to the Caisse de depot et placement in the province of Quebec, that, among other things could be used by current governments to serve their political ends. It was rejected in 1987. It would be a huge breach of trust to use these employees' pension fund monies for political purposes.

Now with the current Ontario government it is reported that plans are underway to revive the merger idea. If you were a teacher or hydro employee how would you like the government to grab your pension savings to bail out situations like those which have occurred recently in Sault Ste. Marie or Kapuskasing or even reduce the deficit, instead of using all taxpayers dollars? They don't seem to understand that it is not their money.

Speaking of the Ontario Teachers Pension Fund, over the years, the teachers have negotiated for themselves a plan that provides for very good benefits, indexed payout and the like. At the same time, those charged with investing the money have done a poor job. For many years they have lent the teachers money to the Ontario Government at ridiculously low rates of return. One pension fund manager told me recently that as

a result there is an unfunded liability of between \$4 to \$5 billion dollars (not enough money to pay out what is committed to). Do teachers think that the rest of the taxpayers should pay for this problem again?

If you were putting 8-9 per cent of your gross income into saving for retirement, how would you like those apples?

Do you know the difference between an integrated pension plan and a stacked pension plan? Do you know what the new RRSP limits for 1991 are, whether or not you have an employer pension plan?

The bottom line is that it behooves all of us to be more aware of the source or lack thereof of our future retirement income. As specialists in retirement planning, independent financial planners can help. Not only to sort out the rules, tax and otherwise, but to advise on a wide choice of various investments.

For more information, contact Peter C. Masson, 10 Fagan Drive, Georgetown, Ont. or phone 877-7216.

Paul J. Rockel is the author of the best seller "Why I Invest in Mutual Funds" and President of Regal Capital Planners Limited, a 21-year-old financial planning company with offices from coast to coast in Canada.

Meet the managers

Customers come first

The new manager for both of Georgetown's Royal Banks, Steve Hay, says his objective is to develop "relationship" banking versus the traditional transactional banking.

"In transactional banking, the customer would come in and we'd give them what they asked for," he said. "We want to offer relationship banking where customers deal with one individual and become fully aware of the overall banking facility."

The whole move towards service-oriented and personal banking included a change in management practices which was designed to bring together the Main St. and Mountainview Road branches of the Royal Bank as one unit rather than two independent banks.

Mr. Hay was hired to be the manager of personal banking for the two Georgetown branches on April 15, to accommodate this

change of direction.

Before taking his current position in Georgetown, Mr. Hay took a 12-month business training program to complement the 11-and-a-half-years of experience he's garnered with the Royal Bank. He's held various management positions and senior assistant management positions at Royal Banks in Ontario.

His last job involved working with wealthy clients in private banking at a Royal Bank in Waterloo.

Mr. Hay, who now lives in Georgetown, is a Georgetown Rotary Club member and director with the Halton Hills Chamber of Commerce.

He's married and has a 15-month-old son.

He said he's found the people in Georgetown to be very friendly and found, despite the smaller size of the community, Georgetown has a lot to offer.



THE CORPORATION OF THE
Town of Halton Hills

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NOTICE OF PUBLIC MEETING WARD 2 / 10th LINE / REGIONAL ROAD NO. 23



Council for the Town of Halton Hills will conduct a Public Meeting to examine and discuss a proposed amendment to Zoning By-law 74-51 to permit a farm implementation dealership and garden centre operation.

The subject property is located at the intersection of the Tenth Line and Regional Road No. 23, with the property being described as Part of Lot 18, Concession 11, Town of Halton Hills (Esquensing).

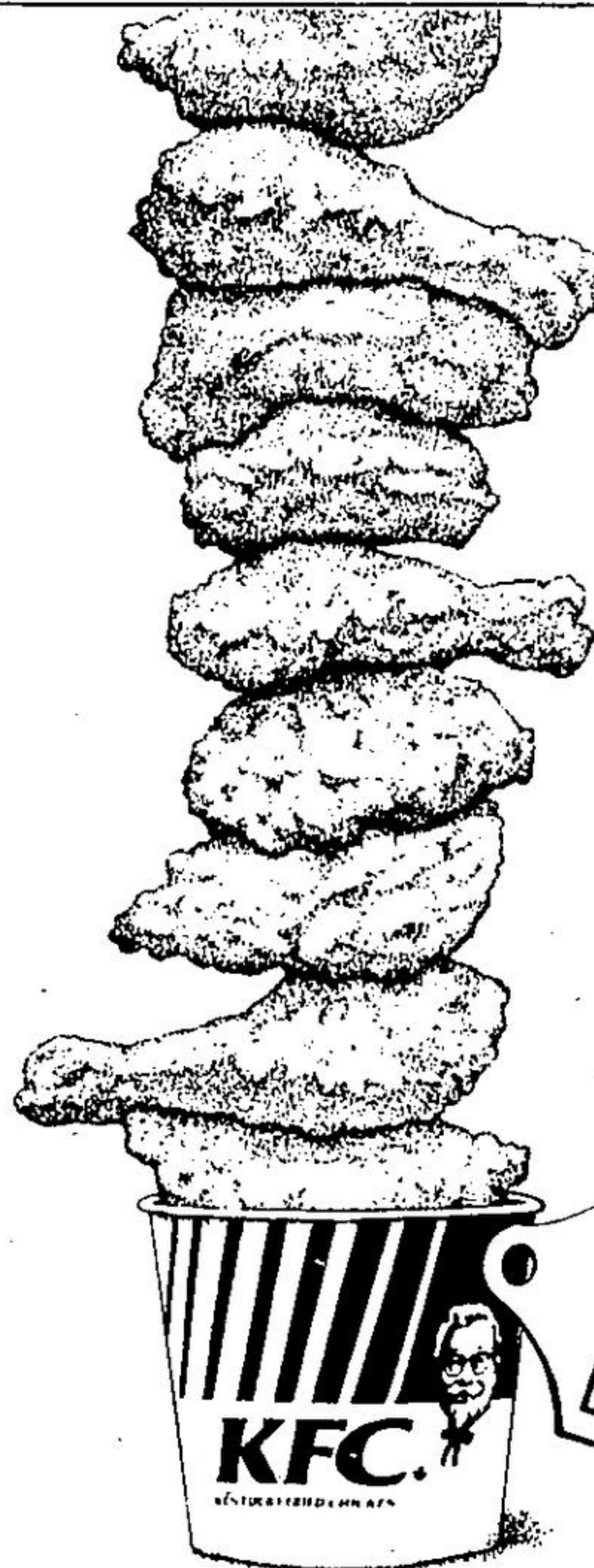
Further information is available in the Planning Department.

ALL INTERESTED CITIZENS ARE WELCOME

Time: 7:00 p.m.
Date: Monday, September 16, 1991
Location: Council Chamber
Halton Hills Civic Centre
1 Halton Hills Drive
Halton Hills (Georgetown)

File No: D09/Mocon

AD No. 1443



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