

How many paycheques are you from retirement?



If you're 10 years away from retirement, that's roughly 260 paycheques. Five years away? One year away? Make every paycheque count.

WHAT IS THE BEST WAY to spend, save and invest your income – potentially allowing you to retire sooner? Start by thinking about the kind of lifestyle you want to live during your retirement. Then calculate how much you will need each year to support that lifestyle. Finally, work with your advisor to create a plan that will help you accumulate enough wealth to give you sustainable income for life.

Step 1: Determine the lifestyle you want to live

How do you want to spend your time in retirement? Will you pursue your favourite hobbies? Will you take up new activities and learn new skills? Will you stay close to home or travel the world? The more specific you can be, the easier it will be to plan ahead and make your retirement dreams a reality.

Step 2: Calculate how much you will need each year

How much is enough for a comfortable retirement? The *How much should you save for your retirement?* budget worksheet included in this edition will help you identify the expenses associated with your desired retirement lifestyle and come up with a number. It's a good idea to break down your anticipated retirement expenses into "essential" and "discretionary" costs. "Essential" costs are things you can't do without – for example, food and shelter. "Discretionary" costs are the more flexible parts of your budget – the "nice-to-haves." Keep in mind that some of the expenses you're responsible for during your working years, such as clothing and transportation, could be reduced or eliminated once you retire.

Step 3: Work with your advisor to create a plan

Now it's time to work with your advisor to develop a plan to help provide income payments after you retire. Here are things to consider while creating your plan:

- 1. Set savings goals:** determine how much you need to set aside from each paycheque between now and when you want to retire.

2. Build an investment strategy: create a diversified portfolio to help you grow your savings and reach your objectives.

3. Structure retirement income: combine guaranteed and non-guaranteed income to help generate sustainable cash flow for life.

Guaranteed income in retirement may be generated from government sources (such as the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP), and Old Age Security (OAS)), defined benefit pension plans, and specialized products that provide income for life. Sources of guaranteed income provide certainty and can be ideal for managing your essential expenses. Non-guaranteed income may come from defined contribution pension plans and your other savings and investments. Since the stream of income generated from these sources can depend on market performance, it's less certain exactly what it will be year to year, or how long the

pool of money will last if you plan to draw out a consistent amount each month. Therefore, it may be best to rely on non-guaranteed income for covering the “nice-to-haves.”

The longer you have before retirement, the more time you have to save. But, with a plan, anyone can prioritize retirement savings and work to build a bigger nest egg.

How will you achieve your objectives?

Your advisor can help you create a saving, investing and income-generating strategy that can allow you to live the retirement lifestyle you want. However many paycheques you have left before you retire, the key is to start planning today by establishing clear goals and choosing solutions that can help deliver sustainable income. Your advisor has the skills and expertise to help you put a financial solution in place and may recommend solutions you weren't aware of, providing you with new opportunities to save for retirement and turn those savings into guaranteed lifetime income. ■



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