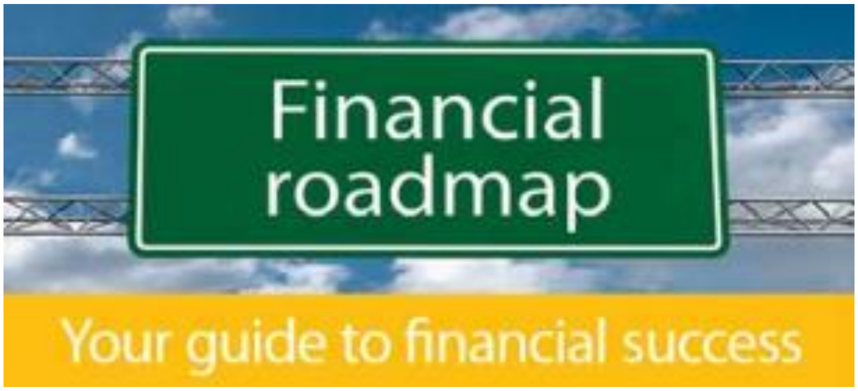

March 2016

Set Your Retirement Income Goal

Planning for your retirement is like any other project you take on in life – if you don't give yourself a deadline you may never get around to it. And remember that it is never too early or too late to start planning for your retirement. You just need to roll up your sleeves and get to work. We will help you along the way by giving you tips and a fillable worksheet.

Get Started

We all want the peace of mind of knowing that we will have a comfortable income when we retire. However, many of us don't spend the time to think about retirement. Some of the barriers are:

- Inertia or procrastination – It's not that we don't want to prepare for our retirement years; we just can't get around to it.
- Bias in the Present – The dollar we have in our pocket today is more valuable to us than what the dollar may grow into 20 years from now.
- Too complex – There are so many choices out there; banks offering investments, employers providing retirement savings plans, financial planners and well-meaning relatives expending advice. Planning for retirement may seem complex and thus we are paralyzed into inaction.

But let's take it one step at a time. The first step is defining our retirement income goal. Once an income target is identified, then our financial future becomes more tangible; we will be more engaged, and we can unravel the complexity and turn it into action.

Set an Income Goal

How much money you need in retirement is a personal decision as it relates to the life style you wish to maintain in retirement.

In retirement, some expenses such as CPP, EI and union dues contributions will disappear, while others may increase or decrease depending on your personal circumstances. On average, it is reasonable to expect that in retirement, a lower income may meet one's needs. However, as the needs vary between individuals, a good place to start is to assess your current living expenses and give some thought to how they may change in retirement.

How much money you need in retirement is a personal decision as it relates to the lifestyle you wish to maintain in retirement.

Step 1—Create a Personal Budget

Categorize your current annual expenses into the following:

(i) Housing (principal and secondary)

Itemize all your current expenses, such as mortgage payments, rent, taxes, heat and electricity, insurance, cable, internet, phone, maintenance.

(ii) Transportation Expenses

List all expenses related to commute to and from work; car expenses; car insurance, public transportation costs.

(iii) Living Expenses

This category includes all your living expenses such as food; clothing, personal care; health care costs.

(iv) Personal expenses

Any typical expense not included in one of the other categories should be included here; such as entertainment costs, vacation, education, etc.

(v) Income Tax and Benefits Expenses

This category includes all of your income taxes and statutory payroll taxes such as CPP and EI contributions, or union dues.

(vi) Savings and Financial Security Expenses

In this category include your contributions to RRSPs, TFSAs, non-registered savings, life, disability insurance, health benefit and UVic retirement arrangements.

Once you are done, remember that your total expenses must add up to your gross income.

Step 2—Create a Retirement Budget

After you have identified all your current annual expenses, look at them in a slightly different way to help you estimate how those expenses will change after retirement.

You can now remove your statutory deductions as you will no longer have those expenses. You can also allow for lower income taxes.

Divide your other expenses into the following three categories to make it easier for you to know where the trade-offs, if any, need to be.

Necessities	**Comforts**	**Luxuries**
Expenses included in this category are those that are necessary to meet your and your family's basic needs.	Expenses under this category are not necessary but they enhance your basic needs.	Expenses categorized as luxuries are those that provide you with enhanced comforts. Generally, they fulfill our wildest dreams and ideas.
Analogy: Bread	Analogy: Butter	Analogy: Caviar

Doing a budget now and in anticipation of retirement will give you a clearer picture of your family's overall expenses now and how these expenses may change in retirement.

In Retirement

Your expenses in retirement will change over time as you age. It is reasonable to expect that some expenses like health care costs will increase as you get older, while others such as entertainment and travel expenses may decline.

While preparing a budget in anticipation of retirement will help you set a retirement income target; monitoring and adjusting your budget regularly throughout your retirement years will assist you in making the trade-offs needed to maintain your standard of living as you get older.

Considerations

The following provides you with a list of considerations before and after retirement.

1. List all of your current expenses before retirement and give thought to how they may change in retirement.
2. Once you have set your retirement income goal, look at your expected income from the following three sources:
   (a) Government plans such as CPP and OAS;
   (b) UVic and predecessor employers' pension arrangements and;
   (c) Personal savings such as RRSPs, RRIFs, TFSAs or non-registered savings
3. Close any gap between your income target and your retirement savings by saving more or delaying your retirement. .
4. If you decide that you need health care coverage over and beyond what the province provides; look at the different products available in the market and compare with what is provided through the insurers which work with UVic. Once you retire, you have the option to convert your group policy to an individual policy. However, this is an individual contract between you and the insurer and the University is not a party to it.
5. If you decide that you need life insurance in retirement to cover your survivor's living expenses, purchase it sooner rather than later, as the cost of insurance increases with age and depends on your health status.
6. In managing your assets, consider a diversified approach where you invest in a portfolio of bonds and stocks. Diversification reduces the overall volatility of your investments and provides a cushion against inflation.
7. Set your standard of living, as measured by your budget, at a level that you can sustain throughout your life. Any savings in the early years of retirement may be used as a reserve for later years, or as a cushion against the unexpected.

Now, set to work and complete the worksheet provided!