The Key Ingredient For Retirement Success? Good Planning.

Everyone’s vision for retirement is different. Whether your focus is travel, leisure, family time or reaching new goals, there’s one factor that plays a role in every successful retirement – good planning. And since Canadians are living longer than ever before, planning plays an even bigger part. After all, you may spend over twenty years in retirement.
To help you get what you want out of your retirement years – with the financial resources you’ll need to make it work – here are five steps to keep in mind.

**Get a sense for your lifestyle – and how much it will cost.**

Different retirement lifestyles have different financial needs. For example, if you are planning to travel the world, you’ll have higher expenses than if you’re planning on staying home and volunteering at your favourite charity. Therefore, clarifying your retirement vision and your lifestyle is step one of your plan.

So how much will it cost? To estimate the amount of retirement income you’ll need to support your lifestyle, it’s often easiest to think about it as a percentage of your pre-retirement income. Do you think you can live on 50% of what you make today, or will you need the full 100%? Or does your magic number fall somewhere in between? The amount that’s right for you will depend on both the type of lifestyle you plan to lead and the financial demands you’re likely to face once you’re retired. Considering mortgage payments, support for children and parents and other obligations will help you determine the amount of income you’ll need to bring in.

**Create a retirement paycheque**

Most Canadians have multiple sources of income in retirement to create a paycheque, and understanding what each can provide will help you effectively save and plan for that lifestyle you have in mind. Typically, retirement income comes from three primary sources: government benefits, employer pension, and your personal savings.

**Government Benefits**

If you’ve worked steadily over the years, you’ve likely contributed to either the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP). When you retire, you can start collecting benefits from these plans. The amount you can receive will depend on how long you’ve worked, how much you’ve contributed and when you start collecting.

Most Canadians begin receiving CPP/QPP payments at age 65. You can start to collect as early as age 60, but keep in mind you’ll receive less from the government until your 65th birthday. If you wait until you’re 70 to begin collecting benefits, your payments will be higher than if you started at age 65.

**Old Age Security (OAS),** on the other hand, is a non-work-related pension paid to all Canadians who are 65 and over and meet certain Canadian residency requirements. The maximum annual benefit is roughly $6,880, but is reduced when you reach a certain level of annual income ($73,756 in 2016) and it’s clawed back entirely if your income is $119,512 or higher.
Employer Pensions
Most large employers, and even some of the smaller ones, provide employer pensions. Understanding how much retirement income your pension may provide could be tricky though. For example, if your employer offers a defined contribution pension plan (which is becoming more popular), the level of income you receive in retirement depends on the amount of contributions made as well as the performance of the investments in the plan.

Since employer pension plans come in different shapes and sizes, it’s a good idea to take the time and effort to get an accurate estimate of what your personal pension will provide for you. Your Financial Services Specialist can help you through this process and provide the expertise to help you land on an estimate.

Personal Savings
Because government benefits and pensions alone may not cover your entire retirement income needs, you’ll need to look at your personal savings to make up the difference. Personal savings may consist of your RRSP – which you have to convert to a Registered Retirement Income Fund (RRIF) or annuity before you turn 71 – and other savings and investments, such as your TFSA. Real estate or business interests could also round out your available assets.

Bridge any gaps.
Once you’ve identified the amount of money you’ll need in retirement and figured out how much you will actually have available to you, it’s time to see where you stand. Will your income meet your retirement needs, or are there any gaps you need to fill? If your income looks like it will fall short of your needs, there are a few things you can do:

Increase your savings. Don’t wait until it’s too late to check whether your savings will meet your needs. A regular investment plan can help you stay disciplined while providing flexibility and tax efficiency.

Invest more aggressively. If you have taken a very conservative approach to investing and can handle more investment risk, you may want to consider changing up your approach and adding more investments that offer greater potential for growth.

Retire a little later. Each year that you put off your retirement is one less year you’ll need retirement income, and one more year you can continue saving. Delaying retirement may also increase the value of your employer pension and CPP/QPP benefits. Plus, Canadians over 65 can keep working and still receive their monthly Old Age Security pension income.

Consider part-time work or a second career. If you’re thinking about a second career, or you simply want to keep active in the workforce, paid work during retirement can make a significant difference to the amount of money you will have available. Even modest earnings can help bridge the income gap.
Develop a retirement income plan.
All of your income sources need to work together if you’re going to make the most of your benefits, pensions and retirement savings. Drawing too much from your RRIF, for example, could affect payments from the government. Developing a plan to ensure your benefits and investments are working hardest for you is a key step in the retirement planning process. What’s more, appropriately adjusting your investing strategy as you approach retirement can help you meet your retirement saving, income and monthly cash flow goals.

Talk to your Financial Services Specialist.
Retirement is a key time of your life and you’ll have worked really hard to get there. Your Financial Services Specialist can help you understand all of your income sources, review your pension statement, and develop a retirement plan for today and in the years to come.

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