Planning for the Retirement You Want

Whether your retirement is years away or decades from now, it's typically wise to begin planning for it as soon as possible.

The earlier you create and implement your retirement plan, the better the chances of enjoying your desired retirement lifestyle. That's largely because creating a comprehensive strategy will start you working toward your long-term goals. Also, your plan will include a savings and investment component that can benefit from the power of compound growth to build your wealth effectively over time.

Establish your goals

A key part of your retirement plan is defining the goals that matter most to you. While goals are unique to each individual's circumstances, common retirement objectives include:

- Travel and vacations
- Leisure time (e.g., hobbies, learning new skills, fitness pursuits)
- Spending more time with family and friends
- Providing financial support to family members in need
- Continuing to work (e.g., full time, part time or running your own business)
- Volunteering for/donating to causes you find meaningful

Also think about the retirement lifestyle you want. Are you hoping to stay in your own home or would you prefer to downsize? Maybe you'll live with family members or in a seniors-oriented community. While many seniors like the thought of remaining at home, it must be manageable and practical.

As you build a list of goals – and remember they may change as your preferences and life circumstances change – also include an estimate of how much it may cost to meet each goal. When you total the approximate costs and add them to your basic living expenses (food, clothing, personal care, transportation, service plans, etc.), you'll get an idea of your financial needs in retirement.

Account for your time horizon

Nobody wants to outlive their money, so part of retirement planning is ensuring you'll have the cash flow required to live and reach your goals. In addition to general life expectancy trends, consider your overall health, family medical history and lifespan of family members when determining roughly how many years you'll spend in retirement. Knowing these facts also helps you estimate how much health care you might need and the associated costs.

Lastly, a longer time horizon means inflation can impose greater impact on your wealth and purchasing power. As the prices for goods and services rise, money has less relative value and you'll pay increasingly more for such expenses. If you have a fairly long time horizon until you expect to retire, you can help counteract the eroding effects of inflation through your employment earnings (that usually rise to match or exceed the rate of inflation) and growth in the value of your investments.

Build the wealth you'll need

The quality of your retirement will depend largely on how well your income stream can meet the goals you've set for yourself. Having a reliable, adequate cash flow is crucial, which is why advisors emphasize regularly saving as much as you can and investing for long-term growth.

RRSPs and TFSAs are two savings/investment vehicles that most Canadians use to generate income for retirement. They are convenient, tax efficient and can hold a number of investment products, such as mutual funds, stocks and bonds.

If you're younger, you'll likely be able to tolerate more risk – and potentially earn higher returns – in your investment portfolio because you should have more time to recover in case you experience short-term market declines.

When building your retirement plan and budget, an advisor will respect the standard of living you want. They can help you invest according to your time horizon and within your risk tolerance and expectations for long-term investment returns. An advisor also has the expertise and professional network of specialists to help address your tax and estate planning needs.

Contact us today if you're ready to start investing for your financial future.

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