# MONEY MATTERS

# Navigating the phases of retirement planning

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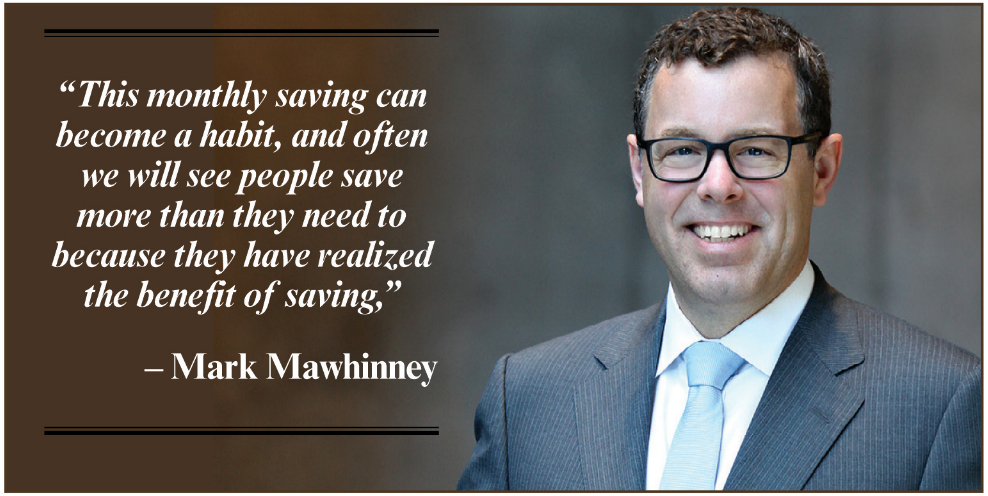
It's never too early to start planning for retirement. Those who want to create a comfortable lifestyle after leaving work can begin to plan at any age – and from any financial situation. A satisfying and individualized retirement involves lifelong planning, which Mark Mawhinney, a local investment advisor with Odlum Brown, tends to approach in two phases.

"The first phase is from today through to the age at which a client would like to retire," he said. "And then phase two is from that retirement age onward."

Planning in two phases allows workers to consider the steps they need to take currently and down the road. One of the most important steps a younger person can make is simply saving: putting aside a portion of their pay cheque toward retirement. Compound interest can make all the difference in saving, and the sooner someone begins, the more interest they will accumulate. For parents, that can even mean getting their children started. Weekly or monthly allowances present an opportunity to show children how to divide their spending money from their savings.

"This monthly saving can become a habit, and often we will see people save more than they need to because they have realized the benefit of saving," Mawhinney said.




Later in life, investments and returns become more important when planning for retirement. Thorough thought should be put into what kind of quality of life is desired during retirement, and what retirement might include – such as trips, purchasing holiday homes, providing gifts to family and friends, and making charitable donations. Mapping out what that ideal life looks like informs how much money must be accrued through savings and investment returns at the age of retirement.

Mawhinney added that possible market corrections and tax matters must be taken into account when investing. Financial projections are a way to determine those numbers. When it comes to investing, some can handle risk, while others cannot. There are low-risk and high-risk ways options for everyone.

"Risk is a really important thing and there's a science to it, but there's also an art to it, which is how you feel," said Mawhinney. "I intentionally use the word "feel" because financials and investments are a highly emotional thing."

People beginning to think about retirement should consider, more than anything, how much risk they're comfortable taking on, he added.

In addition to determining when best to invest, savers should also consider when best to withdraw their money from RRSPs and TFSAs to maintain the most tax-advantageous experience. Those working the public sector often have the bulk of their retirement savings in retirement plans, while independent professionals and businesspeople need to remain more considerate of their RRSPs, TFSAs, and RRIFs when they turn 71.

Above all else, it's important that those planning for retirement consider what sort of a lifestyle they hope to fulfill, and begin planning for that lifestyle as soon as possible.