PLANNING FOR
# Retirement

SEVENTH-DAY ADVENTIST CHURCH

April 2009

## Planning For A *Healthy* Retirement

Just as you should invest in your financial nest egg, you should also invest in your health to ensure a secure retirement. In this issue of Planning for Retirement, we'd like to address both your financial and physical health. Retiring *healthy* is the best way to get the most out of your retirement years and this newsletter aims to help you do just that!

When you and your family adopt healthy lifestyles and take care of your finances for retirement, it's good for you. And it's good for the Church, too — healthy employees are the power behind the Church's work.

### Saving For Your Health?

When most people plan for retirement, they focus on their retirement savings in terms of daily expenses, hobbies, travel or leisure. But focusing on individual and family health is equally important. Out-of-pocket costs for disease and illness can eat away at your carefully saved retirement funds. And, remember, your retirement may last decades. Health and wellness planning should play a vital role in your retirement planning.

Planning ahead for future, potential illnesses can seem a little depressing, but may help ensure you get the best out of your retirement years. When planning, consider how your health may change over the years and how those changes will affect your lifestyle and your finances. You might consider saving funds for the following:

- You may need to live in a seniors' home, rather than your own home.
- You may face a critical illness and need palliative care.
- You may need to renovate your home to include wheelchair access, or other long-term care updates.
- You may need to pay membership dues for clubs or associations to ensure you remain physically and mentally active.

### The Right Attitude

*Expect the best, plan for the worst,* might be the best advice. No one wants to think of their retirement years in terms of failing health, but to plan well, you must consider several possibilities. A healthy mental attitude and staying engaged with life is fundamental to preserving wellness, but you must plan ahead to make sure that you have both the financial and physical health to fully enjoy your life after work. Plan to enjoy every moment of your retirement!

Experienced financial advisers can play a key role in helping you fully prepare for retirement. They can shed light on what your potential needs might be in retirement, and help you develop a sensible, effective savings strategy.

### Tips to Get Healthy Now!

Start living healthy now and avoid the costs of managing poor health in the future. Here are three great ways to get started:

- Lose weight. Being overweight is linked with diabetes, cardiovascular disease, cancer and other dangerous diseases.
- Eat healthy foods. Eating a balanced diet keeps your heart and body healthy, and prevents many long-term illnesses.
- Start exercising. Even moderate activity, such as walking for 30 minutes a day, can improve your health, decrease your weight and protect against disease.

Incorporate the activities you love — gardening, walking, swimming, golf — into your daily routine. You'll thank yourself for it!

## How Much Will You Need at Retirement?

Generally, post-retirement income needs to be between 60% and 80% of your pre-retirement income. This estimate is based on the idea that you will have fewer expenses at retirement. However, how much you need at retirement depends on what your retirement plans are.

It's always best to periodically review your financial situation with a financial advisor to ensure that your retirement savings plans will accommodate your retirement *living* plans!

## Backwards Budgeting

Few people prepare a monthly expenses budget. It's time-consuming, and rarely resembles your actual spending at the end of the month. There is a simple alternative: backwards budgeting.

Check your credit card and bank statements at month's end to see exactly how you spend your money. You'll be able to clearly see how much you spent, and where you spent it. Essentially, it is a monthly budget in reverse. Once you see where your money goes, it will be easier to see where you can stop spending and start saving.

# The New Tax Free Savings Account

There's a new way to save and it's called a Tax Free Savings Account (TFSA). Designed to encourage savings for any purpose, TFSAs have the flexibility to support many different savings objectives.

Available since January 1, 2009, you can contribute up to $5,000 a year of after-tax dollars to a TFSA. Your subsequent earnings or withdrawals are not taxed. Contribution room is restored when you make withdrawals, and any left-over contribution room can be carried forward.

## Is a TFSA Right For You?

Depending on your income and savings goals, a TFSA may or may not be the appropriate choice for your savings strategy.

If you earn between $20,000 and $80,000 and choose to save only in a TFSA, the applicable contribution limit may prevent you from saving enough money to replace 60% to 80% of your pre-retirement income. In this case, a TFSA could be used in combination with an RRSP to help you reach your savings goals. A TFSA would allow you to save and also have access to your funds with no tax implications.

If you earn less than $20,000, a TFSA might be the right vehicle for your savings. TFSA withdrawals at retirement do not count as income and therefore do not affect the Guaranteed Income Supplement (GIS) you could receive. A TFSA will allow you to supplement your expected retirement income from the Canada/Quebec Pension Plan (Q/CPP), Old Age Security (OAS) and GIS.

## Alternative Uses of TFSAs

Since you have immediate access to your saved TFSA funds, you may want to use your TFSA as a non-retirement savings vehicle. Use your TFSA to save for larger purchases, such as a home, vehicle, vacation or just for a rainy day. TFSAs can also help if you want to:

- Be eligible for income-based retirement government benefits because TFSAs do not count as income
- Participate in a registered plan, but are over 71 (the age you must turn your registered savings into pension payments)
- Save for future uninsured, post-retirement health care costs to avoid out-of-pocket expenses
- Continue saving but have maxed out your contribution limits for your RRSP

TFSAs can also provide tax planning opportunities and options for estate planning. As always, please consult a financial advisor to better understand what savings strategies are appropriate for you.

# Where Does All Your Money Go?

It's never easy to save for your future financial security. It's a lot easier to spend now, and that's what most of us do — a bottle of juice here, a magazine there. But even just small, everyday expenditures can add up to a whole lot of money not saved. For example, picking up a copy of your local newspaper every day can cost you hundreds of dollars each year. Let's assume the average cost of a daily newspaper is $1.15:

$1.15 /day x 365 days = **$419.75**

If you viewed your local paper online instead, each year you could put that $419.75 into a savings account or investment that earns 5% a year. Over five years, it would amount to $2,300. With compound interest, by the end of 30 years, you could have saved $28,000.

## What is compound interest?

With compound interest, you earn interest on the money you save and also on the interest that money earns (think of it as earning interest on interest). Interest payments grow over time because the amounts the interest payments are calculated on have grown, as well.

Over time, even saving a small amount, just a $1.15 a day, can make a big impact on your retirement savings. Here are some more money-saving tips:

- Put $.50 a day into a piggy bank — save $15 per month or $180 per year
- Buy one less bottle of water a week — save $6 per month or $72 per year
- Brown-bag your lunch once a week — save $60 per month or $720 per year
- Borrow, instead of buy, one book a month — save $15 per month or $180 per year

Imagine — if you did all of the suggestions above, you'd save $1,152 a year! At 5% interest, your savings would grow to $6,300 in five years, and $77,000 in 30 years!

# Tell Us What You Think!

If you have any questions, comments or suggestions, please don't hesitate to contact us. We appreciate your feedback!

## Future Issues

Be sure to let us know if there's a topic you'd like us to cover and we'll try our best to include your suggestions in future issues.

## Whom to Call

If you need further clarification, have questions, or would like to give feedback, please contact the Retirement Department at **905-433-0011** or write to **retirement@sdacc.org**.