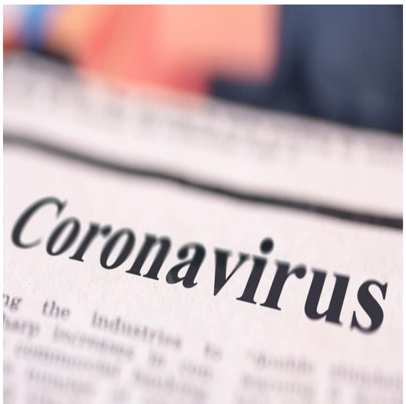


# Retirement Planning: 1 Important Change the Government Just Made That You Need to Know

## Description

The coronavirus pandemic has made retirement planning a lot more stressful and challenging. With many funds and individual investors suffering significant losses over the past several weeks, it's a little unnerving, especially for people who are close to retiring. Their portfolios look a lot worse and there may not much be much time for the markets to recover. The pandemic could last a year or more, and its effects may linger on the world's economies for even longer. That means it could take years for the markets to get back to where they were before the pandemic hit.



The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) share price was up over $75 before the pandemic was announced, and in March it plummeted to below $50. By the end of March, it rallied to around the $60 mark. But that's still a 20% drop for what's normally a very stable investment. And while it may continue to rise in price, there's also no guarantee that the worst is over for either TD or the markets as a whole.

## A big change that can help investors breathe (a little) easier

For investors who hold a Registered Retirement Savings Plan (RRSP), they don't have the ability to just keep their investments in there for as long as they like. At the age of 71, investors need to convert an RRSP into either a registered annuity or a Registered Retirement Income Fund (RRIF). The latter is the more common option, and it has minimum withdrawals that investors need to make every year. In March, the government made a change in light of COVID-19 and the market's wild volatility. Investors will now be able to withdraw 25% less than they were required to before.

While RRIFs will still require some sort of withdrawal, the change will allow investors to keep more money in their portfolios. And by limiting how much gets withdrawn from their RRIFs, investors can continue to wait for the markets to recover and for their investments to recoup their losses. Now would be a horrible time to sell, right after many stocks have shaved off years' worth of earnings. And the longer the pandemic lasts, the government may make further changes. Investors would prefer to suspend withdrawals entirely. The government hasn't gone that far just yet, but that would be a more ideal situation for retirees.

## What does this mean for investors?

If you've got a blue-chip stock like TD in your portfolio, you should continue to hang on to it. TD is a great example of a stock that will recover, it's only a matter of when. It just needs the economy to strengthen and get back to where it was before the pandemic. It was undervalued even before the market crash and I wouldn't be surprised if it were to not only to reach $75 again but to soar even higher.

The biggest obstacle for investors right now is time. If you don't have time or the ability to hang on to your investments, you may end up having to sell at depressed prices.

Ideally, in a situation like this, you want to wait as long as possible before selling your shares. The change made by the government has helped, but it still needs to go a lot further.

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