

Most People Won't Have Enough for Retirement. How Much Is Enough?

For most people the ultimate objective of retirement planning is to ensure that they can maintain the quality of lifestyle they're accustomed to. For others, it means having the assets to do all the things that they have always wanted but never found the time. Ideally, you want to make sure you have enough income to realize these goals. Having sufficient retirement income is central to making this happen. The question is "how much is enough?"

It All Depends

There is no one answer suitable for everyone. However, to help you think through this more thoroughly, consider the following questions:

When do you want to retire?

Where will you live?

What activities would you like to pursue?

Will you travel?

Will there be any big ticket purchases?

Do you expect your health to be a concern?

While everyone is different, a good rule of thumb is to assume that your retirement needs will be 75% to 80% of your pre-retirement needs. Let's take a look at a case study to help illustrate what this means.

Case Study

Let's look at an individual living in Ontario, age 45, with an annual pre-tax salary of \$100,000 (2002 dollars). In this scenario retirement is 15 to 20 years away. If our retiree wants to retire at age 65, he/she will need approximately \$2,211,136 in total RRSP assets. Assuming he/she will continue to make an annual maximum RRSP contribution of \$13,500, this goal will only be reached if there is already \$320,000 in the RRSP today.



The following table details the withdrawals needed from the RRSP starting at age 65 until age 90.

Age	Beginning Balance: \$2,211,136		
	Yearly Withdrawals	\$ Remaining Balance	
65	144,500		\$ 2,231,967
70	167,515		\$ 2,282,719
75	194,196		\$ 2,198,531
80	225,126		\$ 1,890,784
85	260,983		\$ 1,225,242
90	302,551	\$	0

Assumptions: 3% inflation, 8% rate of return and life expectancy to age 90.

The Moral of the Story

There are a few key messages to take away and consider as you think about your own RRSP strategy and its role in helping you meet your retirement objectives:

1. Do not underestimate the amount of money needed to live a comfortable retirement.
2. It is never too late to start saving toward that goal; starting later means having to save more.
3. Setting clear goals now about how you want to retire lets you put the plans in place to fulfill them later.

Recognizing that no two families will have the same needs, it is highly recommended that some time be spent figuring out what you need and how you're going to get there. I'd welcome the opportunity to discuss this further.

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