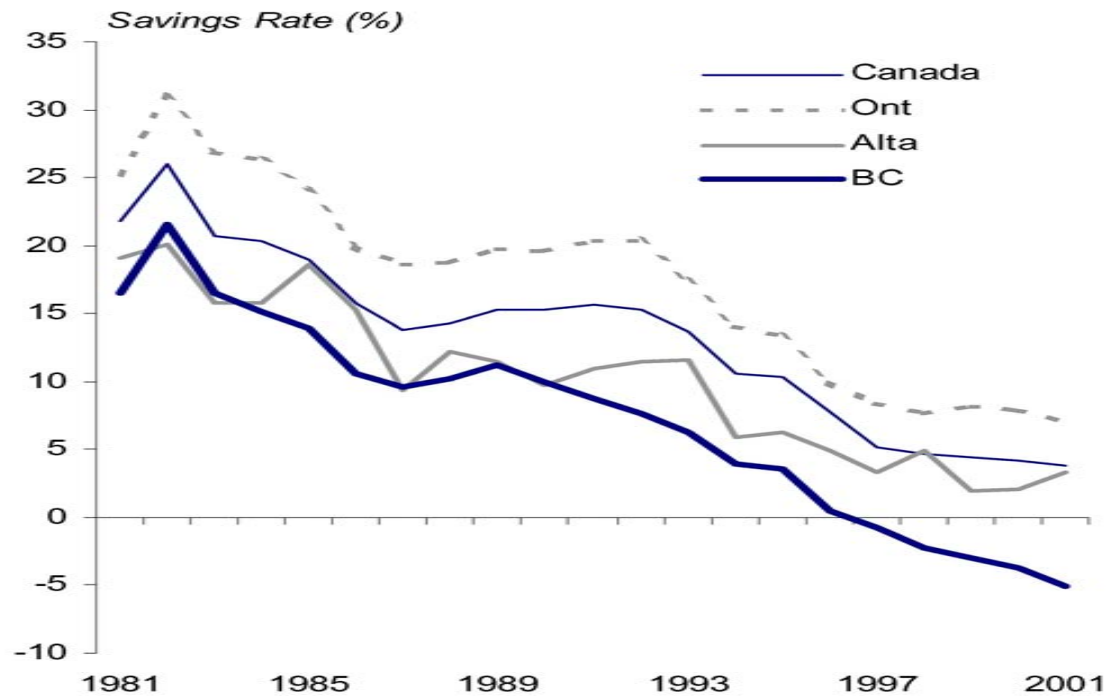

Retirement Savings

Where & When Do I Begin

Introduction

- How Canadians are doing
- Changing assumptions effecting retirement
- Case study
- Examine good habits

Canadians don't appear to be saving



Statistics Canada 2004

Canadians don't appear to be saving

- In 2004, only half of working Canadians contributed to a registered retirement program
- Independent of income and age

Canadians don't appear to be saving

- Lack of self control
- Buy, buy, buy marketing messages
- Movement from mandatory to optional retirement programs
- Ease of borrowing has seen marginal propensity to build real estate wealth much greater than stock market wealth

Changing assumptions

1980s			Today		
	GICs	Stocks		GICs	Stocks
Yield	10%	10%	Yield	5%	8%

Yields in retirement are expected to be lower than before

Changing assumptions

- Life expectancy

Changes creating new challenges

- More money is needed for retirement

Changes creating new opportunities

- Working past what was once a typical retirement age is quite viable
 - Health is improving
 - Workforce demographics
 - Social changes

Public figures working past age 65



Don Cherry
Working at age 73

Photo: CBC Archives



Sir John Templeton
Working at age 95

Photo: Ann States



Archbishop Desmond
Tutu
Working at age 76

Photo: Benny Gool



Mayor Hazel McCallion
Working at age 87

Photo: Tannis Toohey

Case study: A Tale of Two Pensioners

Financial Snapshot	Mr Smith	Miss Jones
Earnings prior to retirement	\$78,000	\$66,600
Age at retirement	60	59
Investment assets at retirement	\$91,050	\$443,900

Case study: A Tale of Two Pensioners

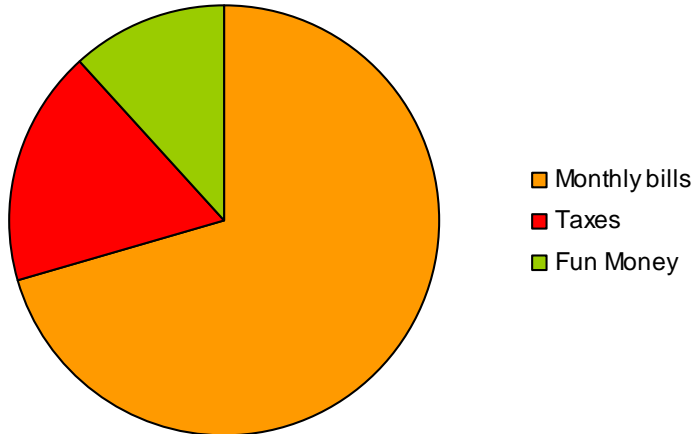
Post retirement earnings	Mr Smith	Miss Jones
Government programs	\$7,200	-
Pensions	\$37,400	\$28,000
Income from savings	-	\$15,800
Total	\$44,600	\$43,800

Case study: A Tale of Two Pensioners

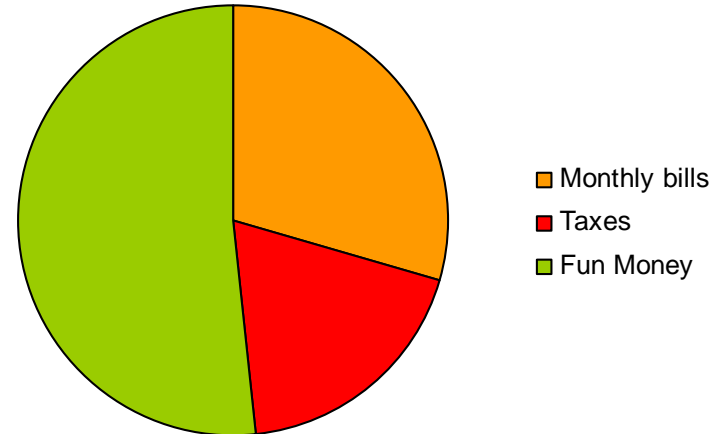
Post retirement earnings at 65	Mr Smith	Miss Jones
Government programs	\$14,000	\$13,500
Pensions	\$24,400	\$23,500
Savings	-	\$18,000
Part-time work	\$2,400	-
Total	\$40,800	\$56,000

A Tale of Two Pensioners

Mr Smith



Ms Jones



Case Study Summary

- Consider what you'd like to do in retirement early on
- Start now
- Be flexible
- Stop keeping up with Jones

Additional Notes for Late Starters

- It's never too late to start!
- Need for savings outside of registered investments
- Consider RRSP loans that you can pay off in a year
- Remember to invest in things you understand

Habit # 1

- Take responsibility for your own retirement
 - You may need to invest some time to learn more
 - Nobody will care about your retirement more than you

Habit # 2

- Understand what your lifestyle choices cost

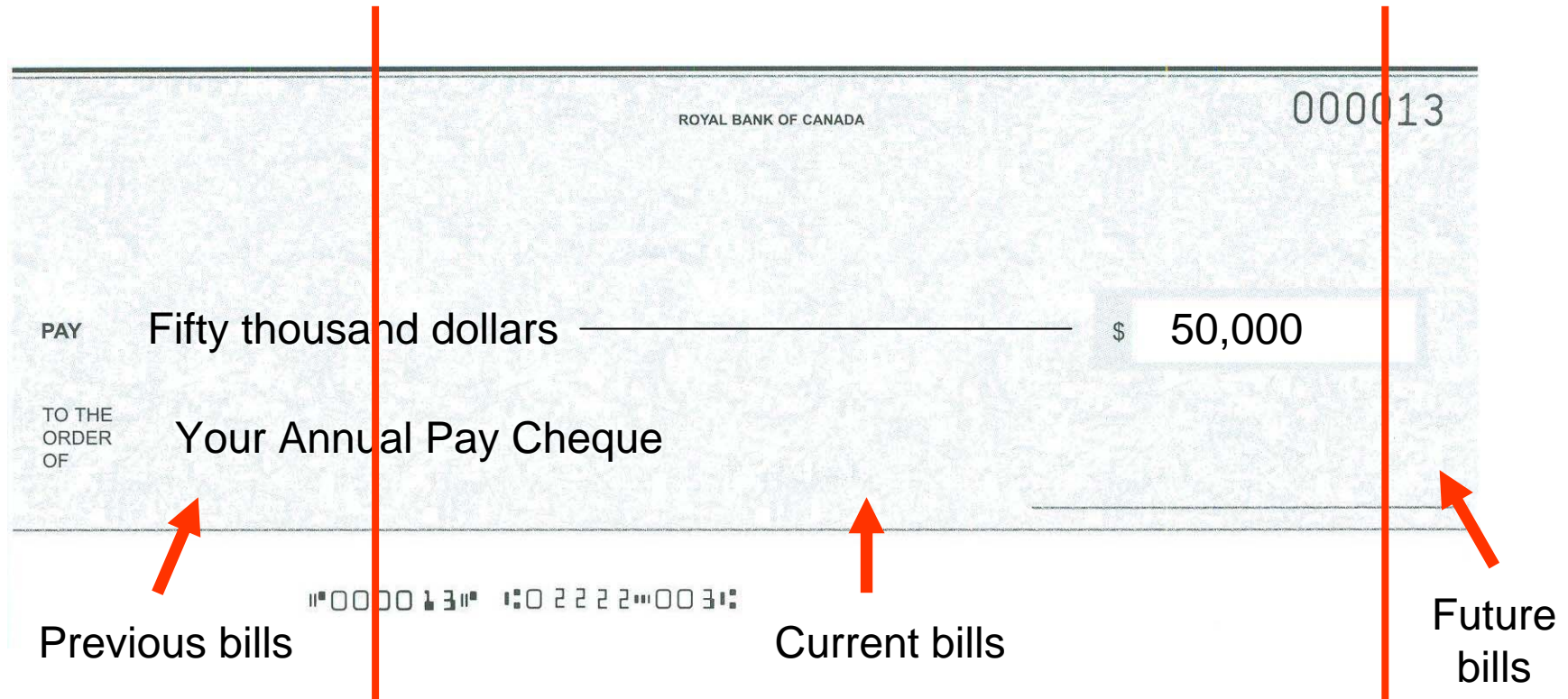
	Now	Retirement
Shelter		
Food		
Transportation		
Clothing		
Daycare		
Travel		
Entertainment		
Savings		
Total		

Understand your lifestyle expenses

2 Gym Memberships	\$960
Changing cable features	\$480
Life insurance review	\$200
Move to low fee Visa's	\$200
Total	<u>\$1,840</u>

- Invested at 6% annually, this would be \$140,000 in thirty years.
- Deposited into an RRSP, a typical York university employee would also have saved an additional \$50,000 in taxes

Where does your money go?



Habit # 3

- Save monthly
 - Pay yourself first, at least 10% off the top
 - Get it out of your chequing account
 - Automatically through payroll deduction or through your bank
 - Consider setting up accounts to save for larger lifestyle expenses – vacations, new car

Dollar-cost averaging



A note on Dollar Cost Average in Retirement

- This strategy in reverse works against you in retirement.
- Better to set up a cash reservoir where you deposit at least 1 year of withdrawals
- Take profits in good years

Habit # 4

- Take inventory

Assets			Liabilities		
	Balance	Interest rate		Balance	Interest rate
Bank Account			Credit cards		
Open investments			Lines of credit		
RRSPs			Mortgages		
Pensions			Total		
Real estate					
Insurance cash value					
Business					
Total					

Total Assets – Total Liabilities = Net Worth

Taking inventory

- Review year over year
- Are there any items that you need to understand better
- What are your plans to eliminate debt
- Only an asset if it produces income or if you're prepared to turn it into cash

Habit # 5

- Put pen to paper and write it down

Putting pen to paper

- Talk about your goals with the people most important to you

Habit # 6

- Recognize where you need help
- Find advisors that can help
 - Ask family or friends for a referral
 - Interview the advisor

Habit # 7

- Reduce and defer paying taxes

RRSPs reduce and defer taxes

- \$1 deposited into an RRSP can return up to \$0.46 back from your taxes – or a 46% return
- Pay no taxes on gains while invested
- Included as income when you withdraw

RESPs defer taxes

- RESPs do not offer a tax payer a tax deduction to the taxpayer but rather a grant to the child (or better yet grandchild)
- Investment income is tax in child's hands when withdrawn

Other ideas

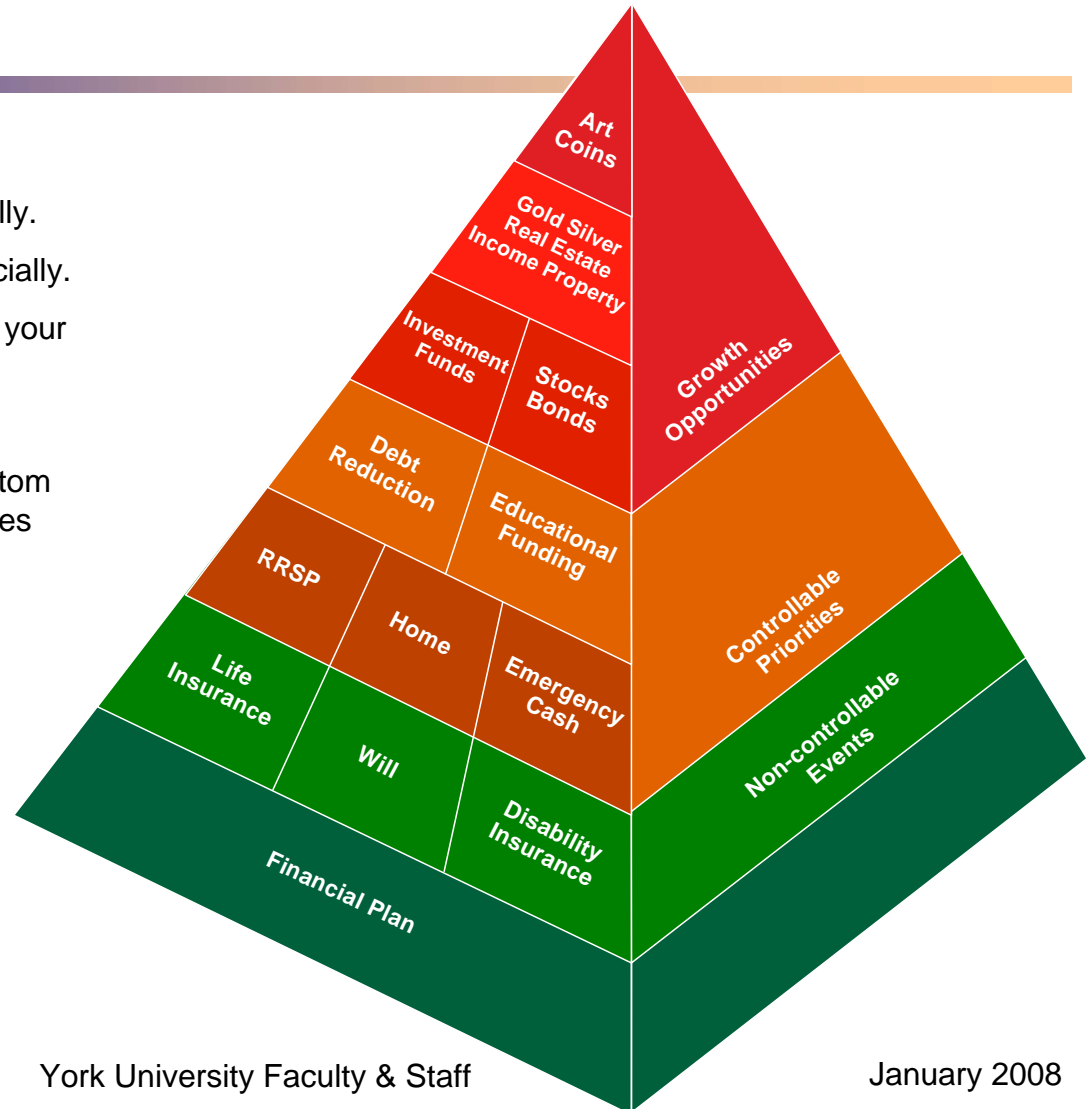
- Holding fixed income assets in your registered portfolio
- Using Spousal RRSPs to equalize retirement income

Habit # 8

- Invest in things you understand and are comfortable with

Setting Financial Priorities

- Determine where you are now financially.
- Determine where you want to be financially.
- Pay yourself first. Use at least 10% of your income to meet your goals.
- Live on the other 90% of your income.
- Build your financial house from the bottom up on a solid base of financial guarantees
- Start now!



Suggested reading

- Wealthy Barber, David Chilton
- How Much is Enough, Diane McCurdy
- Rich Dad, Poor Dad, Richard Kiyosaki