

Planning for a Longer Retirement

With Canadians' increasing longevity, you may need to fund a retirement lasting 20 or 25 years or longer. This might seem like a challenge financially, but you can manage a longer retirement with a customized wealth plan.

The ultimate goal is to build enough savings to enjoy your desired retirement lifestyle, while feeling comfortable that your savings will last your lifetime.

Arriving at your goal

On the investment front, the tried-and-true practice of starting early, investing regularly and staying invested is key to benefiting from compound growth. You can truly appreciate its power when the amount of your investment growth exceeds the actual funds you invested. Thanks to our increasing longevity, investors have a longer time horizon to benefit from compound growth. Also, if you have a young adult child, you may want to ensure they appreciate this investment principle.

With an investment program underway, next is envisioning your retirement. Do you want to travel the world? Do you want to take life easy, enjoying the company of friends and your grandchildren? This information helps us estimate your future income needs, financial goal and retirement date. However, it's only one of several factors. We also consider your marital status, risk tolerance, net worth, estate plans and potential health costs. Then we take inflation into account, which becomes more pronounced the longer you live.

When you retire

When the time arrives to turn your savings into income that lasts your lifetime, we work with you to determine which method or combination of methods suits your situation. Quite a few options are available, including the bucket strategy, 4% rule, systematic withdrawals, and using guaranteed products, among others.

No single solution applies to everyone. For example, one of many factors is risk tolerance. Say that a conservative-minded retiree chooses the security of fixed-income investments and GICs and wants to ensure they'll have sufficient income if they live a long life. This retiree defers their Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits to age 70 to increase their guaranteed monthly income at older ages, income that's indexed to inflation. They withdraw from their Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA) to support their retirement during the period before benefits begin.

Another retiree is a more aggressive investor and has significant equity investments, planning to use the potential growth to help fund their retirement. This person maintains a fixed-income pool to draw from in any year the stock market is underperforming, and they decrease their equity investments over time.

The ultimate goal may be similar for each retiree, but how you invest and draw income requires a customized approach.

Plans may change

A retirement plan largely focuses on when you want to retire, but the date you set as a target could end up changing.

Postponing retirement. An individual or couple may delay their retirement for personal or financial reasons. For example, a business owner may reach their planned retirement date and not feel ready to give up something that has been their life for so long. Someone dealing with the financial consequences of a recent divorce may wish to work longer to build up their retirement savings. A couple might delay retirement to increase their savings if they have a change of lifestyle plans, such as deciding to spend winters down south.

Retiring earlier. An opportunity or a life issue can prompt someone to retire earlier than planned. A person who receives a significant inheritance or an early retirement offer from their employer may choose to leave the working world sooner. Life issues include caring for an aging parent or suffering a disability or an illness.

If you have any reason to consider retiring earlier or later than planned, we can help you determine a new date that enables you to enjoy a comfortable retirement, without worrying about outliving your savings.

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