



North Shore News Column.

Older & Wiser

By Tom Carney

Make the most out of this phase of life

Budget to ensure retirement plans are achievable

By Tom Carney, Special to North Shore News April 15, 2012

LAST month I managed to slip away for a few weeks to the island of Kauai.

Known as the Garden Island, Kauai is one of the greenest of all the Hawaiian Islands.

It's also the wettest.

It was one of those rainy afternoons that drove me and several other tourists to the public library in the town of Koala. I was hoping to come home from my holiday with a tan, maybe a couple of T-shirts and a few ideas for this column.

A half hour spent reviewing the back issues of the local paper, The Garden Isle, soon put the latter idea to rest. The locals are unhappy with their elected officials, the weather and the rollout of the smart meter program and it would take a better writer than me to put a novel twist on that.

When the skies cleared I headed for the exit, but my conscience got the better of me and I made a detour to the seniors section, just to see what was there. The shelves had been emptied of most of the books on retirement planning by a gentleman who was furiously punching numbers into an adding machine. As I approached he looked up at me and said, "This is brutal. I'm never going to have enough to retire."

Well, I thought to myself, maybe there's a column to be had here after all. How much does a person need to retire? Is it half a million dollars, one million, two?

Financial planners suggest that retirees need about 70 per cent of their pre-retirement income to enjoy the same standard of living in retirement. Those with a modest lifestyle in retirement may need a little less; those with a more lavish lifestyle in retirement may need more.

Those looking for a magic number, like my friend with the adding machine, are bound to be disappointed. The fact is there is no magic number when it comes to how much money you need to sock away to fund your retirement. It depends on your personal circumstances and everyone's situation is different.

When it comes to trying to calculate how much you need to retire, most of us - in my opinion - get it backward.

Don't start by trying to figure out how much you need to save. Start by figuring out how much you have and then identify the different sources of income that will become available to you in your retirement. It's a relatively

simple exercise and I am amazed at how few people have actually done it.

Once we leave the workforce most of us will have two sources of income. There are the benefits from the federal government and then other post-retirement income sources. Federal benefits include the Canada Pension Plan (CPP), available from age 60 and indexed annually, and Old Age Security (OAS), based on your age and residency in Canada.

You may also have money set aside in a Registered Retirement Savings Plan (RRSP), a pension from your employer(s) or have investments, property or a business that you plan to sell after retirement. Your spouse may continue working when you retire, or they may have their own pension. Add up your CPP, OAS, personal retirement savings, investment income and spouse's income.

This is the amount of money that you will receive in retirement.

Now that you have the numbers, make a budget to ensure your retirement plans are financially achievable. Sooner or later we all retire. Make the most out of this phase of your life.

Tom Carney is the executive director of the Lionsview Seniors' Planning Society. Ideas for future columns are welcome. Contact him at 604-985-3852.