

# Retirement Strategies to Stay Focused on the Long Term

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No matter how often we're told to prepare for stock market volatility, we are often greatly unnerved by it and wonder if there is anything that can or should be done in response. This situation can be particularly troublesome for those who are saving for retirement.

With market volatility at hand, investors are concerned about ensuring their retirement savings are insulated as much as possible from this volatility and positioned to rebound when it subsides. This article provides considerations to help address retirement planning concerns during the current market environment.

## Remember to stay the course and keep saving

If your retirement is 10 years or more in the horizon, your portfolio can benefit from longer-term market returns. Your optimal strategy is to continue to save as much as you can to build your portfolio. Increased investment savings during the early stages of market recovery can help you enhance your retirement nest egg by means of dollar cost averaging. This means that with lower stock prices you are able to buy more units or shares than prior to the market recovery.

**Investment strategies:** Since retirement goals are long term, investment focus should also be long term. Staying invested in a diversified portfolio will pay off in the long run, compared to trying to time the market. It's also important to ensure that the asset allocation of your portfolio remains consistent with any changes to your personal situation, investment objectives or tolerance for risk. You may want to consider rebalancing your portfolio should any of these change.

**Retirement planning strategies:** With retirement 10 or more years away, it's important to continue maximizing contributions to your Registered Retirement Savings Plan ("RRSP") each year. RRSP earnings grow on a tax-deferred basis and contributions can provide significant tax savings as a result of the tax deduction. For those in a higher tax bracket, there may be an opportunity to shift income to a lower income spouse by making contributions to a Spousal RRSP. A Spousal RRSP allows the lower income spouse to build retirement savings in their name, while the contributing

spouse continues to receive the tax deduction associated with the Spousal RRSP contribution.

Investing tax efficiently should always be a priority. A Tax-Free Savings Account ("TFSA") is a tax-efficient savings vehicle where both income earned within the plan and withdrawals are tax free. Contributions made into a TFSA are not tax deductible. A TFSA can be used to complement other registered savings plans, or can be used to fund other savings goals. An effective income-splitting tool, TFSAs allow a higher income spouse to give funds to their lower income spouse or an adult child so that they can contribute to their own TFSA (subject to their personal TFSA contribution limits), as the attribution rules will not apply to income earned within the spouse's (or adult child's) TFSA.

How do you know if you'll have enough money to do the things you want to do in retirement? Creating or updating a retirement plan will clearly show if you're on track and will help you to focus on what you need to do between now and retirement to achieve your goals. It may help answer questions such as; will I need to work longer, save more or spend less?

## Seek advice

A thorough understanding of your investment and retirement options will allow you to take better control of your financial future. Implementing these key investment and retirement strategies into your action plan can go a long way to help address your retirement concerns and ensure your portfolio's target asset allocation is aligned with your projected return, income objectives and tolerance for risk. There's no better time than today to review your retirement plan to stay on track and achieve your financial goals.

**For more information, please speak with your BMO financial professional.**



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