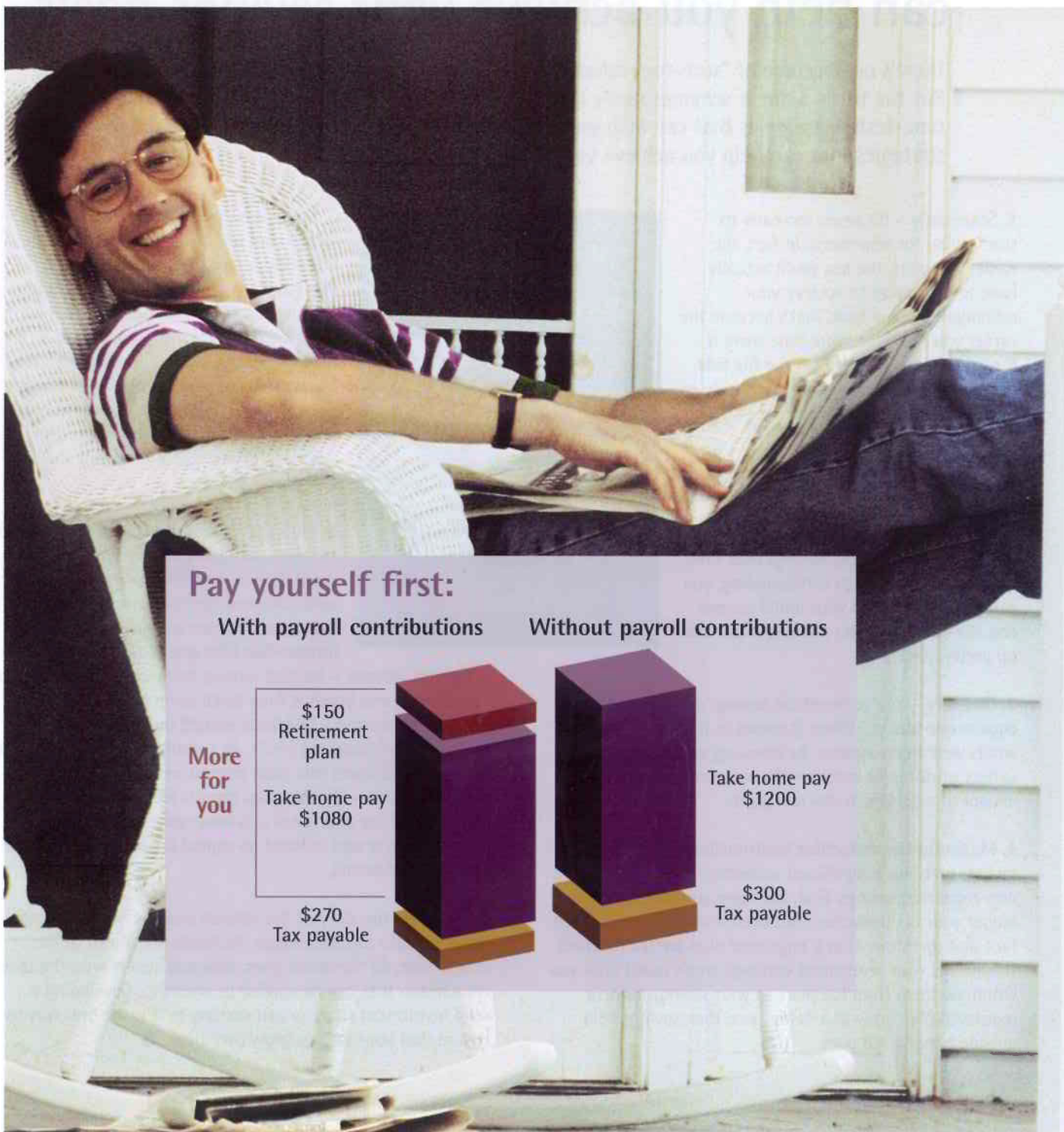


GAIN without pain

How to save without feeling the pinch

Planning for retirement is easy. Saving for retirement... well, that's something else. There are, after all, 101 reasons not to save for retirement. Many obstacles to saving are very real and valid. But the fact of the matter is, if you're going to reach your retirement dream, you need to save... and the sooner you start, the better.



Pay yourself first:

With payroll contributions

Without payroll contributions

More
for
you

\$150
Retirement
plan
Take home pay
\$1080
\$270
Tax payable



Take home pay
\$1200
\$300
Tax payable

The following six-step saving program is designed to help you build your retirement savings. But equally important, it's designed to help you save without the pain of penny pinching. After all, you still have to enjoy life.



Don't forget to reward yourself for saving. A little positive reinforcement will help you achieve your savings goal!

Step 1

Budget, if you can – How do you “find” money to save?

One of the best ways is to analyze where you spend and then figure out where you can cut back. Maybe eat out less. Vacation at home every so often. After figuring out what you can do without, you can set up a simple budget to help you live within your means and save for retirement. It sounds good, in theory. But the truth is, most of us don't have the discipline to stick to a budget. That's where steps two through six come in. Remember, unless you actually contribute this “found money” to your plan, it can't grow into savings.

Step 2

Pay yourself first – It's human nature.

Once we get hold of money, it's pretty hard not to spend it. So, one way to save money – a very effective way – is to pay yourself first. In other words, divert the money to your savings plan before you have a chance to spend it. For plan contributions, you can have the money deducted directly from your pay. The money is tucked away before you can spend it. Out of sight, out of mind.

Step 3

Save regularly – You may find it less painful to save a bit each month rather than try to scrape it together all at once. Simply put, you're less likely to miss \$100 a month than a one-time, annual hit of \$1,200. Besides being less painful, there are other reasons to save regularly.

- It's a good habit to get into. You'll establish a “savings pattern” that will dramatically increase your odds of achieving your retirement goals.
- It can be automatic. You can arrange for automatic deductions from your pay. You don't have to worry about it – it just happens.
- It can help you save faster. As the graph beside shows, if you save \$100 a month instead of \$1,200 once a year for 30 years, you'll end up with

\$13,000 more (assuming an average annual return of 8 per cent). The reason: the sooner you invest your money, the sooner it starts generating returns – and that means more money for you.

- It's more tax efficient.

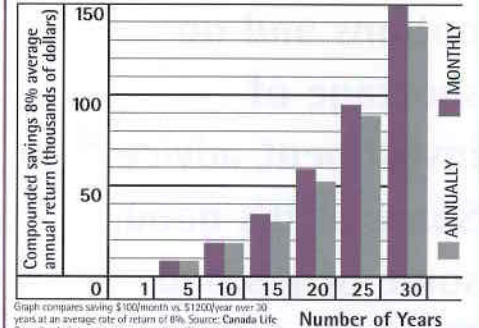
You'll benefit from immediate and automatic tax savings if you make contributions to a registered savings plan through regular payroll deductions.

Step 4

Don't spend your raises – We tend not to miss what we've never had.

So, if you've got a raise coming, divert some or all of it to savings. Once again, the best way to do that is through payroll deduction

Regular savings can make a significant difference over time. You could have \$13,000 more after 30 years simply by saving \$100 a month rather than \$1,200 once a year.



Graph compares saving \$100/month vs. \$1,200/year over 30 years at an average rate of return of 8%. Source: Canada Life. Doesn't take into account any taxation of income.

Step 5

Invest your tax refund –

One way to top up your annual savings is to use some or all of your tax refund. You just have to make sure you don't spend it before you get it.

Step 6

Don't waste a windfall –

If you get a big bonus, receive an inheritance or are lucky enough to win the lottery, don't let it slip through your fingers. Squirrel away at least some of it for the future.

By following these simple steps, or at least some of them, you'll start to see your retirement nest egg grow. Chances are, you won't miss the money... too much. ■