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RETIREMENT PLANNING

BVC Faculty Wise and Well Session
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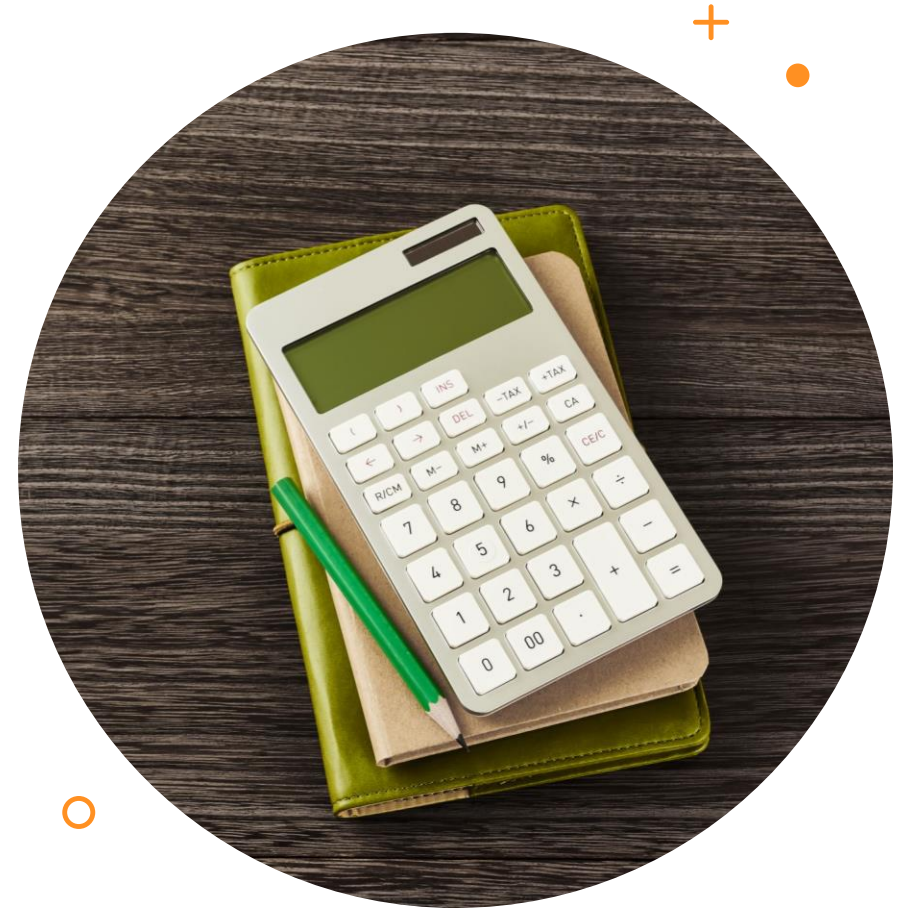
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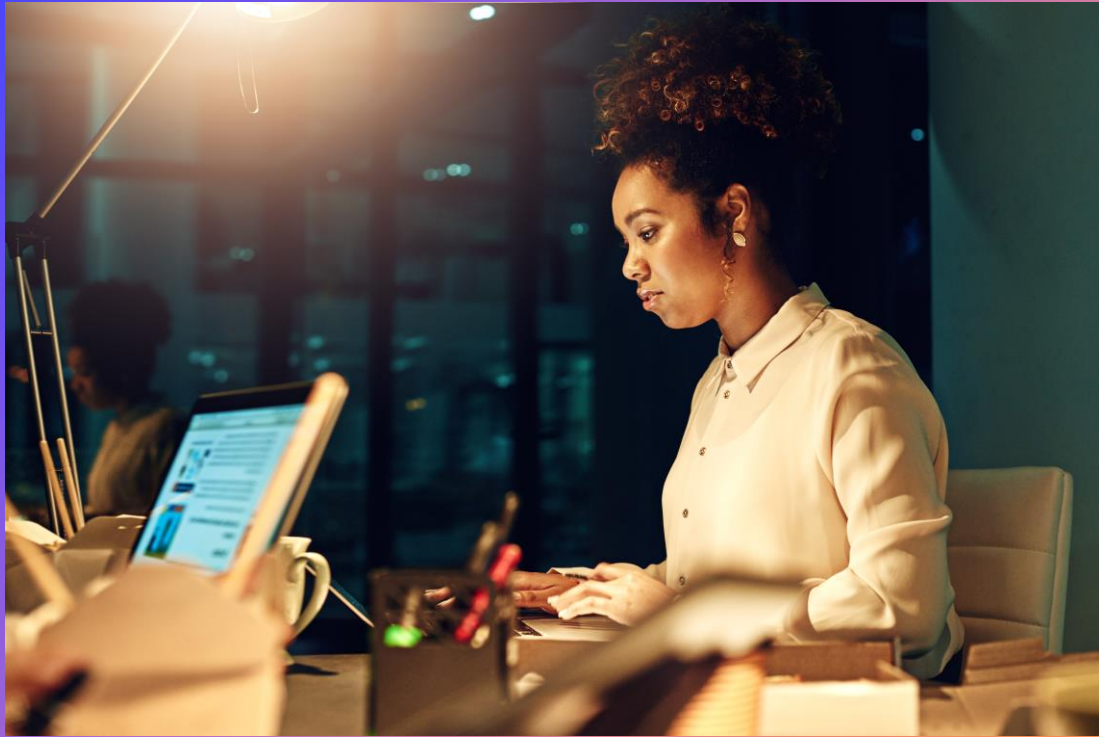
Agenda

- Understanding your needs in retirement
- Calculating how much you need to save
- Knowing how to read your pension information
- How Canada Pension Plan and Old Age Security factor in
- Options for saving – RRSPs, TFSAs, RRIFs, and all the acronyms and how to use them
- Who to talk to

How much do you need to retire?

- Two ways to look at this:
 - Work out your planned budget at retirement – easier to do when you are closer to retirement
 - Industry standard is to estimate 70% of your current salary, indexed for inflation
- If you make \$75,000/year = \$52,500 before inflation, depending on when you plan on retiring this will need to be adjusted at ~2% year
- UGH MATH!





Use an available online calculator

- [TD Retirement Calculator](#)
- [BMO Retirement Calculator](#)



CASE STUDY: Stacey - 45

- Stacy wants to retire at 65
 - She has worked at Bow Valley College as a full-time instructor and makes \$98,722 annual income
 - She has worked here for 10 years and plans to remain until retirement
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- If we take 70% of her current pre-tax income as the desired amount in retirement she will need \$69,105/year in today's dollars

Public Service Pension Plan

- It is important to understand that there is a good chance your pension plan is not going to be sufficient to cover your retirement expenses, but it is a significant contributor to your retirement budget.
- [PSPP Estimator](#)
- What happens if you leave BVC before retirement?

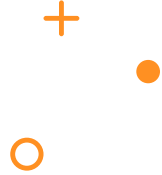
Stacey's Pension

- Assuming that Stacey has 10 years of pensionable service right now
- Plans on retiring at 45
- And expects her highest income will be \$98,722
- She will receive \$3488/month from her pension



Canada Pension Plan (CPP)

- You can start receiving CPP Benefit payments as early as the month after your 60th birthday, or as late as the month you turn 70
- Retire before age 60-65
 - Your CPP payment is reduced by 0.6% for each month you receive it before age 65. An individual who starts receiving their CPP retirement pension at the age of 60 will receive 36% less than if they had taken it at 65.
- Retire AT the age of 65
 - Retire AT the age of 65 and your first CPP payment begins the month after your 65th birthday, you will receive the full amount of your entitled CPP pension.
- Retire AFTER the age of 65 (and by age 70)
 - Your monthly payment amount will increase by 0.7% for each month after age 65 that you delay receiving it up to age 70. An individual who starts receiving their retirement pension at the age of 70 will receive 42% more than if they had taken it at 65.



Stacey's CPP Choice

- Assume that if Stacey elects to receive her CPP payments during the month that she turns 65 years old, that she will earn a benefit of \$1000/month (indexed annually for inflation).
- If she elects to start receiving CPP once she is 66 years and 7 months old, she will receive \$1133/month indexed annually for inflation.
- If she elects to start receiving when she is 62 years old she will receive \$784/month indexed annually for inflation

Old Age Security (OAS)

- Maximum OAS payments are reviewed on a quarterly basis with reference to the Consumer Price Index (CPI)

Your Situation	Max OAS Pension (monthly) as of 2021	(NET) Income must be LESS than \$129,075 to receive any OAS payment (2021)
Regardless of marital status	\$615.37	

Clawback (2021) begins when an individual makes more than \$75,910 (this amount is indexed for inflation quarterly). For every dollar you make more than \$75,910, your OAS payment is reduced by \$0.15 (15%). Once you reach net income of more than \$129,075, your OAS payment will be reduced to \$0.

OAS works as a public assistance program. If an individual makes over \$129,075, the Government deems that an individual is capable of supporting themselves during retirement without OAS assistance.



Stacey's Government Benefits

- We want to consider Stacey's Government benefits when calculating how much she has available for retirement.
- Assume Stacey will receive full OAS indexed for inflation and plans to take it at 65
- Assume Stacey will receive \$1000/month CPP indexed for inflation and plans to take it at 65





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Registered Accounts

- Act as an umbrella for the growth that happens inside of them, protecting them from taxes provided the money stays under the umbrella
- As soon as the umbrella is closed there are potential tax consequences

RRSP

- Registered Retirement Savings Plan
 - Primary purpose is to assist with saving/funding retirement
 - Secondary purpose is to save on income tax
 - In total can contribute up to 18% of earned income each year to a maximum of \$27,830
 - Contribution room accumulates if not used, but important to note that pension contributions impact limit
 - Find your limit on My CRA or Notice of Assessment
 - Can use RRSP for home purchases and education tax free (within the rules)
 - Can get an RRSP loan to top up contributions and kick start savings – will talk about this again at the end.

TFSA

- Tax Free Savings Account
- Individuals 18 years or older, with a valid social insurance number, and residing in Canada are eligible to open a TFSA and accumulate contribution room – contribution room accumulates whether you have a TFSA or not
- Contribution accumulates based on age and years considered a resident
- Money grows tax free, and no tax consequences when you withdraw
- Contribution room is restored in the calendar year following a withdrawal
- If you've never contributed and turned 18 prior to 2009, you would have total contribution room of \$75,500. The 2021 limit is \$6000

RRIF

- All RRSPs must be collapsed by December 31 of the year you turn 71, the majority collapse into RRIFs – Registered Retirement Income Funds
- Used to withdraw money accumulated as a retirement program
- Amount you must withdraw is based on the RRIF balance as of December 31st of the previous year and the account holder's age
- Continues to grow tax free, however is taxed at withdrawal and added to income

Stacey's Registered Accounts

- Let's assume that as of right now Stacey doesn't have any significant non-registered savings
- No TFSA
- \$100,000 in her RRSP



Let's Calculate

- We make the assumption that Stacey is a moderate risk investor and apply an estimated annual rate of return of 5.2%

STACEY'S RETIREMENT

Your Monthly Cash Flow in Retirement:

Shortfall: \$388.00

Cash required: \$5,759.00

Cash available: \$5,370.00

Savings: \$896.00

Income: \$4,474.00

What does this mean for you?

Your retirement goals currently exceed your expected retirement income. We can help you close this gap.

To enjoy a monthly income of \$5,759.00 when you retire, you will need to have a total of \$395,018.00 saved for retirement. Based on the information you've provided, you will need an additional \$388.00 per month at retirement.

Stacey's Shortfall

- Can Stacey make this up in time?

YES

Funds she needs in savings at 65 to make up the shortfall is \$395,018. She currently has \$100,000.

She needs to put \$287.80/month into her savings to reach this goal.



OVERWHELMED?





Competing Priorities

- Day-to-day expenses
- Education
- Retirement
- Mortgage
- Car
- Kids
- Vacations
- AHHHHHHHH

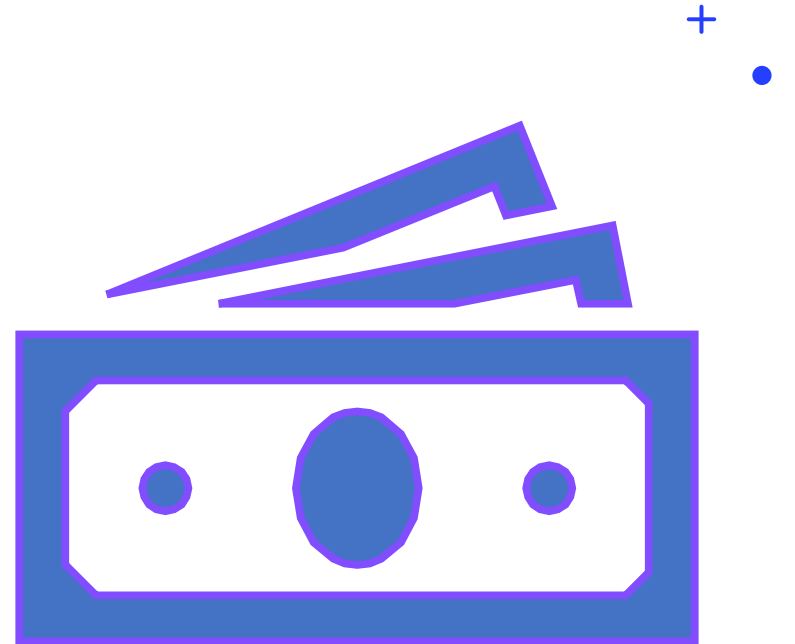
Where do you even start?

- Budget
- Net worth statement
- Money management

- RRSP loan

<https://tools.td.com/Cash-Flow-Calculator/>

<https://www.bmo.com/main/personal/financial-planning/cashflow-calculator/>



What is in a Financial Plan?

- Money management
- Debt management
- Tax planning
- Retirement planning
- Investment planning
- Insurance planning
- Family/Education planning
- Estate and legal planning

Who Do You Talk To?



Your financial institution



That is their job, to work with you to achieve your goals



Most of the time you can get a financial plan from your bank with no cost, and no obligation