

RETIREMENT PLANNING

“RETIRING AT THE AGE YOU WANT.”

“RETIRING AT THE INCOME YOU WANT.”



RETIREMENT PLANNING PRIORITIES

- Ensure that enough monthly income is available to pay for your desired retirement lifestyle in a cost effective and hassle free manner
- Ensure that you have sufficient retirement assets for your complete retirement span
 - enough assets to cover the total retirement span
 - the ability to handle the effects of erosion of purchasing power due to inflation
- Ensure that there are sufficient income and assets for a surviving spouse
- Ensure that there are sufficient assets and flexibility to handle the costs of long term health care, if they arise
- Ensure that you are paying the minimum tax bill possible
- Ensure that any remaining estate is distributed in a fair and tax efficient manner to your beneficiaries

RETIREMENT PROCESS

STEPS	EXAMPLE
STEP 1 Determination of required net monthly income – do a specific calculation – don't use rules of thumb	\$2,500/month
STEP 2 Income Sources Inflation indexed government sources OAS CPP Employer pension (Is it indexed?) Other (Is it indexed?)	\$400/month \$600/month \$800/month nil
STEP 3 Monthly deficiency, if any.	\$700/month
STEP 4 Savings required in RRSP's and/or non RRSP's to supply the inflation indexed monthly deficiency Assumptions: retirement lifespan rate of return	\$100,000 25 years 9%

CONSIDERATIONS & ASSUMPTIONS

Considerations

1. Loss of purchasing power
2. Unrecognized cost of future health care
3. Income deficiency for surviving spouse
4. Financial capability of surviving spouse
5. Two tiered expenses over time
6. Reliance on government programs
7. Lifestyle issues (location move, two cooks in the kitchen, social changes, activities, et cetera)

Assumptions

- Inflation rate
- Length of retirement span
- Rate of return on capital
- Health

INFLATION ASSUMPTION

Years Of Retirement	Loss Of Purchasing Power On \$1,000 Over Time At Various Rates Of Inflation					
	Inflation Rate					
	2%	3%	4%	5%	6%	7%
5	\$906	\$863	\$822	\$784	\$747	\$713
10	\$820	\$744	\$676	\$614	\$558	\$508
15	\$743	\$642	\$555	\$481	\$417	\$362
20	\$673	\$544	\$456	\$377	\$312	\$258
25	\$610	\$478	\$375	\$295	\$233	\$184
30	\$552	\$412	\$308	\$231	\$174	\$131
35	\$500	\$355	\$253	\$181	\$130	\$ 93
40	\$453	\$307	\$208	\$142	\$ 97	\$ 67

Income Sources & Inflation Indexing

Fully Inflation Indexed

- Old Age Security
- Canada Pension Plan

Variable Inflation Indexed

- Employer pension

No Inflation Indexing

- RRSP or cash investments (inflation protection from equity component)
- most annuities

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