

RETIREMENT A New Adventure

Newsletter

January/February 2022
Vol. 2, No. 1

Book Launch

The new year has started with a bang. There has been so much going on in my space that persons who are close to me have been saying, "Pat, you are busier now that you are retired than when you were working." That's almost true!

At the start of the year, I launched my new book ***Retirement: The Journey and The Destination—A Planning Guide*** and am particularly proud of this publication. The book is another exposition of the mission I embarked on a few years ago: to dispel peoples' fear of retirement by getting them to think about it long before the time comes so they can plan purposefully and holistically for a happier and healthier retirement.

The blurb on the back cover states, "The book challenges you to imagine yourself at age sixty-five and beyond, to develop a vision of where you want to be - your desired destination. It takes you through essential elements of planning and embarking on a purposeful journey to that destination."

Thanks to the many persons who downloaded the ebook on launch date and pushed it to bestseller status in a number of categories including 'Aging' and 'Health Insurance'. I ask your cooperation in writing your reviews on Amazon so that other persons can get a feel of the value of the book and make purchases accordingly. Please assist me in this mission of sensitizing people to the importance of planning for retirement.

Turning the Spotlight on Pensions

In this first newsletter of 2022, (sorry for the late delivery) we are going to be looking at a serious subject, the matter of building that pension nest-egg and accessing benefits from cross-border pension entitlements. Carey Metz, Chartered Accountant (Retired), offers a perspective on the employer-sponsored pension plan and provides some food for thought for persons who are still in the workforce.

Since I know that a number of subscribers to this newsletter have worked across different countries or different states, and others are likely to migrate or opt for cross border working opportunities in the future, I thought it would be good to present some real life cases studies highlighting the difficulties in accessing cross-border pension benefits upon retirement. The three cases presented are actual experiences of three of our newsletter subscribers. I hope that by presenting this information, readers who have similar working arrangements will become more aware of the challenges involved and make every effort to put effective mechanisms in place early enough to avoid the pitfalls and roadblocks highlighted.

Disclaimer: The information presented in this newsletter does not constitute financial or other professional advice. You should consult with your professional financial advisors regarding your particular situation.

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Mr. Carey Metz FCA, FCCA
is a member (in Retirement)
of the Institute of Chartered
Accountants of Jamaica

Photo source:
<https://www.pxabay.com/>

“Of the traditional sources for retirement funding, pension is the primary one. Most people are familiar with the standard employer-sponsored pension plan in which the employer is required to contribute to a pool of funds for the benefit of employees upon retirement.”

~Patricia Reid-Waugh



A Perspective on the Employer-Sponsored Pension Plan

By Carey Metz, FCA, FCCA

Are you a contributor to an employer-sponsored pension plan? When you joined and got the book of rules and regulations, did you read it then? Have you read it since? Do you know all the essential details of the plan you are enrolled in?

When I was first employed, as a carefree youngster I did not understand the real significance of the pension scheme. For me, it was just another line item deduction on my payslip. And yes, I was given a book of rules and regulations but I cannot recall reading it then. I must confess that the first time I read it in detail was many years later when I was assigned responsibilities in relation to the company's plan.

In recent times, there has been a greater effort on the part of pension providers, associations, and pension advocates to change the narrative for younger employees and change the perception of pension as being a mere deduction from salary. There are increased advertisements and promotions targeted to younger employees that emphasize the importance of starting to build that pension nest egg as soon as they start working. These are intended to encourage employees to attach greater significance to the aspect of pension in the earlier stages of their working lives so they will make more responsible and beneficial decisions in respect of it going forward.

What are some of these decisions? I don't think many people are really aware, or sensitive enough to the aspect of pension that involves making decisions about the level of contributions they can make to the fund. Where an employer-sponsored pension scheme provides for contributions to be made by both employee and employer, there is usually a minimum percentage of salary that the employee contributes which is matched by the employer's contribution, with further provisions for voluntary contributions up to a specified maximum.

Many employees treat the minimum percentage as the be-all and end-all of their contributions over their entire working lives without recognizing the advantage of increasing that percentage when financial resources permit. There is no limitation to reducing the percentage contribution at a later date if personal circumstances change and this becomes necessary. And so employees should take full advantage of the good times and contribute as much as they can afford up to the maximum allowed under the scheme.

Another important aspect of decision-making is where you are changing employers. In jurisdictions like Jamaica, the laws now permit the portability of pension contributions from one pension plan to another. You can arrange for the accumulated contributions and interest on your account to be transferred to your new

A Perspective on the Employer-Sponsored Pension Plan (Cont'd)

By Carey Metz, FCA, FCCA

employer's pension plan. But what if you are going to an employer that does not have a pension plan? Some institutions offer private retirement fund alternatives to which your accumulated contributions can be transferred and you will then continue to make regular contributions and enjoy the same tax benefits.

For the employer-sponsored pension plan, there is a period when you are entitled to the refund of your contributions (not the employer's portion) plus interest if you leave that employment before the date of "vesting." Individuals who tend to change employment more regularly, particularly in their earlier working lives should be particularly mindful of this. Do not fall into the trap of spending pension refunds on consumables. Be smart. Have those contributions transferred to a new pension fund or a private retirement fund account as recommended above.

Let me also issue a warning here to persons who are self-employed or who work on contract. You should establish and maintain an approved retirement fund account with an institution to put something away while you are working so that it accumulates down the road to ensure your financial health at retirement. An important feature of designated retirement funds and pension plans is the tax benefits they offer to contributors in contrast to ordinary savings and investment accounts which do not offer similar tax benefits.

In Jamaica, you're accepted into a pension plan, pretty much not younger than 18. On the other end, because you can have people coming into the plan at different ages, there's a period before retirement where older persons won't be admitted to the scheme. This is typically tied to the age at which employees in the particular scheme can apply for early retirement. This is a factor you would want to take into consideration when making decisions about changing jobs.

Typically, the pension plan administrator provides annual statements to contributors and you should pay attention to those statements. They are not just pieces of paper to be ignored, thrown down, or thrown away. They are to be studied, questions asked, and extrapolations made to enable you to take informed decisions concerning the levels of your contributions and other matters relating to your interests.

An employer-sponsored pension plan can be administered by someone within the employer organization or by an entity external to the organization. As a best practice, I think the company or pension plan sponsor as they may be called should put in some kind of regulation where Trustees are expected to have meetings with employees from time to time along with the pension plan administrator and seek to explain, especially to the newer ones, the intricacies of the particular pension plan.

In a practical way, time could also be slotted into staff meetings for a Question & Answer (Q & A) segment on pension matters. Employees could submit questions beforehand to ensure the efficient conduct of the Q & A segment. Corporate bosses reading this newsletter, please consider this. It is the type of engagement that will result in a more pension-savvy populace and improve your employee's chances of building a healthier nest egg for retirement.

There are many more key decisions involved as we navigate the pension landscape. At retirement, for example, there are options presented to the retiree as to how pension payouts can be received: options relating to lump-sum payments and annuities, lifetime or shorter-term payouts, the currency of disbursement, inter alia. Space does not permit me to outline all but I encourage you who are still in the workforce to get familiar with the rules and regulations of the plans in which you are currently enrolled or with what is available in your respective jurisdiction to ensure you give yourself the best chance at having a financially healthy retirement when the time comes.

"During my working years, I was not prudent in how I treated my pension refunds and end-of-contract bonuses. Had I known then what I know now, I would have exercised greater care and deliberation, consulted with a knowledgeable expert, and placed these funds in a private pension plan."

~Patricia Reid-Waugh

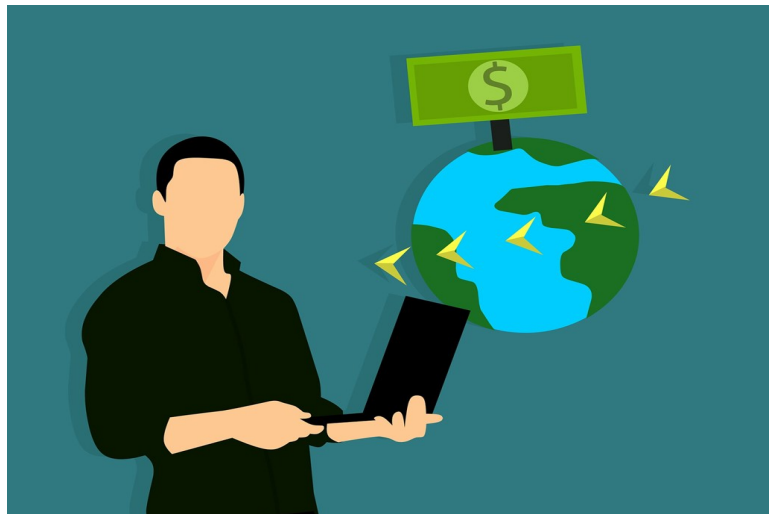
* The names in these case studies are fictitious but the scenarios described are real.

Photo source:

<https://www.pixabay.com>

“People who are self-employed and others not entitled to a pension are the most susceptible to having their savings eroded if they do not exercise proper foresight in planning for retirement.”

~Patricia Reid-Waugh



Accessing Cross-Border Pension Entitlements Upon Retirement (Case Studies)

Case 1

Gina*, a former Jamaican work colleague, migrated to the United States almost twenty years ago when she was in her forties. At the time of migration she was fully 'vested' in the company's pension scheme and received a statement detailing the status of the pension account and general information on how and when she could access benefits under the plan. Gina readily admits that she did not read the statement in any detail nor ask any questions.

Over subsequent years, she did not receive annual statements and did not make any contact with the company or pension administrator to get same. When she was two years away from her 60th birthday she visited Jamaica and checked up on the pension account. She was informed that when the benefits became due they would have to be deposited in a local bank account because there was no facility under the scheme to send payments to her overseas.

Gina opened the local bank account and provided the pension administrator with the account details and her overseas contact information. She heard nothing further from them until two years later just as she approached her 60th birthday when her pension benefits would kick in. It has been two years since and Gina receives a monthly text message advising that the pension has been deposited to the local bank account. From my discussions with Gina, we identified the following which place her at a disadvantage:

1. Over the two years since she has been receiving the pension benefits, tax at 25% has been deducted from the monthly payments. She has not filed annual Tax Returns with the Jamaican authorities to secure any refunds to which she may be entitled.
2. Her monthly pension payments for the two years are being deposited into a regular savings account yielding very little interest. Tax at 25% is being withheld from this interest and the account also attracts a monthly bank service fee plus GCT thereon at 15%. Failure to transfer these funds into a higher yielding medium-term instrument that offers tax incentives means Gina is losing out big time.

Gina has fared much better with her retirement planning in the United States. Her employer, the State of Florida, has a Deferred Retirement Option Program (DROP) to which she is eligible. Under the program, she has a 5-year window to "organize herself" as she puts it. She is currently enrolled in that program and has started taking steps to obtain certification and licensing in the Real Estate industry to make a successful transition into this post-retirement work when the 5 year period ends.

Accessing Cross-Border Pension Entitlements Upon Retirement (Case Studies)

Cont'd

Case 2

Iris* worked in Jamaica for many years before she was recruited by a regional organization headquartered in Barbados. The last seven years of her working career were spent in Barbados where she contributed to the organization's employer-sponsored pension plan as well as the Barbados government's National Insurance Scheme. Upon retirement, she returned home to Jamaica.

Iris has had no difficulty accessing pension benefits from the contributions made into the employer-sponsored pension plan in Barbados. That plan is administered by Sagicor, a regional financial conglomerate that operates in several islands, including Barbados and Jamaica. Sagicor Barbados arranged for Iris to receive her pension payments through Sagicor Jamaica and that arrangement continues to work well for her.

However, things have not gone as smoothly with her pension entitlements under the Barbados National Insurance Scheme. Initially, she received USD cheques from the Barbados government by mail. Although the postal system was not always efficient, she knew it would eventually come.

About two years ago, just before the pandemic, Barbados wanted to transition to paying these benefits through the digital banking system. This would become an issue for Iris because of the high wire transfer fees charged by the banks for international transfers. Iris made a private arrangement to get the funds and this worked for about a year but eventually that arrangement broke down.

Iris now lives in a state of eternal HOPE – hoping that when the Barbados government agency recognizes there is a significant accrual of unpaid funds on her account, it will send her a USD cheque by mail, as it did a few months ago.

Case 3

Lorna* enjoyed a banking career in Jamaica before relocating to live in one of the islands within the Organization of Eastern Caribbean States (OECS). She worked with an OECS regional organization and stayed with that agency until her retirement. After retirement, she continued to reside in the OECS and was engaged on a consultancy basis on a variety of post-retirement work projects.

Sadly, Lorna's pension payout under the employer-sponsored pension scheme in which she was enrolled in Jamaica was severely impacted by the financial crisis of the 1990s when several financial institutions became insolvent. Fortunately, she had no difficulty accessing pension benefits from the pension scheme of the regional agency from which she had retired.

Lorna was also entitled to pension benefits under Jamaica's National Insurance Scheme to which she had contributed during her working years there. Every six months, the Jamaican government agency would convert her accumulated entitlement to USD currency and send a cheque to her through the mail. Her only issue with this benefit was that as the Jamaican dollar suffered ongoing devaluation, the USD amounts she received were reduced.

Just before the pandemic, Lorna decided to return to Jamaica and she discovered then that there were no provisions for sending her pension payment outside of the OECS. She was therefore forced to make a private arrangement for someone to collect it on her behalf, convert it from ECD to USD and send it to her by a remittance agency where money transfer fees were less than the wire transfer fees charged by the banks.

"If you are not contributing to a company-sponsored pension plan and don't expect to be named a beneficiary in your rich uncle's will, it may be frightening to look potential funding gaps in the eye."

~ Patricia Reid-Waugh

Accessing Cross-Border Pension Entitlements Upon Retirement (Case Studies) Cont'd

Case 3 (Cont'd)

Unfortunately, as with Iris' case, that arrangement fell through and Lorna has been unable to access those pension benefits from the OECS without incurring the high wire transfer fees charged by the banks.

Now that she is back in Jamaica though, her small monthly benefits under the National Insurance Scheme are paid into her local bank account.

Important points to note:

- ◆ When you move or relocate, it is imperative to provide pension administrators with current contact details so that you can be informed of any developments impacting your pension account(s) from previous employment. At the very least, you should be receiving an annual statement of account and you should keep abreast of changes in laws, regulations etc. that impact these pension accounts.
- ◆ Pension agencies from which you expect to receive benefits upon retirement may not have appropriate mechanisms in place to remit the funds directly to you cross border or may simply be unwilling to do so.
- ◆ If you have worked in multiple jurisdictions from which you expect to receive a pension in the future, ensure you examine (long before you retire) the options open for you to access these benefits when they become due. These options may include making arrangements with close friends or relatives to receive the funds into their accounts and then remit the funds to you. But those persons may die or relocate to other countries resulting in the arrangements breaking down.
- ◆ Familiarize yourself with the banking arrangements that are most suitable to facilitate cross border access to your pension benefits upon retirement. Determine how international banks that operate across multiple countries can facilitate you. Ask questions. Do the research. Compare transaction rates.
- ◆ Develop an understanding of the foreign exchange implications of receiving pension benefits across countries with different foreign currency regimes.

"You cannot count on being lucky for survival when back-packing in the mountains or visiting a country where you don't speak the language; in just the same way, you can't count on good luck alone when entering retirement."

~Patricia Reid-Waugh

RETIREMENT

The *Journey* and
The *Destination*

| A Planning Guide |



PATRICIA REID-WAUGH

A Guide to Planning for Financial, Physical, and Psychological Wellness in Retirement

How much thought have you given to the prospect of retiring?
Do you know what to expect beyond the need to have adequate funding?
How can you set the stage to live your best life in retirement?

Retirement: The Journey and The Destination is a guide to help you learn the key considerations that should direct the process of planning for retirement so your preparation will not be fragmented, lopsided, and insufficient. The book challenges you to imagine yourself at age sixty-five and beyond, to develop a vision of where you want to be - your desired destination. It takes you through essential elements of planning and embarking on a purposeful journey to that destination.

This book includes stories of real life experiences in the lives of the author and others that offer practical insights into the nature of the day-to-day retirement experience, while acknowledging that retirement will look different for each of us.



Patricia Reid-Waugh is the author of **Retirement, A New Adventure**, a book credited by the Miami-based Caribbean Today news magazine to be turning readers' perception of retirement upside down by portraying it as "a life filled with non-stop living and renewal."

She delivers presentations at corporate retirement seminars and other retirement-themed events. Patricia is well known for exciting audiences with colorful personal stories and invaluable tips on how to navigate life in retirement.



PRW PUBLISHING

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*"We thank Patricia Reid-Waugh for this valuable book which should be required reading for students who are preparing to step out into the working world, a welcome birthday gift and, a great tool for human resource practitioners."*

*~Jean Lowrie-Chin, CD, JP  
Founder & Executive Chairperson  
Caribbean Community For Retired  
Persons (CCRP)*

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"It speaks to both the sobering and endless possibilities of retirement: from health issues to financial issues, to finding meaning and enjoyment in retirement, and leaving a legacy."

*~ C. Ruth Taylor
Author, Writing & Publishing Coach
Founder, BambuSparks Publishing*

*"Retirement is a journey.
The journey of retirement
should take you to your
desired destination— a
place where you are com-
fortable and happy with
yourself."*

~ Patricia Reid-Waugh

Commendation, Comments & Feedback

Do join me in extending heartiest congratulations to one of our newsletter subscribers, Camille Orridge who has been named by the University of Toronto as one of the conferees for honorary degrees at the end of the 2022 academic year.

This recognition is well-deserved as Camille has been a passionate advocate for a more equitable healthcare system to serve the needs of marginalized and indigenous communities in Canada. Camille contributed the article 'Putting Your House In Order' in our September 2021 newsletter, when we turned the spotlight on the needs of seniors. Well done Camille! we are proud to have you in our tribe!

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"Thanks for all the good feeding you provided in 2021 and I expect much more in the years ahead, with God's guidance."

~R.H.

I loved the poems. Mental inquiry, attraction, stimulation...whatever language gets applied it is such a powerful and wonderful thing to experience.

~C.O.

Retirement can be, and is daunting for some, but you have ignited some sparks of vim, vigour, wisdom, and hope for pre-retirees like me.

~A. M.

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Editor's Note:

Do you have a pension story that could form additional case studies for the benefit of our readers? If so, please relate the details [here](#) (Right click & open hyperlink) or email preidwaugh@gmail.com. With these case studies, your real name will not be mentioned.

Contact Me

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