

In spring 2022, we invited questions from members about the Western pension plan. This member asks, "I just learned that I can save extra through my Western pension account, beyond the obvious benefit of saving more for my retirement. Why would I want to do it here?"

Well, while the required contributions that arise from membership in the pension plans makes a huge leap towards supplementing the foundation of retirement income provided through the government programs, namely Canada Pension Plan and Old Age Security, many employees will find that to maintain their lifestyle in retirement additional savings will be helpful.

Where and when to do the savings will be a personal decision, so it's important to be aware of the options.

I'm going to focus on the option of making additional voluntary contributions to your account under the Western pension plan, which is an alternative to making RRSP contributions through your bank or financial institution. Voluntary contributions are permitted up to the current years money purchase limit under the Income Tax Act. For most employees this is a combined total, including the required employee and employer contributions, of 18%.

I should note that a very high income earner may reach a dollar limit under the Income Tax Act that will limit the contributions to less than 18%.

So what are the benefits of doing this? Well, it's very easy to start, stop or change your voluntary contributions, either online through your Sun Life account, or over the phone with Sun Life; Sun Life will then notify Western to make the changes to your pay. It really is as simple as that.

Contributions will come automatically off each paycheck, just as your required contributions already do. And, as with your required contributions, taxes are deferred upfront, so you will have never paid taxes on the savings in your pension accounts. This also means that you aren't owed money back when you file your taxes each spring. The timing of this tax relief is a key difference compared to making an RRSP contribution. In the case of RRSP. You use your after tax income to make the contribution and look for your tax relief, as part of your annual tax filing.

Also, all the same investment options that you have under the plan for your required savings are available for your voluntary savings.

Generally members enjoy lower fees than what we're likely to experience for similar investment options in the retail market. The average fee in the western plan is about 0.45%. So that's less than half of 1%. This is between 1% and 2% lower than the retail market and makes a significant impact on your lifetime savings.

You also have the option to consolidate your registered savings in your voluntary pension account. This means that if you have an RRSP, LIRA or prior pension plan, you have the option to transfer those savings to your Western pension account, and take advantage of the preferred fees and the ease of managing these all in one place.

It is important to note that the savings retain their locked in, or non-locked in status with the transfer.

Many members who are making additional voluntary contributions are looking to maximize their contributions and this is an easy way to do it. Since we have the ability to contribute the maximum, that is permitted under the Income Tax Act, right off your pay.

So what's the downside? Well, there aren't many, but it is important to note that you cannot make a lump sum contribution, as you might do to an RRSP. And you also cannot borrow against the voluntary account for withdrawal under the Homebuyers Plan, or Lifelong Learning Plan. But you'll see I have an asterisk with each of these, because you can overcome them.

We have members who make periodic lump sum contributions to an RRSP and then do a direct transfer from the RRSP to the pension plan. Similarly, if you've been saving in the voluntary pension account, and then decide you're making a home purchase, you can transfer these assets over to an RRSP in order to borrow for the Homebuyers or Lifelong Learning Plan.

Also, voluntary contributions are made directly off your pay, and can only be made while you're an active contributing member of the plan. Each of our employee groups has different provisions regarding the end of plan membership. So you may wish to review this in further detail.

There are other accounts at your financial institution that may be an alternative for you to meet your savings goals.

These might include your personal RRSP, a spousal RRSP, a tax free savings account or non-registered investments. While there may be reasons to choose one over the other, depending on your goals, in my experience supporting plan members, the most common obstacle is being overwhelmed by the options and getting stuck in the land of good intentions.

With this in mind, I believe members can feel good about making a first step with voluntary contributions were decisions can be revisited at any time, as other plans unfold.

If you're looking for support Sun Life can assist you with setting up voluntary contributions, or you can do it yourself in your online account.

If you're looking for planning support. Consider sourcing a certified financial planner through FP Canada. And if you're looking for helpful information to build your knowledge, outside of the resources we've provided through Western and Sun Life, you may want to check out the Ontario Securities Commission site to help Ontario Security Commission's Get Smarter About Money site.

We want to avoid you looking back and saying, "I wish I had..., but I just never got around to it." As the saying goes, the best time to plant a tree was 25 years ago, the next best time is now. It's the same with your voluntary contributions. And if you're ready to move forward and save more voluntary contributions as a natural first step, and one you can take today.

If you're ready, you can log into your Sun Life account, either through your Sun Life credentials or using your Western credentials. From the menu on the right hand side, select my plan, and from the toolbar across the top. Select requests and payroll contributions. You'll follow the prompts to enter your total contribution and click Submit. Please note that it may take one to two pay cycles for it to be reflected on your pay.