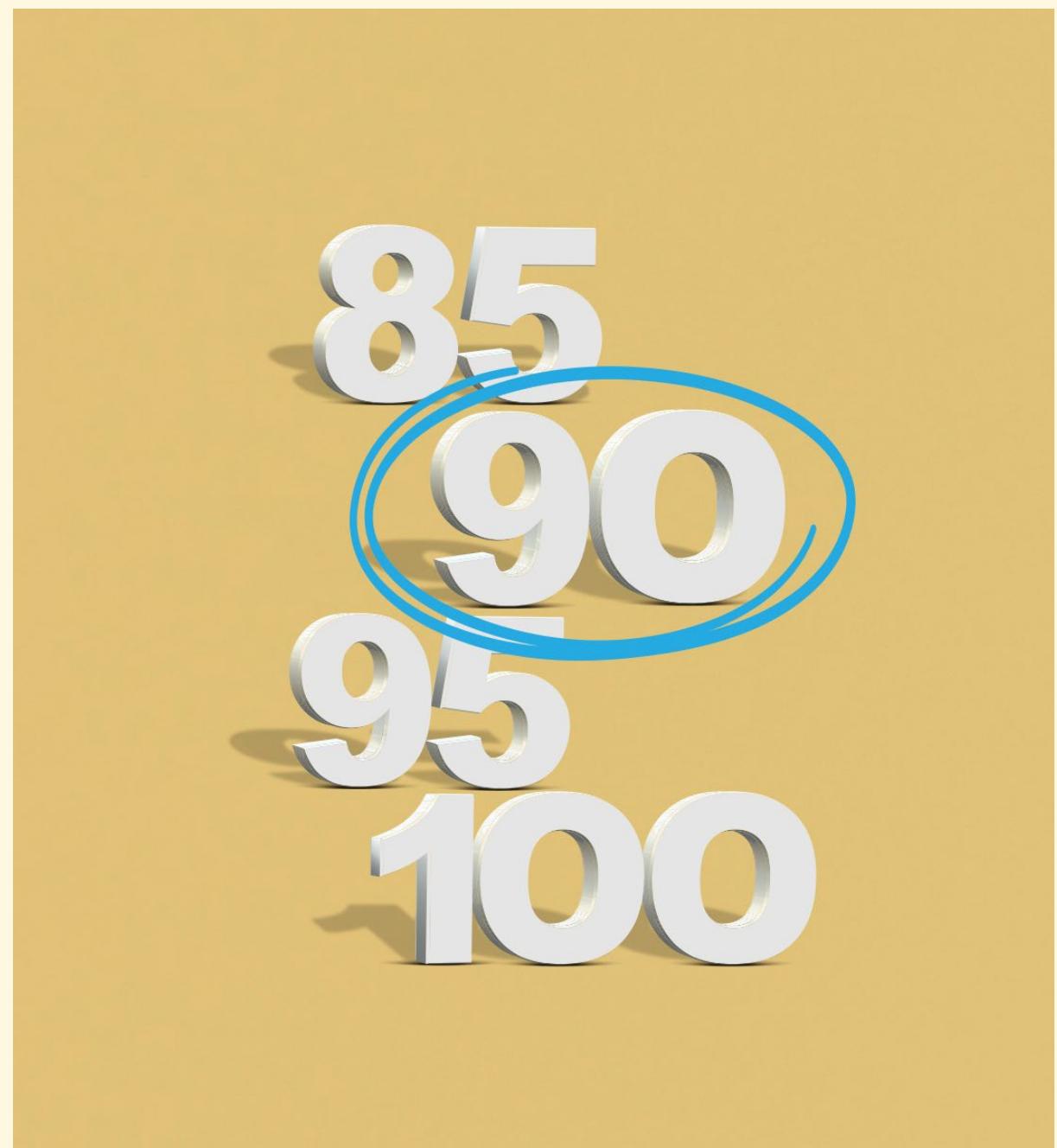


# Simplifying retirement

Introducing a new category in decumulation solutions:  
target age solutions

**Michael Carter**  
AVP, product development &  
sponsor experience  
Sun Life Group Retirement Services

**Anne Meloche, FSA, FCIA**  
Head of institutional business  
Sun Life Global Investments



# Insights from Canadians approaching retirement

Concerned about retirement, don't know how to turn savings to income, and want advice to navigate through

**"I am worried my money will run out too soon<sup>1</sup>."**

**"High inflation is going to hurt the value of my retirement savings<sup>1</sup>."**

**"Steady income for life, withdrawal flexibility & market growth potential are most important<sup>2</sup>."**

**"I thought target date funds do everything... including providing a guaranteed stream of income in retirement<sup>1</sup>."**

**"Retirement income is complex and overwhelming. I can't do this on my own<sup>3</sup>."**

**63%**

of Sun Life plan members are currently invested in target date funds, the automated solution in accumulation<sup>4</sup>

**ONLY 19%**

of Canadians are interested in guaranteed products that lock in your savings<sup>2</sup>

**90%**

of members want a regular income, but do not want to lock all their savings into an annuity<sup>2</sup>

**24%**

of Canadians are unsure about how much they should withdraw each year in retirement<sup>2</sup>

**~15%**

of individuals over 60 have mild cognitive impairment and will increasingly not be able to make retirement income decisions<sup>5</sup>

<sup>1</sup>Source: MFS 2023 Global Retirement Survey, Canadian respondents only.

<sup>2</sup> Source: Sun Life and Canadian Association of Retired Persons survey

<sup>3</sup>Two-thirds prefer to speak to their financial advisor to learn about new financial products – both among those likely and unlikely to purchase VPLA. Sun Life VPLA study.

<sup>4</sup>Source: Sun Life as of June 30, 2024 (63% of plan members that have access to target date funds in their plan)

<sup>5</sup>Approximately 12% to 18% of people age 60 or older are living with MCI. Source: [https://www.alz.org/alzheimers-dementia/what-is-dementia/related\\_conditions/mild-cognitive-impairment](https://www.alz.org/alzheimers-dementia/what-is-dementia/related_conditions/mild-cognitive-impairment)

# Key learnings from plan sponsors

## **Sponsors believe strongly in education & engagement..**

...not to make them experts but to help them understand the support they need.

A decumulation playbook beneficial

## **Changing mindset on providing in-plan advice...**

...provided by non-commissioned, licensed consultants who can help employees maximize their workplace plans. This is a shift in mindset!

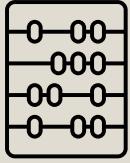
## **Most sponsors do not want to be actively involved in decumulation**

The key is having options for sponsors to choose what's best for their organization and employee base.

## **Innovation is important**

new products/ solutions and advice are needed to help solve the complex decumulation problem where there is no one size fits all.

# We've learned from U.S. investment managers as well...



## **It's not just about product**

A decumulation solution cannot work on its own. A combination of solutions, advice and member experience are crucial for success.



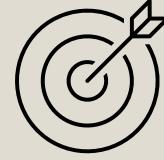
## **Ease of use and understanding**

Simplicity is key. If a plan member can't understand it, they won't use it.



## **Annuities aren't the favoured solution**

Plan members are not willing to give up access to capital for the guarantee of annuity—including TDFs with annuity option



## **Managed accounts are attractive to sophisticated investors**

Relevance within the Canadian market continues to be discussed based on the different demographics between markets

# There are gaps in today's decumulation solution spectrum

	RRIF/LIF	Dynamic pension (previously Variable Life Payments or VPLA)	Tontines	TDFs with annuity option at retirement	Annuity (including ALDA)
Reliable income		✓	✓	✓	✓
Longevity consideration		✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Income estimate		✓	✓	✓	✓
Access to capital	✓				
Growth potential	✓	✓	✓		
Easy to understand	✓			✓	✓
Wealth transfer	✓				
Easy to manage		✓	✓	✓	✓
<b>Biggest shortcomings</b>	<b>No spending budget; do it yourself</b>	<b>Complex; no access to capital; regulatory hurdle</b>	<b>Complex; no access to capital</b>	<b>Only serves those invested in TDF; very few opting for annuity option at retirement</b>	<b>No access to capital; no growth potential</b>

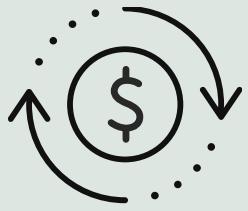
Income guarantees

# Target age solutions: similar investor experience to TDFs

	<b>Target date funds</b>	<b>Target age solutions</b>
Automation ("do it for me")	<ul style="list-style-type: none"> <li>• Yes</li> </ul>	<ul style="list-style-type: none"> <li>• Yes</li> </ul>
Simplification	<ul style="list-style-type: none"> <li>• Investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement income decisions (withdrawal and investment)</li> </ul>
One important decision	<ul style="list-style-type: none"> <li>• Retirement date</li> </ul>	<ul style="list-style-type: none"> <li>• Target (maturity) age</li> </ul>
Default option	<ul style="list-style-type: none"> <li>• Chosen by 68% of plan sponsors</li> </ul>	<ul style="list-style-type: none"> <li>• Age 71 (certain exceptions apply)</li> </ul>

Source: [2023 Sun Life Designed for Savings Report](#)

# Filling an important gap: target age solution



## Automatic solution

Overlaying LIF/RRIF  
Depleting account over predetermined period: retirement income to selected maturity age



## Reliable income payment

Calculation based on long-term best estimate return of underlying portfolio  
Annual payment refresh based on remaining account balance



## Growth potential

Well-diversified underlying portfolio(s) specifically designed for retirees

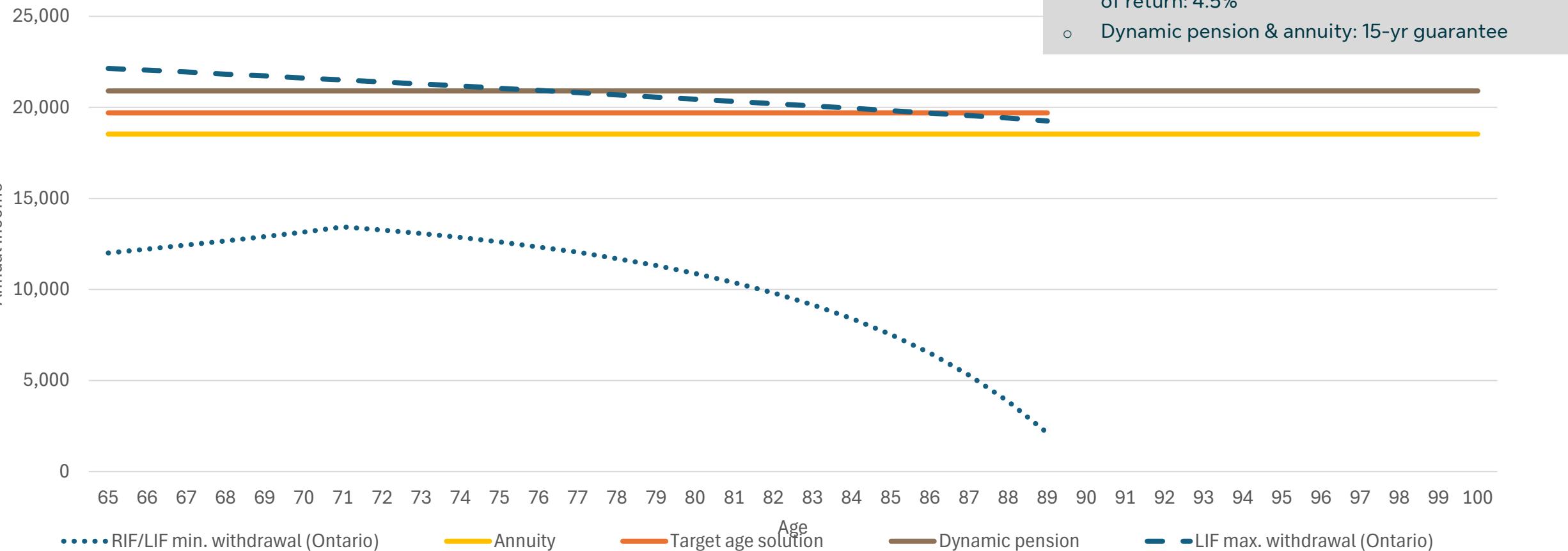


## Accessibility & flexibility

Access to capital (as per LIF/RRIF rules)  
Ability to change maturity age

# Similar reliable income—but not locked in

## Annual income comparison at retirement age 65

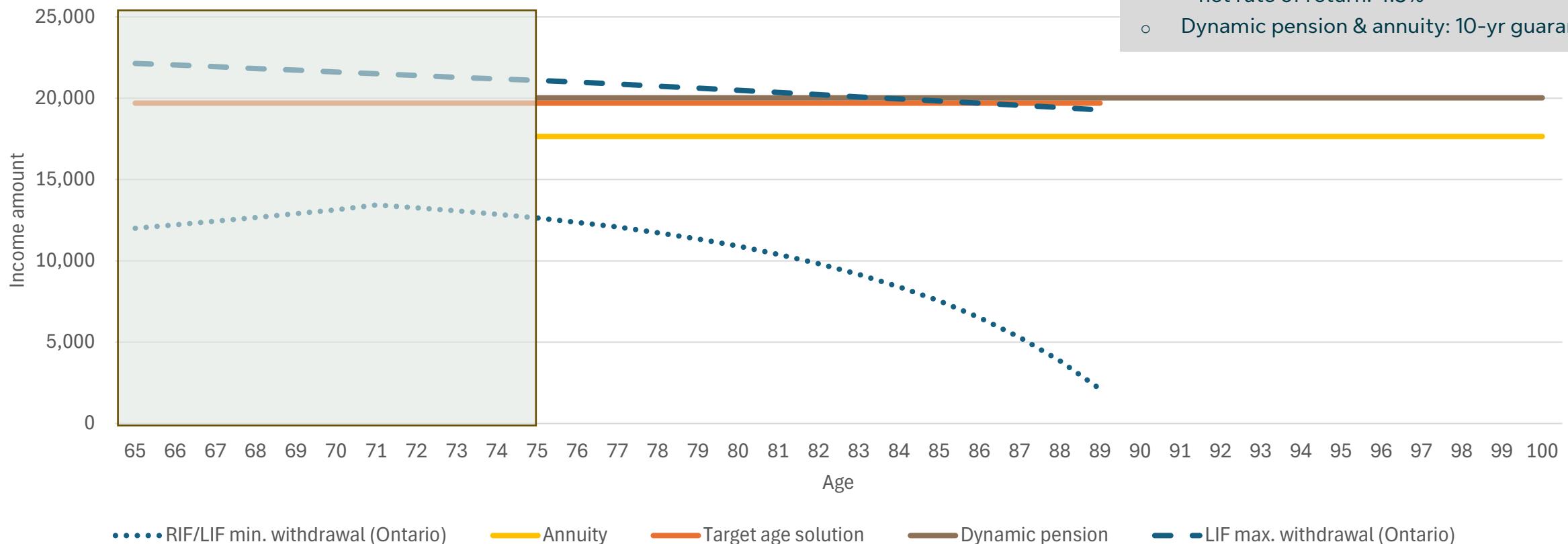


- For illustration purposes only (income payments will vary depending on designs and plan member elections)
- Dynamic pension annuity factors: based on an assumption of a 105% and 105.5% A/E male/female multiplier on a CAN5 base table, projected using MI-2017
- Sun Life Annuity quote as at September 20, 2024

# Flexibility to make changes as age advances

Ten years later: annual income comparison at age 75

- Target age solution – remaining savings: \$217,000
- Target age solution – maturity age: 90
- Target age solution – long-term best estimate net return: 4.5%
- Target age solution & Dynamic pension – net rate of return: 4.5%
- Dynamic pension & annuity: 10-yr guarantee



- For illustration purposes only (income payments will vary depending on designs and plan member election)
- Dynamic pension annuity factors: based on an assumption of a 105% and 105.5% A/E male/female multiplier on a CAN5 base table, projected using MI-2017
- Sun Life Annuity quote as at September 20, 2024

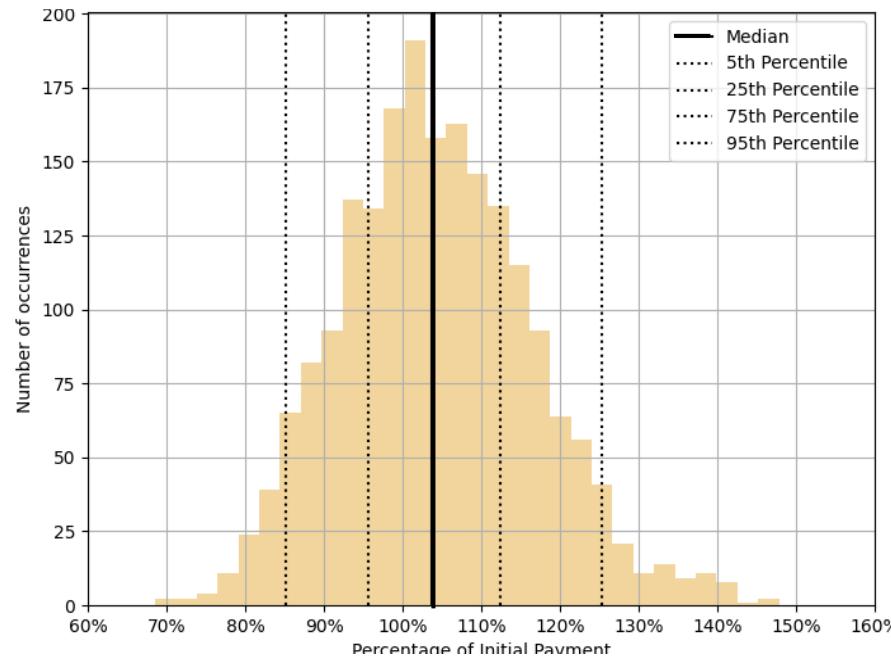
# Income payment stability

## Expected fluctuation in income payment

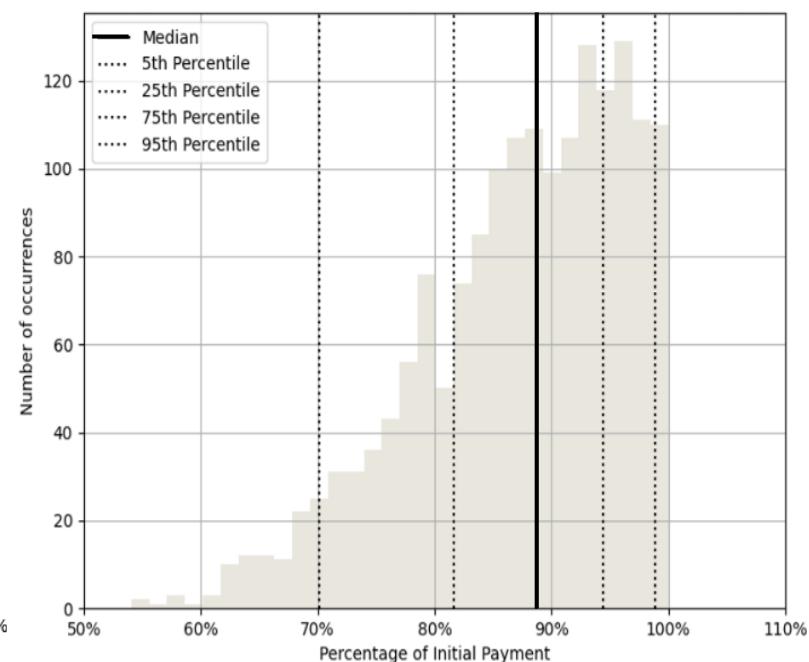
- Retirement age: 65
- Retirement savings: \$300,000
- Target age solution – maturity age: 90
- Target age solution – long-term best estimate net return: 4.5%

### Income payment across the 25-year decumulation period (as a % of initial payment)

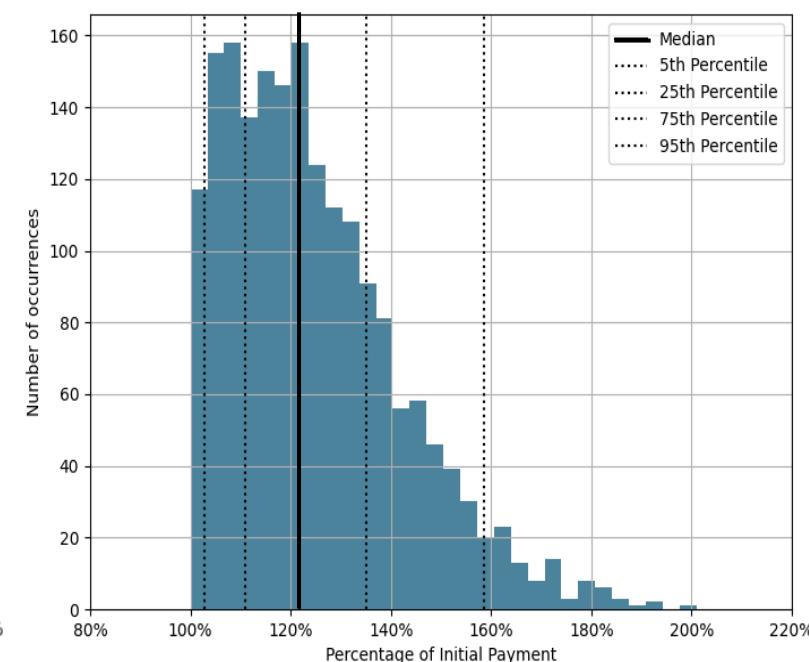
Average payment (incl. year 1)



Lowest payment (excl. year 1)



Highest payment (excl. year 1)



\*For illustrative purposes only. Results are generated by running 2,000 Monte-Carlo simulations. Returns follow a Johnson distribution which account for skewness and kurtosis. Forecast returns and risk and are derived based on data as of December 31, 2022.

# Sun Life MyRetirement Income

Simplifying retirement income and helping Canadians live the retirement they can afford

<p><b>1. Automation</b></p> <ul style="list-style-type: none"> <li>Fully automatic target age solution—<b>it is the target date solution for retirement</b></li> </ul>	<p><b>2. Reliability</b></p> <ul style="list-style-type: none"> <li>Solution seeking to deliver steady retirement income up to the selected maturity age</li> <li>Optimized to last until the age the Client selects</li> </ul>	<p><b>3. Flexibility</b></p> <ul style="list-style-type: none"> <li>Choice of maturity ages to cover life expectancy spectrum</li> <li>Ability to change maturity age at any time</li> </ul>	<p><b>4. Accessibility</b></p> <ul style="list-style-type: none"> <li>Full access to the entire account balance at any time</li> <li>Able to withdraw/add money at any time</li> </ul>	<p><b>5. Growth</b></p> <ul style="list-style-type: none"> <li>Growth potential from well-diversified portfolio</li> </ul>	<p><b>6. Simplicity</b></p> <ul style="list-style-type: none"> <li>Easy to understand</li> <li>One important decision: maturity age</li> <li>Investments are managed by professionals</li> <li>Easy transition from TDF end point to income generation</li> </ul>

# Target age solutions: A new era of decumulation

## **Not just about product.**

Decumulation solutions will not resolve the decumulation challenge on their own.

## **More than one solution.**

A number of guaranteed and non-guaranteed options are required to meet members' diverse needs.

## **Target age solution expands choice.**

Non-guaranteed that simplifies retirement income and provides a spending budget so retirees can live the retirement they can actually afford.

Our ambition:

**Make target age solutions a universal  
non-guaranteed solutions across the  
Canadian retirement industry  
(similar to TDFs)**

Sun Life Global Investments is a trade name of SLGI Asset Management Inc., Sun Life Assurance Company of Canada and Sun Life Financial Trust Inc. SLGI Asset Management Inc. is the investment manager of family of mutual funds. Group Retirement Services are provided by Sun Life Assurance Company of Canada, a member of the Sun Life group of companies.

© SLGI Asset Management Inc. and its licensors, 2024. SLGI Asset Management Inc. is a member of the Sun Life group of companies. All rights reserved.