

Four retirement mistakes that even smart couples make

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Long-time couples may well finish each other's sentences, but they can't read each other's minds – especially when it comes to retirement planning.

This disconnect is something that Judith Cane, a money coach with Money Coaches Canada in Ottawa, often encounters when working with couples considering options for their retirement years. The wife might assume they'll sell the house and live close to their kids and grandkids, while hubby would rather buy a cottage and fish. She might expect to run her business and never fully retire, while he can't wait to ditch his job at 60.

In one such case, a military husband, having travelled his whole working life, planned to spend all his time in Canada for once. His wife, however, had other plans for retirement.

“The spouse is like, ‘What? Are you kidding me? I’ve moved all over the place with you – and now I don’t get to choose where to travel?’” Ms. Cane says. “You get couples who are thinking two completely different things.”

Like the first years of marriage or the months following the birth of a first baby, retirement can be a turbulent time that may test couples. There are changes to morning routines, identities are no longer tied to careers, and they need to get used to the idea they're now living on a fixed income.

No wonder bad retirement planning – and lack of communication – can drive a wedge between formerly committed partners and lead to costly financial errors, too. Luckily, if they avoid these mistakes, it's possible to get a harmonious and financially comfortable retirement.

Couple mistake 1. They procrastinate until the end

“The biggest mistake that couples make is they don't talk about retirement until they're near it,” Ms. Cane says.

A retirement plan shouldn't just cover all the financial aspects of future lives together – pensions, Old Age Security, a registered retirement savings plan (RRSP) or annuities – but the social and emotional sides, too. How will you spend your days? Will you be together, or will you spend much of the time apart? Will you travel once a year or become snowbirds and head south each winter?

Just don't wait to talk until you're about to leave the workforce, or you could be in for a rude awakening with little time to plan for what you both really want.

Couple mistake 2. Only one half of the couple comes to planning meetings

No one would let a spouse go to the doctor for a physical on their behalf (and let's face it, that would be just weird), but some people send their spouse to the financial planner with a retirement request: You figure it out.

Big mistake, says Wade Baldwin, a certified financial planner with Sun Life Financial in Calgary, who admits he sees this scenario play out in his office.

“Both people need to be there and they need to know what is going on. These are important conversations,” he explains.

Besides the obvious – you don't get a say in how you save for retirement – there's another reason it's a bad idea to allow your better half to make all the decisions and do all the planning: He or she might get sick or even die. Then what?

“It sounds terrible, but if the husband gets sick or dies, the wife is left without a clue of what to do because she was never involved in the process,” he says.

Fortunately, this financial arrangement seems to be going the way of the once-lucrative high-interest savings account. According to a Merrill Lynch report published in the United States last year, when making big financial decisions including retirement planning, couples are interested in a more collaborative partnership, with 73 per cent of men and 76 per cent of women stating they want to take equal responsibility.

Couple mistake 3. You don't plan for speed bumps

People get ill, lose their jobs, become disabled and get divorced. Here's something else couples might not consider when retirement planning: With two people in the equation, the possibility doubles that something bad will happen to at least one of them.

Cleo Hamel, a senior tax analyst for H&R Block Canada in Calgary, says the best couple retirement plans are the ones that address potential personal calamities.

“What happens if one spouses passes away before retirement even comes? You have to sit down now and think about what retirement looks like – on your own – and with your partner,” she says.

That also means looking at retirement income implications if a spouse dies or the couple divorces. At present, the maximum earnings for Canada Pension Plan (CPP) and OAS is just less than \$19,000 a person a year. Not a bad little income, especially if there are other savings, too.

But let's say the couple divorces. The RRSP funds would be halved and CPP credits split. Never mind of the cost of running two households.

Meanwhile, in the case of a death, the surviving spouse would lose the other person's OAS and potentially part of the CPP income. Considering that most living expenses remain fixed – there are utilities, car payments and leaky roofs still need fixing – the loss of income can have severe consequences.

Couple mistake 4. You haven't considered staggered retirement

While younger people picture themselves throwing off work's shackles in tandem someday, in reality, many couples decide to retire at different times.

Staggered retirement can be a good financial decision. If one spouse works a few years longer, social security or company pension entitlements may increase. It also gives the couple a few extra years to save some retirement cash, or ride out a down market. The working spouse can also keep health, drug and dental coverage for a while longer rather than paying individual rate premiums.

Even so, before deciding to go this route, it's imperative that couples talk about all the emotional ramifications of retiring solo. Mr. Baldwin recommends that if one spouse is a decade older than the other, a little compromise might be in order. The older person could retire a couple of years later, while the younger one would leave work a few years ahead of schedule.

“It's about goal setting and working together,” he says.