

## Be sure your wealth will support your retirement

**A**s the members of the baby-boom generation enter their 60s, the face of retirement in Canada is changing. People today have longer life expectancies (see Page 2), and they enjoy an ever increasing array of options for accommodation and health-care. Many baby boomers anticipate a very dynamic retirement lifestyle.

While it's wonderful to look forward to living a long, healthy, active life in retirement, enjoying it fully may call for a more complex retirement plan. And issues such as rising healthcare costs and ongoing family obligations are just two factors adding to its complexity.

### Your retirement vision

The first step to ensuring that you'll have enough savings and required income to lead the life you want in retirement is

setting a realistic vision of your retirement lifestyle and needs.

**Many factors.** Take some time to define your long-term retirement goals, both personal and financial — for example, where you will live, what interests you will pursue, what legacy you wish to leave behind, and what health concerns need to be considered. Determine how these factors might influence your needs.

**Income sources.** Next, we need to look at your sources of income to support those needs. These may include Registered Retirement Savings Plans (RRSPs) or Registered Retirement Income Funds (RRIFs) and non-registered investments, as well as government benefits and company pension plans. You may also have other

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## Four ways to *pump up* your retirement savings



**1. Maximize RRSP savings.** RRSP contributions give you a double benefit: a tax deduction plus tax-deferred growth — aim to contribute the maximum every year. And take advantage of any past contribution room you may have.

**2. Contribute to a spousal RRSP.** If you expect that your spouse will have less saved for retirement than you, consider contributing to a spousal RRSP. It can help equalize your retirement incomes, resulting in a lower family tax bill in retirement.

**3. Build your non-registered portfolio.** Beyond maximizing your RRSP contributions, focus on tax-effective investing in your non-registered accounts. Outside of a registered plan, capital gains and Canadian-source dividends are taxed less heavily than interest earned from investments.

**4. Get a portfolio tune-up.** A professional review of all your registered and non-registered holdings may reveal beneficial tax-saving, income-splitting, or investment opportunities — all of which could help boost your future retirement income.

## Support your retirement

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potential sources such as business interests or an income property.

We can then determine if your retirement savings need to be enhanced, and pinpoint ways to enhance them.

### Key risks to address

It's important to be aware of these potential risks to your retirement savings.

- **Overlooking inflation.** For several years, inflation in North America has been relatively benign. But that's not to say it won't heat up again. Any increases in living costs could eat into your sources of retirement income, so inflation should be factored into any income projections.

- **Investing too conservatively.** Allocating too much of your portfolio to extremely conservative investments could limit your returns. To provide sufficient capital growth potential, an appropriate portion of your portfolio should continue to be allocated to growth assets such as equities.

- **Depending on pensions.** With a rise in the number of people switching companies — and pension plans — throughout their careers, the possibility of company pension plan underperformance, and the decreasing reliability of government pensions, your savings need to extend well beyond your anticipated pension income.

- **Taking too much too soon.** Withdrawing an amount from your retirement savings that exceeds your investments' internal rate of return results in capital erosion. Take too much, too often, and your retirement fund could run dry prematurely. Retirement income planning is as

## You may live longer than you think

Many people make the mistake of basing their retirement income projections on average life expectancy. But **there's a 50% chance you could live beyond the average age**. In addition, as you age, your average life expectancy increases. For planning purposes, expect to be on the positive side of the average; otherwise, you run the risk of outliving your savings.

Age 35: Retirement planning begins	Average Life Expectancy: 83	18 YEARS of retirement income planned
At age 65: Retirement begins	Average Life Expectancy: 85	At least <b>2 YEARS</b> not accounted for in retirement savings plan
At age 75: 10 years into retirement	Average Life Expectancy: 88	At least <b>5 YEARS</b> not accounted for in retirement savings plan
At age 85: 20 years into retirement	Average Life Expectancy: 92	At least <b>9 YEARS</b> not accounted for in retirement savings plan
At age 90: 25 years into retirement	Average Life Expectancy: 95	At least <b>12 YEARS</b> not accounted for in retirement savings plan

Source: Statistics Canada, Complete life table, 2000–2002: females. Ages are rounded. For illustrative purposes only.

important as planning to build you retirement savings.

### Bridging the gap

If there's a concern that your and your spouse's retirement income won't support the lifestyle you want for as long as you'll need it, consider these three options.

- 1. Work longer.** Staying in the workforce longer — even part time — means you could add to your retirement fund, build potential pension income, and defer withdrawing from your savings so they can continue to grow. Continuing to work could also maintain your company health insurance benefits and possibly increase your investment risk tolerance level.

- 2. Tap into your home equity.** Many retiring homeowners have built

up significant equity in their homes. If you are one of them, this may enable you to borrow to ensure you have the cash flow you need. Alternatively, downsizing to a smaller home can free up cash to invest.

- 3. Reduce your lifestyle expenses.** Simplifying your anticipated retirement lifestyle — owning only one car, eliminating a club membership, travelling less — could significantly reduce the retirement savings you'll need.

Planning your retirement is an intricate process, involving your personal goals, family expectations, and overall financial plan. With support from a variety of experts across the Scotiabank Group, we are well equipped to help you create a plan that will support the retirement you desire for its full duration. ■

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