

# LIVING LONGER, LIVING BETTER

## Your Guide To Retirement



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## INTRODUCTION

How much is enough? This is a key question for retirees and the answer will differ based on lifestyle expenses pre- and post-retirement. Most retirees will want to maintain their standard of living, but need to consider transitional changes and uncertainties. In order to help you determine if you have “enough,” it’s helpful to see some numbers, do some reflecting, and develop a plan that will work for you and your goals.

## FACTS AND FIGURES

More than five million Canadians are set to turn 65 this decade, making the 2020s the decade where many of the baby boomer generation heads into retirement. This will undoubtedly cause a large shift for Canada’s economy as this generation has been shaping various aspects of our society, both in and outside the workplace.

So, how are many boomers planning for their retirement? A recent CIBC survey finds that the pandemic has impacted Canadians’ savings and their anticipated lifestyle in retirement. Forty percent of respondents worry about the effect of COVID-19 on their savings and retirement plans, with almost 23 percent unable to contribute to their retirement savings since the pandemic started. The survey also found that lessons learned during the pandemic include a greater need to pay more attention to personal finances (**20 percent**); not to panic when markets get volatile (**21 percent**); and the significance of saving for retirement (**19 percent**).<sup>1</sup>

“The truth is, if you are 65 and in good health, you should not be planning for the next couple years. You should be planning for the next couple decades.”

<sup>1</sup> From August 19th to August 21st 2020 an online survey of 3,032 randomly selected Canadian adults who are Maru Voice Canada panelists was executed by Maru/Blue. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of +/- 1.6%, 19 times out of 20. The results have been weighted by education, age, gender and region (and in Quebec, language) to match the population, according to Census data. This is to ensure the sample is representative of the entire adult population of Canada. Discrepancies in or between totals are due to rounding.

## Pandemic's economic impacts leading many Canadians to worry about their retirement plans: CIBC Poll



**40%**

of Canadians worry about the effect of COVID-19 on their savings and retirement plans



**23%**

have been unable to contribute to retirement savings since the pandemic began

Of those who feel COVID-19 has impacted their retirement plans:



**32%**

no longer plan on travelling or will travel much less than planned



**30%**

feel they will need to work longer than expected due to a pandemic-related loss of household income

**A higher number of men (68%) say they feel confident about managing investments in retirement, compared to women (57%).**

Source: CIBC Poll: COVID-19 Impact on Retirement Planning

## WHAT TO CONSIDER

Many people begin retirement planning by asking questions such as:

- Will I be able to sustain my current lifestyle throughout retirement?
- What are some ways I can maximize my retirement income?
- Do I want/need to work on a part-time or consulting basis?
- What tax implications might I have to deal with?
- What is my current health status and how might that affect me?
- How can I ensure my family is looked after?
- How should I invest?

These are all important questions that generate different responses, because every person's retirement is unique and requires customized planning. However, everyone that plans to retire wants to ensure they'll have the income in place for the retirement lifestyle they desire. An effective plan begins with an understanding of your current situation as well as an understanding of the factors that might affect your retirement goals. To start planning for retirement, you need to identify your specific and unique retirement requirements.

## IDENTIFY YOUR RETIREMENT INCOME REQUIREMENTS

This process includes considering:

- Estimates of your anticipated expenses in retirement
- Income sources for your essential expenses
- Coverage for your discretionary expenses
- Your health and family history
- Your time horizon and risk tolerance

Reflecting on these questions and requirements further amplifies just how unique your retirement vision and goals are. Now that you have a stronger sense of what you would like your retirement to look like, let's go over my three steps to really solidify your goal planning.

### STEP 1: CREATE A LIFESTYLE PLAN

With retirement, comes a whole new world that includes a big lifestyle change. Everyone has different priorities and visions of what they want out of their retirement. Some may want to travel more, others may want to focus on family time, some may want to find another passion or give back to their community. Often, it's a mix of all these things. However, the actual lifestyle plan you want to create will look different than someone else's.

To successfully transition to a lifestyle change, estimate the amount of retirement income you'll need to support this lifestyle. Questions such as, "can I live on 50% of what I make today?" and "will I need the full 100% to live the retirement life I want/need?" are worthwhile to consider. The amount that is right for you depends on financial demands such as family obligations, mortgage payments, etc.

## STEP 2: GENERATE A RETIREMENT PAYCHEQUE

Once you create a lifestyle plan, you need to determine what your retirement paycheque will consist of. Typically, there are multiple sources of income that can come together to create a retirement paycheque. Often, your retirement income will come from three sources: government benefits, employer pension, and savings.

### Government benefits

After working steadily over the years, you have likely contributed to the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP) and upon retirement, you may be able to collect the benefits from these plans. Most Canadians can start receiving their payments at 65—however, you can start to collect at 60. Many Canadians opt to wait for retirement until they reach the age of 70 in order to collect higher payments.

Another government benefit is the Old Age Security (OAS), which you may receive if you're 65 or over. Unlike the CPP and QPP, the OAS is non-work related.

### Employer pensions

Most employers provide pensions—these are vastly different and are worthwhile to go over closely with your financial advisor.

### Savings

Finally, Canadians rely on personal savings in addition to government pension plans and employer pensions in order to cultivate a higher income. These personal savings could consist of your Registered Retirement Savings Plan (RRSP) which is transferred to a Registered Retirement Income Fund (RRIF) when you turn 71, your Tax-Free Savings Accounts (TFSA), and other investments.

## STEP 3: RE-EVALUATE YOUR INVESTMENT PORTFOLIO

With any life change, you may have an altered perspective on investment goals and risks. Has your risk tolerance changed now that you are on the verge of retirement? Probably. You may find that you are actually willing to take on more risk for a portion of your assets and adding more investments that may yield greater potential for growth.

An investment advisor can help you re-assess your financial plan, create new estimates for retirement income, and determine strategies to improve cash flow in order to meet your goals for a successful retirement.

## CONCLUSION

With Canadians living longer and healthier lives than ever before, retirement no longer necessarily means quitting your job one day to do nothing the next. You may choose to continue working, whether on a full-time, part-time, or consulting basis. With proper planning, you will have the opportunity to accomplish the things in life that are important to you — spend more time with your family, travel the world, enjoy the arts, pursue passion projects, or simply enjoy that you have more time and freedom to do what you want, when you want.

The truth is, if you are 65 and in good health, you should not be planning for the next couple years. You should be planning for the next couple decades. Enjoying your retirement takes careful and detailed planning, but it doesn't have to be difficult. For more information, contact me to help you get the most out of your retirement, whatever that vision may be.



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