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Planning for Retirement-Things to Consider

Retirement used to be a fairly straightforward concept. An individual would work until age 65 then leave the work force. Post-retirement income would consist of Canada Pension Plan and Old Age Security benefits, plus income from personal savings and if you were fortunate, a company pension.

Today, there is usually no single concept that defines retirement. Individuals have more flexibility in choosing the age at which they retire and their retirement income options. While increased choices are good, they bring with them increased pressures to make decisions.

There are three main pillars supporting Canada's retirement income system. Between these three pillars, the provision of pension income is shared between government and individual Canadians. The first and second pillars comprise of Canada's public pension system, ***Canada Pension Plan (CPP)***, and ***Old Age Security system (OAS)***. CPP and OAS are not intended to meet all the retirement income needs of Canadians, but rather to provide a base on which to build additional private savings for retirement..

The third pillar supporting Canada's retirement income system consists of ***Tax Assistance for Retirement Saving***. The tax system encourages retirement saving in registered pension plans (RPP's), deferred profit sharing plans (DPSP's), and registered retirement savings plans (RRSP's). The effect is to defer taxation on both the original amounts saved and the investment earnings on them until such time as they are withdrawn as income.

Some of the many retirement decisions that in individual may face include:

- At what age should I retire?
- When should I begin receiving my Canada Pension Plan benefit
- Should I accept the standard company pension or should I transfer my vested benefits into a locked-in-retirement account (LIRA)?
- Should I purchase a life annuity or should I keep my investments in guaranteed investment certificates?
- When should I transfer my RRSP funds into a registered retirement income fund (RRIF)?
- How much should I withdraw from my RRIF each year.

There is usually no single right answer. The best choice will be strongly influenced by your retirement objectives as well as your tolerance for risk, and your desired level of financial security.

The amount of savings required at retirement also depends upon the form it will take. The following forms of savings are specifically intended for retirement:

- Defined-benefit RPP's
- Defined-contribution RPP's
- RRSP's
- Locked-in Retirement Accounts (LIRA's)

Other forms of savings are important in retirement planning, even though they may not be specifically intended for retirement include:

- Equity in a principal residence
- Shares of a corporation
- Equity in other capital properties
- Non-registered portfolio investments

The Importance of Professional Advice

We solicit doctors, lawyers, dentists and other professionals for their expert advice. Yet, for our financial future, we often rely on our own knowledge or friends' suggestions. Using a financial planner could mean a difference of thousands of dollars towards your retirement. Working with a financial planner can be a helpful step in securing your retirement future.

Tom Allain, CFP is an Independent Certified Financial Planner associated with Ten Star Financial Inc. specializing in comprehensive Financial Planning and Retirement Benefit Programs to Owner/Managers, Business Professionals, and Individuals. (905) 796-1219, email tom@trallain.ca or visit us at www.trallain.ca.