

Puzzled by pensions?

By Melanie Hall-Szyszkiewicz

Here comes retirement! And here are two questions you need to answer:

- Where will my retirement pay cheque come from?
- Will I have enough income to support the retirement lifestyle I've planned for the rest of my life?

A lot of near-retirees are asking themselves similar questions these days. They know that they can expect to live longer – according to Statistics Canada, men at age 65 can expect to live 17 more years and women aged 65 can expect to live 20 more years on average. And most expect to live active lives, with 60 per cent saying they plan to devote a lot of time to their retirement hobbies and 80 per cent planning to do some or a lot of physical recreation. Yet, according to one survey, 30 per cent of non-retired Canadians are concerned about running out of money during their retirement.

Paying yourself in retirement can be complicated – so let's clear up some of the confusion right now.

Your retirement income may come from:

- the government – through Old Age Security (OAS) benefits and through the Canada Pension Plan/Quebec Pension Plan (CPP/QPP).
- your company – most often either through a defined-benefit pension plan that guarantees a specific pension for your lifetime, or through a defined-contribution pension plan that does not guarantee the amount of your future benefits.
- yourself – through your non-registered investments and your tax-free registered investments (in RRSPs). Your retirement income can last a lifetime if you:
 - plan for it in the context of the retirement lifestyle you want.
 - estimate your retirement spending requirements in two categories – essential expenses that aren't easily reduced, and discretionary expenses over which you have more control.

- look at your investment strategies and consider adopting a more conservative strategy for your essential expenses and a more growth-oriented strategy for the investments you'll use in support of your discretionary spending.
- manage your withdrawals from retirement savings. The key to managing retirement income for your lifetime is to establish a withdrawal rate that is matched against the size of your retirement savings, the expected return on, and volatility of, your investments over time, and the number of years you plan to make withdrawals.

How long it will take to build a retirement income that fits your dreams and lasts for all your years depends on many factors including your tolerance for risk and when you plan to retire.

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