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Are you a Retirement Savings Late Starter?

Tags: retirement planning [1]

Harry and Sally both earned high incomes and liked to live the good life. They leased higher end European cars, took two-week exotic vacations almost every year, and lived in a house much larger than they truly needed. To accomplish this lifestyle, they put off retirement savings. Now in their forties, Harry and Sally are realizing they have some catching up to do. Six things to consider are:

Delay no more - Procrastination or bad breaks may have derailed a savings plan. Now is the time to make savings a priority.

Pay off the house - Avoiding mortgage payments in retirement can dramatically reduce Harry and Sally's living expenses. They could even consider downsizing the house now and free up more cash for savings. If they still have a mortgage payment as they approach their chosen retirement age, it would be good to have payments end at the same time they retire. This can be made possible by making additional principal payments each month or a lump sum yearly.

Plan to work longer - Putting off retirement a few years can have a dramatic effect on retirement savings. For each additional year worked, Harry and Sally gain an extra year of savings and delay one more year of having to live off those savings. By working part-time or seasonally for a while in retirement, Harry and Sally can reduce the amount they need to draw from their savings. This can give their money a chance to grow some more.

Take Canada Pension Plan (CPP) early and save it - CPP retirement benefits can be taken as early as age 60 or delayed until as late as age 70. Harry and Sally could take their benefits early and save them, it makes for larger savings that could be paid out on early death. These additional payments may be lost if income from CPP is postponed.

Avoid investing too aggressively - Those waiting too long to start saving for retirement may be more prone to 'gamble' with their savings on speculative investments. This approach is more likely to result in big losses.

Avoid investing too conservatively - Some late starters may be inclined to save their money in cash or money market type investment vehicles. The problem with this strategy is that their modest savings will be ravaged more by inflation over time.

By making a few adjustments now, Harry and Sally may be able to avoid the shock of a forced lifestyle change when they retire.

Before making any decisions about your long term financial strategy, we recommend **contacting our office** [2] to discuss the advantages of a balanced approach.

**Fictional characters for illustrative purposes only.*

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