Do We Have Enough to Retire?

By Paul Tidey

Reality check! Do we have enough to retire?

I wish I had a dollar every time I have been asked this question. With low interest rates, volatile stock, bond and EFT markets, an aging population and busy lifestyles how do we or better yet YOU, calculate this number?

Where to begin? Well we start with what is your current net worth? This provides a snap shot of where you are today, right now. It is the starting point for future discussions and planning opportunities.

Next, what liabilities will be eliminated by the time I want to retire? The mortgage, credit cards and any other non-deductible debt should be the priority. What is the time frame in years until this is complete and what tradeoffs need to be made to get this done? Lifestyle debt financing has a way of catching up with individuals, companies, provinces, and countries.

Moving along, regular expenses (non-discretionary) ……What am I spending my money on now, and where and how will I spend it on in the future given the choice? This is the dream phase - what I want to do when I grow up and retire. It is different for each person and it is important that couples discuss this well before the "official retirement date" to ensure harmony in the relationship.

Now I know my ideal retirement date and I have estimated how much I will need at retirement. Where is the money coming from? Time to list the forms and types of income I will have coming into my cash flow when I retire? What income will I be receiving from personal accounts and company, or government pension plans (e.g. CPP & OAS), and what is guaranteed? Personal income may be in the form of variable and life annuities, monthly payments from RRIF plans, dividend income from businesses, consulting income, rent income, etc.. Sources like GIF "GMWB" variable annuities, life annuities, GIC income, regular SWP plans from RRIF's, Open accounts, T series or Corporate Class (tax efficient) and TFSA options, plus dividend income from businesses, salary, consulting income, stocks, stock options, rental income, etc.

Understanding the source of your income, and when you receive it plays a significant role in your retirement plan. Understanding the various guaranteed, variable, and flexible components and how they all fit together to provide your retirement cash flow is a dynamic and continuing focus of our firm.

Finally, the dream aspect I mentioned earlier is usually gleaned from your current "living goals and lifestyle choices", or where you spend money now for enjoyment. Keep in mind, you will most likely continue to spend again in the future…travel, sailing, golf, biking, hiking, gardening, food, wine, etc .. The plan is we work together to ensure that you do get to spend your hard earned investment savings into those desired things, while ensuring the estate passes on effectively and efficiently.

We look forward to continuing our dialogue with you soon.