

Retirement planning must start now

By **Becky Zimmer** Reading Time: 4 minutes, Published: October 22, 2020 , Farm Living, News



Retirement planning can be difficult for many farmers.

Getting started on building up savings and talking about retirement goals often doesn't start soon enough.

For Reginald and Theresa Nelson knew they could not continue their Rockglen, Sask., seed cleaning and 2,000-acre grain and certified seed operation because of Reginald's health.

But selling their operation and moving into retirement was not something they could do in a week or a month.

Their retirement conversation started three years before they sold their last load of grain, but Theresa says they could have started that conversation even earlier than that.

Looking into the great unknown was the hardest part of starting their retirement journey, she says, but they were able to talk to a financial planner to address major concerns of how they are going to financially survive following the sale of their operation.

That was the biggest concern, she says, followed by proper investments and being able to pay their taxes.

There are always options, whether a farmer is starting to plan for retirement five years or five months before throwing in the coveralls, or whether they are planning for retirement in their 40s or their 60s.

But for Ray Riel with Advice Only Financial Group, a farmer can never start retirement planning early enough.

After decades of working as a financial planner for farmers, Riel knows reality can put a damper on early retirement planning. Personal debt, investing back into the farming operation, children, and owning a home and land are all things that can make setting aside money for retirement a challenge but not an impossibility.

"The question becomes how much do we start setting aside and, again, that's driven by what our standard of living and the standard of living that we hope to maintain in the future is going to look like," says Riel.

Five years is the minimum amount of time people need to plan for retirement. Within that time frame, there are plenty of things that can be done to prepare for those final days of operation, says Riel.

What is the farmer's succession plan going to look like? How much will they be relying on the farm for income after they have stepped aside? If the farm is going to be passed down, will the farm be able to sustainably support two families? If there is no succession plan or successor, will that farmer already have to build up investments or savings in order to successfully step away from the farm when they want? Is retirement going to need a career change and what is that going to look like to fulfil retirement goals?

All of these questions need to be answered whether the operation is worth a couple of million dollars or is just making enough to invest back into the operation.

Every farmer will also be dealing with things like taxes, benefits and farm sales no matter how successful the operation. The successful ones, says Riel, are the ones that plan and have these discussions early with professionals.

Taking more time to answer these questions can also be more financially effective for the operation, he says.

If the question is about succession, the entire family has to be involved in the discussion and talking about what would work best for all parties involved; retirement plans for the parents and succession plans or pay-outs for the children, are not always solutions a farmer and their family can come to in a matter of hours or days.

If solutions aren't found, success is unlikely for the successors, says Riel.

While there is no generic answer to what that retirement plan will look like, when they are looking at things like personal non-deductible debt versus contributing to benefits, sometimes paying that debt off quicker can be more beneficial at the time compared to contributing to registered retirement savings plans. Again, that takes time and more time can mean more money.

“The after-tax cost of servicing personal debt is going to be pretty significant, especially if it is higher interest-bearing vehicles — credit cards, lines of credit, that sort of thing. If you're bearing that personally, then it's sometimes better to pay that down sooner rather than committing into an RRSP.”

Knowing where to contribute additional income is part of saving for the future because financial savings on interest can go somewhere more constructive.

Reginald retired from his own farm at 58, he says, and there are still plenty of opportunities for him to keep on farming with other people needing help and knowledge.

Men especially seem to be scared to retire, he says, but any skills means they can still find work and income later, if they are still able and willing. Not only does that mean something to keep retired farmers busy but it can also mean additional income to fund other retirement activities.

“I only work in the spring for a month and a half, harvest for about a month and a half and then I'm done for the rest of the year to do whatever I want. Go golfing, go fishing, and go to Arizona in the wintertime,” says Reginald.

Having these retirement aspects in order long before retirement, the Nelsons know they are financially stable to live their retirement with few financial worries.

Reginald and Theresa both say they are pleased with the results for their professional help and advice. With different financial aspects impacting their retirement journey, like financial security, taxes, and investments, having a financial planner involved early was the best action they could have taken when they did, says Theresa.

“Unless you're confident with the markets, the mutual funds, and whatever you're investing in, and you could go that way, but I wasn't really that confident in it,” says Reginald.

Having gone through it themselves, the biggest financial advice the Nelsons can give is to retire early. Do not wait until illness or injury forces you into retirement, says Theresa.

No matter when that retirement time will be, farmers should always give themselves time to do it right for both themselves and their families.
