The Institute of Chartered Accountants of Ontario

Tips for an early retirement

The downturn in the economy has many of us rethinking our retirement plans.

But if you're one of the lucky ones whose pension plan, smart investing or company separation package make it possible for you to retire before the standard age of 65, there's a lot to consider before you say your final goodbye to the workplace.

Chartered Accountant Jason Safar is a tax partner with PricewaterhouseCoopers' private company services group based in Hamilton. He routinely counsels clients on business and retirement issues, and offers some important tips for people who are considering early retirement.

1. **Know what you're running to, not just from**. How will you fill your days when there is no work? "Human interaction and activity are important for well-being," Jason says. "Some of us are eager to get away from a particular job or employer, but retiring from work without planning how you're going to spend your new-found leisure time can be a recipe for misery."

2. **Know what it costs you to live.** People tend to spend what they earn – so, if your income drops when you retire, will you still be able to support your current lifestyle? History is a good fortune teller. Jason recommends that you take the time to wade through last year's receipts and find out where your money goes, and where you can cut back if necessary.

3. **Get your family's buy-in for the plan.** Change of any kind can be stressful. Spending more time at home (maybe with less income) can be an adjustment for family, too. "Especially," Jason says, "if you're leaving a family business in which your children or other family members are still involved. While the ultimate decision to retire must be yours, consider how the change will affect your loved ones."

4. **Understand your income streams.** Money in RRSPs can be withdrawn at any time, but it must all be allocated elsewhere by the time you're 71. And remember: RRSP savings are taxable when they're withdrawn. Other vehicles may be locked-in until you reach a certain age, like pensions and LIRAs (locked-in retirement accounts).

How you draw down on different sources of income can have dramatic implications come tax time. So, Jason suggests that you think this through carefully and get professional advice if you are unsure of the consequences.

5. **A change can be as good as a complete rest.** Retirement doesn't have to be an all-or-nothing proposition. "These days," Jason says, "many employers are open to flexible work arrangements. Part-time, temporary or consulting work for a few months at a time can be a win-win situation for employers and potential retirees. It's worth consideration and a discussion with your boss or human resources department before you jump into full retirement."

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