Retirement planning is a process that considers a variety of factors such as financial, emotional, mental and physical. With the future filled with uncertainty, planning for your retirement can be a difficult challenge. Often the simplest of questions are difficult to answer.

- When would you like to retire?
- What would you like to do when you retire?
- Where would you like to live when you retire?
- Are you prepared to live in another country or province?
- How much income will you need in retirement?
- How badly do you want your retirement plan to work or will you make compromises?

Planning for two is doubly challenging. If you have a spouse, the complexity of the process is increased the questions more difficult to answer; demanding increased patience and planning from all parties.

ON YOUR MARK..GET READY..STOP!

One event with significant implications on retirement is determining the actual date of retirement. Currently, the average retirement age in Canada is 62, however many people are prevented from early retirement or from selecting a fixed retirement date, due to health issues, family care-giving responsibilities, and forced layoffs.

For years we have fixated on the magic date for retirement, 65 - the year of the golden watch & pen set, and the start of the great pension payout. However, retirement brings many financial challenges and most individuals have little clue where they stand, as they haven't bothered to take a real look at the math. Every year they put some money into Registered Retirement Savings Plans (RRSPs) then lean back, believing they have satisfied their retirement planning obligations.

For every year early (before 65) that you retire, you pay three penalties:

1. you lose a year of potential savings (and in some cases employee benefits)
2. you lose a year of growth for your retirement savings, and
3. you gain one more year of retirement expenses

INSULT TO INJURY
Part of taking a look at the retirement math – involves coming to terms with your current situation. What is your debt level? Are you saddled with high interest credit cards and personal lines of credit? Are you still going to be paying this debt when you retire? Do you have assets that can be sold to reduce or remove this debt?

You cannot imagine the number of times I have seen people, as an example, with a $100,000 term deposit paying 1% interest, with $60,000 in credit card debt at 19%-28%. The interest on the debt is not tax deductible but the interest on the term deposit is taxable. Over time this lack of financial analysis can be seriously detrimental to your retirement plans.

RRSPs and pension plans are not the only game in town when it comes to funding retirement. RRSPs are not your best strategy if you have high-interest debt, such as a credit card balance. Given the 19% or more you're probably paying on your credit card debt, you should first devote every available dollar to paying down that costly debt. Also, if you are a low-income earner, RRSPs may also not be your best option, since the tax savings that result from RRSP contributions aren't worth much if you don't pay much tax to start with.

It is important to understand that in a customized retirement plan, non-registered investments and tax-free savings accounts may play an even bigger role. If you have plans to retire outside of Canada that will have a huge impact on the structure and balance of your retirement planning products.

BOOM...DONE
Emotional and mental challenges sometimes go hand in hand. In retirement planning the very idea of retiring or semi-retiring forces us to come to terms with the fact that we are getting older. The grey hair is becoming more prominent; we are using our employee benefits (extended health/prescription coverage) more and more often; we are hearing the stories of peers and co-workers falling ill and not feeling "relevant" at work anymore. And as we get older these stories start becoming more and more personal - invading our inner circle.

In our forties and fifties we begin to realize we are no longer invincible. The sand in the hourglass drains faster - time is running out. Are we still part of the solution or are we now part of the problem? Retirement planning forces us to look at this new reality on the horizon. For some it is easier to bury heads in the sand and push that reality back for years, even decades.

Inevitably, fear becomes a factor and we begin to ask the hard questions.

- Do we have enough money saved up?
- Is it frightening to look at our financial position?
- Have we given all our savings to the kids for university and now we hope for the Hail Mary lottery win?

SELF AWARENESS - CHECK
Instead of burying our heads in the sand, we can take control through the art of self-awareness. Psychologists suggest that we look at self-awareness as the ability to check our current self against our goals and then alter our behavior to achieve those goals (Carver & Scheier, 1981). To overcome emotional challenges it is important to realize that aging is part of the circle of life. The sooner we accept this, the sooner we can start to take control and create a life of later years, filled with dignity.

Physical challenges in later years may also have an effect on when we retire. An individual may not retire as planned, because he/she is reliant upon employee benefits to offset the costs of a caring for a spouse or dependent. Three-quarters of Canadian seniors have one chronic condition, and a quarter of Canadian seniors are diagnosed with three or more. Canadians have a good life expectancy average, but most will need medical care and support during their later years. (Statistics Canada)

How do you address physical/mental challenges within retirement planning? Individuals should begin by asking themselves key questions to guide them on their health-care needs after retirement.

- Do I have enough retirement income?
- What's my monthly and annual plan for ongoing dental and medical costs?
- Do I have a physical fitness plan in place?
- What are the government resources available if I/my spouse have an illness or disability?
- At what income /asset level do I qualify for benefits?

Eventually, as you prepare for retirement you may decide to manage your finances on your own. This can work if you are able to answer the questions posed above, and if have the time and the analytical nature to craft a solid financial strategy.

IN SUMMARY

The more time you put into retirement planning the easier it is. From a financial perspective, if you started putting money away in your twenties may find it much easier than someone who started in their forties. Coming back to the emotional and mental position, unless it is managed effectively, fear will continue to be a huge stumbling block. Coming to grips with aging is an individual process that can be supported through partnership and communication.

Working with a Certified Financial Planner and talking with your spouse can help alleviate fears and allow for objective, consistent planning to take place. The more we talk about fears and stressors as part of the planning process, the easier it becomes to overcome these stumbling blocks. A good financial planner will recognize this as an important part of the decision making process and facilitate these conversations; providing the guidance and support necessary to help you take control of your future and retire on your own terms with dignity.

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To have a deeper conversation about how this subject will affect your business, please contact:

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