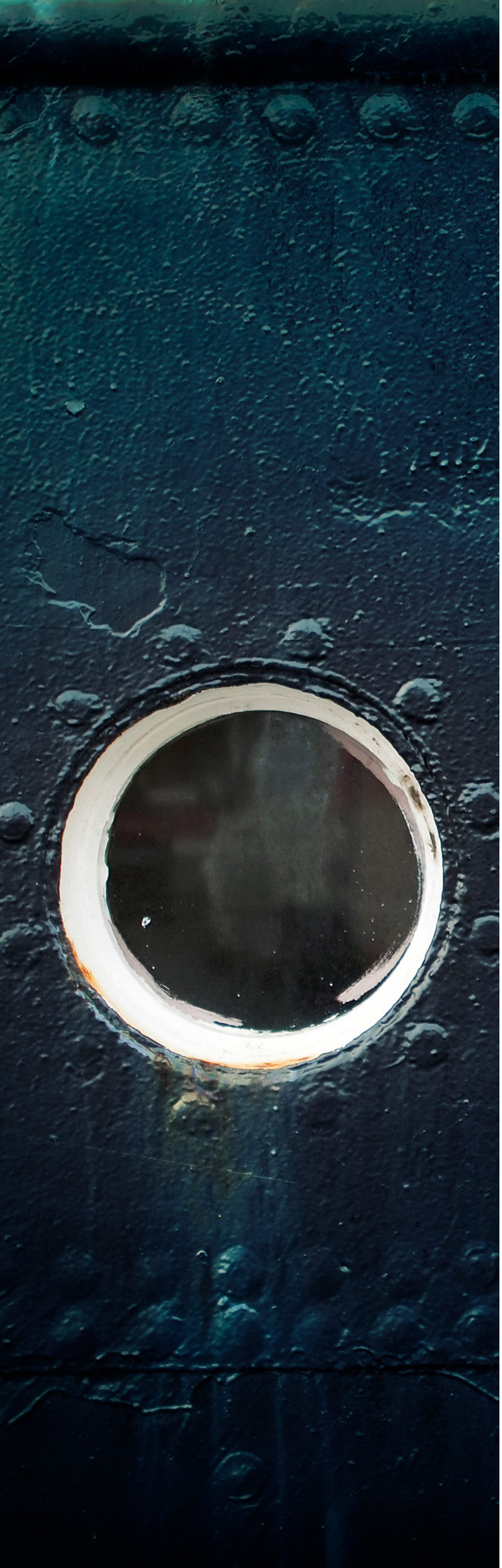


Seafarers' Pension Plan

Retirement Income *Options* for Group Retirement Plan Members

The Manufacturers Life Insurance Company

Manulife

Make the choice that's right for you

You've been enjoying the benefit of saving for retirement in a tax-sheltered program as a member of your group retirement plan. As you prepare for retirement, turning your savings into retirement income represents a major financial decision.

The range of options available to you are explained in this booklet. Understanding these choices will help you make selections that meet your needs now – and as you continue to enjoy your retirement.

Note: You must convert all savings you hold in registered plans into some form of income by the end of the year in which you reach 71 years of age.

How this booklet can help

This booklet reviews the retirement income options available to you and allows you to explore those you find most appealing in more detail. By considering your long-term goals and all sources of future income – including pension money and non-registered savings – you can use your savings to ensure a comfortable, enjoyable retirement.

To discuss your particular situation, we recommend that you contact a Manulife PlanRight advisor or your own financial advisor. Manulife PlanRight advisors are fully licensed financial advisors. They can review your savings and help you make decisions that are best for you. The service is free for you as a group plan member.

You can set up an appointment with a Manulife PlanRight advisor at **manulife.ca/groupsavings/talk-to-an-advisor**.

Retirement income options

This brochure is distributed on the understanding that Manulife is not engaged in rendering legal, accounting or other professional advice. If you require legal or other expert assistance, please seek the help of an independent professional.

This booklet also contains many references to a "spouse". Any references to a spouse may also be considered to include a common-law partner subject to provincial legislation.

Choosing the option that's right for you

Choices, choices, choices

Canadians prepared to convert registered savings into retirement income have a range of options to consider. Depending on your preferences and goals, you can choose just one option or a combination. Some of today's options are flexible so if your financial situation changes, you can select new options that better reflect your new situation. This section contains a brief description of your retirement income choices. You can find more detailed descriptions of each option later in this booklet.

Cash

While converting RRSP funds into cash may seem attractive, you must understand that funds you withdraw will be included as part of your income in the year you make the withdrawal. You will be required to pay tax on the total amount withdrawn. Before choosing this option, you should consult your plan advisor or a Manulife Transition Specialist.

Registered Retirement Income Fund (RRIF)

A Registered Retirement Income Fund, or RRIF, is a flexible income option that allows you to:

- Manage your investment mix according to your personal preferences.
- Set up payment amounts (subject to minimum annual withdrawal) and frequency to suit your individual needs.
- Withdraw extra cash as you need it.

Life Income Fund (LIF)

A Life Income Fund, or LIF, allows the transfer of locked-in funds (i.e. funds from a pension plan when you terminate employment, locked-in RRSP or Locked-In Retirement Account [LIRA]) to a retirement product that is essentially as flexible as the RRIF. A LIF can offer investment and payout flexibility with a set minimum and maximum payment each year.

In Newfoundland and Labrador any funds remaining in a LIF at age 80 must be used to purchase a life annuity. In all other provinces except Prince Edward Island the LIF can continue until its owner dies. LIFs are not available in Prince Edward Island as the province does not currently have pension legislation.

LIF (Alberta and Ontario)

In Alberta, at the time of converting to a LIF, 50% of the value of the locked-in funds can be taken in a one time cash payment or transferred to a regular RRSP or RRIF.

In Ontario, after converting to a LIF, 50% of the value of the locked-in funds can be taken in cash or transferred to a regular RRSP or RRIF within 60 days of the transfer.

LRIF (Newfoundland and Labrador)

Under the laws of Newfoundland and Labrador, funds in a locked-in RRSP, LIRA or a pension plan can be used to purchase a Locked-In Retirement Income Fund, or LRIF. An LRIF is similar to a LIF, except the maximum income is calculated differently.

An LRIF can last for as long as the owner is living. LRIF owners are not required to purchase an annuity at any age.

PRIF (Saskatchewan, Manitoba)

Saskatchewan and Manitoba offers a **Prescribed RIF**, or PRIF. A PRIF can accept monies coming from a pension plan or LIRA and has no maximum restrictions (subject to minimum annual withdrawal) on the amount of money that can be withdrawn.

Annuity

The oldest, and likely the best-known income option is an annuity. Annuities can provide regular income for a specified number of years or over the owner's lifetime. You can find more information on different types of annuity options later in this booklet.

Retirement income options

Retirement income

As you're making plans for your retirement income, remember that all income received from a registered annuity, RRIF, LIF, LRIF, or PRIF is taxable in the year you receive it.

Financial priorities

The checklist below may help you determine what you consider most important at the moment. This will affect the income choice(s) you make. Once you've determined your financial priorities for retirement, you'll be able to work with your advisor or a Manulife Transition Specialist to determine an appropriate income product mix.

	Very important	Somewhat important	Not important
Protecting your income from inflation	✓	✓	✓
Having extra cash available (liquidity)	✓	✓	✓
Adjusting your level of income (flexibility)	✓	✓	✓
Managing your own investments	✓	✓	✓
Deferring tax as long as possible	✓	✓	✓
Providing guaranteed lifetime income (for you and your spouse)	✓	✓	✓
Leaving an estate to your heirs	✓	✓	✓

The RRIF option

What is a RRIF?

A Registered Retirement Income Fund, or RRIF, is a registered account that allows you to transfer your RRSP on a tax-sheltered basis while paying you an income for as long as you choose or as long as money is available in your plan.

A RRIF can be flexible in providing retirement income, and just like an RRSP, you can own more than one RRIF at a time.

A **Daily Interest Account** is a temporary account that usually pays daily interest at a low variable rate. You can access your money at any time or you can invest it for longer terms when you feel interest rates are more acceptable.

With a **Guaranteed Interest Account** (GIA), your investment terms range from 1 to 5 years. A 10-year term is also available.

You pick the length of term and your money earns that guaranteed interest rate over the term specified. At the end of that term, you can choose to reinvest for a term that suits your needs.

Market-based funds offer another option. Your RRIF can hold investment funds where fund performance is tied to the underlying investments held in the fund. These are typically based on the stock and/or bond markets, and returns will fluctuate with the market's performance.

Income payments

Most RRIFs give you a choice of monthly, quarterly, semi-annual or annual payments. As well, a variety of income payment choices are available including:

- minimum payment (the legislated RRIF minimum for that year)
- level amount (a consistent payment amount at the interval you choose, provided the payment exceeds the legislated minimum)

You can make extra cash withdrawals as you need to, depending on the terms of your plan; however, charges may apply.

Whichever option you choose, you should remember that any money you withdraw from your RRIF is taxable and must be included in your income in the year you receive it.

Age at beginning of year	RRIF minimum percentage
50	2.50%
51	2.56%
52	2.63%
53	2.70%
54	2.78%
55	2.86%
56	2.94%
57	3.03%
58	3.13%
59	3.23%
60	3.33%
61	3.45%
62	3.57%
63	3.70%
64	3.85%
65	4.00%
66	4.17%
67	4.35%
68	4.55%
69	4.76%
70	5.00%
71	5.28%
72	5.40%
73	5.53%
74	5.67%
75	5.82%
76	5.98%
77	6.17%
78	6.36%
79	6.58%
80	6.82%
81	7.08%
82	7.38%
83	7.71%
84	8.08%
85	8.51%
86	8.99%
87	9.55%
88	10.21%
89	10.99%
90	11.92%
91	13.06%
92	14.49%
93	16.34%
94	18.79%
95	20.00%
Thereafter	20.00%

RRIF minimum calculation

Each year, beginning the year after you open your RRIF, you must begin receiving a minimum amount of income as determined by the Canada Revenue Agency (CRA).

This minimum depends on the value of your RRIF at the beginning of the year and on your age.

Using your spouse's age

You can choose to use your spouse's age for calculating the RRIF minimum. In order to use your spouse's age, you must select this option at the time application is completed. It's important to note that once this election is made, it can't be changed even if your spouse dies or ceases to be your spouse.

No payments required in the first year

You do not have to take a payment to fulfill your RRIF minimum until the year after you open a RRIF, as your RRIF did not have a value on January 1 of its first year.

If you open a RRIF in 2014, for example, no income payments are required until 2015.

How transfers to another carrier affect your RRIF minimum

If you transfer your RRIF to a different carrier in the middle of the year, the surrendering carrier is required to either hold back sufficient funds to pay any remaining yearly minimum to you or to make a lump-sum payment to you to satisfy the minimum requirement. The receiving carrier has no mechanism for continuing to pay the minimum to you since it had no January 1 balance on which to base the calculation.

Withholding tax for Canadian residents

Any money you withdraw from a RRIF is taxable, and must be included in your income in the year you receive it. When payments exceed the RRIF minimum, tax must be withheld by law on the excess amount. This tax is taken directly from your RRIF payment and remitted to CRA on your behalf.

In the calendar year the RRIF is first established, the RRIF minimum is nil. Since no minimum payment is received in the first year, CRA considers any payment to be an "excess payment." This means that tax is deducted on all amounts paid to you in the first calendar year. When you complete your tax return each year, you will deduct any tax that's been withheld from your RRIF payments from the total tax amount you owe.

Withholding tax for foreign residents

By law, tax must be deducted from all RRIF payments made from a Canadian RRIF to a foreign resident. This applies to both the RRIF minimum and any excess amounts.

Death benefit

If you have a spouse at the time of your death, your RRIF plan may allow your spouse to become the successor annuitant (new owner) of the RRIF. Payments would then continue to be made to your spouse. Otherwise, the RRIF must be collapsed and the value of the RRIF must be paid to your named beneficiary or to your estate. In this case, the full value of the plan is considered income and is taxable. There are exceptions if the beneficiary is

- your spouse
- a financially dependent child or grandchild who is less than 18 years of age
- a child or grandchild dependent because of physical or mental impairment and the benefit is transferred to another RRSP, RRIF or used to purchase an annuity.

Transfers from RRIF to RRIF

If your contract permits, you can transfer all or part of your RRIF to another type of RRIF at any time. You may also choose to transfer money to any type of annuity, ensuring either a guaranteed income for a specified term or a guaranteed income for life.

Charges may apply on some transfers. If you transfer your RRIF to another carrier, other conditions may apply. For more information see the earlier section, "How transfers to another carrier affect your RRIF minimum."

Spousal RRIFs

A Spousal RRIF is established with money from a Spousal RRSP. A Spousal RRSP is a plan where you make the contributions to the RRSP, but your spouse is the annuitant (owner).

Spousal RRIFs are beneficial primarily for achieving some tax savings through income splitting, assuming your spouse's income is lower, in which case any payments paid to your spouse may be taxed at a lower marginal rate.

Important note about income attribution

If you've made spousal contributions to an RRSP in the three years before your spouse purchases a Spousal RRIF, there may be tax consequences for you. If your spouse withdraws amounts exceeding the annual RRIF minimum, those excess payments will be added to your income up to the amount you contributed in the preceding three years.

This doesn't apply if Spousal RRSP funds are used to purchase an annuity or in cases of a marriage breakdown where spouses are living apart.

The LIF option

What is a LIF?

A Life Income Fund, or LIF, is a retirement income option (available in all provinces except Prince Edward Island) for a locked-in RRSP, a Locked-in Retirement Account (LIRA), and/or pension money. In Newfoundland and Labrador, you must purchase an annuity by the end of the year you turn 80. Please be aware that generally the full amount of any payment from the annuity will be subject to tax at the time of withdrawal.

Differences between a LIF and a RRIF

A LIF works much the same as a RRIF, with these differences:

- A LIF can only be purchased with locked-in pension funds.
- A LIF has a legislated maximum and minimum income payment while a RRIF has only a minimum.

In Newfoundland and Labrador, along with Saskatchewan, a LIF must be collapsed by the end of the year in which you turn 80 and any remaining proceeds must be used to purchase a life annuity. A RRIF can continue indefinitely.

Income payment options

LIF payments can occur monthly, quarterly, semiannually or annually.

A variety of payment options are available including:

LIF minimum payment (the equivalent of the legislated RRIF minimum for that year.

Level amount (a consistent payment amount at the interval you choose, as long as it meets the legislated minimum). This cannot exceed the legislated maximum.

LIF maximum payment (see next page).

LIF minimums and maximums

The total of all payments received each year must fall between the LIF minimum and maximum amounts. The LIF minimum is calculated using the same method as the RRIF minimum (described in the RRIF Options section). The LIF maximum is calculated each year beginning with the initial year of the plan. Total payments from the LIF cannot exceed this amount.

In all provinces except Quebec, New Brunswick, Nova Scotia, Manitoba and British Columbia, the maximum is pro-rated in the initial year of the LIF, depending on the length of time the plan has been open. For example, if the LIF was opened in July, the owner would be entitled to receive one-half of the LIF maximum in that year. In Quebec, New Brunswick, Nova Scotia, Manitoba and British Columbia, a full year's maximum can be withdrawn regardless of when the LIF is opened.

Maximums are based on a formula established by pension legislation, and vary by province. The formula produces a LIF maximum income percentage chart each year based on your age on January 1 or December 31, depending on the jurisdiction.

In general, to calculate your maximum payment, take the LIF maximum income percentage based on your age on January 1. Multiply this number by the value of your plan on this date. This is done yearly, based on the previous year's November CANSIM rate. The CANSIM rate or provincial reference rate is set monthly by the Government of Canada, based on that month's average rate for long-term Government of Canada bonds.

Withholding tax

For information about withholding tax for Canadian and foreign residents, see the section of this booklet titled "The RRIF option".

The same provisions apply to a LIF.

Transfers

A LIF can only be transferred to:

- another LIF an LRIF (Newfoundland and Labrador)
- a LIRA (except Alberta and Ontario) or locked-in RRSP (if before December 31 of the year you turn 71)
- a pension plan (except Alberta and Ontario) if before December 31 of the year you turn 71
- a Joint and Survivor annuity (if you have a spouse)
- a Single Life Annuity (if you have no spouse or receive your spouse's consent)

Maximums when transferring a LIF to a different carrier

If you transfer your LIF to a different carrier in the middle of the year, ensure you withdraw all the funds you will require for the year (up to the maximum). By law, the new carrier cannot make any payments to you until the next calendar year, with the exception of Alberta. In Alberta, the payment schedule that applied before the transfer continues after the transfer.

Death benefit

If you have a LIF at the time of your death, the death benefit must be paid to your spouse as defined by pension legislation. Your LIF may also allow your spouse to become the annuitant and continue to receive payments. If you do not have a spouse or your spouse waives entitlement at the time of your death, the LIF will be paid to the named beneficiary or to your estate.

Pension legislation varies by province. In some provinces, the death benefit payment to your spouse may have to remain locked-in.

The LRIF option

LRIF (Newfoundland and Labrador)

If you have locked-in money governed under the laws of Newfoundland and Labrador, you have another option called a Locked-in Retirement Income Fund, or LRIF. An LRIF is similar to a LIF in that it can only be purchased with locked-in pension money.

There are a few differences between the two types of plans:

- LRIF maximum payments are calculated differently than LIF maximums. The maximum is essentially limited to the investment income earned in the prior year.
- LRIF plans never have to be converted to an annuity. You can hold an LRIF for as long as you live.

A word of caution – in provinces where LRIFs are available, they are popular because there is no requirement to purchase an annuity at age 80. However, because the LRIF maximum is based on investment earnings, there will only be a gap between the minimum and maximum when the investment returns are greater than the RRIF minimum. Although this can be achievable in earlier years (for example, the RRIF minimum at age 70 is 5%), it may become more difficult as the age of the LRIF holder increases. In years where LRIF earnings are lower than the RRIF minimum, the withdrawal is restricted to the minimum amount.

The PRIF option

PRIF (Saskatchewan and Manitoba)

If you have locked-in pension money governed under Saskatchewan or Manitoba legislation, you may purchase a Prescribed Retirement Income Fund or PRIF.

A PRIF is similar to a LIF or LRIF in that it can only be purchased with locked-in pension money or a LIRA.

However, there are some differences with a PRIF.

- A PRIF is the only option (other than a life annuity) for monies coming from a pension plan or LIRA governed under the laws of Saskatchewan.
- A PRIF has minimum withdrawal amounts and does not have any restrictions as to the maximum amount of money that can be withdrawn. In this way, it is the same as a RRIF.

The annuity option

What is an annuity?

An annuity is a fixed annual allowance provided by an investment. An annuity can provide a guaranteed regular income for a lifetime or for a specified number of years.

The amount of income provided by an annuity is generally determined at the time of purchase, and will depend on:

- the amount of money deposited
- the current interest rate
- your age
- the number of years for which the company promises to make payments

You decide how often you wish to receive payments (ranging from monthly to annually) and if you want your payments indexed to help offset inflation.

Types of annuities

Life Annuities are offered only by life insurance companies. The firms are required by law to set aside reserves to guarantee the payments they have promised. When a life annuity is used to provide retirement income, a minimum guaranteed number of payments can be selected to provide a death benefit to your beneficiary if you die before the end of that guarantee period. There are two types of life annuities:

- Single Life Annuity payments are guaranteed on the annuitant's (your) life. You can select a minimum guaranteed payment period that will provide a death benefit to your beneficiary if you die before the end of the guarantee period.
- Joint and Survivor Life Annuity – guarantees an income for the lifetime of you and your spouse. This type of annuity can also have a minimum guaranteed payment period to provide a death benefit in the event that both annuitants (i.e. you and your spouse) die before the end of the guarantee period. If you are purchasing an annuity with locked-in pension funds and you have a spouse, you are required to purchase a joint and survivor life annuity. You may purchase a single life annuity only if your spouse consents in writing.

Fixed Term (Term Certain) Annuities may be offered by banks and trust companies as well as by life insurers.

Legislation requires a Term Certain Annuity funded by RRSP money to continue until the time you or your spouse reach age 90. At that time, the payments will stop.

The major differences between the life annuity and the term certain annuity are the amount of income they provide and the benefit to your heirs.

Withholding tax

Generally the full amount of any payment from the annuity will be subject to tax at the time of withdrawal.

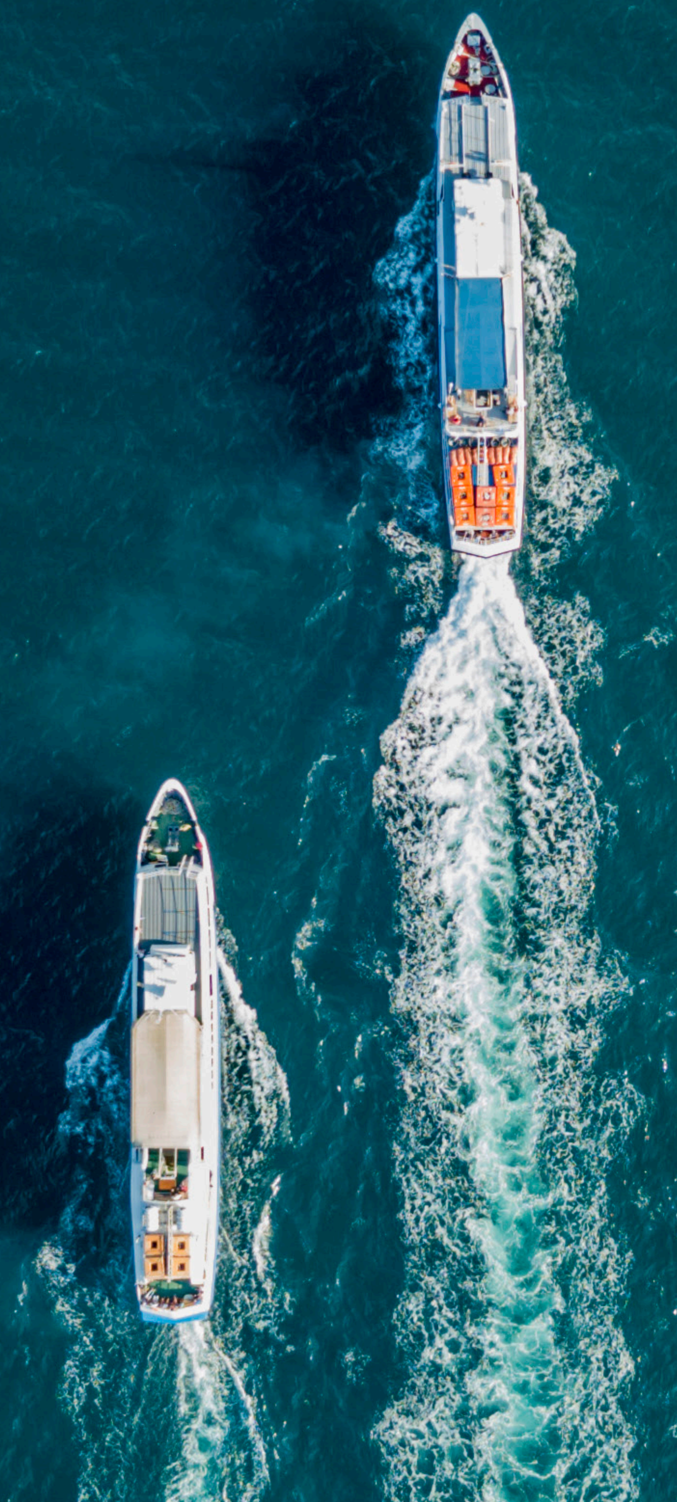
Other types of annuities

A Deferred Annuity works just as its name suggests. You can purchase an annuity now and your income payments can be deferred to a specific date in the future. For registered funds, the annuity must be purchased by the end of the year you turn 71, and income payments must start by the end of the year you turn 72. You are also required to take a full year's worth of payments in this first year. This offers you the option of locking-in interest rates today, even though you don't want the income until some time in the future.

A summary

Pros	Cons
Cash	
• Turn your retirement funds into cash.	• Pay income tax on entire amount when withdrawn – as opposed to scheduled payments.
RRIF/LIF/LRIF/PRIF	
• Can work like an RRSP – only with payouts. • With a RRIF you can receive income for as long as it is funded. • Income flexibility with extra withdrawals if needed (subject to LIF/LRIF legislated maximums). • Provides a death benefit for as long as you receive income, based on remaining value of the plan. • Range of investment choices. • LRIF (in Newfoundland and Labrador), LIF (in British Columbia, Alberta, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia) and PRIF (in Saskatchewan and Manitoba) and federally legislated pension funds, never have to be annuitized.	• May require some degree of investment management. • LIF/LRIF has a minimum and maximum income each year. • With a LIF, in Newfoundland and Labrador, you must purchase a Joint and Survivor Annuity by the end of the year you turn 80.
Life Annuity with guaranteed term	
• Provides a death benefit during the guaranteed term. • Guaranteed regular income for life.	• No inflation protection unless fixed percentage indexing is selected. • Not as flexible as a RRIF. • No opportunity to manage your own investments.
Joint and Survivor Annuity with guaranteed term	
• Guarantees regular income for the lives of you and your spouse. • Provides a death benefit during guaranteed term.	• No inflation protection unless fixed percentage indexing is selected. • Not as flexible as a RRIF. • No opportunity to manage your own investments.
Term Certain Annuity to age 90 (you or your spouse)	
• Guarantees regular income to age 90. • Provides a death benefit to age 90.	• No income after you reach age 90. • No inflation protection unless indexed. • Not as flexible as a RRIF. • No opportunity to manage your own investments.

For more information, please book an appointment with a Manulife PlanRight advisor at **manulife.ca/groupsavings/talk-to-an-advisor**



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