

8 Reasons Why an RRSP Does Not Measure Up to the Labourers' Pension Fund (Part 1 of 8)

Saving for retirement isn't easy. That's why it's really important that you make the most of every dollar you save. Registered Retirement Savings Plans (RRSPs) are one of the best tax-assisted vehicles available to help individuals save for their retirement, but they are different from pension plans in many ways. Do you know how the Labourers' Pension Fund (LPF) stacks up compared to the typical RRSP? Read on, you may be surprised.

How much do you know about investing?

A professionally managed fund, like the Labourers' Pension Fund (LPF), has been proven to earn higher returns than the average individual investor. More importantly, studies show that the higher returns result in pensions that are generally 25 to 50% higher than those provided by an individual RRSP!

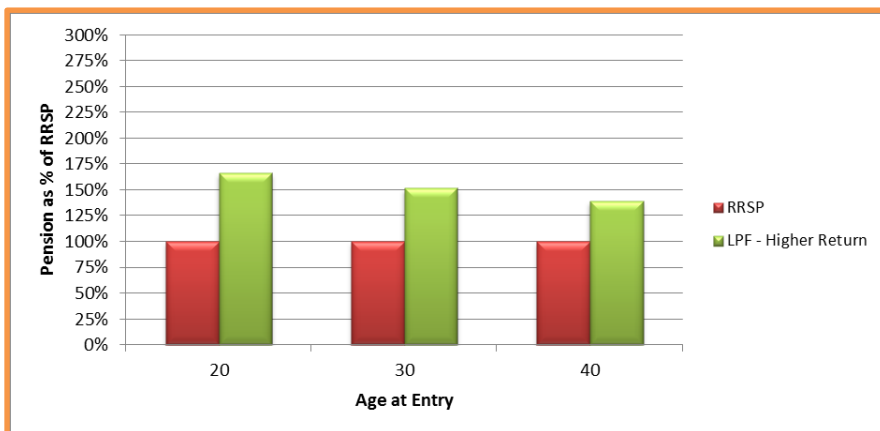
The reasons for this are two-fold. First, the LPF has access to some of the most knowledgeable investment advisors and money managers in Canada. With almost \$5 billion dollars currently in the fund, these investments are keenly managed by top professionals with the ability to get the most out of every dollar.

Secondly, a large pension plan, such as the LPF, has access to a wider variety of investment options than an individual investor. The size of the fund has afforded the plan the opportunity to be able to take advantage of investments in private companies, real estate properties and infrastructure, all assets that have higher long-term expected returns, with much lower levels of risk and volatility.

The LPF has earned an average annual rate of return of over 10% during the last 5 years, and over 7% during the last 10 years, and this period includes the 2008 market downturn. Has your RRSP earned you that much?

Here's what an extra 1.5% in annual investment earnings does for you in terms of pension at retirement!

The Labourers' Pension Fund operates under a collective approach, whereby risks are shared, expenses are lowered, and expertise is paramount – all leading to higher pensions and greater retirement security for members....all the better for



The LPF offers more than an RRSP for the following reasons:

- 1. Professionally Managed Fund = Better/Higher Pensions –** Professionally managed fund means higher investment returns which means higher pensions.
- 2. Lower Costs –** Costs are spread over a large membership base, ultimately leading to higher pensions.
- 3. Ability to Weather Market Volatility –** Potential benefit reductions resulting from volatile markets can be restored, whereas RRSP contribution room is more limited.
- 4. Ability to Assume More Risk –** Collectively, the plan can assume more investment and other risk, leading to higher returns and higher pensions.
- 5. Pensions for Life –** Your money will never run out, as LPF pension benefits are paid for life.
- 6. Greater Predictability of Pension Benefits –** Pension benefits are defined which allows for better retirement planning.
- 7. Members Directly Represented in the Fund's Governance Structure –** 100% union-trusted, with access to special training, expertise and professional advice.
- 8. Additional Subsidized Benefits –** Subsidized early retirement benefits,

you!

In summary, **REASON 1** is as follows: The LPF is a professionally managed fund which has a proven track record of healthy investment returns, resulting in higher pension benefits for you at retirement.

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

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

(Part 2 of 8)

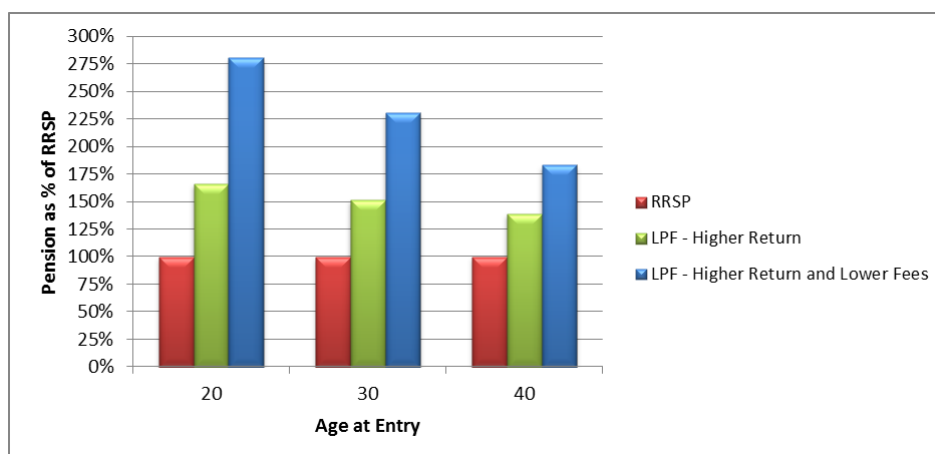
What are the costs hidden in your retirement savings plan?

As an individual investor, there are costs embedded in your RRSP which can be significant. Typical RRSPs will include fees ranging from 2.0% to 2.5% of the value of your assets, and that gets deducted from your investment earnings. Plus there could be additional fees included, such as commissions, when buying and selling stocks. It would be better for you if more of that money went towards your pension at retirement!

Large pension plans, such as the Labourers Pension Fund (LPF), have lower investment management fees as a percentage of the assets than smaller individual funds such as an RRSP. In addition to the investment fees, there are also administrative fees which cover the day to day operations of the plan. Spreading the administrative costs of a pension plan over a large membership base means lower costs per individual. Given the LPF has almost \$5B in assets, and there are currently over 95,000 members in the plan, that means significantly lower fees for you.

It's a fact that the larger the fund, the lower the fees as a percentage of the assets. Average fees for the LPF total approximately 0.75% per annum, less than 1% and much better than what you'd pay as an individual investor! Lower fees means ultimately higher pensions, compared to what the same contributions can provide under an individual RRSP.

Part 1 of this series explained how a professionally managed fund with access to alternative investment strategies, such as the LPF, can earn 1.5% per annum more than an individual RRSP in the long run, and showed the impact on your pension at retirement (the green bar below). Take a look at what an extra 1.5% in annual investment earnings PLUS a reduction in fees of 1.5% does for you in terms of pension at retirement!



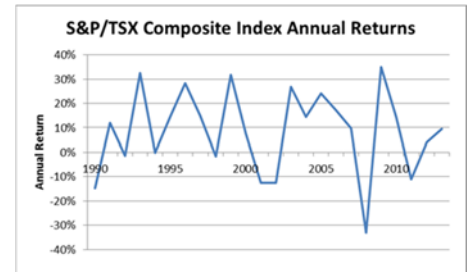
In summary, **REASON 2:** Lower fees in the LPF equates to higher pension benefits for you at retirement.

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

(Part 3 of 8)

Are you prepared for market volatility?

There's no doubt about it - market volatility is a challenge for any type of pension plan that invests in equities. In simple terms, volatility reflects the ups and downs of the market. Given an obvious key objective of any pension plan is to provide a stable, secure pension throughout retirement, it comes as no surprise that market volatility has the ability to wreak havoc on pensions!



Market volatility needs to be managed. If the market performs poorly, you may see your RRSP decline in value, and you may not have the ability to make additional contributions to bring the value back up (either because of limited RRSP room or limited cash availability). This is particularly troublesome if the market drops either right before you plan to retire, or during retirement, as there is no time to wait for a market recovery!

The Labourers Pension Fund (LPF) has a number of built-in mechanisms to help fight against turbulent markets:

- **Alternative Investments:** Having access to investments such as private equity and infrastructure can reduce the volatility in the plan while still achieving higher return returns.
- **Smoothed Value of Assets:** The LPF uses a smoothing technique that spreads investment gains and losses over 5 years to help contribution and benefit levels remain steady when the market otherwise may not.
- **Contingency Reserve:** This reserve is like a rainy day fund - it can be used when times are bad and built up again when times are good. This cushion helps weather the ups and downs and is mostly used for ironing out the volatility in the investment markets.
- **Deficit Funding:** When a market downturn creates a plan deficit, the LPF has the ability to put more money into the plan so that benefits are not reduced. This can be a large advantage over an RRSP where the only options available may be to either reduce your level of pension or work longer (or possibly go back to work if you are already retired).

In summary, **REASON 3:** The LPF has the ability to weather market volatility through a number of mechanisms that are typically not available under an individual RRSP. This is good news for all members, as it means pensions can remain stable as evidenced through the plan's strong history of pensioners never having had a reduction in their pension entitlement.

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

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

(Part 4 of 8)

How much risk can you handle?

Are you a risk-taker, or do you prefer to play it safe? When it comes to pensions, most people would probably say they would prefer to play it safe. But did you know that each additional 1% earned on your investments over the long term equates to over a 25% increase in the amount of your pension at retirement? But to get that additional investment return, it typically means taking on a little more investment risk, so it can be a real challenge balancing benefit security with benefit adequacy.



Consider this – if a market meltdown happens to occur a month before you are planning to retire, your personal savings, including any pension funds saved in RRSPs, will take an immediate hit if you are invested in a higher risk portfolio that includes stocks. The bad news is that you may now not be able to afford to still retire at the date you had planned, and may be forced to wait for some type of market recovery. Because of this risk, most individuals close to retirement tend to move more towards fixed income investments with less risk, and that means typically less investment return and a lower pension at the end of the day.

However, the benefit of being part of a large pension plan like the Labourers' Pension Fund (LPF) is that the investment risk, as well as other risks, is collectively shared among all members. This means that the overall plan can assume more risk because the risk tolerance is based on the group as a whole, and not on an individual basis. This allows the plan to obtain higher returns and provide larger pensions than the individual investor. Any market meltdown will still need to be weathered by the plan as whole, but will not affect the pensions of individuals close to retirement like under an RRSP.

In summary, **REASON 4:** Collectively, the plan can assume more investment and other risk, leading to higher returns and higher pensions. By pooling the retirement risks with your fellow LiUNA members, you are helping each other to higher and more secure pensions now and into the future!

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

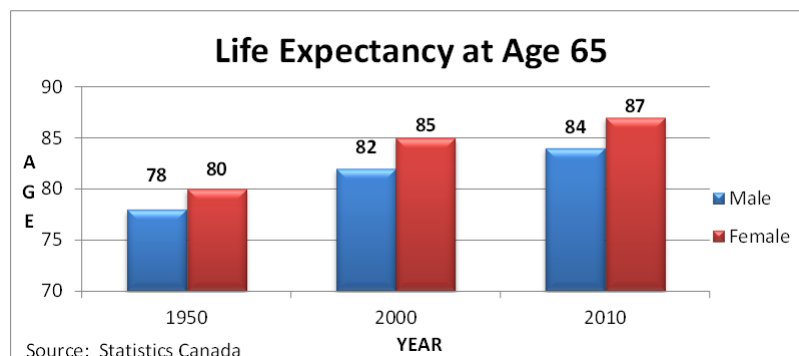
8 Reasons Why an RRSP Does Not Measure Up to the Labourers' Pension Fund

(Part 5 of 8)

Do you have enough saved should you and/or your spouse live to be 90 or 100?

A pension for life – that's what the Labourers' Pension Fund (LPF) provides! It doesn't matter if you live to be 90, 100 or 110, your pension will be payable for your lifetime. And if you elect the joint and survivor option at your date of retirement, a reduced pension will be paid to your spouse, should they outlive you. Unlike an RRSP where you can outlive your money, the LPF provides peace of mind.

Medical advances and improved living conditions have increased the average time that we can expect to live. The following graph shows how life expectancy for a 65-year-old has improved over the years. The most recent statistics show that a male who has reached age 65 can expect to live, on average, 19 more years to the age of 84, while a female can expect to live another 22 years to age 87.



An RRSP provides for an accumulated account balance that leaves you with the decision of how much to withdraw each year. As a retiree, you face the dilemma of trying to balance the need for post-retirement income against the risk of outliving your savings. And on the other hand, if you are too cautious you may underspend your savings at the expense of a lower standard of living. Since no one knows exactly how long they will live, it's difficult to pinpoint just how much to set aside, and how much to spend.

In summary, **REASON 5:** Another significant benefit of the LPF is that it protects you from outliving your finances, just like an insurance policy, by providing a retirement income for life – no matter how long you might live.

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

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

(Part 6 of 8)

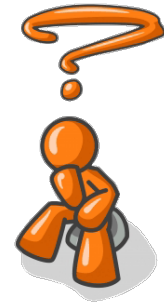
Do you know what your savings will provide in terms of a monthly pension at retirement?

The market value of your RRSP may seem like a lot of money now, but do you know how much monthly pension it will provide for your lifetime upon retirement? You may be surprised.

An RRSP is known as a capital accumulation plan – what that means is that the money contributed to the plan accumulates with interest until you need it at your date of retirement. It can be a real challenge, however, to predict what level of monthly pension the RRSP account will actually provide when it comes to that big day. You may need a financial expert to help you figure that out, and that should be done long before you plan to retire.

The following are key factors related to your RRSP that will impact the actual pension that you receive at retirement:

- Future investment returns
- Level of contributions
- Date of retirement
- Life span



An example: Let's say you are currently 30 years old and decide to start diligently saving \$100 a month in your RRSP because you want to retire when you are 60. If the fund earns a net return of 6% a year, then your RRSP account will accumulate to almost \$100,000 by the time you reach age 60. Seems like a lot of money, right? Let's also say that you expect that you will live until age 85 and want to use your RRSP savings to provide a pension for the next 25 years of retirement. Again, assuming a 6% net return, your savings will provide for a pension of approximately \$600 a month, or \$7,000 a year, which may not be as much as you thought.

There are some additional considerations as well. While you may have some control over the contributions you make and the date you want to retire, the net investment returns of the RRSP and how long you are going to live introduce some uncertainty to the best laid pension projections. In other words, what happens when actual experience doesn't match what you are expecting? These uncertainties make it difficult to predict the actual pension that you will receive from your RRSP and/or the timeframe on which you can expect to collect that pension, both of which create risk for you.

The Labourers' Pension Fund (LPF) differs from an RRSP in that your pension is determined by a well-defined formula. To help with retirement planning, your accrued and projected pension amounts are provided every year on your annual benefit statement. In addition, the LPF pension staff is always available to answer any questions you may have related to your pension.

In summary, **REASON 6:** The LPF clearly defines your monthly pension, as no one likes surprises.

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

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

(Part 7 of 8)

Did you know that the Labourers' Pension Fund (LPF) is 100% union-trusteed?

Every pension plan is managed by either a designated board or committee who has a fiduciary obligation to ensure that the plan is administered in the best interests of its members and beneficiaries. Sometimes that responsibility lies with the employer(s), sometimes it lies with the member representatives, and sometimes the ultimate responsibility for oversight and management of the plan is shared between the two. In the case of the LPF, the plan is managed entirely by experienced LiUNA representatives:



The LPF trustees fully understand the importance and value of the pension plan to members such as you, and continuously keep the well-being of the members at the forefront of everything they do. With over many years of combined pension experience, the trustees are continually increasing their knowledge of pensions through specialized training. In addition, they have access to many types of professional advisors to assist them in making informed decisions in order to uphold their fiduciary responsibility to you.

The LPF has been in successful operation for over 40 years, and is the largest private sector multi-employer pension plan in Canada with over \$5B in assets and 100,000 members. Strong leadership by the past and current trustees has made the plan what it is today.



In summary, **REASON 7:** The Labourers' Pension Fund is fully supported by experienced LiUNA trustees who are tirelessly dedicated to the best interests of all plan members and beneficiaries.

Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.

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!

