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GUARANTEED MINIMUM WITHDRAWAL BENEFIT – GMWB

The two great fears in retirement are losing one's health and outliving one's money supply. Can't help you with the former, but certainly can with the latter.

If you do not have a **Defined Benefit Pension Plan**, which provides a fixed income for life that can be passed on to your spouse should you pre-decease them for their lifetime, your only option was to purchase a **Life Annuity** that basically did the same thing, except an Annuity is not usually indexed to inflation. **UNTIL NOW** – the **Guaranteed Minimum Withdrawal Benefit (GMWB)** provides you with a guaranteed lifetime of income while allowing you to remain in the market to take advantage of stock market gains. You are protected against “down” markets or market risk.

Essentially, as long as there are no withdrawals, prior to age 65, the insurance company provides you with an Annual Bonus of 5% every year based on your capital contributions regardless as to how the markets have performed. The increase in your capital contributions plus the 5% annual bonus, less any withdrawals, forms your income base for the purpose of determining the GMWB guaranteed lifetime income. Should your portfolio have grown at a rate exceeding 5%, your income will be higher – the guaranteed income is a minimum income that you can count upon receiving, but you could certainly earn more in a well-performing market. This income will continue even if the funds in the plan become depleted over time, similar to a Life Annuity.

Did you know that a female aged 65 has a 50% chance of living to 86 and a 25% chance to live to 92?

Did you know that a male aged 65 has a 50% chance of living to 83 and a 25% chance to live to 89?

Did you know that a couple aged 65 has a 50% chance of at least one spouse living to 90?

So, you can enjoy your retirement without worrying about fluctuating investment and income values; in strong markets you could earn more and in falling markets you can never earn less than the minimum income amount noted above. You not only have protection of income you have growth potential for higher income, unlike Annuities and pensions beyond annual cost of living increases for some of the latter plans.

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These funds are **creditor protected**; your principal contributions, less any withdrawals, are **fully refundable** in the event of death; and you can have Registered and Non-Registered funds in a GMWB.

Insurance companies that offer this product might have different minimum deposit requirements and other minor differences, but essentially they all work on the same idea.

You should be aware of your retirement options such as RRIFs, Annuities and this new GMWB product in order to make a determination as to which best suits your needs and goals.

Respectfully yours,

Ron Clarke CFP, CLU