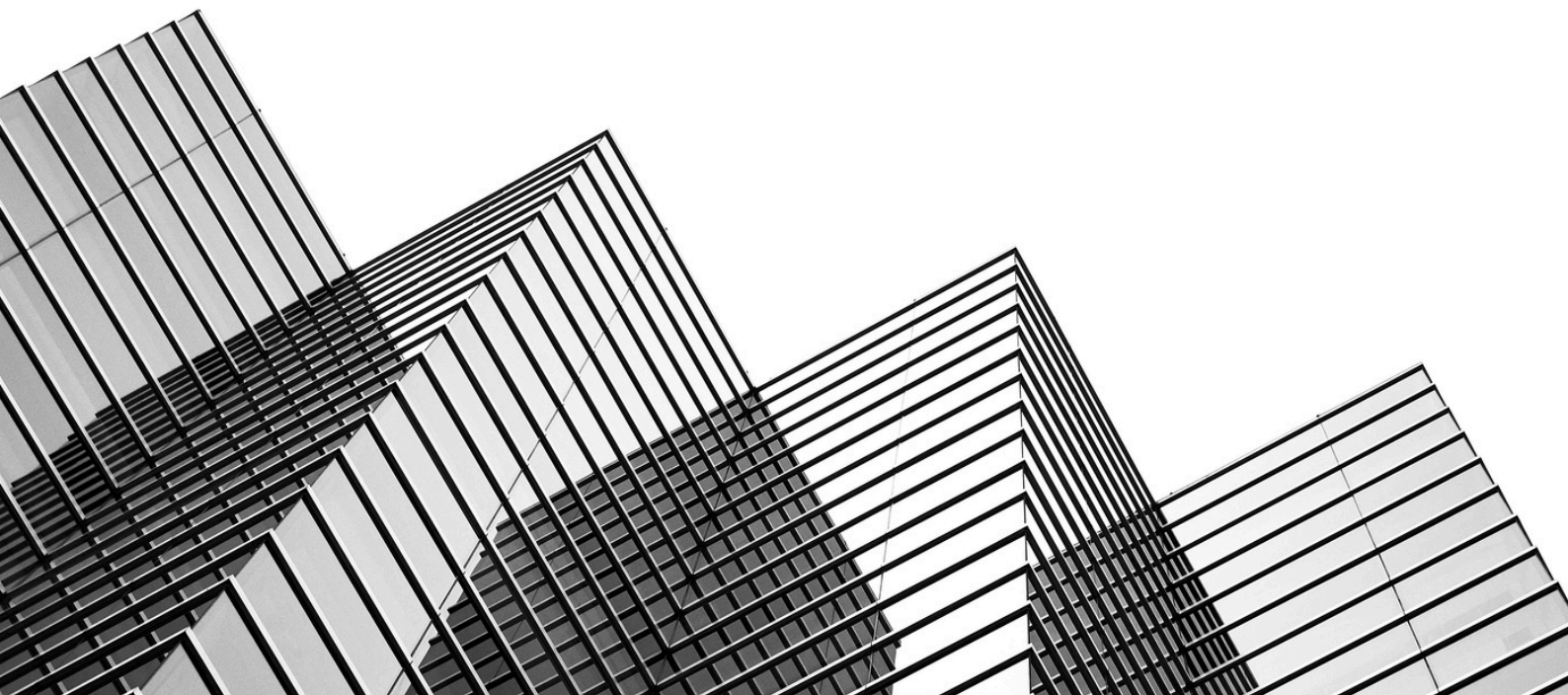

Retirement Planning E-Guide



Lionspoint

Financial Services

Securing Your Financial Future



Lionspoint Financial Services

1 West Ave South
Hamilton, ON
L8N 2R9

289-408-8664

info@lionspoint.ca

www.lionspoint.ca

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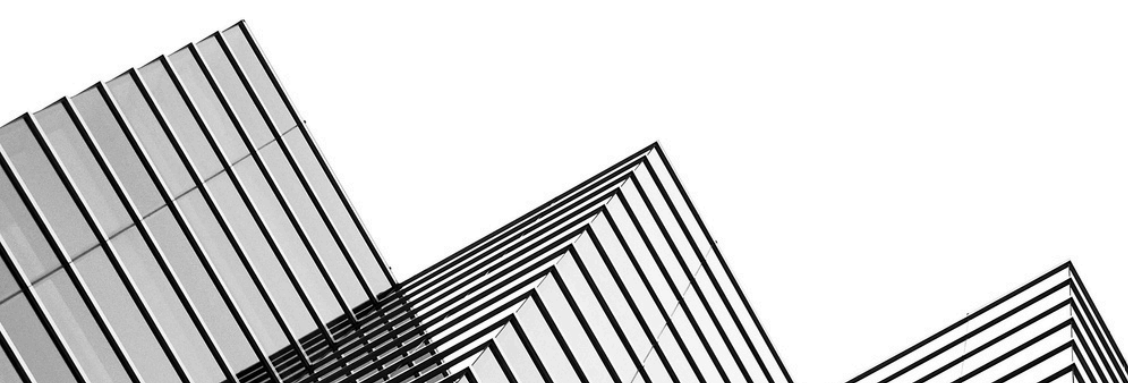
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Chapter 1

Retirement: A New Chapter Full of Possibilities

What is the true purpose of retirement? Is it simply about stepping away from work, or is it an exciting gateway to a new chapter filled with contribution, purpose, and joy? Happiness in retirement can take many forms. For some, it's about the freedom to travel and explore new adventures. For others, it's the opportunity to start a new business, dive into hobbies, give back through volunteering, or spend more time with loved ones. Collectively, retirees over the age of 65 will enjoy more than 140 billion hours of leisure this year. Whatever your vision for these hours, one thing is certain: proper preparation is key.

A Dream Worth Planning For

Imagine retirement as your chance to design the life you've always dreamed of. Where will it take you? Perhaps you see yourself exploring far-off destinations, savoring experiences with family, or simply enjoying the peace of a slower pace.

As with any significant life transition, preparation is essential. You might start by setting a retirement date that feels right for you. Next, you'll want to think about your "retirement lifestyle." Will it be simple and relaxed, or filled with new ventures and experiences? No matter your choice, creating a plan to navigate this exciting stage of life is the foundation of a fulfilling retirement.



Did You Know?

Nearly six in 10 workers have already thought about how they'll fill their time in retirement. What's your vision?

Preparing for the Journey Ahead

This guide is here to help you prepare for this new chapter. Inside, you'll find an overview of key considerations to get you ready, including:

Your Goals: What do you want to achieve in retirement, and what does happiness look like to you?

Your Income Sources: Explore potential ways to fund your dreams, from pensions to personal savings to government benefits.

Your Costs and Risks: Learn about the expenses and challenges you may face, and how to manage them with confidence.

While it's true that 65% of workers feel stressed about preparing for retirement, many are also looking forward to the joy of traveling, deepening connections with loved ones, and discovering new hobbies. With a thoughtful plan in place, you can shift the focus from worry to excitement, knowing you're setting yourself up for success.



Clarify What “Happy” Means to You

Goals for a Fulfilling Retirement

Retirement is often called the “golden years,” a phase traditionally associated with rest, relaxation, and quality time with loved ones. However, the concept of retirement is evolving. It’s no longer solely about stepping away from work; for many, it’s about embracing new opportunities, staying active, and finding purpose.

In fact, nearly three out of four workers today anticipate working during their retirement years—not necessarily out of financial need. Many retirees choose to work to stay engaged, pursue passions, or simply because they enjoy it. According to research, 90% of retirees who work for pay say they do so to stay active and involved, while 81% cite enjoyment as a primary reason.

In the end, defining what a “happy” retirement looks like starts with setting clear goals. Below, you’ll find a series of questions to help you reflect on what you truly want out of retirement. Writing down your answers can provide clarity and serve as a foundation for crafting your retirement strategy.

Fun Fact:

Looking to retire abroad? In 2023, International Living magazine ranked Portugal as the top retirement destination, followed by Mexico, Panama, Ecuador, and Costa Rica.



Envisioning Your Ideal Retirement

Think of this as your “dream big” exercise—no limits, no boundaries. Imagine your perfect retirement scenario and answer the following questions as if anything were possible.

How will you spend your time during retirement?

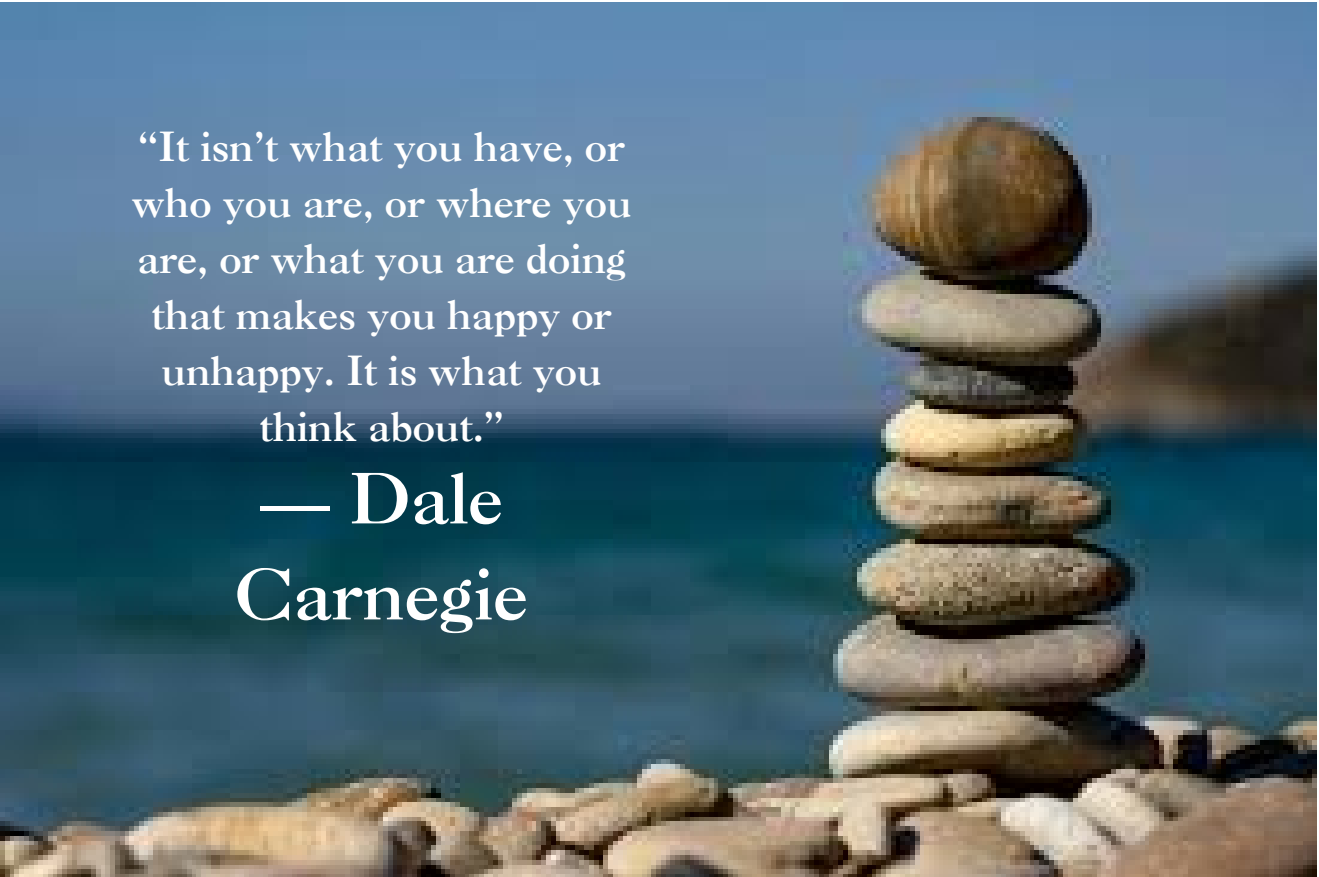
Picture your ideal day. Are you traveling, gardening, pursuing hobbies, or spending time with loved ones?

What new roles do you see for yourself?

Will you become a grandparent, mentor, entrepreneur, volunteer, or student?

What activities bring you joy?

Are there passions or hobbies you’ve always wanted to explore?



“It isn’t what you have, or who you are, or where you are, or what you are doing that makes you happy or unhappy. It is what you think about.”

— Dale
Carnegie

Practical Considerations for Your Retirement Goals

While dreaming is important, understanding the practical side of retirement is equally crucial. Consider these questions:

What new and existing expenses will you need to plan for?

What sources of income do you envision relying on?

How long do you expect your retirement to last?

What financial goals are important to you (e.g., buying a home, leaving a legacy, paying for a grandchild's education)?

What is your tolerance for investment risk?

Where do you dream of living—close to family, abroad, or in your dream home?

When do you plan to retire?

What are your primary investment objectives (e.g., growth, income, capital preservation, tax efficiency)?

What is your deeper purpose for retirement?

Why Dreaming Big Matters

Thinking through these questions isn't just an exercise in daydreaming—it's about laying the groundwork for a retirement plan that aligns with your vision. Knowing your ideal scenario keeps you motivated and focused, even when challenges arise. In the next sections, we'll shift from dreaming to planning. We'll dive into the costs, funding options, and risks to consider as we create a strategy that supports your goals. Together, we'll work toward making your retirement dreams a reality.

CHAPTER 3: Costs

Know What Your Journey Will Require

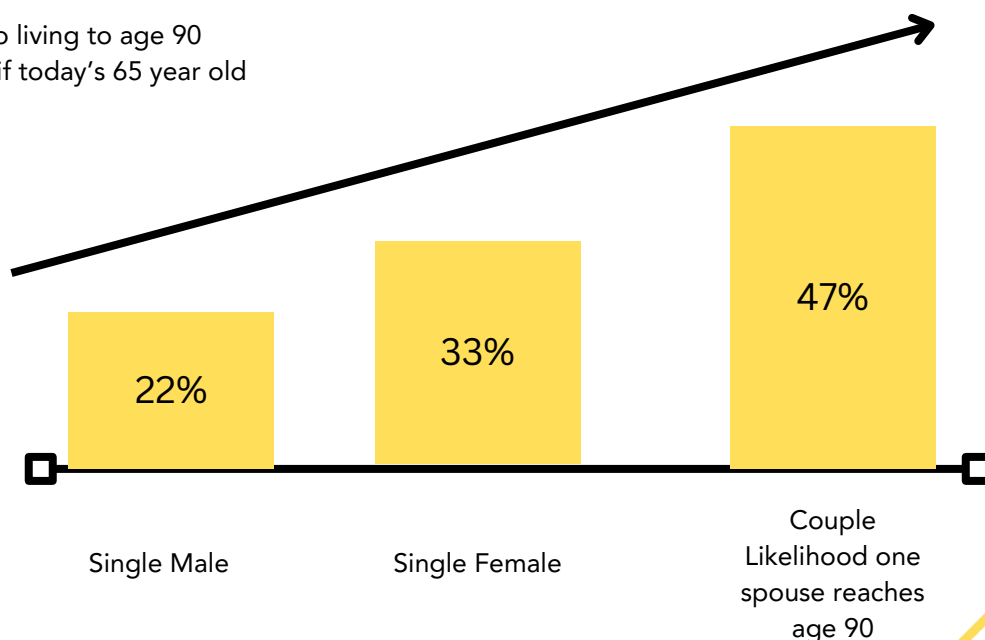
Now that you've spent some time thinking about the retirement you envision, the next step is understanding how much it might cost. A common rule of thumb suggests you may need about 80 percent of your pre-retirement income per year in retirement.¹ But how much does that really mean?

Spending & Life Expectancy

The amount you need will depend on two key factors: how long you expect to live and how much you plan to spend. While many people are skilled at estimating spending, the life expectancy piece is often overlooked. A recent study found that 28 percent of adults underestimated their average life expectancy by about five years. In other words, most Canadians expect to live shorter lives than statistics suggest.

Despite recent declines in life expectancy due to the COVID-19 pandemic, retirees still need to prepare for the possibility of a long retirement. According to the Canadian Life Expectancy Calculator, a 60-year-old Canadian male has a life expectancy of around 82 years, while females live to an average of 85 years. At age 65, there's a 32% chance for men and a 45% chance for women to live to 90.

Probability to living to age 90
Life expectancy if today's 65 year old



The average Canadian Household spending by retiree per month

The average household expenses for Canadian retirees, aged 65 and older was \$5,154 per month, or \$61,855 per year

Category	Monthly Spending (CAD)	Percentage of Monthly Spending
Food Expenses	\$639	12.4%
Shelter	\$1,151	22.3%
Transportation	\$451	8.8%
Healthcare	\$288	5.6%
Insurance	\$280	5.4%
Household Operations	\$273	5.3%

Spending Realities

It's important to be realistic about your spending in retirement. You might underestimate costs for services you enjoy now, such as pet care, yard maintenance, or regular visits to salons. These are things that you may want to keep in retirement, so make sure they're included in your budget.

Additionally, expenses for gifts to children or grandchildren, or financial support for dependents, should be factored in. Planning for these "basic needs" ahead of time will help you avoid surprises.

Additional Considerations:

Don't forget to plan for other expenses such as:

- Gifts for children or grandchildren
- Financial support for dependents

By planning ahead for these "basic needs," you'll avoid any surprises and ensure your retirement is as financially smooth as possible.

Healthcare Costs

In Canada, healthcare is publicly funded, but that doesn't mean healthcare costs are nonexistent. You may still need to budget for prescription medications, dental care, and vision care, which aren't covered by the public system. Some estimates suggest that a couple retiring at age 65 will need approximately \$200,000 in savings to cover out-of-pocket healthcare expenses.

Additionally, there are long-term care costs to consider. While long-term care services are publicly funded for some, many seniors will require additional services that may not be covered by provincial healthcare. In Canada, the average cost of long-term care ranges from \$1,500 to \$5,000 per month, depending on the province and level of care needed.

Planning for Extended Care

As you plan for your retirement, it's essential to also consider the possibility of needing extended care later in life. It's projected that one in four Canadians will require some form of extended care, such as home support or assisted living, during their retirement years.

Nursing home care or assisted living can be expensive, with average monthly costs ranging anywhere from \$3,000 to \$6,000, depending on your location and type of facility. Private insurance for extended care may help, but it's important to incorporate these potential costs into your planning.

THE HIGH COST OF CARE

Are Canadians ready to pay the bill? Probably not, according to recent studies. Typical annual costs for long-term care can range from between \$25,000 to \$200,000 per year, depending on means testing (a process for measuring someone's income to determine if they are eligible for government assistance). By the numbers: the annual cost of care:

\$200K

private 24/7 care
by professionals



\$40K-\$100K

assisted living in
a private facility



\$25K-40K

government-run
nursing homes
(means-tested)



\$35K

family members
needing caregiving



Estate Strategy

Planning for the transfer of your assets is a key component of your retirement plan. An estate strategy involves preparing for both the distribution of your wealth and any potential tax implications. In Canada, estates over \$50 million can face significant taxes, but most retirees will not have to worry about federal estate taxes.

Still, it's crucial to consider wills, trusts, and beneficiary designations. For example, RRSPs and RRIFs have tax consequences upon death, which can be minimized with proper estate planning.

One key document is a will, which outlines how you want your assets to be distributed. Another valuable document is a living trust, which can help manage your assets during your lifetime and ensure they pass on to your heirs without the delays and costs of probate.

Leaving a Legacy

Retirement is also about planning your legacy. Whether it's financial (transferring wealth), institutional (donating to charity), or personal (sharing life lessons), leaving a legacy can be an important aspect of your retirement planning. In Canada, you can use a charitable gift, life insurance, or even estate gifting to ensure your values and wealth are passed on according to your wishes.

Creating a legacy requires clear intentions and a sound plan. The key is to take a strategic approach—one that can evolve over time.

Planning for the cost of retirement isn't just about adding up expenses. It's about understanding the variables that can affect your budget in the long run—healthcare, spending habits, and estate considerations. The better prepared you are, the more confident and secure your retirement will be.

Sources:

Government of Canada, Retirement Planning, 2023

Canadian Life Expectancy Calculator, Statistics Canada, 2023

Fidelity Canada, Healthcare Costs in Retirement, 2023

Canadian Institute for Health Information, Long-Term Care and Assisted Living, 2023

Chapter 4 Funds

How Will You Finance the Journey

How to Finance Your Retirement: Key Sources of Funding for Canadian Investors
Planning for retirement is a big task, but it's essential to lay the groundwork to ensure your retirement years are as comfortable as possible. You've envisioned what your ideal retirement looks like and estimated the costs involved—now it's time to figure out how you will fund it. While retirement doesn't come with a guarantee, having a solid investment strategy, understanding your pension or social benefits, and thoughtful asset allocation can help put you on the right path.

Key Sources of Retirement Funding

Changes in employment may affect how you approach retirement. As Canadians live longer, it's possible that government benefits could decrease or the age for accessing them could rise. This makes personal savings and investment strategies even more crucial. Let's take a closer look at some of the most common funding sources for your retirement:

Government Benefits: Old Age Security (OAS) and Canada Pension Plan (CPP)

Government programs like the Canada Pension Plan (CPP) and Old Age Security (OAS) can provide valuable income during retirement. However, these programs alone may not be enough to fund your retirement, so it's essential to save through other means as well.

The age at which you start collecting CPP can impact the amount you receive. You can start at age 60 with a reduction or wait until you turn 70 for the full benefit. While OAS is available to all Canadians, it may be subject to a clawback for those with higher incomes.

Employer-Sponsored Retirement Plans

For many, employer-sponsored retirement plans are a critical part of their retirement income. Many Canadians can participate in a company pension plan, group RRSP, or similar employer-sponsored savings plan. Contributing to a group RRSP allows you to invest a portion of your pre-tax income and potentially benefit from employer matching contributions.

When you take withdrawals from a defined contribution plan, these funds are typically taxed as income, and if you take them before the age of 59½, you may incur a penalty.

Defined Benefit Plans

Defined Benefit (DB) plans are pension plans where employers promise a set retirement benefit based on salary and years of service. However, these plans are becoming less common in the private sector, as many employers shift to defined contribution plans instead. If you're fortunate enough to have access to a DB plan, it's an important source of stable retirement income.

Individual Retirement Accounts: RRSPs and TFSAs

The Registered Retirement Savings Plan (RRSP) and the Tax-Free Savings Account (TFSA) are two of the most common individual retirement options for Canadians. The RRSP allows you to deduct your contributions from your taxable income, while the TFSA lets your contributions grow tax-free and withdrawals are also tax-free. It's worth considering both when planning for retirement. If you're self-employed, you'll need to be especially mindful of contributing to these plans to take full advantage of their tax benefits. When you withdraw funds from your RRSP, you'll pay income tax on them, but there's no tax on TFSA withdrawals.

Personal Savings and Investments

Along with your RRSP and TFSA, personal savings and investments play an important role in funding your retirement. While a significant number of Canadians expect their personal savings to be a key source of retirement income, many find that they have to adjust their savings strategies to ensure they have enough to maintain their desired lifestyle.

Continued Employment

The idea of working during retirement is becoming increasingly common. In fact, a survey found that 73% of workers are open to working in retirement, although fewer retirees actually do so. If you choose to continue working in retirement, make sure you understand how it might impact your overall retirement savings and tax situation.

Funding Your Ideal Retirement

With several potential income sources, it's important to prioritize where you direct your savings. A good strategy often begins with contributing to your RRSP, then using your TFSA, and finally looking at personal savings and investments.

When deciding how to allocate your assets, it may make sense to place income-generating investments (like bonds) in tax-deferred accounts like an RRSP, while putting growth-oriented investments (like stocks) in taxable accounts, like a TFSA.

Asset Allocation: Protecting Your Retirement Savings

As you approach retirement, asset allocation becomes even more important. The right mix of assets (stocks, bonds, and cash alternatives) can help manage risk and provide stable returns. Keep in mind that asset allocation is an approach to managing risk—it doesn't eliminate the possibility of losses.

Historically, stocks have provided the highest returns over the long term, but they also come with higher volatility. Bonds are typically less volatile but also offer lower returns. Cash alternatives (like savings accounts) have provided steady returns but have historically lagged behind the other two in performance.

A diversified approach, balancing risk and reward, can help ensure you're prepared for whatever the market throws your way.



Putting It All Together: A Plan for Your Retirement

Building the funds for your ideal retirement takes time and effort, but with a strategic approach, you can give yourself the best chance at success. Be sure to evaluate your current sources of income and how they'll contribute to your retirement goals, and stay focused on your long-term plan.

With the right financial tools, thoughtful planning, and attention to risk management, you can create a strategy that works for you and helps you achieve the retirement you envision.

Employer-sponsored plans, RRSPs, TFSAs, personal savings, and pensions are all key sources of retirement income.

Government programs like CPP and OAS offer foundational income, but additional savings are usually necessary.

Carefully consider your asset allocation and withdrawal strategy as you transition to retirement.

Planning ahead, staying focused, and regularly reviewing your strategy are essential steps to securing a financially comfortable retirement.

CHAPTER 5: RISKS

Navigating Uncertainty in Retirement Planning

Even with careful planning, goal setting, and a sound retirement strategy, there are various risks that can impact your financial future. Understanding these risks ahead of time will help you make informed decisions and adjust your plans as needed.

Unrealistic Assumptions

One of the biggest risks to retirement security is making unrealistic assumptions about the future. Life is unpredictable, and many retirees find their expectations differ significantly from reality. Consider these statistics:

73% of Canadian workers expect to work for pay during retirement, but only 23% of retirees actually do.¹

54% of workers expect their employer-sponsored retirement plans to be a major source of income, yet only 19% of retirees rely on them as such.²

While only 33% of workers expect government benefits (such as CPP and OAS) to be a major income source, 67% of retirees report they actually are.³

Being realistic about income sources and retirement expenses is key to avoiding financial shortfalls. If you'd like to assess your expectations versus reality, we're happy to have that conversation with you.

Longevity Risk

Canadians are living longer than ever. The average life expectancy has increased significantly over the past century, which means retirees must plan for a potentially extended retirement period. A longer retirement magnifies other financial risks, including outliving savings. Ensuring your income sources are sustainable over time is crucial to maintaining financial security throughout your retirement.

Market Volatility

Financial markets can fluctuate due to various factors, including interest rate changes, economic developments, and investor sentiment. While market downturns can be unsettling, history has shown that markets tend to recover over time.

Consider three major market declines in recent decades:

2020: The onset of the COVID-19 pandemic led to a 37% market drop within weeks, though a swift recovery followed.

2008: The global financial crisis saw major stock indexes decline by over 30%.⁵

2001: Following the 9/11 attacks, markets experienced significant declines before rebounding.

The key takeaway? Market volatility is inevitable, but having a diversified portfolio aligned with your risk tolerance and retirement timeline can help you stay on track.

Sequence of Returns Risk

Market declines are particularly risky for retirees who are withdrawing funds. Selling investments during a downturn reduces the amount left to recover when markets improve, accelerating portfolio depletion. This is known as sequence of returns risk—often called the “silent killer” of retirement plans.

One way to mitigate this risk is by maintaining a cash reserve or low-volatility assets to cover short-term income needs, reducing the need to sell investments at a loss.

We can discuss personalized strategies to help protect your retirement assets.

Inflation Risk

Inflation erodes purchasing power over time. Even at a modest 3% annual inflation rate, the value of \$50,000 today would be equivalent to just over \$32,000 in 15 years.

To combat inflation, retirees should consider investment strategies that provide growth potential while balancing risk. A well-structured portfolio can help ensure your income keeps pace with rising costs.

Health and Extended Care Costs

Healthcare expenses are a significant consideration for Canadian retirees. While Canada's healthcare system covers many medical costs, long-term care and extended health services can be costly. Studies show that about 70% of people over 65 will require some form of long-term care, yet only 29% of workers have researched their options.

Options for covering these costs include:

- Long-term care insurance
- Annuities with long-term care benefits
- Self-funding through personal savings and investments

Planning ahead ensures you have financial resources in place to manage potential healthcare needs. Having a discussion about long-term care strategies with your family and financial advisor can help provide peace of mind.

Retirement planning isn't just about saving—it's about anticipating risks and preparing accordingly. By addressing these key risks—unrealistic assumptions, longevity, market volatility, sequence of returns, inflation, and healthcare costs—you can create a resilient retirement plan that provides financial security and peace of mind.

CHAPTER 6

RETIRE HAPPY

Setting Yourself Up for a Fulfilling Retirement

Congratulations! You've covered a lot of ground in these pages, and we applaud your commitment to preparing for your future. Now, let's revisit the vision of your ideal retirement from Chapter 2. How does it look to you now? Do you need to adjust your goals or expectations based on what you've learned?

Preparing for a Secure Future

FUN FACT: Households headed by those 65 or older have, on average, 22 times more wealth than those headed by individuals 35 or younger.¹

While it's essential to dream big, it's also valuable to develop a "Plan B" for retirement—an alternative scenario that is still fulfilling but more practical. What is the minimum standard of living that would keep you comfortable? If spending winters in Florida isn't feasible, would an annual getaway to the West Coast or a shorter trip within Canada bring you joy? By considering different possibilities now, you can be better prepared for unexpected changes in the future.

Many Canadians find that their actual retirement lifestyle falls somewhere between their ideal and their acceptable plans. Understanding this balance now can help set realistic expectations and reduce stress later.

Your Greatest Ally in Retirement Planning

Financial planning may not come naturally to everyone, but that's where professional guidance makes a difference. A study by Vanguard, one of the world's largest investment firms, found that working with a financial professional can lead to an average increase of 3% in net portfolio returns over time.

Beyond financial growth, sound guidance can provide a sense of security and purpose in retirement. Research suggests that having clear financial goals can reduce stress and improve overall well-being.

Your retirement should be a time of fulfillment, exploration, and security. With proper planning, you can ensure that your golden years are comfortable and rewarding. By working with a trusted financial professional, you can feel confident that you are making informed decisions for your future.

Here's to a happy and financially secure retirement!



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