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## Fuzzy Retirement Goals

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Retirement funding is a complex machine, with several moving parts. For many Canadians employer pensions and government benefits will make up the core of their retirement income.

A recent RBC survey found 54% of Canadians expect their pension will be the largest source of income, but when asked what kind of pension they have, 19% do not know.

Personal savings, whether in the form of an RRSP or non-registered savings, help pad out the post-career lifestyle, but only 18% of Canadians said personal investments would be their largest single source of income.

When asked about supplementary income sources, 26% said they would take part-time or occasional work, and 30% of respondents between the ages of 35 and 54 said they expected to work in retirement. Personal investments were cited as a supplementary income source by 24%.

'It's important for Canadians to understand and be aware of all available retirement income sources in order to make informed decisions about financing their retirement,' said Lee Anne Davies, head of retirement strategies, RBC Royal Bank. 'Having a financial plan ensures you are not relying too much on any particular source of income and are aware of all of your options.'

The majority of poll respondents (68%) are planning to retire only when they feel they have saved enough for a comfortable retirement, rather than setting an arbitrary target date.

The advantage of having established a financial goal is that it allows investors to gauge whether they are on track to reach that goal. Sadly, 53% of those who have a goal feel they are 'somewhat short or nowhere close' to where they believe they should be at this point in their journey toward retirement.

Chalk that up to the market meltdown of fall 2008, because in 2007 only 36% thought they were falling behind on their plan.

But are their goals realistic? Are Canadians aiming too low, or too high?

On average, those working toward retirement felt they needed \$660,000 in personal savings to fund a comfortable retirement, down significantly from \$900,000 in 2007.

Those already retired said they did not need anywhere near either amount. In this year's survey, the average retiree reported a goal of \$270,000. Again, that was lower than the \$450,000 reported in the 2007 poll.

Perhaps the most marked collapse in retirement goals was seen when the data was broken down by gender. Women had an average goal of \$419,000 in the latest survey, down 24.6% from the average goal of \$556,000 in 2007. Men cut their goals even more, though, from \$922,000 in 2007 to just \$555,000 in 2010 & a decline of 39.8%.

'Clearly the recent economic turmoil has had an especially sobering effect on men's savings objectives,' said Davies. 'Whereas women tend to be more long-term focused, which explains why their retirement savings goals have been less affected by short-term changes in the market.'

Regardless of how the goals have changed since 2007, the solution for retirement planning is simple, according to Aon Consulting: Canadians need to consult a professional planner.

'Not only should people seek advice to determine their risk tolerance and on how to invest their contributions, but more importantly, on how much they need to contribute today to be on-track with reaching their retirement goals tomorrow,' says Tony Ioanna, vice-president, retirement and pensions, Aon Consulting.

He suggests workers look at their current savings and calculate how long they could live on an income based on that amount. If the answer is 'not long' they should start saving more, immediately.

'It's interesting most people have no idea of how much income they will have at retirement, and yet continue to dream about how much they would like to have!' says Ioanna. 'People make annual RRSP contributions in order to get the tax break and many, unfortunately, put as much thought into the decision as those who must pay their minimum monthly credit card payment.'

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## **Do you need help with your Retirement Strategy?**

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