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Retirement planning: 5 steps to success

Have you given any thought to what your retirement will look like? Research shows that financial security is a top retirement goal for physicians. It just makes sense. The less you have to worry about your financial health, the more time you can devote to activities that make a real impact to your life and on your community.

Physicians' Top 5 Retirement Goals

1. Be financially secure
2. Spend more time with family
3. Prepare for non-financial aspects of retirement
4. Give back to community
5. Volunteer/help others

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Careful planning is crucial, however, to ensure that your retirement years are everything you've dreamed of — from both a financial and an emotional perspective. It's best to work with a financial advisor who can walk you through the retirement planning process and monitor your plan on an ongoing basis. There are five steps to cover.

1. Identify And Prioritize Your Retirement Goals

Taking time to brainstorm what you want out of retirement will help bring your dreams into focus. Consider why certain things are important to you, while keeping in mind that your retirement lifestyle needs may vary over time.

You may want to travel in your 70s, for example, but plan to fund long-term care in your 80s and 90s. Your retirement plan should allow for those lifestyle changes.

And as you are identifying and prioritizing your goals, don't forget to address questions such as: How will I protect my family in case I die or become disabled? Do I want to leave a legacy?

2. Analyze Your Current Situation

This is an ideal time for your financial advisor to run a retirement projection, using a rough estimate of your future lifestyle costs. Understanding where your money goes each month or year will help you and your advisor determine how much income you will need to meet your lifestyle and financial goals in retirement.

A simple way to arrive at these costs is to determine your fixed costs and identify the amount you would like to allocate to discretionary spending, such as traveling. You will also need to factor taxes into the equation. With lifestyle costs in mind, you and your advisor can review different scenarios with respect to meeting your income goals. The retirement projection will show if these goals are achievable.

You will also need to identify the income your family will need if you die or become disabled. Calculate your estimated estate tax liability and consider existing insurance coverage and other assets to fund tax liabilities and other ongoing needs.

And finally, make sure you have a plan in place to transfer your corporate assets when you die. Many physicians neglect to plan for this transfer, and it can be very costly.

3. Develop Your Retirement Plan

Now that you have established your retirement goals and have determined that you have the income to meet them, it is time to set up a plan to get there. You and your advisor will review the information gathered in steps one and two in an effort to match retirement goals with required income.

This is a good opportunity to discuss specific retirement income strategies and talk about any remaining income issues. Corporate, non-registered and registered savings plans, along with the Canada Pension Plan and other government benefits, may all also contribute to your retirement income.

Together, you and your advisor will create an asset allocation strategy.

Once you have identified your overall portfolio risk, assets with higher interest and dividend income can be located in your tax-sheltered accounts, such as your RRSP and TFSA. Your corporate and investment accounts will mostly include assets that are expected to produce capital gains.

While they are not directly involved with retirement income, don't neglect issues like estate planning and insurance as part of your overall retirement plan. A proper estate plan will help facilitate and maximize transfer of wealth to your beneficiaries, as well as minimize taxes. Insurance solutions can help mitigate financial risks related to death or disability, maximize your estate for beneficiaries and fund tax liabilities.

4. Implement Your Plan

Now it is time to put your plan into action. Depending on what you and your advisor have decided, your steps now might include things like establishing pre-authorized contributions for required savings, implementing insurance solutions and/or moving forward with estate planning decisions to facilitate and maximize transfer of wealth to your beneficiaries.

5. Monitor And Review Your Plan

Meet with your advisor a year after you have retired to update the plan as needed, and adjust it according to any change in goals or lifestyle. This is also a good time to review your investment plan to ensure that your risk tolerance and asset mix are still in line with your overall retirement plan. Your advisor will review or reassess your goals, assumptions and income needs, review the status of your investment portfolio, and consider any changes in your health or family situation.

A well-structured retirement plan should remain flexible and adaptable, evolving with you and your needs as you enjoy retirement. ■

This article was provided by MD Financial Management as part of an ongoing series on retirement planning by OMA Practice Management & Education.

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