# BRAMPTON BOARD of TRADE
## Trade Talks

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## Calculate your future retirement needs now

Previous generations of Canadians may have worked "until the day they died". Today however, more affluent and healthier workers want to jump off the treadmill considerably sooner. Freedom 55 might sound great as an advertising slogan, but remember:

Retiring earlier and living longer have two important effects; first, you will have fewer years of earning in which you can build up your retirement. Second, when you do retire, that nest egg will have to provide you with an income for 20 or 30 years of your life.

Last month's article focused on the retirement planning process and the need to have a plan. The retirement planning process requires you to estimate your retirement needs before you can develop strategies to meet those needs.

If you are planning for your future retirement, this involves determining the amount of funds that you must accumulate over a specific period of time (your pre-retirement period) to provide income over another period of time (your retirement years).

If you are already retired, you need to determine how much you can afford to spend, based on your retirement assets and your existing life expectancy.

In either case, "time value of money" concepts will become the foundation for your retirement planning. These calculations include: *present value, future value, lump sum, periodic payments, and net present value.* The calculations can be further refined to take into account factors such as inflation and taxes.

The calculation of retirement savings can be quite complex, particularly when you combine both your pre-retirement savings period and your post-retirement income periods, and also take factors such as inflation, taxes and increasing incomes into account. For this reason, most retirement planners make extensive use of computer programs in performing their work.

Here is a small sampling of questions which will ultimately impact your retirement planning calculations:

- What age do I want to retire?
- What will my estimated living needs be?
- How many years should I plan for retirement?
- What is the current value of my assets? How much am I presently saving?
- Where will my income come from? Government benefits, Employer sponsored plans, personal assets?
- How much will I get from my company pension plan? Is it indexed?
- Is my company plan integrated with Canada Pension Plan (CPP)?
- Should I take the company pension, or the commuted value?
- Do I qualify for Old Age Security (OAS)?
- How much will I receive from Canada Pension Plan (CPP)?
- When should I start collecting CPP?
- Should I purchase GIC's or Annuities?
- Should I transfer my RRSP to a RRIF?
- What rates should I assume for inflation, rate of return and income tax?
- Do I want to include or exclude my capital in my retirement income?
- What is the most tax efficient way to draw down on retirement income?

The number crunching that it takes to come up with a dollar figure you need to save to retire on is a great psychological incentive and will become the framework for the rest of your financial life.

Remember……hitting your target is easier when you know exactly what you are aiming for!


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