

ASK AN EXPERT

FINANCIAL PLANNER



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Like many people, I am nervous about my future retirement. In your experience, what are the main areas I should focus on?

I can't stress to you enough the importance of planning properly for your retirement income. Without proper planning, you will not enjoy the comfortable and worry-free retirement you deserve. Here are some important aspects of your retirement income plan to keep in mind.

INFLATION

Most people don't properly factor in the effects of inflation on their retirement income. For example, let's say you determine that you need \$100,000 per year of retirement income at age 65. But over the next 20 years, assuming an inflation rate of just three per cent, your retirement income needs would increase to over \$180,000 at age 85. Don't underestimate the effects of inflation!

TAXES

Taxes will play a large role in determining what your eventual retirement income will be. It is absolutely imperative that you understand the effect of taxes on your retirement income and implement strategies to minimize how much you will pay.

LIFE EXPECTANCY

A common mistake people make in retirement planning is basing their plan on living to what they believe to be the average life expectancy. Remember that average life expectancy figures are just that: averages. The average life expectancy for retirees may be 85, but that doesn't mean you can ignore anything past 85. Plan your retirement income well past your life expectancy.



DIFFERENT EXPENSES AT DIFFERENT AGES

In your 60s you may dream of travelling the globe. Once you're past your early 70s, however, you're likely to discover that your desire to be jet-setting has faded and you'd rather stay a bit closer to home. Similarly, you may find that swinging a golf club every day is no longer a pleasure once you've hit 75. On the same note, costs for health care, including daily living, may increase dramatically with age. The key is to ensure that your planning isn't based on a fixed amount of income throughout your retirement years. Your lifestyle and expenses will change, so be sure to plan accordingly.

MONITORING AND UPDATING

Things do change, both before and during retirement—everything from tax rates to income needs. Complex calculations need to be done and then communicated to you in an easy-to-understand manner. Please don't try to do this alone; instead, ensure that your retirement income plan is continually monitored and updated by a qualified professional specializing in retirement planning. Retirement planning can be complex, but you will need simple answers to your most important questions:

1. How much do I need to retire?
2. When can I retire?
3. How do I ensure my retirement income lasts my entire lifetime?

If you haven't started planning yet, start today—you will be glad you did!

As always, if you have any questions or would like information on our retirement planning services, please contact me at jswanson@bmfsg.ca

