

# Investing Severance and Pension Assets

For those who are leaving their jobs and receiving a severance payment, a decision must be made on how to invest their severance and the value accumulated in their pension. While there is no “one size fits all” investment, we have found that a particular account type offered by Manulife Financial is often highly appropriate.

This account type is called “Income Plus”, and it will be new to most people. Unlike traditional retirement-oriented investment accounts offered through banks and mutual fund companies, Income Plus provides a series of guarantees and benefits that effectively convert your RRSP and LIRA savings into guaranteed lifetime pensions. The key features that we find very effective for CAW members include:

- A minimum guaranteed 5% simple return in each year that you do not withdraw
- All the upside potential of a well-diversified, high quality investment portfolio
- Your retirement income is based on the higher of markets or minimum 5% return
- You are free to change funds/investments within the account
- Special estate benefits protect the amount that your beneficiaries receive
- You get a guaranteed income for life starting at age 65

IncomePlus protects you against another key risk that many people are not aware of, called “sequence of return” risk.

In traditional retirement, accounts that hold investments that go up and down (usually in line with markets) it makes good sense to simply consider the average long-term return – until you need to withdraw:

For example, a 7% *average* return over any holding period will result in exactly the same amount of capital regardless of the *sequence* of individual annual returns, But when you are withdrawing regularly, such as in retirement, it’s a different story. When pulling money out, the year-to year individual returns matter greatly. In traditional investment portfolios, if returns are poor in the early withdrawal years, you can run out of money far sooner than expected if your calculations are based on an average return.

Income Plus protects you from this possibility, by ensuring that all of your accumulated retirement capital is paid out to you, even if markets drop.

There are several other benefits that are of interest to CAW members. For those who want more information, a great source is the dedicated website, [www.manulifeincomeplus.ca](http://www.manulifeincomeplus.ca) . *We are here to help. To see if this investment is right for you, call Clarity Pension Consulting, your CAW financial advisors, at 1-800-581-7211*