



Retire in 2022? Here's Why Next Year Might Be the Worst Year to Retire

Description

We're all feeling a tad bit tired from the last two years, right? Between three or four (or five) waves of COVID-19 to a battered economy and a short supply chain, many, especially essential workers, are feeling overworked and burned out. And for those near retirement, 2022 might seem like the best year to punch the clock for the last time.

Or is it? Unless you absolutely must retire in 2022, I would reconsider waiting another year. Here's why.

Inflation is still high

Perhaps the number one reason to reconsider retirement is high inflation.

For the seventh month in a row, inflation has stayed above the Bank of Canada's 1-3% targeted rate. High inflation, fueled by short supply chains, has made cost of living expenses skyrocket. Everything from meat to cheese to gas is significantly more expensive, making it more difficult to budget out our everyday costs.

The Bank of Canada thinks it will bring inflation rates down in the middle of 2022. While that might be true, many everyday costs could still hover above pre-pandemic levels. With higher prices, you could deplete your retirement savings quicker, which might put you in a tight spot later on.

At the very least, I would wait to retire until we see a downward trend in inflation. When inflation goes back to the 1-3% range in 2022, then everyday expenses will start to become more affordable.

The pandemic isn't officially over

We've come a long way since last year. But the pandemic isn't over just yet.

Just look at the Yukon, for instance. Or look across the Atlantic to Austria, Germany, Poland, and other

European nations facing outbreaks. Despite more vaccinations, the coronavirus is still finding ways to outsmart us.

What that could mean for you is more limitations on what you can do in retirement. If, for instance, you'd like to travel in early retirement, then you might be facing restrictions on which countries you can visit. Likewise, it might not be safe to travel, as you might expose yourself to the virus.

But mobility isn't your only concern. With the pandemic still very much in the foreground, your investment portfolio could be undesirably volatile. If your retirement accounts sink in value, you may retire with less savings than you feel comfortable having. For that reason alone, you might want to sit tight and see how 2022 plays out before you decide to quit working.

Should you retire in 2022?

As eager as you may be to retire, it might be better to wait until 2023 before you retire. Of course, if you have a solid [retirement plan](#), and you're certain you can outlive your savings, you could navigate the challenges above. But if you're among the 32% of Canadians who are nearing retirement without any savings, you should probably rethink your retirement strategy before you clock out for the last time.

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