

## Practicing for retirement

Most people find it difficult to paint a detailed picture of how they want to live when they retire which makes it difficult to determine how much money they'll need to retire comfortably. In fact, most people have a hard time visualizing what their life will look like even 10 years from now. It helps to think of the activities that you are involved in now that make you happiest. What do you like to do when you have some time off work? Where do you like to go and with whom do you like to spend time?

Ask yourself the following questions and consider the financial impact of each. This should help you create a clearer picture of how you might like to spend your retirement years and how much money you will need to achieve your retirement goals.

- Will you stay in your current home?
- What hobbies do you like to pursue, or would you like to pursue, in your free time and what are the costs associated with these activities?
- Do you view retirement as a career change?
- When do you want to retire? When can you?

### **How much is enough?**

To build a realistic retirement plan, you need to determine where your money is going and how much you need to save and invest. Make a list of your expenses. Try to determine if, and how much, they will decrease after you retire. You may even find money you could save to help build up for your retirement funding later.

### **How will inflation affect your lifestyle in retirement?**

Inflation is a significant factor for anyone relying on a fixed income, because purchasing power diminishes as prices rise. It is important to ensure that the earnings or returns on your investments will be greater than inflation. To get a better picture of what your costs will be when you are ready to retire, you should adjust them for inflation. For example, a current cost of \$10,000 per year translates to \$18,000 per year 15 years from now, assuming an annual inflation rate of four per cent.

Sound complicated? Your financial security advisor is an expert in planning for your future retirement needs and can help you take into consideration factors such as inflation when developing your financial security plan.

### **Did you know equities are a solid defense against the threat of inflation?**

While equities by nature are riskier than fixed income securities in the short term, avoiding them also carries risk. Even after you retire, your money is constantly being devaluated by inflation. Equities have proven to be more effective in protecting savings from inflation. That's why investing in equities for the long term is so important.

In non-registered portfolios, equities are also a sound investment option. They generate income in the form of dividends and capital gains – the most tax effective forms of income. Even if you are a conservative investor nearing retirement or retired, equities can provide an important growth component to your portfolio to help counteract the effects of inflation. Your financial security advisor can help you determine the asset mix that matches your risk tolerance and helps you meet your financial security goals.

### **Why practice for retirement?**

It is hard to envision what you will want to do if you have not tried it. Trying new activities or really living your hobbies, all year round or just during your vacation time, will help you visualize your retirement. You will be more motivated to make the changes necessary today to live the way you want tomorrow, when the time for retirement comes.

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