

What is the impact of COVID-19 on your retirement?



In these uncertain times, it's perfectly normal to be wondering about your retirement savings. The effects of the coronavirus are as sudden as they are unexpected, and it's important to make the right decisions to help you think about the future with peace of mind.

Whether you're preparing for your retirement, already enjoying it, or in the middle of establishing more of a long-term retirement plan, here's some sound advice to help you get through these unprecedented times.

How will COVID-19 affect my retirement plan?

There's no direct link between your retirement plan and the coronavirus, but since your money is invested in the marketplace and stocks have been impacted by the effects of the virus, you'll also feel the effects of the current situation on your retirement plan. Predictive calculations as well as rates of return (which serve as the basis for determining retirement plans) both take into consideration market fluctuations over long periods that include positive and negative periods.

So even though your investments may decline in the coming weeks, it's best you stick with your planned strategy, as markets always trend upwards over the long term (we're talking about several years). You're better off if you keep your investments on the stock market and let your money work for you, as you've always done. That way, you'll be able to enjoy the capital you've accumulated when you're ready to retire.

How should I react if I'm already retired?

Make sure you have enough cash to make your planned withdrawals over the next few months.

If you're worried, you can defer expenses that aren't part of your withdrawal strategy. Travel plans and kitchen renovations can be put off until things calm down a bit. This will allow you to alleviate the financial pressure and to keep enough cash to take care of your more urgent needs. You can look forward to working on these goals with peace of mind once things are back to normal.

In a situation like the coronavirus crisis, your biggest ally is still your advisor or your financial planner. They can help you make informed decisions and take an emotional step back, lest your worries lead to ill-advised actions.

If, in spite of this, you believe that your retirement savings are in danger, that may be because your portfolio doesn't match your needs or your risk tolerance. Once again, talk it over with your financial planner or advisor before making any rash decisions.

If retirement is still in the distant future, but you're already preparing for it

We can't say it enough: if you want a nice retirement, you need to prepare when you're young. If you're someone who thinks ahead, that means you've started making a retirement budget and invested wisely in an RRSP or a TFSA. It's an excellent strategy that will pay off in the long term and allow you to maintain your lifestyle once it's time to retire.

The best thing you can do is continue contributing and watch your capital grow over time. Once again, you have to think about your retirement savings growing over the long term (over years and even decades). In the end, a temporary situation like the coronavirus crisis will have had only a small impact on the capital you've accumulated over 20 or 30 years.

In other words, stay the course and wait for things to get back to normal!

If you have any doubts or questions, you can obviously speak with your financial planner or advisor. They will be able to explain the situation to you, which will allow you to make the right decisions.

Stay optimistic!

Both businesses and citizens alike were taken aback by the spread of the coronavirus, and disinformation – largely shared across social media – hindered efforts by governments to fight it. The local, regional and international situation is changing very quickly:

- The number of people with new infections in China is plummeting. This shows the positive effects of isolation policies and lets us see a way out of this crisis.
- The Canadian government revealed concrete fiscal measures that aim to help workers and businesses.
- A high VIX (an indicator of the volatility of American financial markets), such as we're seeing these days, has historically been associated more strongly with buy signals than sell signals.

Because of its widespread and sudden nature, the coronavirus crisis could pressure you to make irrational financial decisions that you could regret in a few months. History has shown us time and time again that a sharp drop in the stock market is always followed by an upturn. However, if your heart is telling you to act now, the best thing to do is always to speak with your financial planner or your advisor.

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