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Q: I want to retire... how much do I need to have saved?

A: I am almost always asked this question when first meeting with pre-retirees. Instead of trying to gauge your retirement needs based on a rule of thumb, take this important step instead: work with a financial planner specializing in retirement planning.

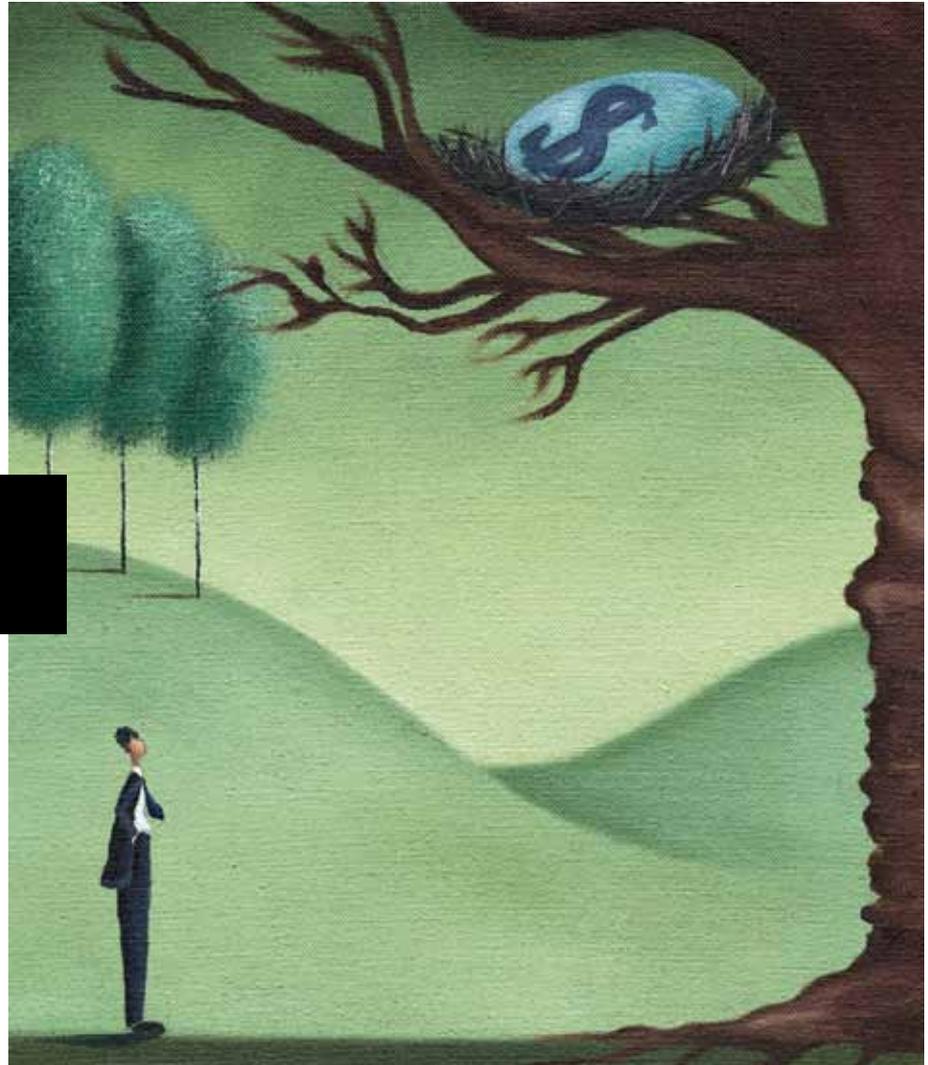
And what does working with a retirement planner entail? I specialize in retirement planning and everybody's retirement is unique. I can't speak for others, but below is a general idea of the process I go through with my clients:

STEP 1: WE DETERMINE YOUR DESIRED RETIREMENT AGE.

I know, you are going to say "I want to retire tomorrow", or "I don't think I will have enough money to retire when I want to". That's the whole point of working with a retirement planner, though—I will be able to determine if the goal is realistic and what changes need to be made to reach that goal.

STEP 2: WE COMPLETE A RETIREMENT EXPENSE WORKSHEET

We estimate all of your expenses during retirement. We separate them as either essential expenses (food, housing, and so on) or discretionary expenses (travel, entertainment). This separation of expenses is very important.



STEP 3: WE MAKE A LIST OF YOUR CURRENT INVESTMENTS AND PENSIONS THAT YOU PLAN ON DRAWING INCOME FROM IN RETIREMENT.

This can include RRSP's, a company pension plan, a property you will sell down the road, or even a planned lottery win, should you choose to be that optimistic!

STEP 4: RESULTS!

After making careful calculations and incorporating important variables such as tax rates and inflation into the equation, I will show you the following in a simple and easy to understand format:

1) Where your progress is in relation to your retirement goal.

2) How different changes to your existing plan will affect your ability to reach your goal (changes like retiring earlier or later, investing more or less or generating a higher or lower return on your investments).

In my experience, this is the most empowering financial exercise you will ever do. When this important exercise is complete, you will know exactly where you are today, where you need to get to in order to retire and exactly what you need to do to reach your goal.

The number one reason people fail to retire comfortably is that they never make a plan, or they wait until it is too late. Start your plan today, regardless of your age.

If you have any questions on retirement planning, contact me at jswanson@bmfsg.ca.