
WHEN TO RETIRE:

A QUICK AND EASY
PLANNING GUIDE

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How many times have you wondered, “When will I be able to retire?” Maybe you’re early in your career and you haven’t thought about retirement much, or maybe retirement is right around the corner and you’re simply waiting for the right time to take the next step. No matter your age or where you are in your career, the time to think about your retirement is now.

How much money do you need to retire? \$500,000? \$1,000,000? Can you retire at 55? Or will you need to work until you’re 75? How much cash flow will you need from your portfolio once you retire? These are all important considerations as you plan for retirement.

To determine when you’re prepared to retire, we believe it’s helpful to start by asking the question: **What will my retirement look like?** Specifically, think about your goals and objectives in retirement.

Then you can ask: **What will my retirement cost, and how will I pay for it?** For example, if you want to maintain your current standard of living in retirement, you may need a larger nest egg. Or, if you plan to spend less in retirement and your investment time horizon is shorter, you may have less need to save and might be ready to retire sooner. It is essential to consider your projected income and expenses. Next, ask: **How should I invest for retirement?** Based on your goals and situation, you can determine an appropriate asset allocation, portfolio benchmark and level of cash flow your portfolio might be able to support. Once you answer these initial questions, you should be better prepared to answer the question: **When can I retire?** This guide is designed to help you answer these questions and develop a basic plan to help you achieve your retirement goals.



1. WHAT WILL MY RETIREMENT LOOK LIKE?

Goals and Objectives

The first step to determine when you can retire is identifying your goals. From a financial perspective, we've found many investors preparing for retirement aim to achieve one (or more) of the following goals:



Avoid running out of money:

For many, their number one retirement fear is running out of money and their number one goal is to avoid that painful situation. Being forced to ask your children for help or needing to go back to work are not desirable options for most retirees. Many people think the key to not running out of money is low-volatility investments, such as Canada Government bonds or treasuries. But such investments may not be consistent with your long-term investing goals.



Maintain or improve your lifestyle:

Most people have worked hard for their retirement and want to enjoy it. As such, a common goal for many of our clients is to maintain—or even improve—their lifestyle during retirement. This involves growing retirement income at or above the rate of inflation to maintain purchasing power over time.



Increase your wealth:

Some people are able to enjoy the retirement lifestyle of their choice with no fear of running out of money. These fortunate individuals may seek to grow their wealth over the longer term, typically for legacy—whether for children, grandchildren or charity. Unsurprisingly, many people with this goal take a growth-oriented approach to investing.



Spend every cent:

This isn't a typical goal among our clients, but there are some people who think success is spending all of their money before they pass away. This can be a risky proposition: There's no way to know exactly how long your retirement will last, and people who attempt this may find themselves out of money sooner than they think.

Sample Goals and Objectives

Goals	Objectives
Increase Wealth	Grow the portfolio beyond inflation without a specific target.
Maintain Purchasing Power	Grow the portfolio at least as much as inflation.
Provide for Retirement	Distribute \$7,000 monthly, adjusted for inflation, for as long as my spouse and I live.
Leave Legacy for Heirs	Grow the portfolio to \$5,000,000 by the time I pass.



Determining the goals most important to you is a great first step. You can't figure out a target retirement date if you don't know where you are going!





Time Horizon


Next, you'll need to think about your time horizon—that is, how long you need your money to work for you. Your time horizon is a major determinant of your total retirement cost, and it's often overlooked or underestimated. Most folks will live longer than they think they will.


The chart next page shows average life expectancies for Canadians, based on current age. We believe these projections likely underestimate how long people actually will live, given ongoing medical advancements. These are also projections of average life expectancy—planning for the average may not be sufficient, since many people in each bracket will live even longer. Factors such as current health and heredity also can cause individual life expectancies to vary widely.

Average Life Expectancy*

Current Age		Life Expectancy
51		84
52		84
53		84
54		84
55		84
56		84
57		84
58		84
59		85
60		85

Current Age		Life Expectancy
71		87
72		87
73		87
74		88
75		88
76		88
77		89
78		89
79		89
80		90

Current Age		Life Expectancy
61		85
62		85
63		85
64		85
65		86
66		86
67		86
68		86
69		86
70		87

Current Age		Life Expectancy
81		90
82		91
83		91
84		92
85		92
86		93
87		93
88		94
89		94
90		95



Your time horizon may be much longer than you realize. Prepare to live longer than you expect and make sure you have enough money to maintain your desired lifestyle.

**Source: Statistics Canada, 2022 Life expectancy table, single-year estimates, Canada, all provinces except Prince Edward Island. Life expectancy rounded to the nearest year.*



2. WHAT WILL MY RETIREMENT COST AND HOW WILL I PAY FOR IT?

Retirement Income and Expenses

Once you understand your goals and time horizon, you can estimate your expected retirement income and expenses.

Non-Investment Income



Salary:

Will you work at all in retirement? If so, you'll need to estimate how much salary you can expect. For purposes of estimating your income here, don't count money you make from a business investment or partnership; just consider direct financial compensation from your employer to you.



Corporate Pension:

If your employer offers a pension, you should determine how much you can expect to receive on a regular basis. Will it increase or decrease over time? Note, RRSPs (Registered Retirement Savings Plan) and RRIFs (Registered Retirement Income Fund) are not pension plans. Rather, they are accounts that hold securities you've invested in over the years and can draw from in retirement.



Canada Pension Plan (CPP) or Quebec Pension Plan (QPP):

If you've started collecting from CPP/QPP, you likely are familiar with how much to expect. If you haven't started collecting yet, you'll want to determine the age you want to start receiving benefits and how much you should expect monthly. The Government of Canada's website has a [free calculator](https://srv111.services.gc.ca/GeneralInformation/Index) you can use to estimate your future payments.*



Business and Real Estate:

If you maintain an interest in a business or investment property, this could produce non-investment income. When calculating how much to expect, remember these sources of income might be more susceptible to market conditions than a guaranteed pension.

*Source: Government of Canada, as of 08/02/2024. <https://srv111.services.gc.ca/GeneralInformation/Index>.

Non-Discretionary Spending

This is the spending you don't have a lot of control over. There may be some wiggle room, but for the most part you can't avoid these costs.



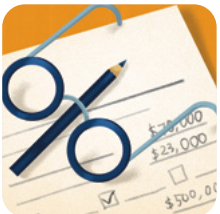
Living Expenses:

Day-to-day, how much does it cost to maintain your lifestyle? You'll want to consider everything from groceries to gas to the heating bill. If you aren't planning on relocating in retirement, you likely already have a good sense of these expenses.



Debt:

This can be credit card debt, your mortgage or car loans. Anything you owe needs to be accounted for when mapping out your expenses, because you'll have to continue to pay down the principal and make periodic interest payments.



Taxes:

Though the types of taxes you pay and the overall amount may change when you retire, the government certainly still wants its cut. You'll want to set aside money to settle your annual tax bill.



Insurance:

You'll also need to account for insurance payments for things like long-term care and any emergencies that might require sizable payments on short notice.

Discretionary Spending

Once you've identified your basic living expenses, you need to account for discretionary spending. Discretionary spending is subject to your personal situation. You may think of cable TV as a luxury, but golf as an essential, non-discretionary expense. These are just examples, but the takeaway is, if you have a hobby or other expense you can't imagine living without, you'll need to include it in your non-discretionary expenses. Below are some of the more common discretionary items in retirees' budgets:



Travel:

Many people look forward to traveling in retirement. This could include visiting the grandkids or more elaborate trips overseas. If you've been thinking about all the places you might want to visit when you're retired, you'll need to budget for it today.



Hobbies:

Retirement is a great time to rekindle old hobbies or pick up new ones. Ready to finally get your fly casting down or finish researching your family history? Hobbies almost always incur some costs, even if many are small.



Luxuries:

This is somewhat subject to your own budget and definition of luxury. But whether you enjoy fine wines or simply having coffee out every morning, you'll need to factor non-essential purchases into your expenses.



Children and Grandchildren:

For many, this last category includes aspects of all the others. Spending time with your family could involve travel, require luxury purchases and be your favorite hobby. If you need a generous budget to make children and grandchildren a focus in your retirement, you'll need to think about how much cash flow you'll need to support it.



Inflation

Another factor many forget to include when estimating future income and expenses is inflation. Inflation decreases purchasing power over time and erodes real savings and investment returns. Many fail to realize how much impact inflation can have. While inflation can fluctuate from year to year, since 1925, inflation

has averaged about 3% a year.* If that average inflation rate continues in the future, a person who currently requires \$50,000 to cover annual living expenses would need approximately \$90,000 in 20 years and about \$120,000 in 30 years just to maintain the same purchasing power.

*Source: Global Financial Data, as of 03/21/2024. Canada Consumer Price Index (CPI), which has averaged approximately 2.93% annually between, 12/31/1924 – 12/31/2023.



3. DETERMINE WHAT YOU NEED FROM YOUR PORTFOLIO

Now that you’ve determined what your expenses are likely to be and how much non-investment income to expect, the worksheet below can help you put it all together. You also can recreate the following worksheet in a spreadsheet program like Microsoft Excel® or find free templates on the internet. This is just a starting point—feel free to make it as detailed as necessary.

INCOME		% of Total
Non-Investment Income		
Salary	\$	%
Corporate Pension	\$	%
Canada Pension Plan/ Quebec Pension Plan	\$	%
Business and Real Estate	\$	%
Other	\$	%
Total Income	\$	%

EXPENSES**% of Total****Non-Discretionary Spending****Basic Living****\$****%****Mortgage****\$****%****Credit Card Debt****\$****%****Taxes****\$****%****Insurance****\$****%****Non-Discretionary Subtotal****\$****%****Discretionary Spending****Travel****\$****%****Hobbies****\$****%****Luxuries****\$****%****Gifts to Family/Charity****\$****%****Other****\$****%****Discretionary Subtotal****\$****%****Total Expenses: (add both Subtotals)****\$****%****Net Income:
(subtract Total Expenses from Total Income)****\$****%**



4. HOW SHOULD I INVEST FOR RETIREMENT?

Once you've defined your goals, time horizon and estimated expenses and income, the next step is to determine how you will invest to make this possible. The answer will be different for everyone since it depends on your personal goals and situation.

Some people think investors who are the same age or have similar portfolio sizes should have similar asset allocations (the mix of equities, fixed income, cash and other securities in their portfolios). However, in our experience, this isn't the case. Consider Noah and Rebecca, two hypothetical investors of the same age. Noah has a \$1 million portfolio and lives alone in a paid-off home. Rebecca also has a \$1 million portfolio, a younger husband, a monthly mortgage and two kids in school. Though they are the same age, and even have the same size portfolio, Rebecca and Noah have different needs and their portfolios might need to be managed differently. Using commonly accepted rules of thumb—like “Take 100, subtract your age and that should be the percentage of your portfolio allocated to equities”—Noah and Rebecca would have the same asset allocation. However, if you consider their individual goals and situations, their portfolios may need to be very different.

There are several key factors in building a portfolio that increases your likelihood of achieving your retirement goals.

Asset Allocation

We believe asset allocation is the single greatest determinant of portfolio returns and the likelihood of being able to afford the retirement you want. At its core, asset allocation is what you decide to invest in. For most investors, this means equities or fixed income or, in rare cases, cash.

When many people hear their asset allocation could determine if they run out of money or live comfortably in retirement, they instinctively want to “play it safe.” However, most people actually get it backwards.

There is a common misconception that fixed income is safer than equities. This notion originates in equities' higher short-term volatility. So, retirees looking to avoid volatility and “play it safe” sometimes opt for fixed income securities like bonds. But this may end up neglecting their need to grow their portfolio and generate an appropriate return on their investment. Exhibits 1 and 2 on the following page illustrate how including more fixed income in your portfolio provides less volatility (measured by standard deviation) than equities over a short, five-year period but also lower returns on average.

Equities actually have had historically lower volatility (standard deviation) on average than fixed income over longer time periods. In our view, this means if you have a longer time horizon and require long-term growth to meet your goals, you may need to invest a larger percentage of your portfolio in equities than you previously considered. This can be especially true when you factor in withdrawals over the course of your retirement.

Exhibit 1: 5-Year Rolling Periods

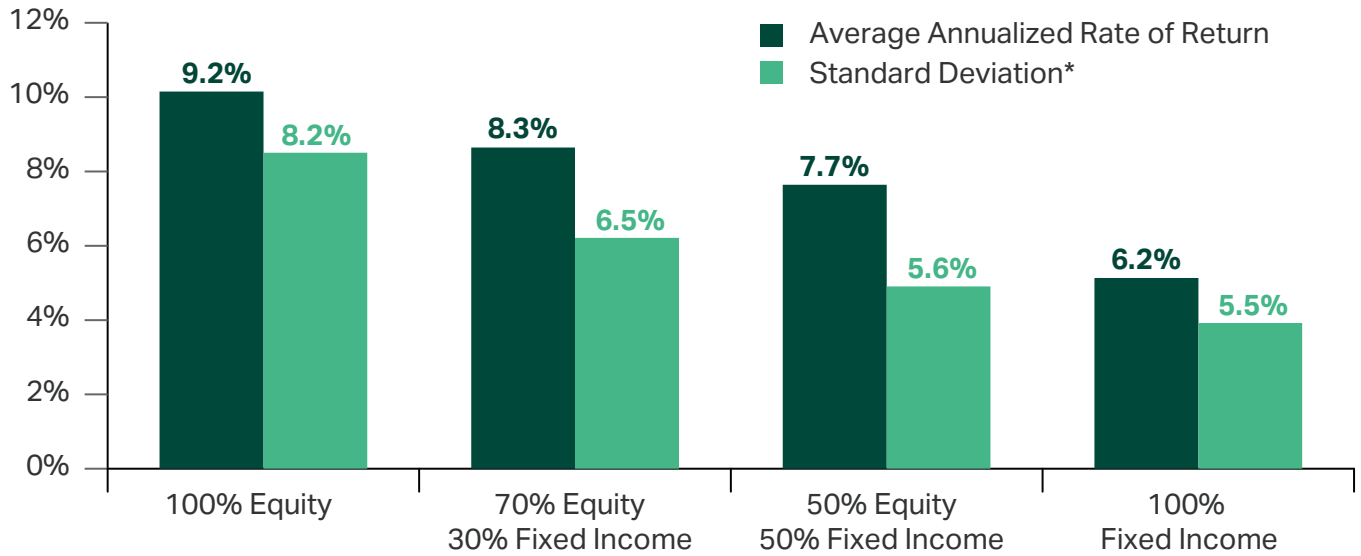
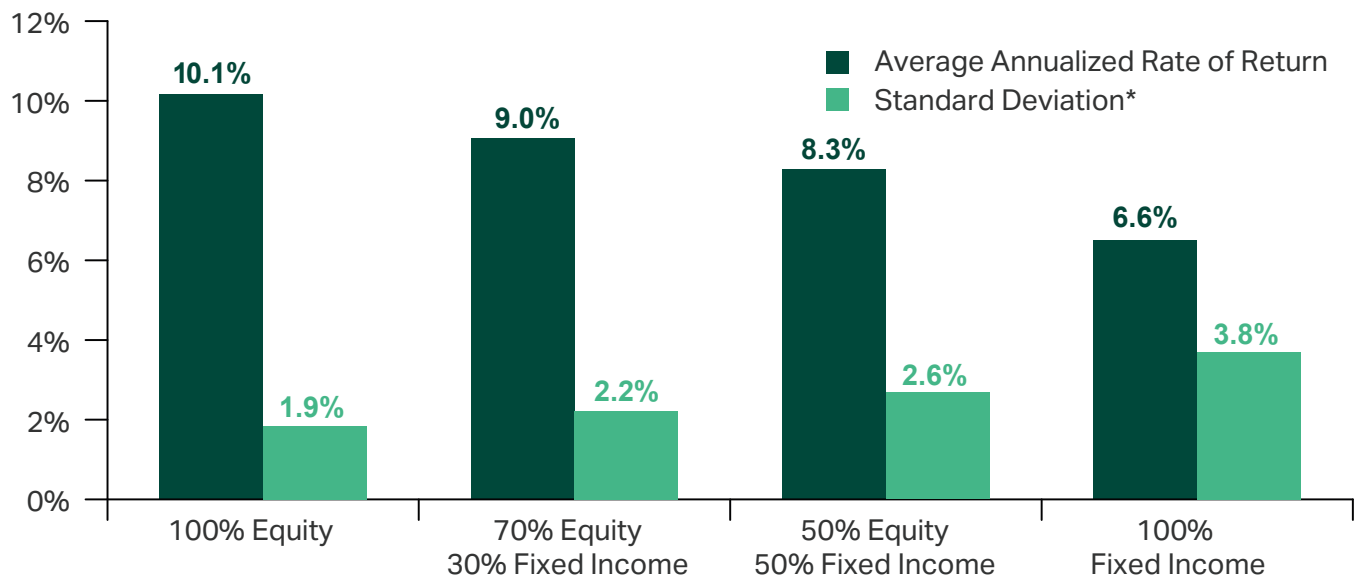


Exhibit 2: 30-Year Rolling Periods



*Standard deviation represents the degree of fluctuations in historical returns. The risk measure is applied to 5- and 30-year annualized returns in the above charts.

Source: Global Financial Data (GFD), as of 01/17/2024. 5- and 30-year rolling returns from 12/31/1925–12/31/2023. Equity return based on GFD's World Return Index and is converted to Canadian dollars. The World Return Index is based upon GFD calculations of total returns before 1970. These are estimates by GFD to calculate the values of the World Index before 1970 and are not official values. GFD used specified weightings to calculate total returns for the World Index through 1969 and official daily data from 1970 on. Fixed Income return based on GFD's Global Total Return Government Bond Index and is converted to Canadian dollars.

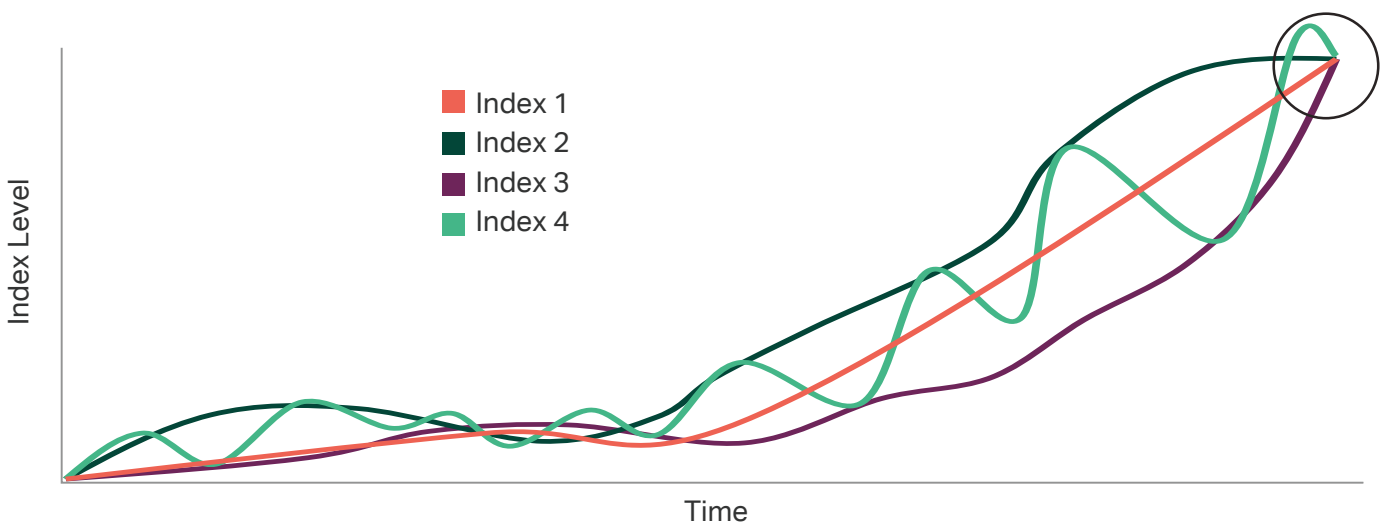
Benchmark Selection

A benchmark is like a road map you use to reach your goals and objectives. It provides a framework to construct a portfolio, manage risk and monitor performance. Many investors focus on absolute performance—if they were up or down. Many others focus on how they are doing relative to their benchmark—if they beat it or lagged it. But a much bigger contributor to long-term success is simply using the right benchmark.

An appropriate benchmark is necessary to measure relative risk and return and should be consistent with your time horizon and your desired long-term rate of return. A properly benchmarked portfolio provides a realistic guide for dealing with various market conditions. A strategic portfolio should be structured to maximize the likelihood of achieving your goals.

In the very long term, we believe all well-constructed broad equity indexes should yield comparable performance. Along the way, different factors affecting benchmark volatility will send each on a different path. One might outperform the others sooner (hypothetical Index 2 in Exhibit 3), and one might underperform its counterparts later (hypothetical Index 3), but in the long run, they should converge to yield roughly similar returns.

Exhibit 3: Hypothetical Benchmark and Investment Time Horizon



For illustration purposes only. Not intended to represent any actual indexes or historical periods.

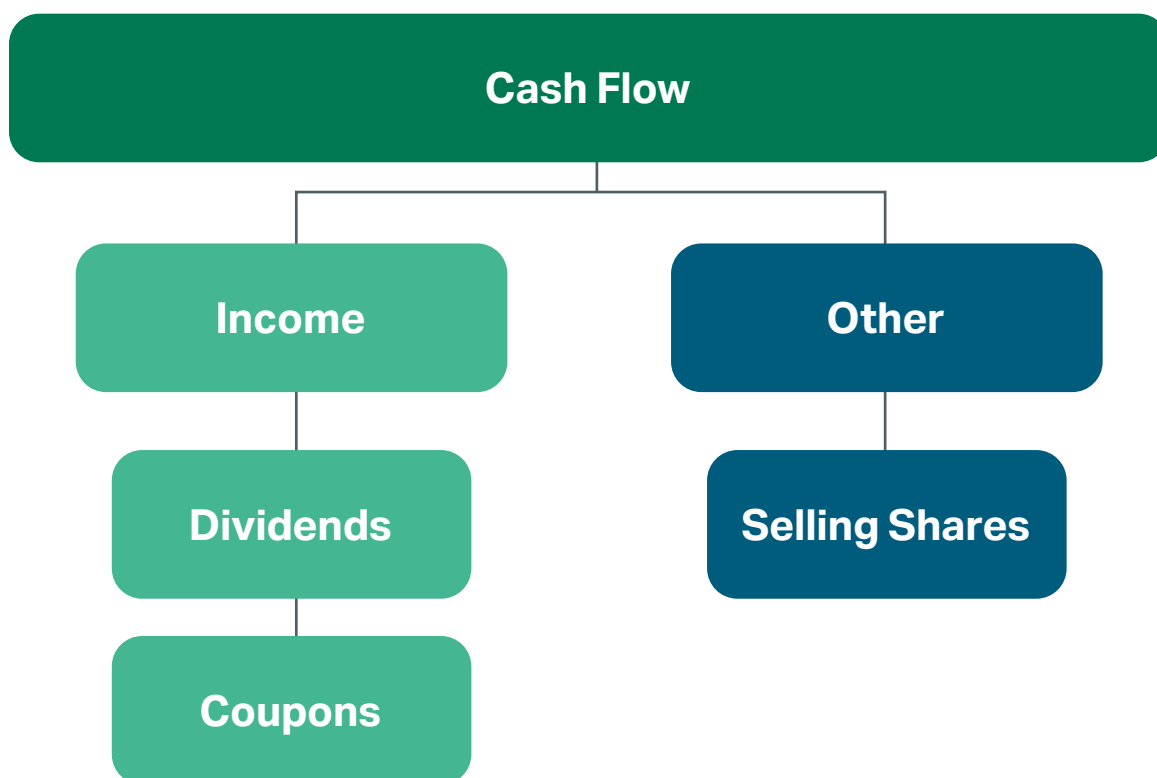
Income vs. Cash Flow

Like many investors, you may plan to draw from your portfolio during retirement to help pay for expenses. It may seem like splitting hairs, but there is a key distinction between income and cash flow. Income is money received and cash flow is simply money coming into and out of your portfolio. As such, income is a subset of cash flow. For example, dividends and coupon payments are considered income, and you report them as such on your tax returns. These are two completely acceptable sources of funds. But if you rely solely on them, you might not have enough cash flow for expenses beyond those covered by your non-investment income. On the other hand, selling a security also generates cash flow. When you sell a security, the difference between what you paid for it

and what you sold it for is considered a capital gain (or loss).

Note, cash flow withdrawn from your portfolio isn't a bad thing—and can be a very important component of your overall retirement strategy.

Consider: If you have a portfolio of \$1,000,000 growing at 10% a year with no dividends, and you realize \$100,000 in annual gains, this really isn't any different than a portfolio growing at 5% a year that pays an additional \$50,000 in dividends. The total return (i.e., capital gains+ dividends) is the same on a pre-tax basis—and, depending on your situation, selling a security and paying tax on the capital gains may be more tax-efficient than dividend income!



When it comes to paying for your retirement, you should really only be concerned about the total return of your portfolio and after-tax cash flow—not whether it comes from selling equity or regular income.

The Impact of Withdrawals

It is critical to understand how withdrawals will impact your portfolio in retirement. Many investors have unrealistic expectations of how much money they'll be able to safely withdraw each year during retirement. Even if you have accumulated a large nest egg for retirement, making the wrong withdrawals could put your long-term retirement plans at risk.

Given the equity market's long-term annualized returns have averaged about 10% a year, a common mistake is assuming you can withdraw 10% a year for the rest of your life.* But that would be a recipe for disaster because the market doesn't move in a straight line. For example, if the market turns bearish and drops 20% and you still withdraw 10%, you would need a 39% gain just to get back to the initial value. Large withdrawals during down markets could put you in a difficult position, which could be challenging to recover from.

We also see the opposite mistake: Some investors are afraid to touch their principal at all. It may be perfectly fine to reduce your principal, provided you have a large enough retirement nest egg to last you through your entire time horizon.

While rules of thumb don't take into account your unique situation, most people should plan on withdrawing no more than 4-5% from their portfolio each year. Strategically planning your withdrawals can be complicated. That's why we offer our clients advice and tactics to manage withdrawals that are prudent, tax-savvy and can help increase your peace of mind.**

Difficult Decisions

As you can see from the exhibits on page 19, investing requires trade-offs, like more short-term volatility for higher returns. Another trade-off you may have to consider is between different discretionary purchases. Sometimes you may have multiple expenses that are important to you on a personal level, such as paying for a grandchild's college education or taking a dream trip with your spouse. However, in order to meet your investing goals you'll need to be clear about what's affordable. It's not advisable to risk depleting your portfolio for non-essential spending. This isn't to say helping with college or a vacation are off the table; rather, they just need to be realistically budgeted in the context of your overall goals, cash flow needs and return expectations. Maybe you can do both or only one, or possibly neither.

It's also helpful to be clear with yourself and other stakeholders how much you can spend beforehand. Once the spending becomes counted on, emotions come into play and you could end up with a bigger bill than you're comfortable with. Any time you're taking more than 5% off your portfolio, you're greatly increasing the risk of depleting your assets.

**Source: Global Financial Data, Inc; Developed World Return, 12/31/1969 – 12/31/2023. Presented in Canadian dollars.*

***The contents of this document should not be construed as tax advice. Please contact your tax professional.*

5. WHEN CAN I RETIRE?

You'll be ready to dig into this question once you've answered some of the questions posed previously:

- What are your goals?
- How long will you need your money to work for you?
- What are your expected expenses and income in retirement?
- What asset allocation and benchmark are best, given your situation?

At this point, you can estimate the level of cash flow you can sustainably withdraw from your portfolio in retirement. Once your portfolio is able to provide a sufficient level of cash flow to meet your needs over your anticipated time horizon, you can realistically consider retiring.

Achieving financial retirement readiness may require trade-offs, such as accepting more short-term volatility in your portfolio to achieve higher long-term average returns. Importantly, in order to meet your investing goals, you'll need to be clear about what you can afford. It's not advisable to risk depleting your portfolio for non-essential spending. This isn't to say helping family with university expenses or going on vacation is off the table; rather, you need to realistically budget in the context of your overall goals, cash-flow needs and return expectations.

It's also helpful to be clear with yourself and others about how much you can spend. Remember, by regularly withdrawing a higher percentage of your overall portfolio each year, you may be greatly increasing your risk of depleting your assets over time.

Retirement planning is a process. But, if you start today, you can begin asking questions that will help you gain clarity about your future. By using this framework, you can determine your goals, estimate your retirement expenses and income, and consider how you will invest to achieve your long-term goals. Finally, Fisher Investments Canada may be able to help you achieve your financial goals in retirement by helping you stay disciplined and providing resources and services along the way. Remember, there is no universal right answer for the ideal retirement age or portfolio size—there is only the answer that's right for you.

Still have questions? Not sure what's best for you? Need help getting started?

Fisher Investments Canada has helped thousands of investors—each with unique goals and objectives—plan for retirement. If you want an experienced financial professional to review your portfolio and financial goals, we urge you to call us at **888-291-0675** for a complimentary evaluation.*

**For qualified investors with \$500,000 or more in investable assets.*

Fisher Investments Canada Can Help You Reach Your Financial Goals

Over 165,000 clients worldwide work with Fisher Investments Canada—here's why you should, too:



Tailored Investment Approach

Your retirement plan should be custom-fit to your unique situation and long-term goals—that's why we take the time to get to know you, your finances, health, family and lifestyle. As your needs and markets change over time, we will adapt your strategy to keep up.



Simple, Transparent Fees

Unlike some money managers, we don't earn commissions on trades or by selling investment products. Instead, we use a transparent fee structure that's based on your portfolio's size—so our interests are aligned with yours. We do better when you do better.



Dedicated Service

As a client, you'll get dedicated support to help you stay on-track to your long-term goals. We'll keep you updated on your portfolio and changes in markets—even when volatility is high.





About Fisher Investments Canada

Fisher Investments Canada is a fiduciary money manager who always puts clients' interests first. Since 1979, we have helped investors like you achieve their financial goals with our tailored approach, transparent fees and dedicated service. Today, our investment leadership team manages over \$397 billion in assets globally with 150+ years of combined industry experience.*

Start investing in your successful future today. Call **888-291-0675** to speak with us.

**As of 09/30/2024. Includes Fisher Investments Canada and its affiliates manage over \$397 billion globally—over \$337 billion for private investors and \$59 billion for institutional investors. Presented in Canadian dollars.*

How Does Fisher Investments Canada Compare to Other Money Managers?

	Fisher Investments Canada	Other Money Managers
Fiduciary, always putting clients first		?
Simple, transparent management fees		?
No commission-based products		?
Portfolio tailored to your goals and lifestyle		?

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FISHER INVESTMENTS CANADA™

 6500 International Pkwy., Ste 2050
Plano, TX 75093 USA

 888-291-0675

 www.fisherinvestments.ca