CHARTERED PROFESSIONAL ACCOUNTANTS

Saving for Retirement: How Much is Enough?

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SPEAKER	TRANSCRIPTION
	[00:00:00.00] [MUSIC PLAYING]
DORETTA THOMPSON:	**[00:00:11.24]** Hello, you're listening to Mastering Money, where we explore the many aspects of good financial decision making. I'm Doretta Thompson, financial literacy leader for Chartered Professional Accountants of Canada. We provide no-cost programs and free online resources that help Canadians own their finances and learn the language of money. **[00:00:32.67]** This season, we're looking at retirement in Canada and discussing all the ways we can plan and save for secure retirement, even in the face of economic uncertainty and the obstacles that life can throw us as we age. Understanding your options and making the right decisions is the best way to make sure you're on the right path to thrive in retirement.
	[00:00:00.00] [MUSIC PLAYING]
DORETTA THOMPSON:	**[00:00:56.23]** My guest today is Lisa Hannam, executive editor of MoneySense, a digital magazine and financial media website that helps Canadians every month with personal finance, insurance, investing, and more. Lisa has extensive journalism background as an acclaimed writer and editor and is a leading force in the success of MoneySense. She writes and edits popular articles about personal finance, insurance, banking, investing, practical money tips, including some of the publications most-viewed and sought-after content. Lisa, thanks for doing this.
LISA HANNAM:	**[00:01:29.35]** Thank you so much for having me. It's such an honor to be on your podcast.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:01:33.40]** Well, thank you, and I think it's going to be fun to explore the retirement issues from the perspective of somebody who's actually hearing from Canadians on a regular basis about their concerns around retirement issues. So before we begin, can you just tell us a little bit about yourself and your career and about how MoneySense fits into that?
LISA HANNAM:	**[00:01:52.33]** Yeah, for sure. So I am a trained journalist and editor, and my background is in magazines and service journalism. For those who don't know what service journalism is, that's not news. It's not broadcast or anything like that. It's really the how-tos, the explainers, those kind of things. So if you Google my name, you will see instructions on pretty much anything and everything from like how to do a squat for fitness to, obviously, how to invest in TFSAs. So it's a sought-after skill as a journalist to be able to explain and teach people how to do things.
DORETTA THOMPSON:	**[00:02:27.20]** And so how about your journey at MoneySense and a little bit about MoneySense? Because I think now it's a digital website, but actually, it's been around for a long time in terms of focusing on personal finance issues.
LISA HANNAM:	**[00:02:39.82]** Yeah, for sure. So MoneySense is a magazine that's been around for decades. You would have seen it on the newsstand probably maybe five or six years ago, but it's no longer there like many Canadian magazines. But you can find us every day, 24 hours a day, and it's free, unlike a newsstand, at MoneySense.ca. **[00:02:57.37]** We also have three newsletters that you can subscribe to-- the weekly Money Fit, which is a really beginner-based newsletter. So if you're just getting into finance, that's the one to go after. And then we also have Invest, which is much more geared towards people who are looking at their portfolios and perhaps even managing them or working with someone who is managing their portfolios and investments.
DORETTA THOMPSON:	**[00:03:21.05]** So we're talking about retirement today, and of course, for many people, saving for retirement is something that one should be thinking about for one's entire career, if you like, although I think for many of us, it's maybe a little bit later into the process. But what are you hearing from your subscribers and readers, et cetera, about their concerns about retirement right now? What kinds of things are bubbling up?

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:03:48.97]** Yeah, for sure. So to give it a bit of sense of why we're hearing from our audience is because we have a very popular column called Ask MoneySense, and so we do get multiple emails a day of people asking about a variety of things, including retirement. But specifically to retirement, with the latest news of the interest rates going up and the Bank of Canada announcement--well, just even in this year alone, it keeps going up and up and up. **[00:04:14.23]** So a couple of things that people are asking about when it comes to retirement is moving from their traditional asset allocation into like lower risk investments, such as GICs, for example. We also have readers asking about reverse mortgages as well as helping their adult children buy homes, which is an interesting one that I don't think a lot of people nearing or in retirement even thought about before. It's not like their parents did it for them.
DORETTA THOMPSON:	**[00:04:40.86]** Yeah, for sure. And I think that, one of the things I should say for the benefit of our listeners is that this is a recorded conversation. We're recording it on the 18th of July. And that's a lot more topical these days because we just are after the second large increase in the bank rate. **[00:05:00.88]** As we're recording this, it was just last week that the Bank of Canada raised its rate by 1 full percentage point, so just as a point of context for our listeners. That's really interesting about helping people helping their children buy homes, which, I think you're right. That's a relatively new thing. And one of the scary things about that is that some people are actually doing that at the expense of their own security in their retirement. So that may be is something that everybody needs to be thinking about. **[00:05:32.08]** One of the realities is that, I think more and more Canadians are now personally responsible for saving and investing strategies to finance their retirement. I mean, when I look at that, I really see that one of the biggest changes over the last couple of decades has been the move from defined benefit to defined contribution pensions, which puts full responsibility into the hands of the individual. **[00:05:55.42]** And the gig economy is another, really, player in that where young people, especially, are engaged in work that doesn't come with benefits at all. So for the benefit of our listeners, can you start out by just explaining a little bit about what the key savings vehicles are for retirement these days.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:06:15.11]** Yeah, and there are a lot thankfully, but you're so right. The gig culture has really changed like how we're all working. And even in looking at jobs that we're applying for, it's not as deep of a concern to not have a pension that it used to be. So it's really putting it all on us, so we definitely have things to look at, such as RRSPs, which is a deferred tax tool. You can contribute to it up until the age of 71. **[00:06:40.73]** A couple of things to note. You will have to pay taxes when you withdraw from it, so it is a deferred tax tool. Some people I think, when you just talk casually about RRSPs, they think that they just not taxed on it, and they don't think about it again. But the contribution room changes annually, and the maximum for this year is $30,780. So there's a lot of room to contribute, for sure. **[00:07:04.43]** As for withdrawals, as long as your assets within the RRSP aren't locked in, like, for example, if you have GICs, then you should have no problem withdrawing from your RRSP. Just making sure that the terms of your investments within it that, if you need them to be accessible, that they are accessible for you.
DORETTA THOMPSON:	**[00:07:22.50]** And one of the big challenges, though, of course, that people should keep in mind with RRSPs is that, when they are, as you mentioned, taxable when you withdraw it. So even if it's in a form that you can easily withdraw it from, they will not release the full amount of funds. There will be tax withheld, and you will be eligible for tax **[00:07:42.05]** The other thing about RRSPs, of course, is that you can't replace them. So when you withdraw funds, you don't get that room back, unlike TFSAs, for example. So maybe you could say a little bit about the role of TFSAs, which also have a role in retirement saving but a very different one.
LISA HANNAM:	**[00:07:58.28]** No, for sure. So TFSAs, they kind of work similarly to RRSPs, in that you can put money into it and that you can hold investments in it as a tax-deferring tool. But with a TFSA, it doesn't actually lower your income when you put money towards a TFSA. So you will be taxed on that amount during that year as income. But you're not taxed on the income that you earn from it, whether you use it as a savings account or if you are earning income on investments. So that's how those pretty much work. **[00:08:31.94]** You can invest up to 81,500 dollars maximum. But each year has its own investment, 6,000 dollars. When I should preface that 81,000 is based on if you were like an adult by the year 2009, right?

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:08:47.42]** So that's the rule of thumb. RRSPs, not taxed going in, taxed coming out. TFSAs, they are taxed going in, but all the money they earn, it earns tax free. And you are not taxed when the money comes out. Important things to remember for people, both as they're saving it and also, really importantly, as they plan their withdrawal strategies in retirement.
LISA HANNAM:	**[00:09:14.45]** Yeah, and the same rule applies if your assets are locked in within the TFSA, then you may have to pay some sort of fee to withdraw from them. But if they are not locked in, then they are accessible.
DORETTA THOMPSON:	**[00:09:27.41]** So Lisa, when do you think is a good time to start saving for retirement? Is it ever too late? Is it ever too early?
LISA HANNAM:	**[00:09:34.90]** Well, I think that-- what's the saying? It's never too early. So the idea is that it's never too late. So as soon as you start thinking about retirement is when you should start saving it. I think we all get into complacency a little bit and thinking that it's so far away. We have other urgent priorities, like a down payment on a house or even this month's rent, child care, and all that kind of thing. But the thing that you have to think about is the compound interest that you will be receiving on these things. **[00:09:56.78]** But the thing that you have to think about is the compound interest that you will be receiving on these things. So even if you were to take out like 25 dollars a week when you're in your 30s, probably making not a ton of money that you will in your entire career. But that 25 dollars is worth way more when you're 65 than it would be if you started doing that when you were in your 40s, so as soon as possible.
DORETTA THOMPSON:	**[00:10:23.21]** The magic of compounding.
LISA HANNAM:	**[00:10:26.00]** Exactly.
DORETTA THOMPSON:	**[00:10:26.45]** I think they say it's the best time to start is when you're really young, and the second best time is today.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:10:33.53]** It's so funny because I remember when I first started thinking about RRSPs, I was earning like $30,000, and I was on the TTC. And there was this ad, saying, do you have a pension? And I was like, I don't. And I-- just put this fear in me of being a senior and not be able to do anything.
DORETTA THOMPSON:	**[00:10:52.34]** Yeah, I think it's so important particularly. I, like you, have had extended periods of time where I've been self-employed, and so taking responsibility for saving for retirement has always been a really important priority. We do have Canada Pension, and we do have Old Age Security, et cetera. And we'll talk about that in a little while because, obviously, those are sources of funds, so it would be very important to people. **[00:11:17.95]** But we're talking about how one can also save personally for that. Just as a sense, how much should the average Canadian be saving each month for retirement? For all of us, there's that huge unknown. We don't know how long we have to save for. We don't know when we're going to exit stage left, so how long do our retirement savings have to last? How should people be thinking about that? And what are the things that they should factor into their savings decisions?
LISA HANNAM:	**[00:11:48.26]** So I'm going to tackle this question by going super specific, and then I'm going to go into the general. And the reason for that is because we are all so different. We all have different lifestyles that we want to maintain. We also have different, like you said, life expectancy and a lot of different factors. So I'm just going to go quickly through the factors that we should be looking at when determining how much money we need to retire. **[00:12:10.75]** Trying to figure out how long you are going to live sounds like a very hard question because we all want to live forever. But essentially, just trying to figure out between-- give yourself a hypothesis between your parents' age of death or even your grandparents, if your parents are still alive, to sort of figure out, OK , based on genetics, this is what I could kind of see happening, and then looking at what age you want to retire. And so those two things should give you how many years you need income without having a job. **[00:12:42.28]** Other things you need to include are, where you want to live? So do you want to be in your house? Do you want to be in a retirement home? Do you even want to be in Canada? That will deeply impact the cost of living as well as the kind of lifestyle you want to have. Do you want to be able to travel? Do you want to be in a city where you walk everywhere, and you don't want to drive. There's just so many factors that contribute into that.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:13:05.80]** Also, some people do work when they're retired, right? So there's side hustles or even just like continuing your job on a consultancy or even a part-time basis. And one of the things is, but how to achieve whatever that dollar sign is that you want. **[00:13:24.58]** And the best way to do that I think is to sit down, look at what your lifestyle is, what are you spending money on? I know we hate the word budget, don't we? But don't think of it as a budget. Think of it more like a checklist. Just make sure that whatever's coming in, that you have some that's not also going out.
DORETTA THOMPSON:	**[00:13:45.77]** I always refer to budgets as plans. Really, it's your plan for making your dreams come true. That's what it's about. It's about your plan to get to where you really want to go, which is why-- and listeners of our podcast know that, the most important place to start is understanding your own values, your own goals, your own objectives. And then plan to make that happen.
LISA HANNAM:	**[00:14:09.79]** And then also, one major thing to consider is debt. Will you have a mortgage still? Do you foresee having any other kinds of debt, whether it's a line of credit or anything like that? So before figuring out how much you need to save, figure out how much you're going to be spending. And that is the beginning. So that's why I wanted to start that way before we get into how much you need to save. **[00:14:32.95]** We have this great article on moneysense.ca called "How much should I have in my RRSP?" So it's broken down into three age demographics, one in your 20s, one in your 30s and 40s, and then one in your 50s and 60s and beyond. So it's really difficult to put how much. But instead, what this story illustrates is, if you were to save regularly by a certain amount, how much that could bring you by the time you're going to retire. **[00:14:57.95]** So obviously, in your 20s, time is definitely on your side. You're going to take advantage of all that compound interest. But there are things that you also have to consider like your student loans and maybe looking to pay for a wedding or even your first place. But generally speaking, the article talked about how, if you put away 25 dollars a week, you could end up with 600,000 by the time you're 65. So imagine 25-- that's not a lot of money, is it? So that's quite significant. **[00:15:27.94]** And then, when you add on the other things in your retirement, such as your home, any other assets or investments that you would have on top of that-- but just that 25 dollars alone will get you 600,000. So if you're in your 30s and 40s, and you're starting to think about retiring, you have actually larger expenses. So it could be quite easily that you would just put this under the rug and be, like, no I'm going to wait until I'm making more money or things are paid off.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:15:51.97]** But really, again, time is on your side even in your 30s and 40s. And so, if you were to put away monthly deposits of 500 dollars, and you invest 275,000 dollars, then you could still make that 600,000 dollar goal. And then in your 50s and 60s and beyond-- so this is the point when you have to look at your RRSPs and really understand how much time you have. Because you actually cannot contribute to RRSPs after the age 71. **[00:16:18.85]** So even if you are in your 50s and 60s and you want an RRSP, that's still an option. So what you should be doing with this is looking at the types of investments that you would hold in your RRSPs and what your risk factor is for that. So it might be quite a conservative RRSP.
DORETTA THOMPSON:	**[00:16:35.47]** I think one of the things also that people should think about is what their post-retirement spending is likely to look like. I think a lot of people have the idea that their retirement spending will go up from the time they retire until they are no longer drawing on their retirement savings. And in fact, that's not what it looks like. It's not a steady incline slope. **[00:17:03.43]** It is more like dumbbells where, when you first retire, for most people, and you're in relatively good health, et cetera-- well, hopefully, in wonderful health and able to travel, et cetera. And so for that first like 10 years or so, that may be a time when you are really spending money because you are doing things on your bucket list, traveling, et cetera. Then there tends to be-- and remember, again, the caveat that we're talking about big picture here, not about individuals. **[00:17:34.54]** But people then often go into a phase of quite low expenses where they're not traveling, et cetera, but still have a very good quality of life and are more enjoying things closer to home. And then sometimes, as we approach the end of life, and you can get into end-of-life care issues, et cetera, which can be very expensive. But I think one of the learnings from that is, for people who are retiring, is to look at their overall resources and make sure they take advantage of what they have worked so hard to save for. **[00:18:07.21]** And take advantage of that and enjoy it for the period of time where that is-- in sort of in their earlier part of their retirement. Because we hear way too many stories about people who work hard, save hard, and then become a little bit reluctant about spending in retirement, and then it's too late, and they don't get to take advantage of the fruits of their labor.
LISA HANNAM:	**[00:18:32.29]** Yeah. And it can be quite emotional too, going from saving, saving, saving to spending.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:18:37.60]** It is. It's a really hard mindset to change. I've talked to a lot of people about that who have made the transition and how challenging it is when your mindset has always been about saving. It's a funny thing. And it sounds sort of counterintuitive, but it's true. People do sometimes really struggle with that. **[00:18:58.40]** Lisa, you were mentioning that you've had some interesting questions emerging around being single and retiring. What are you seeing? And what interesting things are emerging for single people retiring?
LISA HANNAM:	**[00:19:08.38]** Yes. So we do get a lot of reader questions asking about recent divorce after they're retired, actually. So there are a lot of concerns about splitting retirement income because, the thing is, when you split retirement income 50, the expenses actually don't follow suit, do they? So your disposable income will be taking a hit with a divorce or a separation. So if you are planning a future with someone, it is also worth considering what extra money that you may need should you split.
DORETTA THOMPSON:	**[00:19:41.11]** Interesting. And a sad, but necessary thing to think about.
LISA HANNAM:	**[00:19:46.03]** For sure, for sure.
DORETTA THOMPSON:	**[00:19:47.68]** We did refer to, a little bit before, about CPP and Old Age Security, et cetera. Do you want to just take a minute to explain to our listeners how they work, what the average person can expect, and what they should consider. I think a lot of people, the message is getting through that it may not be in your best interest to take these pensions the minute you turn 65 and are eligible for them. There may be conditions in which you want to wait, et cetera. Or it may very much be in your best interest. And of course, if you need the funding, then absolutely. So do you want to share a little bit about that with us?
LISA HANNAM:	**[00:20:21.16]** Yeah, for sure. CPP actually was in the news a little while ago because they're doing really well despite market volatility. It's rare to find good news these days, and that was a glimmer of hope, I think. But CPP is meant to replace 25% of what you earn during your career. So it's based on what you pay into it. And many Canadians actually take it as soon as they can. And not very many people defer it, but there is benefit to deferring it. **[00:20:47.35]** When you defer taking CPP, you actually get 0.7% per month, 8.4% per year for every you delay it. So it actually can be quite beneficial to delay CPP. And it's super easy to apply. You just go to canada.ca. There's a four-step process. You could apply via paper and pen kind of thing, but it's quite easy just to apply online. Thank goodness, nowadays, right?

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:21:14.41]** I would give a little plug too for canada.ca. They have a lot of really good financial literacy resources there that people can access and learn about.
LISA HANNAM:	**[00:21:24.23]** Yeah, for sure. And I was going to give you some numbers for the CPP if you were to delay it. If you delay it from 60 to 70, it actually grows from 1,000 dollars a month to 2,218 dollars a month, and that was back in 2020 that those numbers came out. So it's quite significant.
DORETTA THOMPSON:	**[00:21:43.13]** So if you don't need the money and you're projecting a long and healthy retirement, it can be very well-- really hugely in your interest to delay starting your CPP. But what about Old Age Security? Would you like to explain to our listeners how that works?
LISA HANNAM:	**[00:21:58.01]** So it's a little bit different than CPP in the fact that it's actually not based on your work income or what you contributed. But it's based on how long you've lived in Canada. So you can apply between the ages of 65 and 70. Again, you can defer it. And there are some good numbers behind that. **[00:22:14.66]** So you increase it monthly with every year by 0.6% or 7.2% annualized. And actually-- and we just had some recent news in the summer. Recipients age 75 and older will actually see a 10% increase in their OAS pensions this year. So that's quite nice too. **[00:22:32.35]** Another part of OAS is GIS. So that is a supplemental income that is part of the Old Age Security that people who have lower income in their retirement years can apply for and qualify. Again, it's all-- you can apply directly on canada.ca, and it's super easy, and very straightforward to apply.
DORETTA THOMPSON:	**[00:22:52.24]** One of the things you referred to earlier was homeownership. And you were mentioning that even some people are helping their children buy homes given what's happened to the real estate market, the residential market, particularly in Canadian cities and the big Canadian cities, in general. Homeownership has been the foundation of a secure retirement in Canada I think for a very long time. It has been the sort of general wisdom that you buy a home, and you have it paid off by the time you retire. **[00:23:24.31]** How do you see the role of homeownership in retirement planning right now? And are you seeing any changes, questions, differences in what your readership is exploring in terms of the relationship between homeownership and retirement?

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:23:38.65]**
	Yeah, definitely. I think we touched upon this when we first started talking here and about people wanting to stay in their homes. It's a staggering number of Canadians, 96% of Canadians expect to be in their home as long as they can during retirement. So it is still valued as an asset in retirement. But there's a lot of assumptions we're making here, though. .
	[00:24:00.79]
	In order for the home to be a valuable retirement asset, it has to be, one, paid off. Because--
DORETTA THOMPSON:	**[00:24:07.06]**
	That's huge. It's huge.
LISA HANNAM:	**[00:24:09.43]**
	If you're carrying a mortgage in retirement, then that is going to eat up a big chunk of your disposable income. The other assumption is that you have no more debt. But if, like you said, just now, we're talking about adult parents paying for their adult children's homes, well, that's not free. That's more debt, right?
	[00:24:29.59]
	And another thing too is to assume that your home wasn't recently purchased so that it's not vulnerable to the fluctuations within the market if, say, you do sell. So if you have a home that you've had for 25 years, and you're going to retire and sell it, but the fluctuations in the market in the last 5 or 10 years probably won't be that significant. But if you just bought it a couple of years ago or even less than 10 years, and then the market goes down, that will actually affect your plan for retirement.
	[00:24:58.15]
	Generally, owning a home is a very good asset, but it shouldn't be your only asset for retirement because there are a lot of other things that you have to consider when staying at home throughout your retirement. And one being, will you need home care and assistance? Maybe it's better off for you to go into a retirement home where they will provide you with meals and services or even just a social life, right? So for some people in their retirement, living at home can also be very isolating.
DORETTA THOMPSON:	**[00:25:27.49]**
	Yeah. And I would like to, though, really draw attention to where you started on this discussion of the role of homeownership. And that is that the home needs to be paid off, that you're not carrying a mortgage, or a key lock on your property that you need to pay off.
	[00:25:45.49]
	I know, just sort of big picture, at a macro level, it's something that does concern people who have borrowed against their rising equity in their home rather than-- I think in previous generations, people really didn't think of homes as a financial asset. They thought of it as a place to live. And they didn't think about it in terms of leveraging equity, et cetera. I think that's a real sea change in how people think about where they live.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:26:16.70]**
	No, for sure, for sure. And also, we talked about reverse mortgages. But that's also playing into it now as well. And so you'll see-- you and I were talking a couple of weeks ago about how people are so divided on reverse mortgages. And you pointed me to your Steve Ranson podcast. But the education behind them is so important because there's a couple of things with the reverse mortgage that you have to think about too is, like, it's more regulated in Canada. And you pointed that to me.
DORETTA THOMPSON:	**[00:26:45.26]**
	Yeah. We have a podcast on that with the CEO of the HomeEquity Bank of Canada. So if you're interested in that, by all means, just check our Podcast page, and we'll make sure there's a link to that podcast. I'm just wondering, do you think that Canadians' attitudes towards retirement have changed over the last few decades? I think it'd be really interesting to look at how the readers even of MoneySense, that the current digital version, or in its past print version, how it's changed.
	[00:27:17.48]
	I think about things like the advertising concept of Freedom 55 and how that has kind of permeated people's expectations. But now we're looking at really significant inflation for the first time in a very long period of time, labor shortages at the same time. And there was recently-- there have been a lot of articles, and most recently, one in The Globe and Mail about the gray gap as a solution to labor shortages. And you referred to that earlier, that some people are choosing to work.
	[00:27:47:70]
	Some are working because they need to work in retirement for a certain period of time. But also, many people are choosing to work, just in different ways in retirement. What are you seeing on that? Are you seeing people ask questions or think about that?
LISA HANNAM:	**[00:28:02.81]**
	Yeah, definitely. A few of our columnists had even talked about retiring abroad and how that's changed. Because you would have your pool of retirement money and then think about, where would be the best place to spend this? Where could I get the most value for my money? And since the pandemic, that's changed because it's no longer about value, but accessible health care when you retire abroad. That's one major thing.
	[00:28:28.19]
	A couple of other things are the value of staying even here with the headlines that we're seeing even right now. The whole shrinkflation thing where food is packaged smaller, but still cost the same amount. And obviously, inflation is going to affect everything, from whether or not you go to a retirement home or if you stay at home, your everyday costs. There's no place that's not touched when it comes to inflation.
	[00:28:55.17]
	And I think people who are retiring feel particularly vulnerable because it's not like they can go and ask for a raise. You know what I mean? So it's definitely top of mind.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:29:05.39]** Are you getting any sense of panic in your readership?
LISA HANNAM:	**[00:29:08.42]** Not so much panic because I think if anyone's retiring in the near future, they've seen the recession of 2009, even some from the '80s, so--
DORETTA THOMPSON:	**[00:29:21.35]** If they're retiring now, then they came into the workforce into a period of stagflation and very high interest rates and thinking, well, 7% is not that high.
LISA HANNAM:	**[00:29:34.50]** Oh, what a nice thing to think about.
DORETTA THOMPSON:	**[00:29:36.44]** I'm dating myself here, but I do remember-- I graduated into those years of double-digit inflation. It was a very different time and a very different way of making decisions when you're dealing with those levels of inflation.
LISA HANNAM:	**[00:29:50.18]** The more panic I've been seeing is among first-time homebuyers.
DORETTA THOMPSON:	**[00:29:54.47]** Right.
LISA HANNAM:	**[00:29:55.19]** And just being able to make that step yet because of the costs of homes and the mortgage rates that are happening right now. That's been most of the panic, less so from people who are retired.
DORETTA THOMPSON:	**[00:30:0909]** Yeah, and I think that-- also I think people who made their first house purchase very, very recently, and now we're seeing the housing market in urban centers softening and declining. And that's a scary situation.
LISA HANNAM:	**[00:30:22.01]** Yeah, for sure. And also, to point back to that CPP news from the Mercer Pension Health Plus about how well the CPP is doing.
DORETTA THOMPSON:	**[00:30:31.52]** Right.

SPEAKER	TRANSCRIPTION
LISA HANNAM:	**[00:30:32.48]** And there is growth. So that's good news for people who are retiring.
DORETTA THOMPSON:	**[00:30:36.65]** Yes, very well managed, and I think people should take some security in that. I really do. I feel that quite strongly that the Canada Pension Plan has been-- its overhaul relatively recently-- overhaul in investment and stuff has been very thoughtfully done to ensure people's long-term security. **[00:30:57.86]** If you don't mind me asking and you'd like to share a little bit-- you did refer to it a bit earlier, so I feel that I can ask this question.
LISA HANNAM:	**[00:31:05.54]** Ask away. Ask away.
DORETTA THOMPSON:	**[00:31:07.19]** What's your own personal approach to retirement planning? Well, it's definitely top of mind. It's been top of mind since the beginning of my career. After I saw that TTC ad, I went straight to my bank, and I put away 75 dollars every paycheck, which, as I kept getting raises or got a new job and was able to negotiate a higher salary, I doubled that. **[00:31:31.44]** And then, what ended up happening is, with the TFSA and RRSPs, I use them differently. So when I was an independent contractor, saving away money for income tax is hard. It's hard work. So I would use the RRSPS to really lower my income. **[00:31:46.71]** So I would dump as much money as I possibly could into my RRSPs. I know it's almost the opposite of what they say to young people, to use TFSAs. But because I was an independent contractor, and I was paying directly to the government, my income tax, that's why I focused on RRSPs. **[00:32:03.53]** But now, mostly, I use the TFSA. As well, the TFSA is a good thing for young people too I think because you can use it as an emergency fund. When I went freelance for a little bit, I actually made sure that I had enough money in my TFSA should I not get paychecks in time that I would still be able to have enough money to pay things like my mortgage or bills or anything like that. **[00:32:26.43]** But yeah, my husband thinks I save too much. But I don't think that's such a thing. So yeah, I just put as much money away as I can as possible all the time. I know there are rules, like the whole rule of 30 and all that kind of thing. I don't even think about it. I'm, like, if I have excess money in my bank account, I'd rather it be in an RRSP or a TFSA than sitting in my-- what? Like, I'm going to earn like three pennies on this a year, or not even?

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:32:54.65]** Right. Do you subscribe to any of the-- like, pay-yourself-first strategies? I mean, obviously you did when you first started when you went to your bank and you said, 75 dollars a month, it goes to my retirement. Because if there's one thing that we know, it's that the money we don't see, we don't spend. So when you have it-- and encourage everybody to do this all the time-- is that, you can work with your financial institution. **[00:33:18.62]** You can set up an extra account. And you can have them just automatically, every paycheck, put money towards that. And you don't see it. And then you don't spend it.
LISA HANNAM:	**[00:33:28.43]** It's true. It's true. I do some people, though, who love the pride of putting money away. A friend of mine was-- we were talking about how we save. And I was, like, I don't even look at it. It just goes out. I don't even notice it coming out. And then every once in a while, I look at my savings, I'm like, damn, that's pretty good. **[00:33:44.54]** But she really-- she rewards herself with the feeling of putting money away. So she makes sure that she has a calendar event and says to move money into this account. So she preferred to actually be the person doing it. So I really just think it's based on your personality and your motivations and thinking about what we were talking about how emotional it can be to go from saving to not saving. Maybe, I don't know, maybe think about that too.
DORETTA THOMPSON:	**[00:34:11.33]** Yeah, it's true. It's so true. I have lots of friends who had that same feeling about paying down their mortgage and taking that enormous pride in paying down a mortgage and doing things like weekly mortgage payments or biweekly mortgage payments because you pay a little more over time, saving the money to put that amount down on the principal and the anniversary date. Like just owning it. That's what it's really about. It's about owning it. And you're responsible for this. Own it.
LISA HANNAM:	**[00:34:41.84]** Yeah, for sure. Whatever you think you'll respond to to do it, do it. It's, like, anything, right? It's all about the process.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:34:49.50]** Yeah, I think that's true. And I think it is about knowing yourself. I mean, for a lot of people, I think the home ownership question is a really interesting one. For many people, homeownership is a kind of enforced savings. You have to pay your mortgage. It comes before everything else and might not be able to-- if they were, for example, renting, and there's a significant cost difference, they would spend that money. **[00:35:11.42]** They would not invest that money in their future. So a lot of it is about knowing yourself, and know what works to you. And if you're the sort of person who tends to spend or is challenged by debt or tends to spend everything, paycheck to paycheck, when room could be created to save, then that's a sign that maybe you need to put in place some of those automatic savings things so you don't see the money.
LISA HANNAM:	**[00:35:38.99]** For sure. I also think, too, that you don't need a home to retire. There are definitely a lot of successful Canadians who have rented, but you just have to take a different approach, being very cognizant of your RRSPs, your TFSAs, having a job that has contribution matching. So yeah, anyone can retire in a way that they want to as long as they're thoughtful about it.
DORETTA THOMPSON:	**[00:36:03.18]** Actually, that's a really great thing that you just mentioned, contribution matching. For people who do have a defined contribution pension plan at their employers, I would really encourage them to look at it very carefully, understand if there's a matching benefit, and then maximize as much as you can. Because not doing so is literally leaving money on the table.
LISA HANNAM:	**[00:36:27.33]** For sure. And even if you are negotiating for another job, and they will just give you the money equivalent, it's not the same over the long term.
DORETTA THOMPSON:	**[00:36:35.19]** Right. It's not. In that case, you really need to be sure that you're taking the-- that you are actually doing that investment.
LISA HANNAM:	**[00:36:42.42]** Exactly.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:36:43.65]** Before we draw to a close, where can Canadians get advice on retirement savings? Can you give us some suggestions of where people can go to, who they should ask?
LISA HANNAM:	**[00:36:53.49]** For sure. Obviously, canada.ca is a great resource because all of the tools will be there. The internet is rife with tools and calculators. And we have some really good ones on moneysense.ca as well. Also, speak to a qualified financial planner or advisor about retirement savings because, as much as we can all read and learn about retirement, it's always good to get another perspective. You wouldn't diagnose yourself for an illness. So make sure that you're getting the proper expert advice. **[00:37:25.80]** And actually, MoneySense has a really cool tool called the Find a Qualified Advisor Tool. So if you need to find an advisor in your area, just input what you're looking for, and one will pop out. Also, financial institutions offer blogs and general advice. There's really a lot of good information out there.
DORETTA THOMPSON:	**[00:37:43.29]** I think that's well said. A word of caution that, look at your sources. So make sure that you're getting reliable sources. There is a whole lot of information out there on the internet. Not all of it is good. Shall I use-- Meme Investing as an example?
LISA HANNAM:	**[00:38:01.56]** No, for sure, for sure. As a journalist, obviously, I want you to make sure that you are using primary sources, such as the government, the banks, high-quality journalism websites because they're the ones that are going to be asking the questions that you need to be asking. But nothing will beat having someone who is looking out for your specific needs, for sure.
DORETTA THOMPSON	**[00:38:22.59]** And of course, you can get information as well with us at cpacanada.ca/financialliteracy.
LISA HANNAM:	**00:38:29.73]** Another great primary resource.
DORETTA THOMPSON:	**[00:38:32.56]** So Lisa, thank you so much for joining us today.
LISA HANNAM:	**[00:38:35.38]** Thank you so much for having me.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:38:39.40]**
	Understanding the basics and knowing what options are available are the first steps to knowing how much is enough when it comes to saving and planning for comfortable retirement. And I think our discussion today has been a great introduction for listeners.
	[00:38:52.09]
	You've been listening to Mastering Money from Chartered Professional Accountants in Canada. You can click to all the resources we've mentioned in this podcast in the description on your podcast app. Please rate and review us. And if you'd like to get in touch, our email is financialliteracy@cpacanada.ca. This season is made possible by the generous support of our national development sponsor, Canada Life.
	[00:39:15.22]
	If you'd like to keep the financial literacy conversation going, we invite you to join us as CPA Canada celebrates Financial Literacy Month with two special conferences. For the first time in two years, we're bringing back our in-person conference, Mastering Money. It offers networking opportunities, interactive presentations, and live Q&As.
	[00:39:36.86]
	We are also continuing with our popular virtual conference, Money in the World, exploring how Canada fits into the international financial scene. Follow the links in our resources to register today. Please note, the views expressed by our guests are theirs alone and not necessarily the views of CPA Canada.
	[00:39:56.09]
	This is a recorded podcast. The information presented as current as of the date of recording. New and changing government legislation and programs may have come into effect since the recording date. Please seek additional professional advice or information before acting on any podcast information.
	[00:40:12.37]
	Be well, be kind, and, remember, preparation is the key to success for all your important money decisions.
	[00:40:18.37]
	[MUSIC PLAYING]