

## **Your retirement income – how much is enough?**

### *Take a six-step approach to determining your retirement income longevity*

By Melanie Hall-Szyszkiewicz

Today's retirees have a lot to look forward to. They are generally healthier, more active and engaged with everything their new life has to offer, and living longer. But all of that good news can also be the cause of some concern: Is it possible you will outlive your retirement savings?

Whether you're already retired or soon to be retired, worrying about how far your retirement savings will take you can get in the way of moving forward and enjoying life – so let's try to put that worry to rest with a six-step plan for determining your retirement income longevity.

**Step 1 – Profile yourself.** The level and frequency of income you will need (and/or the withdrawal rate from your investments held within Registered Retirement Savings Plans and other income-producing investments) depends on a number of factors:

- Your investment profile – for example, if you are a conservative investor, you would expect a lower return than a more aggressive investor, and therefore your withdrawals should be lower.
- Your years in retirement – your retirement could span 40 years and, generally, a longer duration requires a more prudent withdrawal strategy.
- Your income requirements – will you need to draw on investment income every month or can you defer or decrease income to offset periodic declines in portfolio value?

**Step 2 – Assess your income from other sources.** Your retirement income will derive from sources other than your personal retirement savings such as the Canada Pension Plan/Québec Pension Plan (CPP/QPP), Old Age Security (OAS) and company pension plans. Add them all up.

**Step 3 – Assess your expenses.** Add up your expected expenses, both essential and discretionary.

**Step 4 – Assess the gap.** Calculate the gap between your income from all sources outside your personal retirement savings and your expenses.

**Step 5 – Assess your withdrawal requirements.** Determine the amount you need to withdraw from your personal retirement savings/investments to bridge the gap between your income from other sources and your expenses.

**Step 6 – Make adjustments.** If your expected withdrawal rate is not sustainable, based on the projected returns from your current savings and investments, you will need to re-evaluate your registered and non-registered portfolio with the aim of improving returns, or you may need to reduce the scope of your retirement plans.

It's never too late to ease your retirement income worries. Your financial advisor can help provide the strategies and solutions that will allow you to enjoy your retirement to the fullest.

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### **Are you prepared for retirement?**

Last year's Future of Retirement survey from HSBC, reporting in June, which questioned 15,000 people in 15 countries assessing attitudes in the wake of the recession, revealed:

- Only 13 per cent of respondents feel fully prepared for their retirement.
- 86 per cent do not know what income they will receive in retirement.
- Only a quarter (27 per cent) feel they fully understand their long-term finances.
- Approaching half (43 per cent) have undertaken some planning for later life, but still remain unclear about what their retirement income will look like.
- 14 per cent have done no retirement planning at all.

The survey indicated that, as a result of the economic downturn:

- 92 per cent of people have changed some element of their finances.
- Only 19 per cent will now retire as planned.
- 17 per cent are reducing retirement savings or stopping saving for retirement altogether.
- 18 per cent have used savings to pay off debt.
- 9 per cent expect to delay their retirement.

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