

The Retirement Rehearsal – written by Marion Humphries RRC CHS EPC (03/05/18)

Knowing your retirement date well before you stop working is beneficially. Not only will you have the time to create a written retirement plan, but you will also have an opportunity to explore and experience some of the nuances of your future lifestyle while you are still receiving employment income. The ideal time to begin the **retirement rehearsal** is six months to one year before you actually retire. Rehearsing in advance provides opportunity to tweak the plan and to engage in some of the activities before the actual retirement date, if your work schedule allows. The first step in the rehearsal process is to calculate your annual income in retirement from all available income sources. A financial advisor, or retirement consultant will be able to help you develop a written income plan and the best income withdrawal schedule based on your particular finances and tax situation. Having a handle on your income in retirement, will allow you to consider the activities you will enjoy without breaking the bank. Having a tested plan, means that you can hit the ground running, from the first day of your retirement, (or as we like to call it, the first day of your financial independence).

Income sources may include, your company pension plan, registered savings plans, government pension plans, such as the Canada Pension Plan and Old Age Security. You may also have savings in a non-registered investment account, registered retirement savings plan, and a tax-free savings account. Other forms of income may include rental income and other.

You need to calculate your monthly fixed expenses in retirement. Bear in mind, that many fixed expenses during your employment will stop at retirement. For example, monthly allocations to savings may be decreased or completely eliminated based on need. Disability insurance premiums will stop. Work-related expenses such as transportation, clothing allowance, and other incidental expenses may no longer be required.

In order to prepare for your rehearsal period, you will need a copy of your bank statements and credit card statements from at least the past three months.

Essential Expense	Particulars	Monthly	Annually
Housing (both primary and vacation properties)	Mortgage/rent/fees Taxes/ insurance/Utilities Household maintenance /improvements		
Transportation	Car payment, insurance, plates, fuel, maintenance Public Transportation		
Groceries and Personal	Food, clothing, personal grooming		
Health Care	Health and dental insurance/ Drugs/medical supplies		
Insurance	Life Insurance, Critical illness, and Long- Term Care Insurance		

Create a list of your fixed monthly expenses. Refer to the table above. Don't forget to include credit card payments if they are part of your monthly expenses regime as well as any other regularly scheduled expenses not listed above.

Create separate accounts for travel, entertainment, clubs and activities and membership fees. Consider additional costs in each category, such as travel insurance, and the equipment costs for sports, and the incidental costs of other recreational activities in which you will participate.

Activity	Monthly	Annually
Travel and Day trips		
Club membership		
Sports and Recreation		
Association Membership		
Education		
Arts & entertainment, sports events, music concerts, etc.		
Fitness club fees		
Social events		
Family get-togethers, holiday socials, dinner with friends		
Volunteer work		
Charity events and donations		
Gifts		

Discretionary spending can now be adjusted to meet your retirement needs in the future. This is the time to be realistic and intentional with your plan.

Your personal financial budget will be your best reference tool during this trial period. Since everyone's retirement is unique to them, you cannot simply rely on the general concept of a retirement income based on 80% of employment income. You may want to live on less or perhaps even more income than your pre-retirement income. Your income sources in retirement will ultimately dictate your financial ability to live a desired lifestyle.

Don't be discouraged by the complexity of retirement planning. With the help of a retirement consultant, you can create a realistic and functional income plan.

Take the plan out for a test-run before you retire. Let's make sure your retirement plan is firing on all cylinders. Having a rehearsal period in place before you actually retire will help make the transition smooth and easy. It will give you the confidence you need to move forward into retirement.

There is no magic number when it comes to retirement. A retirement consultant has the tools to assist you with your individual plan. An annual review will keep you on track.

