

Is Canada ready to retire?

Between 1947 and the mid-1960's, Canadians produced roughly 400,000 babies each year, peaking at 500,000 in 1960. This baby-boomer generation represents a disproportionate chunk of the population, and has been the leading force behind social, cultural and economic changes in Canada during the last four decades.

This generation will begin to enter retirement in the year 2010. In fact, statistics indicate that by 2011, one in five people will be over 65 years of age as compared to one in ten in the early 1990s. While Canada currently has one of the youngest populations in the Western World, by 2030 we will have one of the oldest.

The age of self-reliance

Canada's aging population will place a huge strain on the Canada Pension Plan/Quebec Pension Plan. And, with fewer people in the workforce, the Canadian tax base will be smaller, further stretching pension programs – not to mention the health care system.

With less money to go around, it has never been more important for Canadians to save and invest wisely. Baby-boomers must take charge of their futures, or they could pay the consequences later in life.

Canada Revenue Agency (CRA) has provided Canadians with an excellent incentive for retirement saving through its Registered Retirement Savings Plan (RRSP) program. This program is clearly telling us something – get ready for a self-reliant retirement, or else.

Will you be ready?

Unfortunately, most people don't begin planning for retirement until just before they are ready to retire. As a result, statistics show that over 60% of Canadians will retire on CPP and Old Age Security alone. It's frightening to imagine the number of impoverished seniors who will be relying on dwindling social assistance programs for support in the 21st century.

In addition, baby-boomers who are counting on home equity to cushion their retirement may be in for a surprise. While a home may be the most important investment in a lifetime, it is not the solution to financial security at retirement.

Research shows that home prices will appreciate only modestly over the next few decades. The booming real estate markets – fueled by baby-boomer purchases – are likely a thing of the past.



Time to plan

The only way to be ready for retirement is to follow a disciplined approach to retirement planning. This involves estimating the cost of the lifestyle you want to lead upon retirement. It also means assessing your future income needs, your current assets, and the time remaining until you retire.

Inflation is also a key planning factor, as it can erode half your spending power in a 15-year period unless you have a plan to counter it. Ideally, you should sit down with a professional who can guide you through the planning process and design a comprehensive retirement strategy.

A ScotiaMcLeod advisor has the knowledge, resources, and team of experts to develop and implement a retirement strategy that is tailored to your personal goals and circumstances.

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