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## Let's Get Real About Retirement

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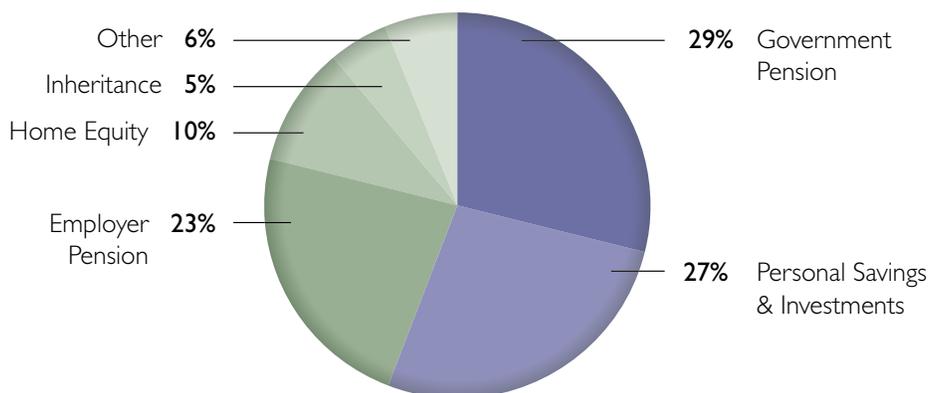
Like our parents before us, we work most of our lives to get to retirement – that much-anticipated state when we can truly be master of our days.

But unlike our parents, we cannot expect to simply fund our retirement with government programs such as the Canada Pension Plan (CPP) and Old Age Security (OAS), combined with whatever savings and investments we managed to build over time. Yet this is what how many Canadians are planning for retirement.

According to an Ipsos Reid Poll conducted on behalf of Sun Life Financial, the average Canadian expects to draw 80 per cent of his or her retirement income from government and employer pension programs, personal savings and investments. The remaining 20 per cent is expected to come from home equity, inherited money and other miscellaneous sources. Chances are, these expectations won't align with the actual realities of retirement.

The average Canadian expects the bulk of their retirement income to come from their pension plans, savings & investments.

Expected Sources of Retirement Income for the Average Canadian



Source: Sun Life Financial Canada, 2014

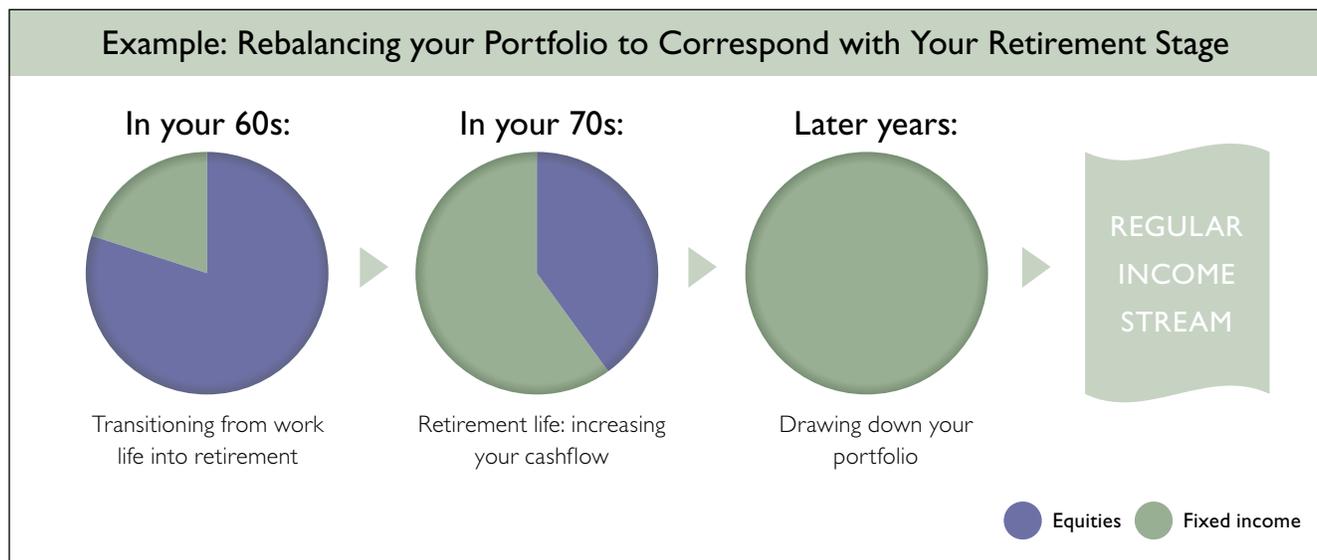
### New Realities of Retirement

The retirement experiences of the Baby Boomer generation are, and will continue to be, different than those of preceding generations. Thanks to advances in modern medicine, people are living longer and today's cohort of retirees is healthier and more active than their predecessors. But many are also being weighed down by the dual responsibilities of caring for elderly parents while still providing for their own kids.

The financial realities of retirement have also changed. Lower interest rates mean lower retirement income from investments, and there are concerns about the long-term sustainability of government assistance programs. The Canadian government has, in fact, started a program that promises higher payments if you put off collecting your CPP – an incentive that's of little use to those who pass away before they even get their first pension payment. At the same time, retirees are facing higher bills because of inflation.

The Sun Life survey also shows that more Canadians expect to work past the traditional retirement age, with the bulk suggesting that this will be because they need to do so. The fact is, the view on retirement has changed and will continue to change, and the new circumstantial and financial realities of today's retirees will likely also exist for succeeding generations. So, whether you're a Boomer, a Millennial or a Gen-Xer, you need to change your approach to retirement planning.

What does this new approach look like? There is no one-size-fits-all solution, but one effective approach is to tier or ladder your portfolio to produce various levels of income for a set period of time to correspond with each particular stage in retirement. For example, retirees tend to spend more in their 70s when they start travelling more frequently, so the savings portion for this period should yield more cash flow.



With this approach, the portfolios would be rebalanced regularly to take into account factors such as inflation and, of course, market movements and valuation. There are a number of investment strategies that would support this approach; what's important is to choose one that will address the realities of your retirement and manage your risks effectively.

**It's time to get real about retirement. Sit down today with your Financial Advisor to develop a plan that aligns your expectations with the new realities of retirement.**



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