Charting your course to retirement success

There are many recipes for retirement success, but the key ingredient in almost all successful retirements is good planning. Canadians are living longer than ever before, and many people will spend 20 years or more in retirement. With so much potential time in retirement, planning takes on greater importance.

To help you get what you want out of retirement – with the financial resources you’ll need to do it – your CIBC advisor can go through the planning process with you. Here are 5 effective steps you can take to chart your course to retirement success.

1. Decide on your retirement lifestyle and estimate the approximate cost.

Different retirement lifestyles have different financial needs. For example, travelling the world costs more than staying home and volunteering at your favourite charity. So, the first step in the retirement planning process is to decide on the type of lifestyle you want in retirement.

To estimate the amount of retirement income you will need, it's often easiest to think in terms of a percentage of pre-retirement income. Estimates of retirement income needs can vary considerably from person to person, typically ranging from 50% to 100% of pre-retirement income. The amount that's right for you will depend on both the type of lifestyle you plan to lead and the financial demands you may face in retirement. For example, you must consider whether you will have paid off major debt, such as your mortgage, and whether you will have financial dependents to support, like children or elderly parents.

2. Identify income sources.

Once you and your CIBC advisor have decided how much money you think you will need, estimate how much income you'll be able to generate in retirement. There are generally 3 sources of retirement income in Canada:

Government pensions.

The 2 main government pensions combined could provide over $21,072 in annual retirement income at age 65¹. The amount may vary based on other factors such as whether custody is shared, or if there are special child expenses.

First, almost all working Canadians contribute to either the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) and can receive CPP or QPP benefits starting any time from age 60 (on a reduced basis) to age 70 (on an enhanced basis). Although the maximum amount you can receive at age 65 is about $13,855 per year², many people do not receive it. Service Canada reports that in October 2018 the average CPP payment was approximately $7,971 per year.

If you work while receiving CPP you may increase your retirement income. If you are between 60 and 65 and working, you must contribute to CPP. From 65 to 70 you can choose not to contribute to CPP, or you and your employer can continue to contribute to CPP and increase your Post-Retirement Benefit (PRB).

Second, Old Age Security (OAS) is a non–work-related pension paid to all qualifying Canadians aged 65 and over, with a maximum annual benefit of roughly $7,217³. Service Canada automatically enrolls eligible seniors.

¹ As of January to March 2019.
² 2019 amount.
³ January to March 2019.
to receive their OAS pension. If you are eligible for the automatic enrolment, Service Canada will send you a letter to notify you in the month after you turn 64. If you do not receive this notification letter then you do not qualify for automatic enrolment and you must complete the regular application process.

The OAS pension benefit amount is reduced when you reach a certain annual income ($77,580 in 2019) and is clawed back entirely if your income is $125,696 or higher.

**Employer pensions**

Most large employers, and even some of the smaller ones, provide employer pensions. The maximum amount an employer’s defined benefit registered pension plan will provide for someone with 35 years of service is about 50% to 70% of pre-retirement income. However, since few people stay with one employer for this length of time, pensions can be much lower.

In addition, if the employer offers a defined contribution pension plan (which is becoming more popular), then the income an employee receives in retirement depends greatly on how the chosen investments perform. Employer pension plans come in many different forms, and getting an accurate estimate of what your pension will give you is an important step toward assessing how much you will need to save personally for retirement. Consider discussing your pension statement with a CIBC advisor, who can help with questions you may have about it.

**Personal savings**

You will need personal savings to make up any difference between the amount of pension income you’ll receive and the amount of retirement income you’ll need. Personal savings may include both your registered retirement savings plan (RRSP) – which must be converted into a registered retirement income fund (RRIF) or annuity by age 71 – and other savings or investments, including Tax-Free Savings Accounts (TFSAs). Personal assets might also include your home or other real estate and ongoing business interests.

### 3. Bridge any income gap

Once you and your CIBC advisor have assessed your retirement income needs and estimated what your current level of personal savings will give you, you can see whether there is any gap in your plan. If there is a gap, there are a number of strategies to bridge the gap to meet your financial goals for retirement.

With your CIBC advisor, consider doing any of the following:

- **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 by using a structured savings program that takes into account flexibility and tax efficiency.

- **Invest more aggressively.** If you have taken a very conservative approach to investing and can tolerate more investment risk, you may want to consider adding higher-yield bonds and equity investments to your portfolio to increase your long-term return potential. Your CIBC advisor can work with you to shift the asset allocation in your portfolio, within your risk tolerance, to help meet your financial objectives.

- **Delay retirement.** Each year that you delay retirement is one less year you will need retirement income, and one more year you can try to save toward achieving your goals. Delaying retirement may also increase the value of your employer pension and CPP or QPP benefits. Qualified Canadians who are 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 are thinking about a second career, or if you simply want to keep active in the workforce, paid work during the retirement years can make a significant difference to financial planning and the amount of money you will have available. Even modest earnings can help bridge the income gap, and working part-time may also help with the emotional challenge of adjusting to retirement.
4. Develop a retirement income plan

Making the most of the assets you have saved is important in retirement planning. When you retire, your CIBC advisor can continue to help you with retirement planning to help structure your portfolio to generate the long-term income you need.

Don’t wait until retirement if you want to make the most of the retirement income planning process. Be proactive and deal with your future retirement needs well before the time comes. Your CIBC advisor can guide you through the required steps by helping you set your goals using CIBC’s planning software, finding gaps and working with you to build your retirement plan.

For example, as many as 10 years before retirement, you can work with your CIBC advisor to start shifting your investment strategy so your portfolio has more secure income-producing investments to meet upcoming cash flow needs. Your CIBC advisor can also help you identify potential tax-saving opportunities to split pensions and other income, annuities, RRSPs, RRIFs and deferred profit sharing plans. Once identified, you can discuss these strategies with your tax advisor to see how they can benefit your specific situation.

5. Talk to your CIBC advisor

If you're wondering about what steps you should take to grow the financial resources you'll need in retirement, contact your CIBC advisor. They can help you chart a course to retirement success and develop a strategic retirement plan to make the most of your resources. Together, you can work toward making your retirement dreams a reality.

For more information

Talk to a CIBC Advisor at any banking centre | Call 1 800 465-CIBC (2422) | Go to cibc.com