How to set realistic retirement goals

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Want to start saving for the future, but not sure where to start? Use these tips to make – and stick to – smart savings goals.

Saving for retirement is the biggest and most important financial investment of your life. But if we're honest, it's also all too easy to put off. A five- or six-figure savings goal can feel intimidating, and saving for 10, 20 or 30 or more years in the future may not feel as pressing as, say, paying off your mortgage.

So if you're confused about saving for your retirement – or you're putting it off in favour of other financial goals – you're not alone.

The good news, though, is that retirement planning doesn't have to be intimidating or scary, and it doesn't need to clash with your other financial goals. By deciding not to delay planning for your retirement, you're off to a great start. Now, here's how to set smart retirement goals now to give yourself more options tomorrow without sacrificing comfort today.

Take small steps towards retirement to stay motivated

Feel paralyzed looking at a giant, lump-sum retirement goal? Break it down into manageable milestones. How much will you need to save for each year (or per month) of retirement?

To find out, go over your current annual expenses and estimate how much you'll need in retirement, advises Janet Gray, an Ottawa-based Certified Financial Planner with Money Coaches Canada. Work out how much of those needs will be covered by income sources like Old Age Security, Canada Pension Plan or private pensions, and how much personal savings (possibly including tapping the equity in your home) you'll need to fill the gap, if any.

Want to know how much you'll need to save? Try the retirement savings calculator at Sunlife.ca.

From there, create a series of mini-milestones: savings goals that, once you take into account the interest they'll earn, would cover six months of retirement, a year, and so on. You'll reach those initial milestones faster, and that will help keep you motivated to save.

Start saving now, even if you don't have a solid plan

You may not need us to tell you that knowing you need a plan is not the same as having one. But, good news: You don't really need a detailed plan to start saving, especially if you're decades away from retiring. "It's the initial step into the habit that's the hardest, so just start," assures Gray. "Once you have, it's easy to make changes."

Start with what you can consistently afford, she advises. If you can comfortably set aside $100 a month, even in leaner months, start with $100 – then up that figure gradually as you get into the habit of saving and as your income increases.

Reap the rewards of investing for your retirement

Part of the challenge of saving is that you may have to wait a decade (or several) to reap the rewards. But there are more immediate perks, too.

Both registered retirement savings plans (RRSPs) and tax-free savings accounts (TFSAs) have upfront advantages. You can deduct your receipted RRSP contributions from your income, so you can reduce the current taxes you'd otherwise pay. And you won't need to pay any tax on the money you earn inside your TFSA – which means you'll see some immediate financial benefits each year. Make a plan for the tax money you'll save. For longer-term rewards, you can invest your tax savings in your RRSP or TFSA, if you have room. If you're saving for your children's education, you could put it in a registered education savings plan (RESP). You could beef up your emergency fund. Or you could reward yourself for smart planning by putting some of it towards something enjoyable, like a family vacation.

Get help when you need it

Planning for the future can feel tough, but you don't need to do it alone. An advisor can help you explore new options that will make your retirement nest egg work harder for you as it grows, says Gray. An advisor can also help you turn your vision for retirement into dollar figures, so you can set defined financial goals to get there – and craft a plan that'll be effective without feeling overwhelming.