

How to Retire Well

Conventional wisdom suggests we should save about 10 to 12 times our current income; however, many people approach retirement having saved much less. According to the Canada Project Poll with Macleans, 62 percent of Canadians say they're "very" or "somewhat" confident they'll have enough money to retire at age 67.

So, how much is enough? The amount of money you should have saved before you retire depends on many personal factors and considerations, including:

- **Your lifestyle:** If you live well within your means and have prudently saved for retirement, you may not need to adjust your lifestyle much. It is better to have the choice to downsize your lifestyle and spending habits than it is to be forced to due to lack of adequate planning.
- **Your retirement plans:** Although it's wise for both you and your spouse/partner to save for retirement, there are other considerations that may impact your total savings target:
 - o At what age do you plan to retire?
 - o If you have a spouse/partner, will you retire at the same time?
 - o Will you receive a pension from your employer?
 - o Do you plan to continue working part time?
- **Your health:** If you are healthy, and have longevity on your side (e.g., your parents lived past the average life expectancy of 81 years for women and 76 years for men), consider saving more money.
- **Other income sources:** If you will receive a pension from your employer, money from the Canada Pension Plan (CPP) or Old Age Security (OAS), or dividends from investments, include them in your overall retirement plan.

- **Financial obligations and expenses:** These may include a mortgage, car payments, credit card debt, health care expenses and financial support for children or grandchildren.

Keep in mind that nothing is set in stone and your circumstances may change at anytime. Changes in your health or that of a family member, or changes in your family status, may affect your financial situation.

For any circumstance changes that may impact your retirement plans, be sure to connect with a financial advisor who can help you update your plan and stay on track to reach your retirement goals.

If you do not have a financial advisor, I would be happy to refer you.



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Retirement Catch-Up: Get Your Retirement Savings Back on Track

Pay yourself first. The key to building wealth is keeping a portion of what you earn. Set up an automatic transfer of a portion of your paycheck into a savings account. From there, you can choose to contribute a portion of your savings into a retirement account, such as a Tax Free Savings Account (TFSA) and/or a Registered Retirement Savings Plan (RRSP).

If you choose to contribute to a TFSA, you can contribute up to \$5,500 per year; keep in mind, the total contribution amount rolls over each year so you may be able to contribute more. If you're just opening the account, you can contribute up to \$57,500. There's a 1 percent per month over-contribution penalty; if you over-contributed more than \$1,000, the penalty is \$10 per month until you remove the excess amount.

RRSP contributions are capped at 18 percent of your earned income from the previous year's tax return, up to \$26,230. However, if you also contribute to a company-sponsored pension plan, the maximum amount you can contribute to your RRSP will be less, as it takes your pension contribution into account. If this sounds confusing, don't worry; the Canada Revenue Agency (CRA) will send a Notice of Assessment with the amount of your contribution limit for the following year.

Reduce monthly expenses. If you haven't created a budget, now is a great time to start. List all of your income and expenses for the month and see where your money is going. Once you have an overview of your finances, look for ways to reduce spending, starting with non-essential spending. Then, create a budget and be sure to follow it. Track your expenses to hold yourself accountable to your budget.



Another way to reduce your overall monthly expenses before you retire is to pay off any existing debts, such as your mortgage, car loans, etc. Retiring debt-free will liberate your income for savings or living expenses.

Downsize before retiring. Many retirees choose to downsize after they've retired to reduce their living expenses. However, doing so before retirement may increase your cashflow in the short-term, while allowing you to become accustomed to your new space. If moving isn't possible before retirement, look for ways to reduce your monthly housing costs instead.

3 Ways to Have More Income in Retirement



1. **Use the Canadian Retirement Income Calculator** on the Canada.ca website to see how much you may earn in retirement based on your age, planned retirement date and contribution amount.
2. **Become a landlord.** Consider purchasing a rental property or leasing extra space in your home through publicly hosted sites such as Airbnb.com or VRBO.com. These sites provide the necessary infrastructure for you to market your location, collect payment and have renters only when it is convenient for you.
3. **If you wish to save additional money for retirement, contact your financial professional for other retirement options.** If you don't have one, give me a call.