Straight TALK

Helping you make sense of your investments

Live life to the fullest

The good news is that Canadian life expectancy is rising. Modern science and healthy living have resulted in the average life expectancy reaching over 85. However, the longer you live, the greater the risk of outliving your retirement savings. It's no wonder that recent statistics are indicating that more than 60 per cent of Canadians are worried about having enough money to see them through retirement.[1]

Personal registered retirement savings accounts were first introduced back in 1957. At the time, the contribution limit was 10% of your income to a maximum of $2,500. The RRSP has gone through many changes and improvements over the last 55 years. Today, Canadians can contribute up to 18% of their income annually (up to a maximum of $24,000, as of 2014). Yet, only 38% are maximizing their contributions and contributions are averaging out at under $5,000 per eligible person.[2] Many Canadians are delaying contributions for various reasons; saving for a house, caring for elderly parents or funding post-secondary education for the kids. They do not realize that the later you begin saving, the more you will need to contribute and the greater return you will need to achieve to reach your financial goals.

[1] The Emerging Retirement Crisis, Healthcare of Ontario Pension Plan (HOOPP), Spring 2013

[2] Bank of Montreal, February 2013

AGF

What are you doing after work?®

One of the largest generations in history, the baby boomers, is beginning to retire en masse. In the past, many of them were able to take advantage of high interest rates and double-digit returns in the stock markets. Yet today, interest rates hover in the low single digits and many investors who were negatively impacted by the 2008 financial crisis retreated into investments with a lower risk profile or stayed out of the markets all together. This has resulted in many retirees experiencing a lower average rate of return and a potential shortfall in anticipated savings. Going forward, this also makes the investing environment today a very different one than that of the previous generation.

We all want to enjoy a comfortable retirement free from financial worries. With the typical government pension only providing up to $12,500 a year, this will require substantial additional funding to maintain the standard of living to which most have become accustomed. This is especially true if health concerns or other unexpected expenses arise.

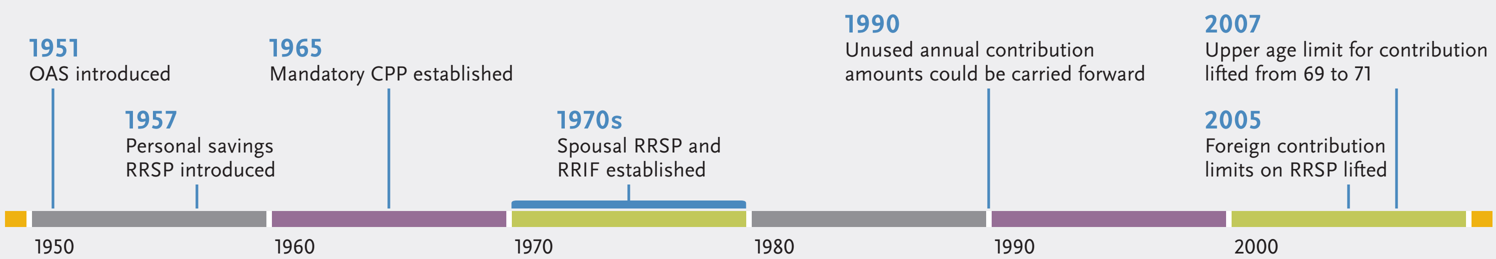
It is often difficult to gauge how much you will need to save in order to maintain your retirement income for 20 or even 30 years. Inflation and setbacks, both market and personal, can affect plans and the rate of accumulation. Planning for retirement involves accounting for the unexpected. Starting early, contributing the maximum you can and diversifying your investments are ways to make the most out of your RRSP. By doing this, you can stay on track to achieve the retirement lifestyle you're hoping for and decrease the risk of outliving your savings.

Estimated retirement savings required for 30 years of retirement income

(assuming a 4% rate of return after retirement)

Annual Income	Retirement Savings Needed
$40,000	$700,000
$50,000	$870,000
$60,000	$1,040,000

Source: AGF Product Management



For access to RRSP calculators and information on investment solutions that can help grow your savings, please visit AGF.com/RRSP and contact your financial advisor.

Publication date: December 16, 2013.

Straight TALK

AGF

FUND845 12-13-E