



Retiring as a Consultant: It's All About Guaranteed Income



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THERE ARE ONLY TWO WAYS TO CREATE INCOME: you work to earn your money or you have your money work for you! If you plan and invest wisely, your money will work for you throughout your retirement.

First, picture your retirement. Visualize where you will be living. Will you stay in your current home or will you downsize? Perhaps a vacation property is in your future? Planning on travel? What about your hobbies or hobbies you want to start? Will you be involved in the community as a volunteer? Are you hoping to leave an estate to family or a favourite charity? Will you need your income payments to be flexible?

Now that you have a picture of your retirement, you can plan how you get there. As a forestry consultant, this can be particularly difficult as you don't have a guaranteed salary. The forestry sector is cyclical and it's seasonal. There will likely be times when your income is very low. Also, you don't have a company pension plan you can pay into which are often matched by employers.

There is no set rule, however it has been our experience over the last 30 years that those without a pension plan should invest 18% of gross income to start on a path to successful retirement. Keep in mind that it is important to work with percentages as opposed to fixed dollar amounts. This will provide you flexibility as your income fluctuates up and down throughout cycles and seasons.

We are living longer; many of us may well be enjoying our retirement longer than our working careers. To ensure a guaranteed income for life, which will adjust for inflation,

it's suggested that we accumulate \$20 for every \$1 of retirement income we require.

Here's an example. We have done some planning and determined that we will require a gross annual retirement income of \$65,000. We have contributed to the Canada Pension Plan (CPP) and expect a retirement benefit of \$10,000 each year. As well, we will be entitled to an Old Age Security Income (OAS) of \$6,000 leaving a shortfall of \$49,000. That would require you to put aside \$980,000 (\$49,000 x \$20.) by retirement. Substitute these numbers with your numbers and see what your picture is starting to look like.

Now you have the magic number, what is the next step? Where do you invest this money? Where is the best place to allow your savings to work for you? There are a number of options available: Registered Retirement Savings Plan (RRSP), Tax Free Savings Account (TFSA), Guaranteed Investment Certificates (GIC), Mutual Funds, Segregated Funds, Guaranteed Investment Funds, a stock portfolio or perhaps real estate to name a few.

The first step is to build your RRSP savings. These are tax deductible contributions, up to a limit, that grow tax deferred until it is time to withdraw the money. The TFSA allows you to put money aside annually and returns will never be subject to tax. The marketplace offers many choices from higher risk equities to low risk GICs and everything in between.

Making investment choices in today's marketplace is not easy. Stick to these simple rules:

- Seek out financial advice,
- Review the investment options; and,
- Have access to ongoing service.

At our office we call that the Power of Three. Most importantly, make sure the investments that you make pass the SWAN test. Will your choice allow you to Sleep Well At Night!

At this point you may be considering seeking the advice of a financial planner who is licensed in your province. If you already have an advisor, don't hesitate to ask all your questions, tell them what you want your retirement to look like. Are you confident that your current advisor, broker or bank is providing you with the best advice? It is often prudent to get a second opinion. A second opinion never hurts.

What if you find jargon going over your head or product explanations too complicated to follow? Consider basing your decision on relationships, either through recommendations or your own good judgment. Attend free seminars and if you are unsure, attend more than one. Don't judge your attendance based solely on the speaker. Very often you will learn as much from fellow attendees. Also, don't go alone. Better to have someone you can share ideas with. Focus on a topic. The government complicates retirement issues; find someone who can simplify them!

Planning your retirement is not a one day event. The tools in this article should help you get on your way to a solid retirement income plan as a consultant. Take each step and work through it. Retirement should not be a surprise. You will retire and retire with confidence. 🍀

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