



88% of Canadians Don't Have a Detailed Retirement Plan: But Do They Really Need One?

Description

If you want to be the master of your money, you have to accept one fact: the best personal finance wisdom is often the most boring to practice, such as budgeting, delayed gratification, and investing in stocks for the long term. If you want to build wealth, don't expect it to be thrilling.

Along these lines, perhaps the most boring part of managing your own money is planning out your retirement. Forget the melatonin and sleep aids; just buy the latest guide to retirement planning, and you'll likely have enough snooze material to last you until you *actually* retire.

So, it's no surprise that around 88% of Canadians don't have a detailed or written retirement plan, according to a poll conducted by **CIBC**. That could be why only 43% feel as if they're saving enough for retirement, or why 48% said they weren't confident in their plans.

With nearly nine out of 10 Canadians lacking a detailed plan, you might be wondering if you even need one, too. Short answer: yes. The wisest thing you can do as a non-retiree is maintain a detailed [retirement plan](#), no matter how boring it may seem. Here's why.

Why you need a retirement plan

The best reason to plan for your retirement is to build a nest egg that will outlive you. Far too many Canadians underestimate how much money they'll need in retirement. They mistakenly believe a pension plan or Old Age Security will sufficiently cover expenses when they're no longer working. And far too often, these Canadians reach retirement and realize just how much money they really need.

Most experts agree you'll need to replace around 70-80% of your salary to live your current lifestyle in retirement. Your pensions will only cover a small portion of that. Depending on when you want to retire, you'll likely need around \$1.6 million in order to retire at the traditional retirement age. To hit that number, you'll have to save aggressively, invest wisely, and, yes, plan effectively.

Running out of money is one reason to plan, but so is the possibility of running out of time. When you

make a retirement plan, you decide how much you need to save per year to hit your retirement goals. That could help you make career decisions, too, such as switching your profession in your middle years, especially if it means making more money over the long run.

To be fair, many Canadians have reached retirement without making a detailed plan. But you'll likely enjoy retirement more if you plan for expenses, rather than reaching retirement and realizing you don't have enough saved to live the way you want.

How to start planning for retirement

The reason we don't plan for retirement isn't just lack of interest or excitement. Oftentimes, retirement planning can seem so complex, people just avoid it altogether. For some people it's difficult enough keeping a budget for the month. How could anyone expect them to make plans for something that's likely 20 years in the future?

A good place to start is to ask yourself *when* you want to retire. Do you plan to work until you're 65? Do you want to retire earlier later? Having a target age gives your retirement plan guardrails, and it can help you calculate how much you might need to start saving now.

Once you have a target retirement age, then you can set a savings goal. Again, many experts agree that you'll need around 70-80% of your pre-retirement salary for each year of retirement. I'd go even further: if you can, try to have at least 85-90% of your current salary. If you're making \$100,000 a year, you'll want to have \$85,000-\$90,000 saved for each year that you retire. And if you plan to retire at 65, that means you'll want at least 20 years of retirement savings, or \$1.7-\$1.8 million.

How could you possibly save that much? Well, you can't. To reach a million-dollar nest egg, you'll need to invest your savings in growth stocks, value stocks, or other high-quality investments. This will help your nest egg outpace inflation, as well as double, triple, or hopefully quadruple its value over time.

This numbers can feel intimidating. And that's exactly why a detailed plan is needed. When you look at \$1.7 million, your heart might start beating. You might even feel incredulous, saying to yourself, "I'll never need *that* much." Only when you retire do you realize you might need *even more*. A retirement plan takes this massive number and breaks it into steps that you take over your lifetime. Call them baby steps, but they help you approach a massive goal like saving for retirement.

If retirement planning still feels elusive, you can always seek help from a certified financial planner. These financial experts can help you make retirement plans, hit savings goals, and possibly even help you manage your investments.

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