

Countdown to retirement

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What you need to know – and do – for a trouble-free transition

Most of us view retirement as a worthwhile destination. But like many destinations, just getting there can be a challenge. It requires careful planning so that you get there via the best route and arrive with everything you need.

This article looks at the factors you need to consider in the years, months and weeks leading up to retirement. It even provides a checklist, so you don't miss any important milestones along the way.

Three to five years before retirement: Will you have enough to retire?

If you haven't already, start planning for your retirement as soon as possible. That way you'll know ahead of time if you need to save more, adjust your retirement expectations – or if you can go ahead and buy those new golf clubs.

Review your investment portfolio

Revisit your investment strategy. As your retirement date approaches, you have less time to recover from any significant investment losses. With that in mind, you may want to start shifting to more conservative (lower-risk) investments. You can read more about "Smart investing for a smart retirement" on page 10 of this guide.

Know your retirement savings plans

Putting money away for retirement is one thing, getting it back is another. Most registered plans have rules. These can include when you can start withdrawing money, how much or how little you can withdraw, and how often. Some plans have to be converted to an annuity by the end of the year in which you turn age 80. Make sure you know the rules, and factor these into your retirement plans.

Re-evaluate your lifestyle and residence needs

What will you do differently in retirement – and how much will it cost or save you? Sit down and think about your retirement lifestyle.

Ask yourself the following questions:

- Is your current residence suitable, or are you going to move?
- Does your home need any renovations or improvements?
- Do you have hobbies or travel plans you're going to pursue?
- Are you planning to work part-time?

Estimate your living expenses

To estimate what it will cost you to live in retirement, you need to know how much you are spending now. Track everything you spend for the next year or so and then use this information to estimate your retirement income needs and develop a realistic budget. When estimating your future expenses, don't forget about inflation. Even a modest level of inflation can – over time – have a significant impact on your expenses. Although it may seem like a lot of work to track and project your expenses, the exercise will give you a good idea of how much you really need to maintain your lifestyle – and whether you'll have enough.

Find out what your house is worth

Your home is an important asset. In fact, it could be your single largest asset. You may want to sell your house and use some of the proceeds to supplement your retirement income. If so, hire an appraiser or talk to a real estate agent in your area to find out what your house is worth. Don't forget, however, that you still need someplace to live. If your house is paid for, you may discover it's cheaper to stay put than to rent.

Estimate your retirement income

Chances are your retirement income will come from three sources: personal savings, a company retirement plan, and government benefits. Take an inventory of all potential sources of income, including RRSPs, pensions, bank accounts, investment funds, stocks, bonds, guaranteed investment certificates, rental properties, etc. Don't forget to take into account pensions from your current and past employers. For more information, see "Sources of retirement income" on page 7.

One year to go: getting your affairs in order

Verify your retirement milestones

Avoid any unpleasant surprises. Check to make sure you don't miss any important milestones.

For example, if you're retiring early, make sure you meet any age requirements for receiving company or government pensions. Similarly, if you're planning to convert registered pension plan funds to a life annuity or a life income fund (LIF), make sure you will have reached the required age (55 in most provinces).

❑ Review your insurance needs

Your insurance needs may change in retirement. You might find you can get by with less life insurance or home ownership insurance. Your auto insurance premiums may also go down if you're no longer driving back and forth to work. On the other hand, you may be less able to handle big deductibles or recover from a loss or you may have a permanent need for life insurance that can be met by converting term life insurance or group life insurance.

❑ Think about estate planning

Do you have a will? Is it up to date? Do you have an executor? Sit down with professionals to review your will, powers of attorney, and investment plans. Make sure your powers of attorney for healthcare and financial matters reflect your wishes. You may also want to think about life insurance to cover the taxes that will cut into any inheritance (such as a family cottage, registered or non-registered investments) you leave to loved ones.

Six months to go: the home stretch

This is it! You've planned and budgeted, organized and reviewed; now you just have to tell everybody.

❑ Update beneficiary information

Remember to update your beneficiary for company pension plans, insurance policies, etc. Keep in mind that for pension plans, LIF and LRIF's, your spouse is automatically your beneficiary, unless he or she

signs a waiver. And be aware that the definition of who qualifies as your "spouse" can vary from one province to another.

❑ Apply for government pensions

If you're eligible for Canada Pension Plan and/or Old Age Security benefits, and you want to start them as soon as you retire, contact Social Development Canada. You can reach them at 1-800-277-9914, or access their website at www.sdc.gc.ca/en/gateways/nav/top_nav/program/isp.shtml for details. To start Québec Pension Plan benefits, contact the Régie des rentes du Québec at 1-800-463-5185, or access their website at www.rrq.gouv.qc.ca/en for details. The government needs about six months to process a request for benefits. For more information on government benefits see "Sources of retirement income" on page 7.

❑ Apply for company pensions

If you're eligible for a pension from a current or previous employer, be sure to let them know in advance when you want to start receiving your pension. You'll probably have to fill out several forms, and it may take awhile to start receiving your pension.

❑ There to help you

As you count down to retirement, there's a lot to think about, and some tough decisions to make.

The good news is there are resources to help. This guide is a good start. Your local library, as well as the Internet, are other good sources of information. And, of course, you can always sit down with a financial advisor.

Set some time aside now to start mapping out the milestones... and make sure your road to retirement is a smooth one.