

# RETIREMENT & BUDGETING

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*Golden Years*

# BUDGETING

FOR RETIREMENT IS ESSENTIAL

*In fact, it will allow you  
to relax and enjoy life!*

**Creating a retirement budget can significantly enhance your peace of mind and reduce financial stress during your golden years.**



By carefully planning your finances, you can avoid the common pitfall of depleting your savings too quickly.

### **How do you budget for retirement?**

Determine how much income per month you'll have in retirement from all sources. Then add up all your monthly expenses.

### **Your income needs to exceed your expenses**

If it's the other way around, you'll need to make adjustments like cutting expenses or finding more income such as a part-time job.

**With just a few straightforward steps,  
you can develop a budget that meets  
your obligations while still allowing  
for plenty of enjoyment**

**1**

**Add up your  
income sources**

# 1

## ADD UP YOUR INCOME SOURCES

- First, add up all your retirement savings, including registered retirement savings plans (RRSPs), tax-free savings accounts (TFSA) and non-registered accounts
- If you're a business owner, include assets from the sale of your business
- Next, divide your total savings by the number of years you expect to be retired to estimate your annual income from savings
- Then divide this annual amount by 12 to determine your estimated monthly income from savings



# 1

## ADD UP YOUR INCOME SOURCES

- Next, add up all your sources of monthly retirement income, such as company pension plans, the Canada Pension Plan (CPP) and Old Age Security (OAS)
- Combine this figure with your estimated monthly income from savings to get your total estimated monthly income
- Tracking every source of retirement income will give you a full picture of the budget you're working with



**2**

**Identify your  
expenses**



# 2

## IDENTIFY YOUR FIXED EXPENSES

- You have the most control over your spending
- In retirement, it might be tempting to dip into your sizable nest egg to start checking items off your bucket list
- However, overspending can be financially risky, since your savings need to last for decades



# 2

## IDENTIFY YOUR FIXED EXPENSES

To create your retirement budget, start by gathering the following items:

- **Bank account statements for the last 6 to 12 months**
- **Credit card statements for the last 6 to 12 months**
- **The last 2 pay stubs, if you or your spouse is still employed**
- **Last year's tax return**

Review these documents to identify all of your recurring monthly, quarterly and annual payments

# 2

## IDENTIFY YOUR FIXED EXPENSES

**Divide your expenses into the following categories:**

### ESSENTIAL SPENDING

This category of spending includes food, clothing, housing, utilities, transportation and healthcare

### DISCRETIONARY MONTHLY EXPENSES

These include things you receive a monthly bill for, including cable TV, streaming services, gym memberships, cellphone plans and other subscriptions

### REQUIRED NON-MONTHLY EXPENSES

Bills for property taxes, insurance premiums, auto registration and home warranties may arrive once a year—add up these periodic expenses and divide by 12 to calculate their monthly cost to include in your budget

# 2

## IDENTIFY YOUR FIXED EXPENSES

- Use lined paper or a spreadsheet to account for the timing of expenses
- List the months, January through December, across the top in separate columns; down the left side of the spreadsheet, list each expense on a separate line
- If your utility bill runs an average of \$200 a month, put \$200 in each monthly column
- For Christmas gifts, if you spend about \$500 a year, divide the \$500 in two and put half each in November and December
- Do this for each expense item, then find the sum for each month—these are your fixed costs



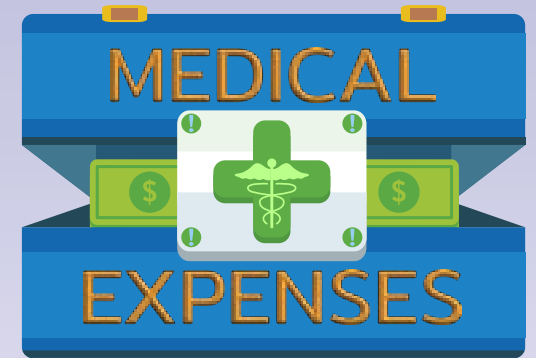
**3**

**Account for  
healthcare costs**

# 3

## ACCOUNT FOR HEALTHCARE COSTS

- If your employer has been covering your extended health insurance premiums, you may need to shoulder this expense after retirement
- Be sure to account for dental, vision and hearing care
- Add these costs to your budget as well
- Also, estimate other health-related expenses, such as medication, to ensure you have a complete healthcare picture when creating your retirement budget





4

**Don't forget  
about fun**

# 4

## DON'T FORGET ABOUT FUN

- Discretionary spending is the flexible part of your budget that includes all the fun activities like travel, outings with grandkids, sports and other entertainment
- Love dining out, or dreaming of an annual cruise? Estimate how much you'd like to spend on these enjoyable activities and include them in your budget





# 4

## DON'T FORGET ABOUT FUN

- Consider how your hobbies and lifestyle might change, as this could impact your spending—if you're married, have your spouse do the same
- If you plan to spend your newfound free time on expensive hobbies, ensure you account for that in your budget
- Think about adjustments you might be willing to make to free up money for these activities; the trade-off could be worth it



**5**

**Calculate fixed  
vs. flexible costs**

# 5

## CALCULATE FIXED VS. FLEXIBLE COSTS

Now that you've gathered all your expected costs, determine how much is fixed and how much is flexible:

- 1. Total all your fixed expenses**
- 2. Total all your discretionary expenses separately**
- 3. Divide your fixed expenses by your total expenses**

# 5

## CALCULATE FIXED VS. FLEXIBLE COSTS

- What percentage of your retirement income will go toward fixed expenses?
- Does this align with your plans for how you want to spend your time in retirement?
- If you have large monthly obligations like house and car payments, consider whether a lifestyle change is necessary

## 5

## CALCULATE FIXED VS. FLEXIBLE COSTS

- If you own a house, think about downsizing to boost your nest egg or moving to an area with a lower cost of living to stretch your money further
- For other expenses, shop around for the best deals, use senior discounts or take on DIY projects instead of hiring help—whatever it takes to increase your financial flexibility



**As a general rule, if you want more fun in retirement, find ways to lower your fixed expenses to free up more funds for the activities you enjoy most**

# Adjust and monitor regularly

## **Planning isn't a set-it-and-forget-it task**

Regularly review and adjust your budget to reflect changes in expenses, market conditions and personal circumstances.

## **Annual check-ins can help you stay on track**

Remember, the goal is to make your money last as long as you do while enjoying the fruits of your lifelong labour.

## SEEK PROFESSIONAL ADVICE

**Consulting a financial advisor can provide valuable guidance to help you navigate these decisions effectively**



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Sources: The Balance, Canada Life Investment Management

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