

For more go to: [romanaking.com](http://romanaking.com)

# MANAGE YOUR MONEY



**A quick guide to making your retirement years GOLDEN!**

# ARE YOU READY FOR RETIREMENT?

According to a recent Ipsos Reid poll, almost half of Canadians aged 55 and older said:

“I’M NOT ON TRACK WITH MY RETIREMENT PLANNING.”

Almost half (46%) said:

“MY NO. 1 CONCERN IS WHETHER OR NOT I’LL HAVE ENOUGH MONEY TO RETIRE.”

TO MANAGE YOUR  
MONEY WELL, YOU  
NEED TO ANSWER 3  
QUESTIONS:

- 1) How much do you need to retire?
- 2) How do you afford your retirement?
- 3) How to be savvy with your savings?

QUESTION #1: HOW  
MUCH WILL YOU  
NEED TO RETIRE?



IS \$1 MILLION ENOUGH?

FOR A MORE PRECISE  
NUMBER, ANSWER 4  
QUESTIONS:

- 1) What risks do you face?
- 2) Where will spend the money?
- 3) How will you save the money?
- 4) What type of retirement do you want?

# WHAT RISKS DO YOU FACE?

## 5 KEY RISKS IN RETIREMENT:

#1: Longevity

#2: Inflation

#3: Withdrawal rate

#4: Market volatility

#5: Healthcare costs

For more go to: [romanaking.com](http://romanaking.com)

WHERE WILL YOU SPEND THE MONEY?



# EXPENSES IN RETIREMENT...

15% TO 20%

Studies show that the cost of living can fall by 15% to 20% in retirement, assuming you have no debt and no dependents (Source: Vanguard)

# YOUR INCOME IN RETIREMENT...

25x

Multiply your current annual expenses by 25 for an estimate of how much you will need to save for your retirement needs. Consider this your **BOTTOM LINE NUMBER.**

For more go to: [romanaking.com](http://romanaking.com)

HOW WILL YOU SAVE THE MONEY?

RETIREMENT EQUATION:

$$\text{EXPECTANCY} = \frac{\text{GOV'T INCOME} + \text{SAVINGS} - \text{EXPENSES}}{\text{LIFE}} = \underline{\text{YOUR}} \text{ RETIREMENT NEEDS}$$

# MANAGING YOUR RETIREMENT SAVINGS IS ABOUT...

- Saving enough
- Not out-living your money
- Avoiding unnecessary risk

THANKFULLY, THERE ARE STUDIES THAT CAN GUIDE OUR WAY  
ON THIS...

4% FOR 25 YEARS,  
100% OF THE TIME

According to Trinity Study, a 1988 study that analyzed retirement safe withdrawal rates.

QUESTION #2: HOW  
DO YOU AFFORD YOUR  
RETIREMENT?

(TIPS FOR ADJUSTING YOUR LIFESTYLE)

For more go to: [romanaking.com](http://romanaking.com)

WHAT TYPE OF RETIREMENT DO YOU WANT?



## NO FRILLS

COST: \$20,200 to \$27,400 / year

Rent. No car (use transit). No spare cash for even minor indulgences, such as cable or alcohol, but you get three healthy meals.

Math based on University of Waterloo study (using data from 5 major Canadian cities).

Good news: Don't need to save a penny!

## Middle-Class

COST: \$40,000 to \$60,000 / year

No decrease in comfort from when you were working.

This is more about experiences (some travel) than possessions (a cottage).

Assumes \$30K from CPP & OAS.

Additional money will come from your savings.

Size of nest egg needed: \$250,000 to \$750,000.

## DELUXE

COST: \$100,000+

Same stuff (house, cars, vacations) only bigger and better.

Assume \$30,000 from CPP & OAS.

Size of nest egg needed: \$1.75-million\*

(\*or a really good public sector pension)

WHAT'S YOUR BOTTOM LINE?

$(\text{GOV'T INCOME} + \text{SAVINGS} - \text{EXPENSES}) / \text{LIFE}$

$\text{EXPECTANCY} = \underline{\text{YOUR}} \text{ RETIREMENT NEEDS}$

SO, IF YOU ASPIRE TO A MIDDLE-CLASS RETIREMENT AND

## NO FRILLS

Retire at 65.

Save nothing.

Enjoy a no-frills retirement.

## Middle-Class

Retire at 65.

No employer pension.

Couple: Save between \$250,000 and \$1-million

Single: Save between \$325,000 and \$850,000

Enjoy perks including vacations and hobbies.

## DELUXE

Retire at 65.

No employer pension.

Total savings \$1-million +

Enjoy belongings and travel.

If you plan to retire before age 65, add an extra year of expenses on to your nest egg goal.

QUESTION #3: HOW  
TO BE SAVVY WITH  
YOUR SAVINGS?

# RRSP VS. TFSA

To help, let's use scenarios created by David Aston, retirement specialist for MoneySense.ca. Based on his calculations, he projected the value of a \$1,000 contribution that is saved for 30 years and then withdrawn. This is what he found:

Scenario	Details	Value from TFSA	Value from RRSP	THE WINNER
#1. Above-average income earner now, middle-class retirement in future	Currently earning \$90K, later earns \$38K in retirement (marginal tax rate: 43% now vs. 26% later)	\$2,430	\$3,165	<b>RRSP.</b> Classic situation where RRSPs make sense. Up \$735 (+30%) if using RRSP to save.
#2. Very affluent retirement	Currently earning \$80K, later earns \$80K in retirement. (Effective tax rate: 33% now vs. 44% later, including OAS clawback)	\$2,430	\$2,030	<b>TFSA.</b> OAS clawback tilts the scales in favour of the TFSA. Up \$400 (+20%) using the TFSA.
#3. Below-average income earner now, low-income retirement in future	Currently earning \$40K, later earns \$18K in retirement, plus GIS. (Effective tax rate: 21% now vs. 66% later including GIS clawback)	\$2,430	\$1,060	<b>TFSA.</b> GIS clawback makes RRSP a terrible choice and by using the TFSA the retiree is up \$1,370 in their TFSA (+129%).

# CHEAT SHEET FOR RRSP CONTRIBUTION:

High earner or low earner in retirement = TFSA

Middle-class retirement = RRSP

# HOW TO MAXIMIZE THE TAX REBATE:

If your income is above \$45,216 (in 2016) then invest in your RRSP first. You'll get a bigger tax rebate.

# BENCHMARKS FOR YOUR RRSP

AGE	Value of your RRSP
25	\$0
35	\$0
45	\$121,500
55	\$283,500
65	\$500,000

# YOUR MAP TO RETIREMENT SAVINGS

## STEADY-EDDY

- Made famous by David Chilton in *The Wealthy Barber* book.
- General rule of thumb is to sock away 10% of every pay to your savings. A “pay yourself first” strategy.
- Downfall: If you don’t start early and save consistently, you’ll need to save more than 10%.
- Downfall: Few people can afford to buy a home, put kids through daycare and school *and* save 10% each paycheque.

## MORTGAGE-FIRST / SAVE LATER

- Developed by Malcolm Hamilton, a fellow at the C.D.Howe Institute and a former partner and pension specialist at Mercer.
- Idea is to apply 20% of your gross income to paying off your mortgage. When it’s fully paid off, redirect the 20% to retirement savings.
- Ideally, you’re mortgage free in your mid-40s and saving for retirement for 15 to 20 years (but can also work with as little as 10 years to save).



# TAKE AWAY

#1: Decide what type of saver you are and then develop a saving strategy

#2: Calculate how much you'll need in retirement, then set a nest egg goal

#3: Determine what type of retirement you expect to have, then maximize your saving strategy to meet this goal

#4: Keep yourself on track with benchmarks and assessments

#5: Don't be scared to pay for good, honest advice the closer you get to retirement

HAVE QUESTIONS?

FEEL FREE TO CONTACT ROMANA KING.

WEB: [WWW.ROMANAKING.COM](http://www.romanaking.com)

EMAIL: [ROMANAKING@GMAIL.COM](mailto:romanaking@gmail.com)

PHONE: 416-895-5407