PLANNING FOR

Retirement

SEVENTH-DAY ADVENTIST CHURCH

January 2008

Matching RRSP Contributions May Be Available

Your employer may match a portion of your RRSP contributions. Where available, your employer's matching contribution is essentially "free money" you receive to help you grow your personal savings. Contact your employer for more details.

About Spousal RRSPs

Contributing to a spousal RRSP will provide you with the same tax savings described above. In addition, at retirement, a spousal RRSP may help you and your spouse reduce your total income tax at the time the money is withdrawn. You should discuss the advantages and disadvantages of spousal RRSPs with a financial advisor.

What Are Your Earnings?

Other sources of income you received for the year, not just your employment earnings from your church employer, are factored in when calculating your earnings for RRSP purposes.

Your RRSP Contribution Deadline

Note that the deadline to make RRSP contributions for the 2007 tax year is February 29, 2008. For your actual 2007 RRSP contribution room, see your Notice of Assessment you received from the Canada Revenue Agency (CRA) after filing your 2006 tax return.

How to Keep More of Your Money and Maximize Your Savings

While the Church contributes toward your retirement financial goals through the Seventh-day Adventist Church Retirement Plan for Canadian Employees (the Plan), there are still actions you should take on your own today to fully prepare for retirement. Your Church pension will provide some of your retirement income, but you will probably draw on other sources of income such as government benefits and personal savings.

For example, Registered Retirement Savings Plans (RRSPs) are tax-efficient vehicles that allow your money to grow tax-free until retirement. Depending on how much you contribute and how your investments perform, your RRSPs can represent an important part of your total retirement income.

Year-End Tax Planning and RRSPs

Investing money in RRSPs helps build up your retirement savings in a tax-effective way. Firstly, when you make RRSP contributions, you obtain an immediate tax deduction.

For Example

Let's assume Jane is in Ontario and earned $50,000 in 2007.

- Jane's marginal tax rate: approximately 31%
- Jane's 2007 RRSP contribution: $1,000
- $1,000 x 31% = $310

Jane would therefore benefit from a $310 tax deduction, provided she has enough RRSP contribution room and ignoring all other factors that would affect her tax return.

Secondly, in addition to the tax deduction provided by an RRSP contribution, you are able to defer paying taxes on your RRSP contributions and investment earnings until you withdraw your savings at retirement.

Calculating Your RRSP Contribution Room

The Canada Revenue Agency (CRA) allows you to contribute to an RRSP 18% of your previous year's eligible earnings, subject to specific dollar maximums*. Unused RRSP contribution room may be carried forward from year to year.

However, because the money you invest in your RRSP is tax-sheltered until retirement, the CRA reduces the amount you may contribute to an RRSP in a given year by the value of other tax-sheltered registered retirement benefits you have earned in the previous year. In the case of your Church retirement plan, this means the value of the benefit you earned for the year under the Plan. This is known as a pension adjustment (PA) and is listed on the T4 slip you receive from your employer at the beginning of each year.

The formula to calculate your RRSP contribution room for 2007 is:

18% (CRA factor) **x** Your 2006 earnings **–** Your 2006 PA

** The amount that results from multiplying 18% by your previous year's income is limited to a maximum of $19,000 for contributions made for the 2007 tax year. The limit is indexed for future years.*

You Have the Power to Choose How Your Money Is Invested. So Why Not Make a Difference?

Some investors follow an investment strategy that combines the intentions to maximize both financial return and social good. While "socially responsible" investing can be defined in many different ways, some investors favour environmentally responsible corporate practices, whereas others avoid certain industries. As an example, the Church pension fund investment policy is to avoid investing in businesses involved in alcohol, tobacco, gambling or pornography.

In the end, it's up to you to decide how to invest your money. Talk to your financial advisor about the different options you have and the things to consider.

It is your responsibility to ensure that you do not exceed your RRSP contribution room, as there may be penalties.

Unused RRSP contribution room may be carried forward and used up to the end of the year in which you reach age 71.

Calculating Your PA

The formula used by the CRA to calculate a PA under a defined benefit plan, such as the Church Plan, is:

9 (CRA factor)	x	The value of tax-sheltered registered pension plan benefits earned in the year	–	$600 (CRA offset)

For Example

How much can John contribute to his RRSP for 2007, assuming his Yearly Rate Factor was 1.3% in 2006?

First, we calculate his **PA** under the Church Plan.

9	x	$2,132 x 12 = $25,584 (The Pension Factor multiplied by 12 months) x 1.3% (Your Yearly Rate Factor) x Your Credited Service for the year*	–	$600
9	**x**	**$25,584 x 1.3% x 1 = $333**	**–**	**$600**

John's 2006 PA is $2,397

Lastly, we calculate his **contribution room**, assuming John earned $50,000 from all sources in 2006.

18% (CRA factor)	x	John's 2006 earnings	–	John's 2006 PA
18%	**x**	**$50,000**	**–**	**$2,397**
		$9,000		

John's new RRSP contribution room for 2007 is $6,603

Note that any unused contribution room or excess contributions from previous years are then taken into account to provide your actual 2007 RRSP contribution limit, as shown on your Notice of Assessment.

** If you are a full-time employee, your Credited Service for the year equals one. If you are a part-time employee, Credited Service is adjusted to reflect actual hours worked in the year.*

How Much Will You Need at Retirement?

Generally, post-retirement gross income (i.e., before taxes) needs to be between 60% and 80% of pre-retirement gross income. This estimate is based on the idea that you will have fewer expenses and lower taxes at retirement. For example, you may no longer have child-rearing expenses or a mortgage. How much you will actually personally need at retirement depends on your retirement plans.

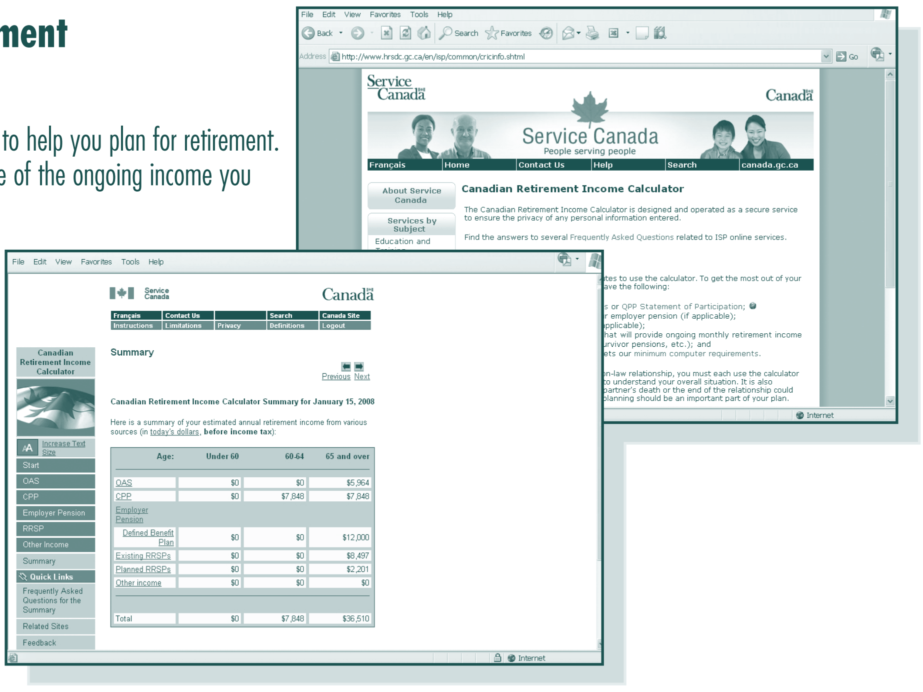
It is important for you to establish your post-retirement income needs so that you can determine the personal savings you need to put aside starting now to reach your goals. The Canadian Retirement Income Calculator developed by the government can help you both evaluate your personal financial situation and decide how to meet your objectives. This, however, does not take away the importance of speaking to a financial advisor.

More About the Canadian Retirement Income Calculator

The Government of Canada has developed this calculator to help you plan for retirement. The calculator takes you step by step through an estimate of the ongoing income you may receive throughout your retirement from:

- Old Age Security (OAS);
- Canada/Quebec Pension Plan (C/QPP);
- Employer pension(s);
- Registered Retirement Savings Plans (RRSPs); and
- Other sources of ongoing income.

You can find the calculator at http://www1.servicecanada.gc.ca/en/isp/common/cricinfo.shtml.



Comments? Questions?

If you need further clarification, have questions, or would like to give feedback, please contact the Retirement Department at **905-433-0011** or write to **retirement@sdacc.org**.

Next Issue

TO BE DETERMINED.

Be sure to let us know if there's a topic you'd like us to cover and we'll try our best to include your suggestions in future issues.