# Easing your finances into retirement

**What you need to know to get ready for your post-working life.**

By Gail Bebee | 21/11/16

If your retirement day is on the horizon, are you ready for the major life changes, financial and otherwise, that the end of your working life will bring?

At retirement, your paycheque or self-employed earnings end and your income must originate from other sources. You decide what you will do each day. How will you spend your time? What income will you require and where will it come from? Where will you live? Sussing out the answers to these questions and developing a post-retirement financial plan before you retire is a prerequisite for a satisfying post-working life.

Saving for retirement typically begins early in a person's working career. More detailed planning should start about five years before retirement, says Janet Gray, a certified financial planner at Money Coaches Canada, a fee-only financial-planning firm. This time frame should provide sufficient time to plan, and allows for a change in strategy if a person is not on track financially.

If your employer offers pre-retirement planning sessions, take advantage. You will gain a better understanding of your workplace pension and retirement benefits -- fundamental components of any retirement plan.

Your current financial advisor may be able to prepare a suitable post-retirement financial plan for you. Before entrusting your retirement future to any advisor, make sure she possesses the qualifications and experience applicable to your personal situation. For example, if you have a disabled child who will require your ongoing financial support, the advisor you retain should have demonstrated expertise in this area. If you have divorced and remarried, you may want to consult a financial planner with a designation as a financial divorce specialist.

Some people, particularly those with uncomplicated finances, develop their own financial plans for retirement. If you choose this route, rely only on credible resources. Two excellent sources are the retirement-planning websites of Service Canada and the Financial Consumer Agency of Canada.

Developing a post-retirement financial plan begins with estimating the retirement income you will need and the source(s) of this income.

The first step in this process is to develop a retirement vision. What do you want to accomplish? Where will you live? How will you spend your time?

Creating a vision for your retirement takes time and should be approached holistically, says Rick Atkinson, author of Strategies for Retiring Right. According to Atkinson, successful retirees clearly define their new role, plan for a balanced leisure lifestyle and carefully consider where they will live after retiring.

"People put more effort into planning their next vacation than planning for what could be 40 years in retirement," says Gray. "A realistic vision for life after work is the foundation of a sound retirement financial plan."

With a well-crafted retirement vision in place, your next step is to estimate the cost of living your vision and draft a monthly retirement budget.

There are three broad phases of retirement to cost out.

Active retirement. You are likely to continue to live in the family home and have an active lifestyle. Travel and entertainment are often major budget items.
Stable retirement. You slow down, often due to health issues, and spend less time outside the home. You may relocate to a condo or retirement home.
Late retirement. Mental and/or physical limitations affect your lifestyle. You may need assistance for daily living.
Do take the time to research what budget items truly cost and remember to incorporate infrequent expenditures such as a new car or moving expenses. Some budget funds should be allocated to deal with the inaccuracies inherent in any financial projection.

Retirement budgeting tools are available online. For example, this budget worksheet allows the user to compare spending before and after retirement.

The third step is to tally up the retirement income that is considered guaranteed. The federal government's two inflation-adjusted retirement-income plans, Old Age Security and the Canada Pension Plan, fall into this category as do workplace defined-benefit pension plans.

If you have lived in Canada your entire life, you will qualify for a full Old Age Security pension (currently $579 per month) at age 65. If you have lived abroad, check the OAS rules to determine your eligibility. A larger OAS pension is available for those who volunteer to defer OAS until age 70.

The maximum CPP pension at age 65 is currently $1,092 per month, but most people receive less. Your pension will depend on how many years you worked, your total CPP contributions and when your pension begins. The standard starting age is 65, but you can take a reduced pension starting at age 60, or delay CPP as long as age 70 for a higher monthly payment.

An estimate of your CPP pension is available if you log into your My Service Canada Account. Alternatively, you can request an estimate by completing and mailing in the relevant Service Canada request form.

If you worked in Quebec, you paid into the Quebec Pension Plan instead of CPP. Contact QPP to request an estimate of your QPP pension.

If you are a member of a workplace pension plan, ask the pension sponsor to provide an estimate of the pension you should expect on retirement, and a copy of the rules used for the calculation. Depending on the plan, your actual pension could vary considerably from the estimate. In particular, a defined-contribution pension estimate is based on projected return rates on your pension savings, whereas the pension you receive will depend on the actual return rate on those savings.

Step four is to subtract your guaranteed retirement income from your proposed retirement budget. The resulting difference is a gap that must be resolved before you retire. Tapping into RRSPs, TFSAs and other savings is a common way to bridge this gap.

Will your savings be large enough to do so, or will you need to rework your retirement plans? Answering this question will be the subject of Part 2 of this series, to be published in December.