

Making sure numbers add up for retirement

Ensuring that you don't outlive your retirement does require some effort

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SPECIAL TO THE STAR

We've all heard the good news/bad news about retirement. People are living longer and, with a little bit of luck, could spend more years retired than they did working.

That's the good news. But the logical flipside is just how are people going to support themselves? Are they going to run out of money and will the country's undying hordes of "Boomers" suck the social safety net dry?

It really depends who you ask. The country's big financial institutions are pretty consistently in the camp of those who warn that as a group we don't squirrel away enough for the day that we finally we hang up our keyboards. Members of the financial planning fraternity, those who deal day in and day out with peoples' money, aren't much more help: their opinions are all over the

map, ranging from sanguine to alarmist.

"It doesn't take a lot" to ensure a worry-free retirement, said Adrian Mastracci, a fee-only portfolio manager with KCM Wealth Management Inc. of Vancouver. "If you start early enough, if you start 15 or 20 years before you want to be retired, you can do a lot."

While Mastracci clearly falls into the calm camp, he said ensuring you don't outlive your retirement does require a bit of effort.

"You have to be dedicated to it, it has got to be top priority. But it's not that difficult, I have clients in their fifties who are socking a fair amount of money away, they see what the (retirement) analysis looks like.

"You can't do it strictly on investing, saving is a big part of it."

Financial advisors stress that retirees have to pay attention to the draw down rate on savings. For example, a couple who spend 10 per cent of their savings annually would completely exhaust their cash hoard in just over 11 years. By comparison, using 4 per cent of

your retirement savings each year will stretch that money out for about three decades.

Knowledge is power when it comes to retirement planning and studies show that there is not enough of it out there. A survey conducted by Sun Life Financial earlier this year found that 43 per cent of Canadians didn't know how much they need to save for retirement and concluded that nearly nine million working Canadian's "don't know how many years they'll need their retirement savings to last."

A recently released StatsCan report concluded that people tend to seek out financial information and advice the closer they get to retirement and that most of that retirement advice is sourced from the financial services industry.

One worrisome fact the federal agency came across was that "one in three near-retirees do not typically receive financial advice from any source" with this proportion far larger among groups such as lower-income households and recent immigrants.