

February 09, 2011

First published in *The Toronto Star*, Investing section

Having an RRSP is not the same as having a plan



Lawyer and author Ann Barnes feeds her horses, Lightning, right, and D'Agua, on the family farm she and her husband bought four years ago.

By Suzanne Wintrob

Ann Barnes was in her early 30s and working as a corporate entertainment lawyer in downtown Toronto when she started planning for retirement.

She made regular contributions to a Registered Retirement Savings Plan and invested based on the trends of the day.

Her financial advisor realized RRSPs were not the be-all-and-end-all of retirement planning, so he urged her to create a financial plan tailored to her lifestyle. She trusted his judgment to let him make all of her financial decisions.

Four years ago, Barnes and her husband chucked their spacious home, cottage and nanny and moved with their two young children to buy a 100-acre farm north of the city.

The couple continues to run their busy Mum's Original health food business. Barnes is legal counsel and spokesperson. She works hands-on on her portfolio and values the annual review she has with her advisor to be sure her retirement plan is on track.

"If you don't have a plan, it's easy to get distracted and not take any action," says Barnes, who hopes to retire in her mid-60s and leave some land as a nest-egg for her kids so they can use it for farming or as a vacation property.

According to TD Waterhouse's Boomer Happiness Index, just 33 per cent of Ontario boomers aged 45 to 64 have a financial plan in place for retirement.

Those who do are much happier than those who don't.

Still, two-thirds of respondents worry they won't have enough money to last through retirement.

Experts say if these boomers had set realistic goals that fit their lifestyle and tailored a retirement plan to see it through, they would definitely be happier as they head into their golden years.

“You don’t just go out and buy things,” says Jeff Page, regional director of Investors Group Financial in London, Ont. “You have the knowledge of an RRSP and pensions, but that doesn’t mean it’s wise. Wisdom is knowing what to do with it. And that, to me, comes with a plan.”

Patricia Lovett-Reid, senior vice-president of TD Waterhouse, admits there is a lot of anxiety around retirement because people haven’t thought through the details.

“They’ve just thought, ‘I’m not saving enough in my RRSP,’” she says. “I often say, ‘Let’s look at what you’ll get from the government. Let’s look at the composition of your RRSP. Let’s look at what you’ve saved outside of an RRSP. What do you have invested in your home? Let’s not look at things in individual silos. [Let’s look] at the whole plan.’”

A good plan starts with envisioning your retirement lifestyle, says financial advisor Charles Sarkis of Edward Jones Investments in Windsor.

“What will you and your partner do when you get up in the morning? What will that be like?” he asks.

“The process of imagining is what gives rise to the opportunity to create some objectives, some specific goals we can mould out of those ideas and out of those feelings.

“Now we can work towards incorporating those into a plan by working backwards. We know what that can look like 35 years from now. We know that that can change. But here’s a basis on which we can begin.”

Then it’s time to build a portfolio based on those goals, and that goes beyond RRSPs and pensions.

Page advocates tax-free savings accounts because they help save money and you don’t pay tax on any gains (it’s after-tax money).

Insurance portfolios, he says, protect the family today and offer investment vehicles to defer taxes or save towards retirement. Sarkis adds in wills, powers of attorney, gifting provisions and long-term disability insurance as important aspects of a comprehensive plan.

Although it’s always better to get a head start on saving for retirement, it’s not too late to plan for the future, experts say. Catch-up might mean saving bigger sums more quickly or taking out an RRSP loan to make up for lost contributions, says Page. But it’s not impossible.

“The more time you leave before you start, the more pressure you’re putting on yourself and your family to retire comfortably,” he says. “The more time you give yourself, the more time you allow that money to work for you.”