Retirement planning for women

Women face different challenges than men when it comes to retirement planning. Women generally live longer, earn less and are more likely to take time out of the work force to raise children or look after elderly parents. Having a solid retirement plan is therefore very important. Read on for a six-point overview from our expert.

1. How is retirement planning different for women?

The debate about gender income inequality regularly pops up in the public arena. But according to statistics collected by National Bank in 2018, differences in the saving capacity of men and women go beyond pay inequalities:

- Women tend to be less prepared than men for retirement, with 60% of them expressing concerns about running out of money.
- In 2018, 50% of married women entrusted their retirement planning to their spouse. This percentage rose to 61% among those born between 1980 and 2000. However, statistics show that 50% of them will go through at least one separation during their lifetime.
- On average, women also live about 4 to 5 years longer than men, which means that they need to save more to cover these additional years of life.

“Let’s look at a man and a woman who are both are 65 years old and earn the same salary. There’s a strong chance that the man was able to save more than the woman for retirement because he worked 4 or 5 years more than her, overall. This could be due to maternity leave. This gap is likely to shrink among younger generations, since they tend to share parental leave and family duties more equally. Women are also free to return to the job market more quickly than before, if they want to. However, their life expectancy isn’t going down—on the contrary, one out of five women is now expected to live to age 96. These facts need to be considered when planning for retirement,” explains Mélanie Beauvais, Senior Advisor at the Private Banking 1859 Financial Planning Centre.

2. What factors should you consider when planning your retirement?

Retirement planning goes beyond monthly savings. It's about working with a professional to build a comprehensive plan based on your situation and goals. To help us draw up the right retirement plan for you, you should consider the following five factors:

1. **Time**: Do you plan to retire in 20 or 40 years? How many years do you need to plan for? Today, the average life expectancy for Canadian women is 84, versus 61 in 1920. This life expectancy is likely to keep rising over the next 50 years. You should therefore consider saving accordingly.
2. **Inflation**: It has a direct impact on your purchasing power. For example, the trip you plan to take in 10 or 15 years will cost more than if you took it today. You will therefore need to put more money aside.

3. **Healthcare**: While some expenses will drop or disappear completely during retirement (RRSP and TFSA contributions, pension contributions, social security, mortgage payments, etc.), other new expenses will emerge such as domestic help, transportation assistance, home care, etc. Don't underestimate your expenses during retirement.
4. **Asset allocation**: The more you diversify your investments, the lower your risk. RRSPs are an important component of any retirement plan. TFSAs can be just as important and are especially beneficial if you have a lower income.
5. **Rate of withdrawal**: How can you best maintain your lifestyle without overspending or depriving yourself? What should you draw from first—your TFSA, RRSP or cash savings? To ensure peace of mind, you should determine a strategy for how quickly and how often you will withdraw from your investments during retirement.

3. How should you budget for retirement?

Retirement budgeting may seem difficult and complicated, but it's easy with the right tools and support. This step will also give you a clear overview of your expenses and help you make smarter decisions. The Government of Canada has created the Canadian Retirement Income Calculator to simplify the process.

The main sources of retirement income include:

Government pension plans

In Quebec, the Quebec Pension Plan (QPP) provides residents with a basic retirement income. If you live outside of Quebec, you'll receive income under the Canada Pension Plan. All Canadians can also receive benefits from the federal government under the Old Age Security (OAS) program.

Please note that if you defer your QPP application by a few years, you'll get more money. If you defer your QPP benefits until you're 70, you could get up to 42% more. However, if you apply when you're 60, you could lose up to 36%.

Supplemental pension plans

These pension plans are provided by employers to contribute towards their employees' retirement income. It's important to understand how they work. Does your employer offer a defined benefit plan or a defined contribution plan? Is it indexed or not? Are you eligible for it?

Personal savings

These are your investments (registered and non-registered), real-estate holdings, etc. They can supplement your income from government plans.

“People sometimes ask me where they should start if they have a large amount of money to invest—for instance, if they’ve just received an inheritance. Of course, saving for retirement should always remain a priority. But if you have debts with high interest rates or non-deductible interest—like credit card balances—you should focus on paying them off,” Beauvais points out.

4. Will you get enough from the government when you retire?

“You shouldn’t depend on government benefits alone for a comfortable retirement,” warns Beauvais. “How much money you’ll receive from the government depends on your personal situation. Some government benefits, like OAS, are guaranteed and are reviewed regularly to reflect cost of living. However, your QPP benefits depend on how much you’ve contributed throughout your working life. I’ve noticed that women often don’t get the full pension amount—or at least not as often as men do. This means women have a lot of work to do to catch up. To estimate your retirement income, check out the Quebec government’s CompuPension tool,” Beauvais recommends.

5. What’s the difference between retiring as a couple or on your own?

“Statistically, women tend to rely on their spouse to take care of financial planning. However, we’ve seen that women are becoming increasingly well informed when it comes to finances, which is very encouraging,” Beauvais adds.

“Old Age Security and pensions are paid to individuals. But couples benefit from many tax advantages that are unavailable to single retirees,” she continues. “Marital status can have an impact on retirement planning, and certain strategies can help couples save on their taxes and recurring expenses.”

“In a couple, the spouse with a higher income can transfer part of their retirement benefits to the one with a lower income, allowing them to cut their tax bill. This is called income splitting.”

“It’s therefore all the more important for single retirees to meet with a financial advisor. By taking control of your finances, you’ll be taking a first step towards a more prosperous retirement.”

6. How can you take control of your retirement?

Even if your retirement is still far off, it's important to get informed and start planning as soon as possible. It's never too early—or too late—to set up a plan and seek advice.

“Start by covering your bases,” Beauvais suggests. “Get your documents together, prepare your balance sheet, determine your retirement goals and get an idea of where you are in terms of savings. Most of all, don’t be afraid to ask for help. It’s in your best interest to speak with a financial advisor. We’re happy to help you with all your financial questions, whatever your financial situation.”

Ready to plan a happy retirement?

Published on October 29, 2020 by National Bank

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