

INVESTMENT INSIGHT



Preparing for Retirement

Determining how much savings or annual income you will need to fund your retirement can be difficult to pinpoint, but it is a critical component of defining your retirement lifestyle and goals.

Unfortunately, there are as many answers as there are dreams for retirement. The actual dollar amount depends largely on what you plan to do: switch careers, travel, start a new business. The possibilities are endless, so it's important that you start considering your options now and set some realistic financial goals for yourself.

To get started you need to ask yourself four basic questions:

- › What are my investment goals?
- › How long do I have to invest?
- › How long do I expect to live in retirement?
- › How much risk am I willing to take?

Your investment goals will depend on how you plan to spend your retirement. If you don't have a clear idea

just yet, consider your current lifestyle and your dreams. This will help you formulate an investment goal, which you can adjust as retirement age approaches.

Next, determine how long it will be before you retire — your time horizon. Generally speaking, the longer your time horizon, the more risk you may be able to accept in exchange for potentially higher returns. If your time horizon is relatively short, you may not want to accept as much risk and may prefer a more stable investment.

Because it may be hard to imagine yourself retired, it may be even harder to think about where the money for retirement will come from. Traditional methods for funding retirement, such as the Canada Pension Plan,



Old Age Security and other retirement benefits, may not meet all your financial needs — especially when people are living longer and retiring at an earlier age.

One solution may be to rely more on retirement savings programs that you control to fund an active and comfortable retirement. As company pensions are increasingly less likely to be part of a typical Canadian's retirement planning framework, ensuring your portfolio can provide adequate returns throughout your retirement will be key.

Here are ways you can align your retirement planning approach with your current life stage:

How to get ready for retirement

BUILD your wealth

(if you are more than five years from retirement)

- › Determine the retirement lifestyle you aspire to.
- › Calculate how much you have already saved for retirement.
- › Ensure you are contributing the maximum amounts to all tax-deferred savings accounts such as Registered Retirement Savings Plans (RRSPs).
- › Either pay off all debts or create a plan to pay them off.

PRESERVE your wealth

(if you are within 5 years before retirement)

- › Start thinking about how long you expect to live in retirement — remember that longevity risk is key (Each member of a 65 year old couple has a 50% chance of living to 90¹).

- › Estimate your budget — how much income will you need to cover your essential and desired spending goals. Estimate your tax liabilities.
- › Take stock of all assets and potential income sources.
- › Determine your “funded ratio” by dividing your total assets by your spending goals in retirement. If it is below 100%, talk to your advisor about ways you can increase it before you retire and be sure to review it regularly.
- › Take full advantage of all tax-deferred savings options, catch-up contributions, flexible savings accounts and tax-advantaged investment solutions.
- › Ensure your investment portfolios are appropriately allocated to help increase the chance of your money lasting as long as you do.

SPEND your wealth

(if you are in retirement)

- › Meet with your advisor regularly to recalculate your funded ratio.
- › Adapt your spending and/or asset allocation according to any changes in your funded ratio.
- › Consider setting aside assets to leave a legacy to family or charity.
- › Ensure there is someone you trust who is aware of your priorities and can ensure your wishes are fulfilled.
- › Make sure your records are accessible by that trusted person if they need to act on your behalf. This includes physical as well as digital records.

For more information on how Russell Investments can help you pursue your investment goals, please ask your advisor or contact us at 1-888-509-1792 or visit us at russellinvestments.com/ca

¹Malcolm Hamilton, Retirement Savings Research Program, Department of Finance Canada. November 2009.

<http://www.fin.gc.ca/activity/pubs/pension/ref-bib/hamilton-eng.asp>

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