



Decumulation Playbook

A guide to help you learn more about
Decumulation support at Sun Life



Contents

3 Canada's decumulation landscape is primed for innovation

4 Why plan members need support

7 Decumulation support and retirement readiness – the benefit for plan sponsors

8 My money in retirement – Sun Life's decumulation strategy

9 Engagement

10 360 Plan Advice

12 Sun Life One Plan

13 Innovative products

14 How Sun Life can support you in helping members plan for retirement

15 What's on the horizon for our decumulation program?

16 Resources: Decumulation support at Sun Life

17 Sun Life: your trusted partner of choice – to and through retirement



Canada's decumulation landscape is primed for innovation



Sun Life's purpose is to help Canadians achieve lifetime financial security and live healthier lives. In Group Retirement Services, there are two ways we work with you to help plan members.



Accumulation – we help them save at work.

Sun Life supports over 1 million plan members in successfully saving for retirement. We do this by:

- Offering exceptional savings products (registered and non-registered), broad range of investments, goal-based planning tools and ongoing engagement and encouragement to save.
- Working with you to optimize plan design for plan members.



Decumulation – we help them use those savings and other retirement income sources effectively in retirement.

A plan member's savings or "accumulation" phase is only half the story. The other half starts when a plan member makes the decision to retire. This is when they begin to drawdown and use their savings to generate retirement income.

The Decumulation phase may seem like a simple process – just withdraw money when you need it and spend! But dig deeper and you'll see that retirement income planning and drawdown is a complex process. It is based on many personal circumstances and can be an emotional journey. It involves many important factors such as health, household income, a wide range of expense considerations and more!

It also must balance a variety of individual risks and goals, which we discuss later in the Playbook. That's why support, advice, and a strategy – are so important in this process to give plan members confidence and peace of mind.

Why plan members need support

Determining how to convert all savings and pension sources into adequate and sustainable retirement income is a complex process. Plan members are looking for help.

- **80% of Canadians** feel more confident in their retirement if they have a plan.¹
- **Only 15% of Canadians** aged 40 and older said they were very confident in how to draw income from retirement savings.²
- **70% of our plan sponsors** said they wanted Sun Life to take a role in helping plan members understand decumulation.³

¹ Sun Life Client Experience Monitor Survey 2022

² National Institute of Aging at Ryerson University 2019

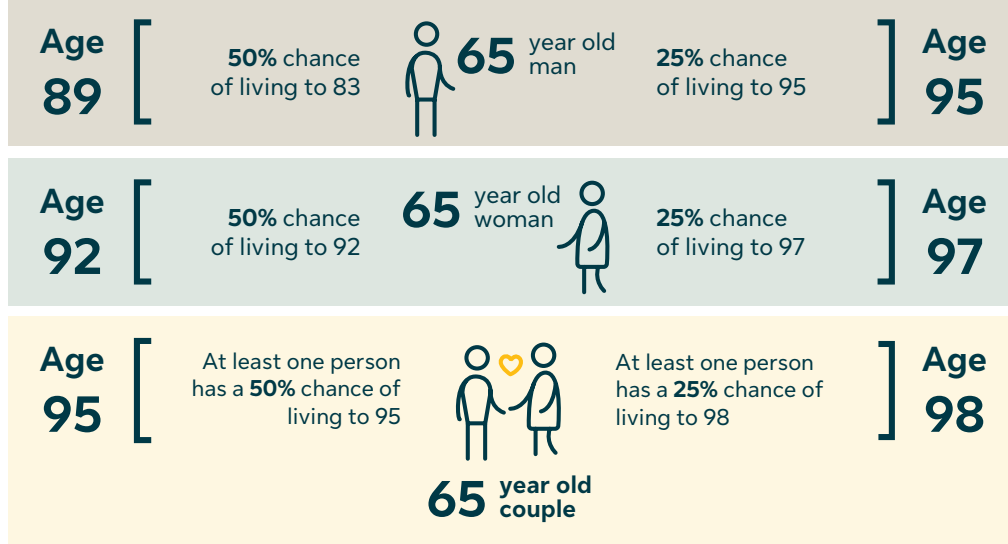



³ Sun Life Decumulation Qualitative Research Study, December 2020


They must also address several financial planning challenges, as shown in the table on the [next page](#).

In the years leading up to retirement, plan members are looking for answers about several retirement income issues. These include:

- Identifying their various retirement income sources, how much income they'll need during different stages of retirement and ensuring it will last a lifetime.
- When to start receiving income from government plans like the Canada/Quebec Pension Plan.
- How to tax-efficiently drawdown from their savings.
- Determining whether to leave an inheritance for family members or others.



Financial planning challenge	Why it matters	Fast facts
Financial longevity – outliving retirement savings	Plan members could deplete their retirement assets if they live longer than they expect. So, the risk of “guessing wrong” on life expectancy is significant.	 <p>Age 89 [50% chance of living to 83  65 year old man 25% chance of living to 95] Age 95</p> <p>Age 92 [50% chance of living to 92  65 year old woman 25% chance of living to 97] Age 97</p> <p>Age 95 [At least one person has a 50% chance of living to 95  65 year old couple At least one person has a 25% chance of living to 98] Age 98</p>
Poor liquidity – not being able to access cash when needed	Plan members need to balance their guaranteed income needs with their potential need for cash flexibility. By doing so, when an unexpected cash need arises, they can cover the cost with liquid assets on hand.	<p>Guaranteed income sources, such as annuities, Canada Pension Plan (CPP), and Old Age Security (OAS) provide a stream of regular income payments only. They do not permit lump sum withdrawals if a plan member needs extra cash.</p> <p>Investment vehicles such as Retirement/Life Income Funds (RIFs/LIFs) and Tax-Free Savings Accounts (TFSA) can provide this withdrawal flexibility.</p>
Selecting an inefficient mix of products or investments for their retirement income goals	Plan members may not achieve their retirement income goals. This can occur if their product and/or investment mix is misaligned to their risk tolerance and retirement horizon.	We help plan members navigate these choices. We offer “help me do it” or “let me do it” options within our asset allocation/risk profiler tool.
Sequence of return risks	Sequence of return risks – the impact of market volatility on the length of time a member is able to draw an income from their investments in retirement – can be managed by ensuring plan members have a flexible and diversified portfolio. Poor returns at the beginning of retirement can increase the rate at which savings are depleted.	We can help plan members manage this risk by ensuring they have a flexible and diversified financial roadmap.

Financial planning challenge	Why it matters	Fast facts
Increased healthcare spending	<p>We have an excellent public health system – one that covers many healthcare costs. But it comes far short of covering them all. Dental care, paramedical services and residential and long-term care can all carry significant out-of-pocket expenses. Provincial plans do not cover all prescription drugs, even for those age 65 or more.</p> <p>Healthcare needs increase as we age – and one medical event can change everything. Health care is critical to our wellbeing. 99% of those age 75 and over say that health is more important than wealth to live well in retirement. So, it's worth factoring health needs and costs into retirement income planning.</p>	The Conference Board of Canada completed a report on healthcare spending. They estimated that healthcare spending by seniors was \$5,800 annually in 2019. They project these costs to rise to at least \$8,000 by 2035. ⁴
Inflation – decreases an individual's purchasing power over time.	<p>Inflation rates have risen dramatically from their 2% lows, and that's not unusual. The average annual inflation rate over the past 50 years is 4%.</p> <p>Many Canadians are living 20 to 30 years or more in retirement. For those that do, inflation will have a dramatic impact on their spending power during this time period.</p>	With a 4% inflation rate, a \$100,000 nest egg is worth the equivalent of just \$45,000 after 20 years.
High retail fees – leaving the group plan environment	<p>Group plan members enjoy the benefits of competitive fees. This is compared to what an average investor would expect to pay for similarly managed mutual funds.</p> <p>When they retire, many choose to transfer their money out of their group plan. When they do, they often transfer these assets to vehicles and investments that can carry higher retail fees.</p> <p>Higher fees don't always come with higher investment performance. This can have a significant negative impact on their assets and their ability to generate a retirement income.</p>	<p>Here's how competitive fees can extend retirement income availability.</p> <p style="text-align: center;">Access to low fees really matters</p>  <p style="text-align: center;"><small>\$700,000 Initial assets, \$50,000 annual income withdrawn annually, 6% real gross return, 0.90% fees vs 2.20% fees Source: Sun Life Designed for Savings Report, 2021</small></p>

Plan members can combine products to achieve many decumulation goals. Professional advice can be instrumental in ensuring that a product allocation mix appropriately meets their goals.

⁴ The Conference Board of Canada. "Measures to better support seniors and their caregivers", 2019

Decumulation support and retirement readiness – the benefit for plan sponsors

“Retirement readiness” means ensuring plan members have saved enough by the time they want to retire to provide sufficient income throughout their retirement. For financial security reasons, this is of critical importance to plan members. But important to employers too – for succession planning, managing workforce costs and maintaining productivity.

A recent U.S. study found that a one-year increase in the average retirement age results in an average annual incremental increase of about 1% to 1.5% of workforce costs. For example, an employer with 3,000 employees and workforce costs of about \$200 million would see an incremental \$2-3 million of workforce costs annually.⁵

While the makeup of these increased extra costs may differ in Canada, they’re still significant. Decumulation support pre- and post-retirement can provide plan members with a clear path to attaining and maintaining retirement readiness. It also ensures that those who work after their expected retirement age do so out of choice, not need.

For these reasons, both plan sponsors and plan members benefit from decumulation support and the furthering of retirement readiness.

⁵ Why employers should care about delayed retirements, Prudential, 2017



My money in retirement – Sun Life’s decumulation strategy

Our vision is to give working Canadians the confidence and support to live and retire financially secure. Our decumulation program, **my money in retirement**, plays a key role in helping us fulfill this vision. It captures sentiments that are important to plan members. These include control, flexibility, and alignment with personal lifestyle choices.

Sun Life supports plan members with their retirement income planning from the moment they start saving. We do this through engagement, expert advice and tools and innovative products. This alleviates the

burden of making big retirement decisions just as their retirement transition is taking place.

This advanced planning can help them direct their savings to the most appropriate accumulation vehicle. It can also provide a clearer understanding of the potential sources of retirement income available to them.

sunlife.ca/decumulation



Engagement



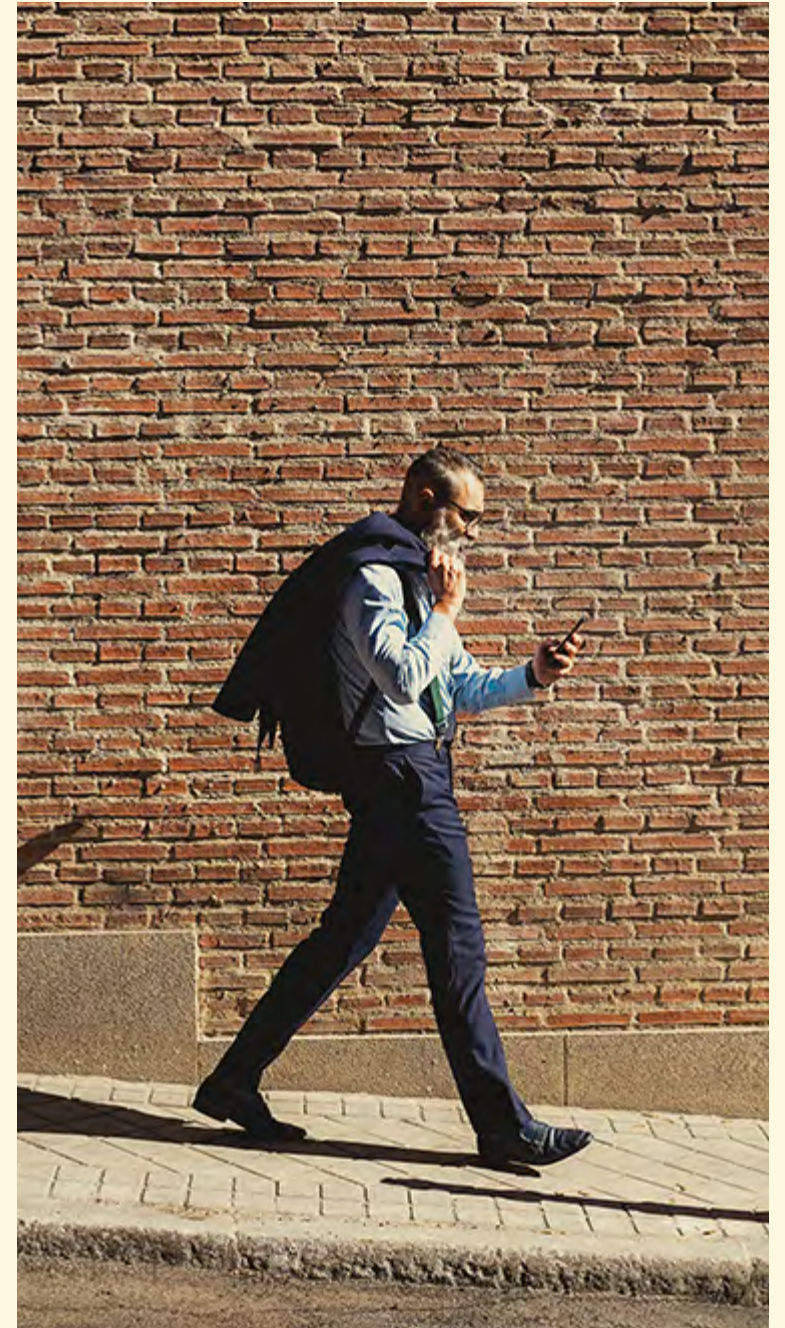
We use personalized nudges, typically through our digital coach Ella, to proactively engage plan members at pivotal life moments. We design the nudges to improve retirement outcomes. The prompts encourage plan members to complete various tools, name a beneficiary, or take other actions.

A key focus is ongoing digital engagement within the saving and retirement planning process. Our analysis found that a higher digital engagement leads to many benefits:

- Digitally engaged plan members have an average account balance 177% higher than those that are not digitally engaged.*
- Contributions among digitally engaged plan members are more than double those of members not digitally engaged.*
- Plan members who access mysunlife.ca five or more times per year are four times more likely to consolidate assets. This lets them take advantage of competitive fees.*

As the plan member advances in their career, our engagement shifts toward retirement income planning focused activities. We help members with expert advice throughout their entire journey with 360 Plan Advice.

*Sun Life GRS Mobile Application Research 2020



360 Plan Advice

As retirement approaches, decisions multiply in both number and complexity. That's why plan members often seek out a personal advisor.

360 Plan Advice provides plan members with access to personalized advice from our non-commissioned, licensed financial services consultants (Registered as financial security advisors in Quebec). And plan members who stay with Sun Life after retiring from their employer can continue to access this service at any time. Our dedicated team of consultants can provide plan members with a financial roadmap from hire to retire, and beyond. There is no additional cost for this service.

Watch this [video](#) to learn more about 360 Plan Advice.



sunlife.ca/360planadvice

A financial advisor (registered as a financial security advisor in Quebec) can help in several ways:



Navigate the transition to retirement.

The move into retirement is a significant life event – and there can be uncertainty and anxiety. An advisor can help plan members assess goals, consider their direction and purpose and determine their desired lifestyle.



Determine retirement income needs.

They can help plan members determine how much money they need for their basic needs, lifestyle spending and contingencies.



Assess the retirement decision.

They can help plan members decide whether they are financially ready for retirement.



Structure a tax-efficient plan.

Withdrawals from different income sources have different tax consequences. An advisor can help structure a retirement income plan in the most tax efficient way possible.



Time receipt of government retirement income benefits.

Canada/Quebec Pension Plan benefits can begin anytime between ages 60 and 70. Old Age Security can start anytime between ages 65 and 70. An advisor can help plan members assess whether they should defer receipt of these benefits or take them sooner.



Consider holistic goals and risk factors when choosing retirement income vehicles or product.

Many plan members must weigh various risks and goals in choosing how to fund their retirement income needs. An advisor can assess risks and goals and help plan members choose retirement income vehicles appropriately.



Coordinate all income sources for a household.

Some plan members have a spouse and must coordinate their decumulation planning with a spouse's retirement income sources. Plan members may also have several retirement accounts, each with their own set of regulatory rules and administrative requirements. An advisor can coordinate all income sources into the retirement income planning process.



Sun Life One Plan

Sun Life One Plan is our innovative, state-of-the-art planning tool. It's an easy-to-follow, goals-based tool that lets plan members create a financial roadmap. During the accumulation phase, it offers robust planning for life milestones and retirement savings. It also creates personalized nudges to help plan members stay on track to meet their savings goals.

As retirement approaches, the tool incorporates a plan member's goals and changing needs. This lets them create a personal spending profile for drawing down retirement savings tax effectively. Plan members can also test different scenarios to see how their financial path might change if different events occur. In addition, they can integrate spousal needs and assets in their planning scenarios.



This advance planning can help them direct their savings to the most appropriate accumulation vehicle. It can also provide a clearer understanding of their potential sources of retirement income, and when to access them.

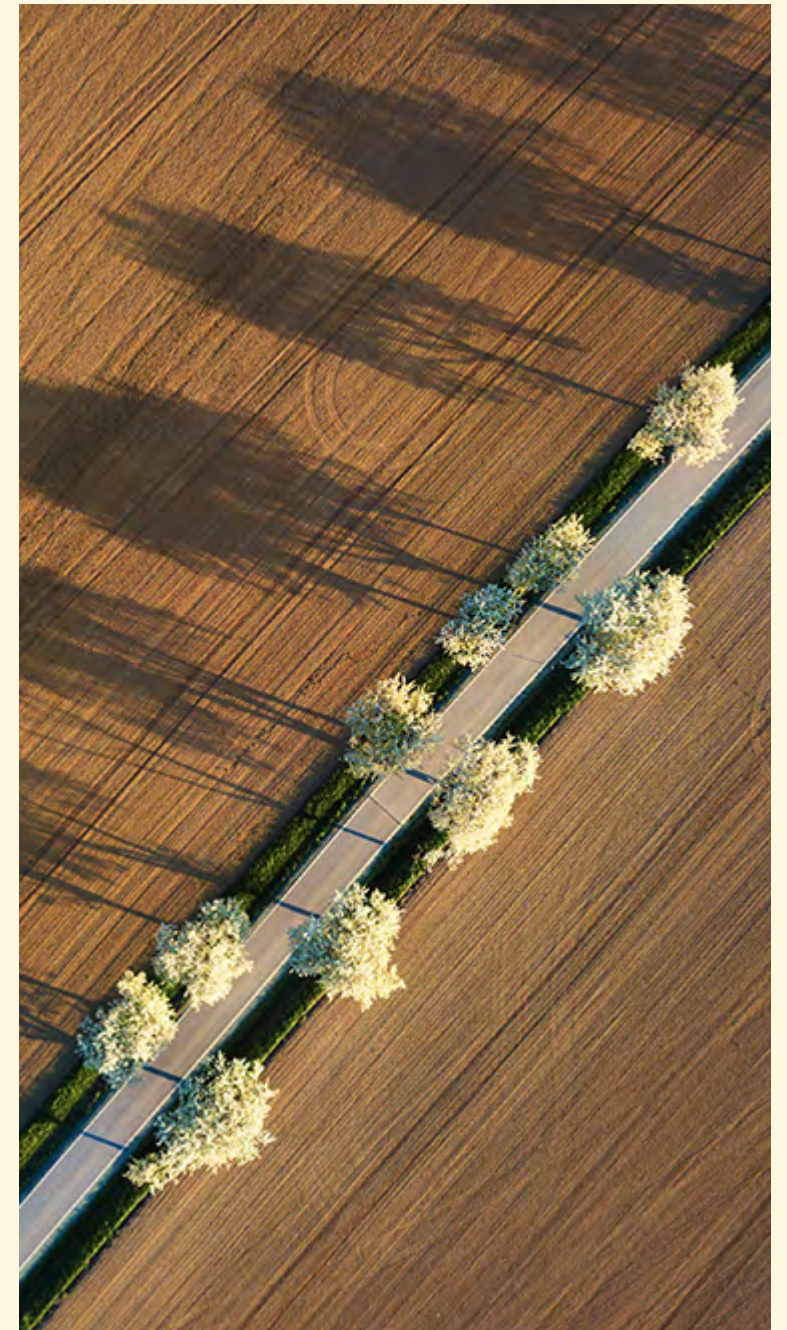
Sun Life One Plan helps plan members explore the impact of different scenarios, such as:

- Large, one-time expenses
- An inheritance
- Market declines
- Higher inflation
- The death of their spouse

This new digital financial tool provides real time results to meet both accumulation and decumulation needs.

Today, plan members can use the tool with the one-to-one support of a Sun Life licensed financial services consultant. In Fall, when the self-serve tool launches, plan members can use the tool on their own. With either approach, they'll be able to:

- Build a financial roadmap
- See real-time progress towards their financial goals
- Explore other ways to reach their goals



Innovative products

We offer a full range of decumulation products, in a variety of structures. Our products balance flexibility and certainty. And we know that the right balance will differ for everyone.

	Group Choices – a Sun Life sponsored RRIF/LIF	Employer-sponsored RRIF/LIF	Variable benefits	Sun Life annuity	Variable Life Payments (VLPs) – pending legislation	Advanced Life Deferred Annuity (ALDA) – pending
Solution overview	<p>Our Group Choices RRIF/LIF is like any other RRIF/LIF, but plan members keep their assets with Sun Life.</p> <p>This lets them continue to enjoy the same or similar investment options they had in their group plan. They also maintain access to Sun Life supports, even though assets are no longer part of the employer's plan.</p>	<p>Plan members enjoy benefits similar to the Sun Life Group Choices RRIF/LIF. However, since assets remain part of the plan, negotiated investment management fees may be lower.</p> <p>The plan sponsor will retain the responsibility for duty of care and due diligence</p>	<p>Variable benefits are like a RRIF or LIF (depending on whether the assets are locked-in or non locked-in). But the assets stay within the DC pension plan.</p> <p>The retiring plan member chooses their payment amount, between the minimum and the maximum set by provincial legislation. There is no required minimum payment before age 72.</p>	<p>Plan members can use some or all of their account balance to buy an individual life annuity.</p> <p>The annuity pays a guaranteed income for life, or two lives, or specific period of time in exchange for this lump sum payment.</p> <p>In certain instances, members have the ability to defer income.</p>	<p>Plan members can use some or all of their account balance to buy a VLP. VLPs pay a lifetime income for either the plan member's life or for the life of the plan member and their spouse. The payment amount is adjusted periodically for investment returns and the mortality experience of pool participants.</p> <p>In a VLP the pool participants share the investment and mortality risk. Sun Life provides no guarantees.</p>	<p>ALDA would allow a retiring member to defer the start of their retirement annuity income until as late as age 85.</p> <p>This could give plan members improved flexibility in their retirement planning, opening the door to both tax deferral and longevity protection.</p> <p>An ALDA could only be purchased using a maximum of 25% of their registered assets (to a maximum of \$160,000 in 2023 – with the limit increasing annually).</p>
Fees	<p>Group Choices fees are competitive compared to retail.</p> <p>Tiered pricing based on the size of the account balance may also reduce fees for plan members.</p>	<p>Assets remain part of the employer's retirement program.</p> <p>Plan members may share lower investment management fees negotiated by the plan sponsor.</p> <p>The investment management fee structure can be fixed or tiered.</p>	<p>Assets remain part of the plan. Plan members typically share lower investment management fees negotiated by the plan sponsor.</p>	<p>There is a one-time set up fee, but no ongoing fees with an annuity purchase.</p>	<p>Assets remain part of the plan. Plan members typically share competitive investment management fees negotiated by the plan sponsor.</p>	<p>There is no ongoing fees with an annuity purchase. However, there could be a one-time set up fee.</p>
Availability	<p>Widely available</p>	<p>Available to certain sponsors based on their plan's strategy.</p>	<p>Permitted everywhere in Canada, except in New Brunswick and Newfoundland and Labrador.</p> <p>At time of publication, only available for Sun Life assets subject to Quebec legislation. Under review in other jurisdictions.</p>	<p>Widely available.</p> <p>They have not been popular in recent years, but with increased interest rates they are coming back in favour.</p>	<p>VLPs are a legacy offering not currently available. We are awaiting provincial legislation that will allow this product to proceed.</p>	<p>Not yet available.</p> <p>The Federal government has passed legislation to allow ALDAs.</p> <p>However, there remain gaps between this legislation and provincial pension laws.</p>

Plan members can combine these products to achieve many decumulation goals. Professional advice can be instrumental in ensuring that a product allocation mix appropriately meets their goals.

How Sun Life can support you in helping members plan for retirement

Plan sponsors play a critical role in helping plan members transition from the accumulation to decumulation phase. Communicating with plan members to understand the products available to them, and the help they need through Sun Life, is available. Our [Sponsor Resource Centre](#) includes collateral and communications that can be shared with plan members that is relevant to their financial planning and retirement readiness.

Sun Life can also provide the support plan sponsors need in terms of the level of involvement or role they want to play. We can partner together to discuss any custom solutions and communications support for plan members.

We have the suite of products, education and engagement resources to support retiring plan members. We encourage you to speak to a group retirement representative to determine the best option for your plan.



What's on the horizon for our decumulation program?

We continue to lead the market in strengthening decumulation results for plan members. We do this through product and service innovation and advocating with governments to seek advancements in decumulation options.



Variable Life Payments (VLPs) (formally known as Variable Payment Life Annuities (VPLA) or Dynamic Pensions)

We continue to advocate for governments to finalize laws and regulations related to VLPs. We have leading experience with similar arrangements, as we currently administer several legacy plans under previous laws.

VLPs combine the best features of current decumulation options to create an entirely new income product. They offer a more balanced and cost-efficient solution, and typically higher income for retirees. The key benefit is that they offer lower cost income for life. VLPs trade income guarantees for market participation and shared longevity risk with other pool participants.

These features let plan members:

- Optimize their retirement income
- Harness potential market growth
- Benefit from longevity pooling
- Ensure a sustainable income stream for life



Expanding investment solutions

We continue to expand our investment solutions for plan members in retirement. One of the products being considered is the SLGI Retirement Solution that allows plan members to select an age of maturity such as 85, 90, 95, or 100 where they are then paid out an annual withdrawal rate/amount based on their current age so that their investment is fully depleted at maturity. The withdrawal rate is optimized and increases annually to keep the amount withdrawn relatively stable from year to year so members can properly plan their annual budget. The withdrawal rate will only be decreased if investment returns deviate materially from initial actuarial estimates. The investment is fully liquid, and the member can withdraw their remaining market value at any time. They may also adjust to a longer or shorter maturity age should life expectancy change.



New payment capability: Retirement Pay

Retirees have told us that visibility and ease of access to their income in retirement is of high importance. We are developing new payment capability, referred to as Retirement Pay, that will provide a simplified experience for retirees to receive regular retirement income through their advisor or self-serve channels.

Retirement Pay provides plan members with the ability to:

- Schedule payments from all savings products, including RRIF/LIF
- Choose their preferred frequency of withdrawal
- Draw income from multiple products based on tactical guidance
- View all payment related information online

Resources: Decumulation support at Sun Life

We provide plan sponsors, partners and plan members with several resources to support retirement income success.

- **My Money in Retirement Decumulation Hub** This digital content hub contains Bright Papers, articles and resources to help our partners, and plan sponsors with one-stop-shop resources for Decumulation. The hub also houses a [video](#), using a fictional scenario, that showcases how our retirement income support comes together to provide a plan member with financial security in retirement.
- **Sponsor Resource Centre** This is an education and communications hub to help plan sponsors and partners support the financial wellness of plan members. It includes resources for retirement income planning.
- **Planning your best retirement** This dedicated retirement page on our secure plan member website has a wealth of information to help plan members plan and live their best retirement.
- **Your Retirement Income** SLGI's insights section includes investor education resources to support saving and planning for retirement. It also helps them understand the impacts of market events on retirement income.

For more detailed information, these papers provide an excellent analysis of decumulation in Canada and its challenges.

- National Institute on Aging and Global Risk Institute: ***Dynamic Pension Pools advocacy report***
- The Association of Canadian Pension Management (ACPM): ***Decumulation 2.0***
- C.D. Howe Institute. Money for Life: ***Putting the "Pension" Back in Employee Pension Plans***



Sun Life: your trusted partner of choice – to and through retirement



Drawing down income in retirement effectively is a complex challenge. There are many factors to consider and many potential solutions.



Sun Life supports plan members with their decumulation planning from the moment they start saving. We are a dedicated and trusted partner in helping them create adequate and sustainable retirement income.



Through engagement and education, tools, products, and advice, we can help plan members improve their retirement income outcomes and thrive. And our ongoing support and strategies give them the confidence to live their best retirement.



Our work continues. Partnering together we'll continue to innovate, with exciting, industry-leading solutions and advocacy for legislative changes.

