

PK WEALTH

# Retirement planning 101

Plan Ahead, Your Future Self Will Thank You!



## I. Assess Current Financial Situation

Begin by evaluating your current financial state, including your income, expenses, and debts. This will provide a clear picture of your starting point and what adjustments may be needed for a robust retirement plan.

## 2. Estimate Retirement Goals: Expenses & Income

**Target Income:** Aim to have at least 70% of your pre-retirement income to maintain an active lifestyle, including travel.

**Debt Consideration:** Understand that 42% of Canadians carry some debt into retirement, and \$1 million is often insufficient due to increasing lifespans, which average 82 years in Canada.

**Lifestyle Choices:** The amount you need depends on your desired lifestyle. Consider expenses like family vacations, weddings, new vehicles, and charitable donations.

**Basic vs. Discretionary Expenses:** Basic expenses like housing and food may stay constant, while work-related costs decrease. However, travel, gifts, and leisure spending may increase.

## 3. Start Early to Leverage Compound Growth

Initiate your savings early to take advantage of compound interest. Choose investments that align with your risk tolerance and time horizon to maximize growth potential over time.

## 4. Stress Test, Healthcare Costs, Insurance

**Health Assumptions:** Retirement planning often overlooks potential health issues. Consider the impacts of death, divorce, and disability.

**Healthcare Costs:** With three in four Canadians aged 65+ having at least one chronic disease, healthcare costs are expected to rise.

**Insurance:** Ensure you have adequate long-term care insurance and life insurance to cover potential future needs.

## 5. Implement major accounts & plans

**Employer Pension Plans:** Understand the differences between defined benefit and defined contribution plans.

**RRIF:** Registered Retirement Income Fund, which converts your RRSP savings to income.

**LIF:** Life Income Fund, similar to RRIF but with additional restrictions.

**LIRA:** Locked-In Retirement Account, often transferred from employer pensions.

**RRSP & TFSA:** Utilize these accounts for tax-advantaged savings.

**Government Plans:** CPP, QPP, and OAS provide foundational income. Average monthly CPP is \$830, while maximum CPP is around \$750. OAS is available to most Canadians aged 65+.

**Investment Income:** Focus on asset allocation and risk management to ensure steady growth and preservation of wealth.

**Annuities:** Consider annuities for guaranteed income during retirement.

## 6. Tax-Efficient Withdrawal Strategy

**Withdrawal Rate:** Understand your safe withdrawal rate to ensure your savings last.

**Withdrawal strategy:** Consolidate assets in all client accounts & determine most efficient withdrawal method.

**Delayed Benefits:** Delaying federal and provincial pensions past age 70 can yield significant additional benefits.

**Taxation:** Different income types (interest, dividends, capital gains, return of capital) are taxed differently. Allocate pension income efficiently, possibly splitting up to 50% with a spouse for tax

savings.

## 7. Plan for Tax-Efficient Estate Succession

**Estate Planning:** Establish and regularly update your will, beneficiaries, and power of attorney.

**Business Sale:** Utilize the Lifetime Capital Gains Exemption when selling a business to reduce tax liabilities.

## Conclusion

Comprehensive retirement planning in Canada involves assessing your current financial situation, setting clear goals, starting savings early, and preparing for potential health and life changes. Utilize tax-efficient strategies for both withdrawals and estate planning to maximize your retirement income and ensure financial stability for you and your heirs. Always consult with a financial advisor to tailor your retirement plan to your specific needs and circumstances.