Newsletter
April 1995

Greetings to all - old friends and new from Ottawa!

Annual General Meeting
to be held 27 May 1995 at the Ottawa Carleton Regional Centre

Garage Sale
To be held early in June. Start digging out your old treasures right away! Drop-offs can be made at Betty's any time from hereon in.

Copies of *No Life Like It* are still available through OSOMM for $20.00 each.

Splitting of Pension (Bill C-55)
To request an estimate of the value of the plan member's pension under section 13(2) of the PBDA, call (613) 992-8843 or contact:

Directorate of Pay Services 4-4
NDHQ Constitution Building
305 Rideau Street
Ottawa ON K1A OK5

To make application for a division, a spousal agreement or Court Order is required first (If your divorce (separation predates Bill C-55 legislation 29 September 1994, an amendment to your agreement may be made through a lawyer). Application forms for Military, RCMP, and Civil Service pension division may be obtained through OSOMM.

Grounds for objection include
a) the Court Order or spousal agreement has been varied or is of no force or effect;
b) the terms of the Court Order are being satisfied by other means;
c) proceedings have been commenced in a Court in Canada of competent jurisdiction to appeal or review the Court Order or Challenge in terms of the spousal agreement;
d) the application is withdrawn in accordance with the regulations;
e) the period subject to division cannot be determined under subsection 8(2) or (3) of the PBDA.

Anyone who submits a notice of objection must include documentary evidence to support the grounds for objection.

Please note Once a pension division has been accomplished PSHCP claims cannot still be made as long as the parties remain separated but cease upon divorce or death.

Investing
It is important that you make investment plans in advance of concluding a settlement. The following points have been put together for your consideration.

Pension Conversion: Sorting it all Out
If you are considering converting pension benefits into another type of income source, you probably have a few questions. Getting the right answers is important, because the choices you make now will affect your financial future.

Let's say you are taking your share of a DND pension. Because of restrictive pension rules, you have three options.

1. If you need income immediately, you can put the required amount into a Life Income Fund (LIF). Once your money is in a LIF, you must take out a minimum amount (monthly or annually), and you cannot take out more than a maximum amount based on your age. This is to ensure that you have some money left in your

LIF at age 80, when you must turn the remaining money into a lifetime annuity. Of course, you may convert to a lifetime annuity *before* age 80 if you wish.

2. If you do not need income right away, you can put the pension money into a locked-in Registered Retirement Savings Plan (RRSP). Again, you may invest the money however you wish: in GIC, bonds, mutual funds, etc. Once you start taking income (no later than age 71), this locked-in RRSP must be converted into a LIF. As long as your money is in a LIF or a locked-in RRSP, the remaining capital at your death will go to your heirs.

3. If you prefer, you can turn all the money into an annuity right away.

Let's look at the pros and cons of the investment options available to you.

Annuities: These can provide a good income if you buy them when interest rates are relatively high (e.g. above the long-term average for five-year GICs). This way, you lock in the high interest rate for life. If you want your heirs to receive some of your annuity money in the event that you die prematurely, you can add guarantees (but they reduce your payments somewhat). <u>Note:</u> The annuity is replacing a DND pension, which would not have provided anything for your heirs. If you need the higher income, do not try to make the annuity do what the DND pension would not have done. The suggestion is to take the higher income instead).

Short-Term GICs and Bonds: Consider using them while you are waiting for interest rates to rise, so you can lock in the high rates with an annuity or with longer-term GICs and bonds.

Some might prefer to stay in GICs and bonds right up until age 80, when you have to convert to an annuity under these rules. In this case, buy GICs or bonds that mature in different years, to avoid the risk of having to renew them all in a year when interest rates are low.

Mutual Funds: While these are not good at providing a reliable income because they go up and down in value, they are the easiest way to increase your capital in a locked-in RRSP. Mutual funds provide an average return higher than GICs and bonds, so if you can wait for five years or more, while the mutual funds go to work for you, then you will have more money to buy GICs, bonds, or annuities.

Mutual fund portfolios must be carefully monitored by an expert, to increase the safety of your capital.

Stocks: A suggestion is to stay away from them unless you are an experienced investor, or unless you have complete confidence in your financial planner.

Theory is fine, but how can I choose the best option for my situation unless I know what each option would give me in dollars and cents? To make the best decision, you will need to compare the income projections of the various financial options, given your **personal** situation.