Retirement - more enjoyable with a financial plan

Atlantic Canada, it appears, is a good place to be retired. In a recent national survey, retirees from the region reported the highest level of satisfaction with life after work, at 81 percent, compared to the national average of 74 percent. The Prairie region reported the lowest level, 67 percent, followed by Quebec, 78, Ontario, 74 and British Columbia 72.

"There's obviously something very special about Atlantic Canada," says Peter Drake, vice-president of retirement and economic research with Fidelity Investments, which commissioned the survey. 'Obviously part of being satisfied in retirement is being secure in your financial situation."

Quality of life in retirement is becoming a major issue as the baby boomers get older. Every day some 800 of our citizens turn 65, and one in eight Canadians, or more than four million, have already reached that milestone. Statistics Canada projects that by 2041 that number will more than double to some 10 million.

Having a plan in place makes all the difference, Drake adds. Retirees who have worked with a financial adviser and have a written retirement income plan report the highest levels of satisfaction. These sentiments are echoed by pre-retirees who are working with a financial adviser and already have a written retirement income plan. They expect to be more satisfied in retirement because they know they are better prepared.

"Planning and saving for retirement can be hard work and does require diligence, but it does not have to be a negative experience," added Drake. "Working with a financial adviser and setting out your goals for retirement can help ease the uncertainty for the next stage of your life. The vast majority of Canadian retirees who are enjoying their retirement are the ones who planned for it."

A plan should include a projection of essential expenses during retirement, such as food, clothing and lodging.

"You would want to fund your essential expenses from your most secure sources of income, such as Canada Pension, OAS, company pension plans and annuities."

A plan should also take into account the five key risks to any retirement plan:

- **Longevity:** Advances in health care mean people are planning for a retirement that could last as long, or even longer, than their working years.

- **Inflation:** Even at a relatively low rate of two percent annually, inflation erodes your purchasing power. In 25 years it is reduced to 60 percent of where it began. "CPP and OAS do have some compensation for inflation, but you also need to be able to compensate for it with your other sources of retirement income."

- **Withdrawal rate:** How much can you withdraw each year and maximize the life of a portfolio? "The difference between taking out four percent and six percent each year can be quite substantial in terms of how long a portfolio will last, " Drake adds. "As you move through retirement you can obviously adjust the withdrawal rate."

- **Asset Allocation:** You want to reduce your exposure to risk as you approach retirement, but Drake advises against abandoning equities entirely.

- **Health Care:** While Canadians enjoy universal health care, there is a growing list of medical services that the government may deem not medically necessary, but which an individual may find essential for a full quality of life.

Having a meaningful way to spend your time is the other key component of retirement satisfaction, Drake adds. Some people are continuing to work by choice, whether for the social interaction or sense of routine. Others turn to volunteering. "For people who do want to work in retirement, there's going to be plenty of opportunities," Drake says. "The key issue is to have choice. If you're working because you want to, and not because you have to, you're probably going to enjoy your job a lot more."

Source: Halifax-Chronicle Herald...*Joey Fitzpatrick*