Monthly Income

You've spent your whole life saving. You have no debt, the kids are self-sufficient and you're thinking retirement. Now what?

Not so easy. Thirty or forty years of creating a savings discipline and you never considered how to turn the tap on once you want money. You're not sure how much you can spend nor the best way to structure.

In a perfect world your financial resources are large enough that income is not a big issue for you. Your investments continue to grow and you turn your attention to estate planning matters while enjoying the retirement you created.

After you've assessed how much you need you will turn your attention to government administered programs like CPP and OAS. The CPP is a lot more complicated than it used to be and some may have opted out entirely. OAS has changed too and will begin between ages 65 and 67. Those with defined benefit or defined contribution plans will need to assess their options. Each question leads to another. Should you begin now or later? From which source? Which option? What are the tax implications? You quickly realize that this is much more complicated than you ever imagined.

If you have never worked with a Certified Financial Planner in your life or haven't spent your life working as an accountant chances are you need the help of both.

So, what are some of the alternatives available for your investment savings?

You could buy an annuity. This is where a lump sum is transferred to an insurance company and payments are made to you for a period of time or even your lifetime. There are many features that can be added including indexing to inflation and a guaranteed payment period. The more features chosen results in less income paid. They suit the very risk averse and those anticipating above average life expectancies. Of course, there are drawbacks. With record low interest rates all guaranteed products only return so much. Once chosen, you cannot change your mind. Still, they may be suitable for some of your money.

The most popular option for a RRSP is to convert to a RRIF which is essentially a reverse RRSP. While they can be started at any time, they must be started by age 72 unless you have a younger spouse. Most choose to receive income monthly but other options exist. As RRIF income is taxable best to account for in advance so as not to get a nasty surprize come tax time. RRIF's have no maximum withdrawal but there are those created from pension legislation that have more restrictions in place.

Some will take only the minimum each year while others will take a fixed amount each and every year until exhausted.

Those that have a nest egg in a non-sheltered portfolio will need to pay careful attention to its' make-up. Dividends, interest, trust allocations and products designed to return your own capital through systematic withdrawl plans can all be utilized with pros and cons. The size and structure of this account needs to be carefully considered in addition to how much income should be derived. A further consideration may be given to growing part of the capital given limitations in income that can be reasonably expected.

For many, their largest remaining investment may be from appreciation in their homes. A variety of options are available to unlock a percentage of your equity but usually involve either a line of credit tied to the value of your home or a more formal loan structured as a CHIP (Canadian Home Income Plan).

The best time to answer many of these questions is in the years' preceding actually being retired. Regardless, the more time and effort you put into structuring a program before committing to any course of action will pay dividends in the future.

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