Here’s How Much Money You Need to Retire in Canada

Description

Planning for retirement can be extremely tricky given the large number of unknowns to plan for — and the fact that things can change rather quickly, potentially affecting the plan you’ve put in place.

For many who are still working but nearing retirement, trying to figure out how much you need to save can be a daunting task.

It becomes even more complicated given that as we reach the peak of an economic and market cycle, valuations of stocks may come down over the next few years, which would impact the value of portfolios in the short term.

In addition, you need to calculate government benefits into your retirement budget, as well as various tax implications, depending on how you plan your finances.

All of these things play an important role in planning and budgeting for retirement, so here are three important tips to remember when determining your personal needs.

70% rule

The 70% rule is a popular method for an average retiree. It says that retirees should except to spend about 70% of their pre-retirement income.

This gives you a rough estimate of what you’ll want to aim to be able to earn in your retirement years. For some, their desires in retirement may require them to save more than 70%; for others, less than 70% will be sufficient. In order to get a rough estimate, you should start with the 70% rule and begin to alter your estimates from there.

Rough estimate of your budget

From 70%, you’ll have to figure out what you want to spend on in retirement: Do you want to travel the world or relax and wind down to ensure you'll have wealth to pass on to future generations?

All of these decisions will need to be made ahead of time to accurately budget your monthly and yearly expenses in retirement. After that, figure out how much in income you need each year to determine the total you need to save.

Final income calculations

When you have an idea of your monthly budget, figure out how much money you need in total in order to last through retirement and meet all of your goals.

It's important to also include government payouts such as the CPP and OAS payments you'll receive; however, depending on your income levels, which also involves RRSP withdrawals, your OAS could trigger a clawback.

It's also important to budget what you expect to earn from your investment portfolio.

If you have a portfolio of long-term stocks, such top companies as **Suncor Energy Inc** will continue to grow in value throughout retirement while also paying out passive income so highly coveted by retirees.

A stock like Suncor is a great company because it's reliable, its business is well run and its 4.6% growing dividend is extremely attractive.

It's important that when you estimate earnings power of your portfolio, you do so with a conservative bias; that way, if there are any surprises, they're more likely positive rather than negative.

Bottom line

It's important to have these goals and work hard toward reaching them; however, you also need to be flexible, as you never know what will happen.

The best advice I can give is to make sure your estimates are more on the conservative side and give yourself as much time as possible to save and invest. Most important, seek out help when you need it and take your finances to an advisor as often as required.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/28
Date Created
2020/02/23
Author
danieldacosta