



## LIFE'S LONG—SPEND IT WELL

Are you decades away from retirement or is it just around the corner? No matter how long until then, it's important that your financial plan takes into account your spending needs during retirement. Also consider that we're living longer, which means you'll likely need increased savings.<sup>1</sup>

Drawing on your investment portfolio during retirement is one option. But there are other sources of income to help you.

### Your income building blocks

A recent report shows that many Canadians don't understand retirement income, which can affect how much you save for it.<sup>2</sup> Think of government-funded plans and your own registered savings as your "salary" replacement.

In retirement, you'll likely draw income from three main sources:

- **Government benefits like:**
  - **Old age security (OAS)** – A monthly payment available to seniors 65 and older and who meet the eligibility requirements.
  - **Canada/Quebec Pension Plan (CPP)** – Unlike OAS, you have to contribute to the plan to qualify for a CPP pension in retirement.
- **Private pensions** like a defined benefit or a defined contribution employer-sponsored plan.
- **Personal savings** including non-registered savings and registered savings like RRSPs and TFSAs.

It's always helpful to have additional income as well. "The more money you generate in retirement the less you need to withdraw from your assets," says Carissa Lucreziano, Managing Director, CIBC Financial Planning and Advice.

### Finding additional value

Beyond what's outlined above, there are other ways to generate income in retirement.

**Part-time work** keeps you engaged while providing you with extra money. It's also a great way to continue doing what you love or to try something new.

**Deferring the start of your OAS pension** may make you eligible for a higher monthly pension later. If you delay receiving your OAS pension beyond age 65, your monthly pension payment will be increased by 0.6 percent for every month you delay receiving it, up to a maximum of 36 percent at age 70.

It's important to **understand how withdrawing from registered and non-registered accounts** may impact the taxes you pay in retirement. This may help you to reduce the taxes on amounts you withdraw from each type of account.

"The amount and the types of income you draw from your retirement savings matters, and can impact your taxes. That's why it's important to work with a team of experts," says Lucreziano.



## The big question: When can I retire?

We've talked about your potential retirement income sources. But how do you determine how much to save for your retirement years? Start by asking yourself when you want to retire. If you want to retire early, you may need more savings.

The retirement lifestyle you expect also determines how much savings you'll need. "Keep in mind things come up that could affect your ability to pay expenses and maintain your desired lifestyle in retirement," Lucreziano advises. These include potential health care costs, an unforeseen disability and long-term care expenses.

"It's a balancing act when planning for your expenses in retirement. You'll want to have enough funds to enjoy a comfortable retirement, cover unanticipated costs and perhaps leave your loved ones a lasting legacy," says Lucreziano. Consider all of your expected sources of retirement funds, including government benefits, workplace pension plans, part-time work and your personal savings.

### Additional resources

Hear from CIBC tax expert Jamie Golombek on planning your retirement income

[Watch video](#)

*Planning for retirement income is complex and involves important decisions. We're always here to assist. It's also a good idea to connect with your tax and legal advisors prior to implementing your financial plan.*

<sup>1</sup> <http://ire.hec.ca/en/wp-content/uploads/sites/3/2019/05/resultats-2019-final-eng.pdf>

<sup>2</sup> <https://www150.statcan.gc.ca/n1/pub/89-645-x/2010001/life-expectancy-esperance-vie-eng.htm>

Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors.

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