Your Nortel Managerial Pension Plan Payment Elections

(for those whose last Managerial Plan participation was in Ontario or Quebec)

Your choices depend on where you last worked under the Nortel Managerial Plan. The material included here involves generalities that have exceptions. It is highly recommend that you obtain professional guidance prior to finalizing your decisions. The presenters and their employers specifically disclaim any responsibility for your decisions or the results of those decisions.

You have two basic choices for your Nortel Managerial Pension Plan payment as outlined in your personalized statement from Morneau Shepell:

- A traditional pension that provides monthly payments for life
- A single one-time payment that is deposited on your behalf into a locked-in alternative. The amount of that one-time payment will almost always be less than it would take for you to go out and buy the same pension from an insurance company.

Questions to Ask Yourself

The following questions are designed to help you think about which choice is best for your personal situation and make an informed decision about your Nortel Managerial Pension Plan payment.

How does your Nortel Managerial Pension Plan payment fit in with your overall financial picture? If your Nortel Managerial Pension Plan payment is your largest source of retirement income, you might think differently about how to receive it than if you have other assets and retirement income. If you do have other assets, determine whether your Nortel Managerial Pension Plan payment fits in better as a steady monthly income stream or a single, large, investable sum.

How's your health? What about your parents and grandparents? Your locked-in alternative is calculated based on average life expectancies. If you (or your spouse if you have a joint and survivor pension) live longer than the average, your locked-in alternative won't be enough. On the other hand, if your and your spouse's combined life span is shorter than expected, your annuity payments will be worth less than the locked-in alternative.

Your own personal situation – your health, your habits, your medical care, and your luck – will determine your expected longevity, which in turn may influence your decision on how to receive your Nortel Managerial Pension Plan payment. In other words, a key factor in your decision is whether you expect to live for 10 or 35 more years. But remember that averages are just that – averages. Half the people outlive their life expectancy.

How confident are you about managing money? While the idea of suddenly having a large chunk of money to control may be tempting, making that chunk last can be daunting. Are you ready to take responsibility for investing and managing it for the rest of your life? If you do, would your surviving spouse be just as comfortable with assuming this responsibility after you die?

Do you have a trusted advisor? Experts recommend that you seek financial guidance from someone who does not have a stake in the outcome of your decision. As you evaluate a financial advisor, do the best you can to detect whether they are seeking your best interest or theirs.

Remember that "there's no free lunch." Consider the expenses associated with investing a locked-in alternative. Mutual fund companies charge fees for putting together holdings in which to invest your money and for managing those funds. Financial advisors can also charge fees for providing investment advice. Combining all sources of fees can amount to 2% or more of expenses, reducing annual rates of return.

Be sure to review information on fees from funds you are considering and demand disclosure from any investment advisors on total fees expected for any investments they are suggesting, what the investment risks and returns are, as well as how the fund has performed in the past. Also, remember that the past is not necessarily a good predictor of the future.

How do you feel about risk? And how valuable is your peace of mind? Investing through a locked-in alternative requires skill and also sheer luck. Investing will result in gains and losses. Are you emotionally (as well as financially) prepared to withstand the ups and downs of the market? Or even worse – the downs and ups of the market, because timing matters greatly.

Five consecutive years of losses followed by five consecutive years of gains will produce a far poorer result than the other way around; is this a circumstance you can live with?

What about your heirs? With a traditional pension, there will be a payment stream for a surviving spouse only if you elected a joint and survivor annuity at retirement and your surviving spouse at retirement outlives you. Remember that your payment amount was reduced in order to provide for a joint and survivor annuity. Once you die (and your surviving spouse at retirement dies, if applicable) payments stop; there is nothing for your other heirs.

A locked-in alternative that is properly managed could potentially allow you to leave a financial legacy for your heirs. At your death, a remaining locked-in alternative balance (if there is one) can be transferred to your surviving spouse, or to your other designated beneficiary or your estate if you are not married.

Comparing Your Nortel Managerial Pension Payment Choices

Pros and Cons of a Traditional Pension Annuity

Pros	Cons
• You cannot outlive your monthly benefit. • You don't have investment management decisions or responsibilities. • You don't need financial advisors who may not have your best interests at heart.	• You cannot leave money to your children; payments stop when you die (or your surviving spouse at retirement dies) • A fixed monthly annuity will not keep up with inflation. • Your monthly benefit is fixed; you cannot vary your income stream.

Pros and Cons of a Lump Sum Rollover to a Choice You Can Invest (locked-in alternative, Depending on Your Province)

Pros	Cons
• You reap the rewards of investing successfully. • You may be able to leave money to your children. • You can vary the amount you withdraw each year if you choose (actual withdrawal amounts are governed by Income Tax Act and provincial regulations, and are subject to change each year).	• You take all the investment risk. • You may be vulnerable to financial advisors who do not have your best interests at heart. • You can outlive your money.