

8 Reasons Why an RRSP Does Not Measure Up to the Labourers' Pension Fund

(Part 8 of 8)

What happens under your RRSP if you become disabled or want to retire early?

Disability can present many significant challenges to a worker and their family, not the least of which includes financial worry. Unlike an RRSP, the Labourers' Pension Fund (LPF) helps out in the unfortunate event of disability by providing a generous disability pension payable from the time of disability for your lifetime. **For example, if you became disabled at age 40, then you would receive your pension for an additional 25 years because under normal circumstances your pension would not commence until age 65!** Under an RRSP, if you were to have to use your savings to help during disability, any benefit would normally be much smaller than that provided by the LPF, and you run the risk of running out.

If you are considering retiring before your normal retirement age of 65, the LPF also provides for generous subsidies on early retirement if certain criteria are met. **For example, if you are age 55 with 30 pension credits, or age 60 with 25 pension credits, then you will be entitled to your full pension without any early retirement reduction.** In other words, you will receive your full pension for up to an additional 10 years! In comparison, if you were to retire early and start collecting a pension at age 55 from your RRSP, the reduction in pension would be approximately 60% in order to afford the longer payout period. Quite a significant difference!

Both the additional disability and early retirement benefits provided under the LPF are what's known as "subsidized ancillary benefits". That's a fancy name for additional benefits on top of what you are already entitled to under the plan, that don't cost you anything extra. This is an important distinction between the LPF and an RRSP, as RRSPs do not have ancillary benefits. Should one of these situations arise, you will be left to manage your own finances with whatever savings you have accumulated. It's also worth noting that these subsidies provided by the LPF are not typically found in other pension plans.

In summary, **REASON 8:** The LPF has special plan provisions which allow more flexibility when it comes to the timing of your retirement and also give you peace of mind should an unforeseen adverse event like disability happen to you.

This concludes our 8-part series outlining the key advantages of the Labourers' Pension Fund over an RRSP. To sum it all up - the Labourers' Pension Fund operates under a collective approach, whereby risk (investment and mortality) is shared, expenses are lowered, and pension expertise is paramount – all leading to higher pensions and greater retirement security for members....all the better for you!

