

# Thumbs-Up Retirement Planning

[ By JEFF SWANSON, CFP, CLU, BBA, RHU ]



planner will be able to show you how different changes to your existing plan will affect your ability to reach your goal (i.e. retiring earlier/later, investing more/less, generating a higher/lower return on your investments).

In my experience, this is the most empowering financial exercise you will ever do. When this important exercise is complete, you will know exactly where you are today, where you need to get to, and exactly what you need to do to reach your goal.

The number one reason people fail to retire comfortably is that they never make a plan, or wait until it is too late. You can never know exactly what your retirement will look like, so start to plan *today*, regardless of your age. Take these important steps and you'll be well on your way to being worry-free about the retirement rules of thumb—and you'll also feel an enormous weight begin to come off your shoulders! 🍷

**Q:** Like everyone, I am concerned about retirement. What is the rule of thumb for how much I need to save?

**A:** *Rule of thumb* is said to derive from the old belief that English law allowed a man to beat his wife with a stick, so long as the stick was no thicker than his thumb. Sounds ridiculous, right? So is using a rule of thumb to plan your retirement!

I do a lot of retirement planning, and everybody's retirement is unique and based on several different variables. Instead of using a rule of thumb, follow these proven steps:

**Step 1: COMPLETE A RETIREMENT EXPENSE WORKSHEET**, estimating all of your expenses during retirement, and be sure to separate them as either essential expenses (food, housing, etc.) or discretionary expenses (travel, entertainment). This separation of spending categories is very important.

**Step 2: DETERMINE YOUR DESIRED RETIREMENT AGE.** I know you are going to say, "I want to retire tomorrow," or "I don't think I will have enough money to retire when I want to." That's the whole point of this exercise. You will be able to determine if the goal is realistic and what changes need to be made to reach that goal.

**Step 3: MAKE A LIST OF YOUR CURRENT INVESTMENTS FROM WHICH YOU PLAN TO DRAW INCOME DURING RETIREMENT.** This can include RRSP's, a pension, a property you will sell down the road, or even a planned lottery win, should you choose to be that optimistic! Also list how much money you are currently saving or investing on an annual basis.

**Step 4: UTILIZE YOUR FINANCIAL PLANNER** (or find a good one!) to take the time to properly calculate how close you are to your retirement goal. A good financial

