

Boosting Retirement Savings

By Gail Vaz-Oxlade

It's not unusual for people who are approaching retirement age to assess how they're doing financially and then PANIC! It's easy to get depressed when you look at the forecasts for what you'll need to live comfortably. Advisors have rules of thumbs which sound perfectly reasonable — you'll need approximately 70% of your income prior to retirement — but which seem completely unachievable when you take your current income and savings into account. The magical “million” which is often tossed around may seem ludicrously huge if, like most Canadians, you've lived most of your life working hard to make ends meet.

Approaching retirement without much of a nest egg? You can still have the retirement you've dreamed of if you're prepared to take some steps now. If you want to take control of your future, if you want to set the tone for how you live the rest of your life, and if you want to have more money set aside, you can. Here's how.

Start by making a commitment to put more aside. Yep, that's the sound of your belt tightening. Reign in your spending and allocate every extra dollar you can to your savings program. That'll mean putting your spending plan under a microscope to see where you can cut costs — a little here and a little there.

Boosting your earnings is another step to maximizing your retirement nest egg. The choice of one investment type (and its higher return) over another can make a significant contribution to the final pot. While two percent may not sound like much, over time that two percent can have a tremendous impact on the growth of your savings. Just two percent more in return over thirty years can earn your return an extra 78 percent in return. “Thirty years, who has thirty years?” you smirk. You do. If you're the average Joe, your retirement is likely to last anywhere from 15 to 30 years, so you can still put the magic of long-term compounding to work for your portfolio.

Another option is to delay your retirement. I know, I know, you've had enough and you want out. That's all very well if you've been setting aside the required ten percent each year since you first went to work. Oh, you haven't? Well, then, the later you go quietly into the sunset, the more time you have to save and the more time your moolah has to grow. And if you plan to work even part time during retirement, you'll stretch your retirement savings even further. Think about it a minute. Do you have an interest or hobby that you could turn into a money maker? Wouldn't you rather put your skills to work — albeit at your chosen pace and in a more relaxed environment — than sit twiddling your thumbs on the porch anyway?

Don't forget your equity. Home equity is one of the richest sources of retirement income available for many Canadians. So whether you decide to sell and rent, move to a less expensive community, or use a reverse mortgage, your home equity should be part of your retirement income calculation.

That goes for your investment principal too. If this sounds obvious, bear with me. You wouldn't believe the people I've met who wouldn't dream of dipping into their principal because a) they're afraid they'll outlive their money, and/or b) they want to leave an estate for their children.

In the first instance, a trip to your local financial institution will help to put your mind at ease. Their nifty retirement calculators can show you just how long your principal will last so you can make an informed decision instead of allowing fear and dread to decide for you.

In the second instance, it's very nice that you want to leave something for your children. If you

were my mother or father, I'd be very grateful. But I'd also be ticked if you did so while scrimping and scraping to get by without touching the capital.

Having watched you work hard to help them get started in life, and having counted on you to be there whenever they scratched their knees, at six or at thirty-six, your children now expect you to live the life you deserve. If that means spending the principal, take it from me, you have their blessing.

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About Gail Vaz-Oxlade

Gail Vaz-Oxlade has written ten books on personal finance, written hundreds of articles for the financial media, published a financial magazine for women (FinancialXPress), hosted and co-produced a prime-time personal financial television show (Your Money on TVO), and worked with Canada's leading financial services companies educate employees and clients.