Jul
12
2021

Getting Back to Basics

By admin

Recessions, stock-market declines, housing market bubbles, joblessness and, most recently, a global pandemic have created a series of challenges for people trying to start, grow or maintain a retirement savings plan. Given this rollercoaster, it's natural to wonder if you're doing all you can to protect your retirement nest egg. Taking a "back to basics" approach can empower you and help keep your financial plan on track during uncertain economic times and beyond.

Consider these tried and tested tips that wise financial advisors use to help people like you plan for a secure and enjoyable retirement.

1. **Make Realistic Assumptions**

   Determining your retirement income needs starts with making realistic assumptions about your future. Because of increased life expectancy, retirement years are longer than they used to be. The average Canadian is expected to live to 82.66 years.[1] Longevity can also be impacted by genetics, where you live, your marital status and lifestyle[2]. All of these factor into how you plan for your retirement.

It's also good to be realistic about your post-retirement budget. While you might assume that your expenses and therefore your budget - will decrease upon retirement, this isn't always the case. Retirement is becoming increasingly expensive, particularly in the first few years[3]. It's essential to have a plan to help mitigate expenses when you are no longer earning a paycheque.

2. **Determine Your Savings Needs**

   Based on these realistic assumptions about the future, you can begin to determine what you can do now to sustain yourself financially for at least 25 years post-retirement. The 4% Rule is one popular method for working this out. In this model, you withdraw 4% of your savings for every year of retirement. Another approach is to draw down 2-3% of your total retirement portfolio annually, adjusted yearly for inflation.

3. **The Inflation Factor**

   Speaking of inflation, failing to factor it into your plan could take a substantial bite out of your hard-earned nest egg. Inflation impacts how much your retirement savings will be worth over time, so understanding this is critical to ensuring that you have enough assets to last throughout your retirement.

4. **Planning for Future Growth**

   Retirement means different things to different people, but the key is to enjoy this time of your life while making sure you don't outlive your retirement savings. You are more likely to achieve this with a thoughtfully developed plan that allows you to withdraw money from your portfolio while enabling growth over the longer term.

Planning for the future is a complex and sometimes emotional process[4] that is not easy to do without guidance. Financial advisors can help you remain objective and focused on your future goals. They also have the skills and tools you need to plan for a healthy financial future. **Connect with us today** [1], whether it's to get started or feel confident that the plan you already have in place will help you live the financially secure retirement you deserve.

Sources:

1. Macrotrends: Canada Life Expectancy 1950-2021 - https://www.macrotrends.net/countries/CAN/canada/life-expectancy [2]
2. Statistics Canada: Health-adjusted life expectancy in Canada - https://www150.statcan.gc.ca/n1/pub/82-003-x/2018004/article/54950-eng.htm [3]
3. Financial Post: The four reasons that retirement is costing Canadians more than ever - https://financialpost.com/personal-finance/the-four-reasons-that-retirement-is-costing-canadians-more-than-ever [4]
4. Acts Retirement-Life Community: The Emotional Stages of Retirement -

https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/ [5]

Tags: retirement planning [6]

Source URL: https://silvercompass.ca/e-newsletter/2021/2021-07/article-2.htm

Links
[1] https://silvercompass.ca/contact-us [2] https://www.macrotrends.net/countries/CAN/canada/life-expectancy [3] https://www150.statcan.gc.ca/n1/pub/82-003-x/2018004/article/54950-eng.htm [4] https://financialpost.com/personal-finance/the-four-reasons-that-retirement-is-costing-canadians-more-than-ever [5] https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/ [6] https://silvercompass.ca/taxonomy/term/19