

CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

How much to save for retirement



How much should someone save for retirement? Most people focus on a number: \$750,000, \$1,000,000, \$1,300,000, 70% or more of your previous earnings, working backwards from the 4% withdrawal rule to get the lump sum at retirement, and the list goes on. There are any number of shortcomings with these approaches as I have noted over the many years of research backed seminars, articles and meetings with 1000s and 1000s of consumers.

The focus is on the asset side or income side. What about the expense side?

Consider some issues with these approaches,

1. The focus is on the asset side or income side.
What about the expense side?
2. A number of these oft' touted and old rules of thumb either don't work today or don't take into account income taxes, other sources of income, the markets, or some of the statistical evidence of spending patterns of retirees.
3. Surveys ask regular people for the number. Respectfully, they have no sophisticated education and training in this area; they haven't done any retirement planning let alone any retirement income planning; and the idea of cash flow planning is something few engage in now let alone for retirement
4. The definition of retirement and when that next chapter in people's lives starts, let alone ends, is changing and evolving pretty quickly.



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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He has provided 1000s of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As an accredited Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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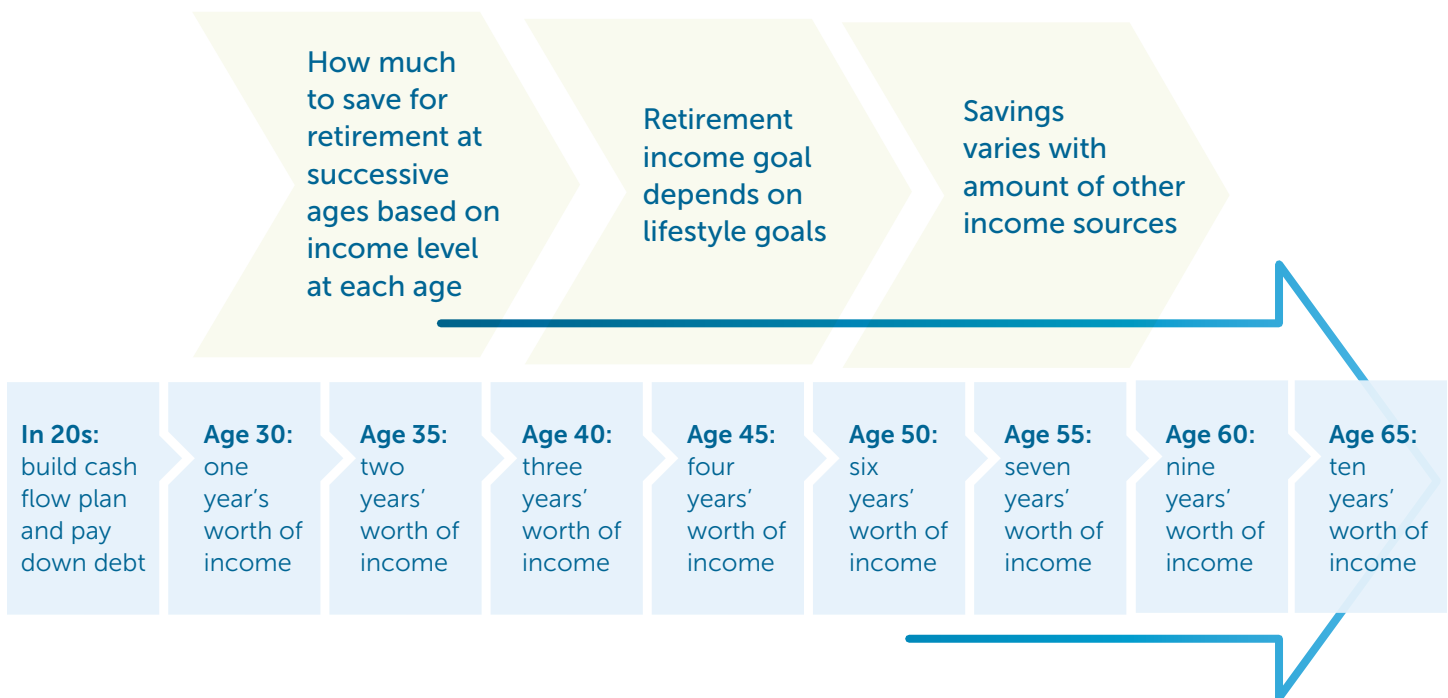
5. And finally, the goal, the number is so big and far off that most people cannot identify with it and there are no guideposts along the way that show smaller or more achievable wins, breaking up the big goal into more bite sized pieces.

A retirement income goal depends on lifestyle goals which change over time in terms of how much, how long and when they start.

Consider the following chart as a conversation starter that can lead to customized goal setting, a reference for periodic review and a visual representation of saving for the long term. As your clients get closer to their target date for financial independence and the next chapter of their lives, switch the conversation and planning to income and lifestyle planning, with the focus on after tax income flow, not accumulated assets.

Note that income in the chart below refers to a multiple of income at that specific age and is independent of other sources of income like government benefits, investment income or ongoing employment income.

Breaking down how much to save for financial independence by certain age



Sources: Planning and saving for retirement, /Govt of Canada (periodically updated; Date modified: 2024-01-17); Fidelity, How much do Canadians need to save per year for retirement? 2023; Statistics Canada, 2020-12-22 . Table 11-10-0016-01 Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security (x 1,000,000); DOI:<https://doi.org/10.25318/1110001601-eng>; Canadian Income Survey, StatsCan 2019; 2021 Canadian Retirement Survey; Consumer Expenditure Survey (BLS), Statistics of Income Tax Stat, IRS tax brackets and Social Security Benefit Calculators; How much do Canadians need to save per year for retirement? Fidelity from Viewpoints Special Report: Retirement roadmap; How much money do you need to retire in Canada? Here's what to consider. Sept 6, 2023

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