

For a better retirement plan, start planning now

To create an effective retirement plan, it's first necessary to plan your retirement. What do you see yourself doing once you're no longer tied to a work schedule?

You might be surprised to learn that many people continue to work or even return to work. In fact, according to a recent Scotiabank survey, 25% of affluent Canadian retirees are currently working part time.

For some, working in retirement is a conscious decision, and simply the next stage in a comprehensive life strategy. However, according to the survey, of the main driving forces for the decision, 82% of respondents stated a desire to remain mentally active, 65% cited the need for social interaction and only 31% reported financial necessity.

Many people who are in a monetary position to retire comfortably simply haven't taken the time to set up alternate ways to meet their mental and social needs. Of the retirees surveyed, 40% claimed to have done very little or only some retirement planning. The key to avoiding financial or psychological disconnect is to think ahead.

Step by step

Now is a good time to start thinking deeply about what you'll need to do in retirement. Here are some helpful techniques:

Break it down. Planning for a retirement that spans 30 years can seem daunting. To make the process more manageable, break it down into shorter planning periods of, say, five years. This gives you a more manageable time scale, and also recognizes that your lifestyle is likely to change as you get older. For example, you might plan to work part time for the first five years as you "ease" into your retirement, then you might plan to travel extensively for the next five-year period.

Rate your priorities. Things that are important to you now will continue to be important to you – for example, spending time with your family.

Consider health issues. Your health is likely to influence your retirement lifestyle decisions. For example, you may want to spend the winter months in a climate less physically challenging than Canada's.

Learn from others. Since retirement is uncharted territory for you, it can help to look at the plans others have made. Review the retirement strategy of friends and relatives and consider how these would work for you, in terms of both lifestyle and money. But remember that retirement is very personal – what works for your best friend may not necessarily be the right decision for you.



What will it cost?

By knowing what you want to do in retirement, you can estimate how much income you'll need and when you'll need it. For example, starting a business involves start-up costs, and travel carries a hefty price tag. If your retirement plans include costly items, you may need to adjust your strategy.

Also consider how your needs may change throughout your retirement years. If you're planning to work part time for the first five years, you may be able to preserve your registered assets by using your

earnings to cover living expenses. Then you can then draw on these assets to sustain you through the second five-year stretch.

Your retirement

Some expenses are likely to escalate as you grow older. Among retirees surveyed, rising health-related costs were the second-biggest concern. And some expenses might go down – perhaps substantially if you are like the 41% of survey respondents who plan to downsize their homes.

Planning for retirement involves more than setting aside money. It means thinking about what you want to achieve and how you want to live.

The parameters of your plan will change over time, as your personal and financial situations change. A ScotiaMcLeod advisor can work with you to understand your goals and help create a financial plan that helps you achieve your retirement vision.

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