Knowledge centre > Retirement > Planning for income to last a lifetime

# Planning for income to last a lifetime

If you are nearing retirement or already there, you face a critical challenge.

You have to rely on your pensions and savings to provide income. But you can't know for sure how long you will need those assets to last. If they are not wisely invested or you spend too freely, you may outlive your savings.

## Know the five key risks

There are five key risks to your retirement income. Knowing how to manage them will help you achieve financial security for the rest of your life.

**1. Longevity**

In Canada, both men and women are living longer than ever before. Yet many people underestimate how long retirement could last.

What you can do:

- When setting up your retirement income plan, allow for the fact that your savings must last for 20, 30 or even 40 years.

**2. Inflation**

Don’t let recent low rates fool you – planning for inflation is still a necessity. Let’s say you start with retirement income of about $46,000. Even an inflation rate of 2% will steadily nibble away at it. After 25 years it would be worth approximately $28,000, a decline in purchasing power of 39%.

What you can do:

- Include investments with the potential to outpace inflation in your portfolio and investment plan.

**3. Choosing the wrong asset mix**

Many retirees rely on a “safe” portfolio that’s heavy with fixed-income investments such as bonds and GICs.

But these may not grow enough to keep up with inflation and maintain your income level over the long term.

What you can do:

- Build a moderate portfolio that balances equities for growth potential with bonds, GICs and money market investments for steady income.

**4. Excess withdrawal**

During your retirement, there are several variables that can affect how much you can withdraw from your portfolio each year, while ensuring it will last as long as you need it. These include your risk tolerance, retirement horizon, pension income, economic climate, health, and employment if you choose to work in retirement. In addition, these variables can change over time. To better adapt to these possible changes, your withdrawal rates should be reviewed annually with your financial advisor to ensure you’re minimizing the risk of using too much of your savings too early.

What you can do:

- Annually review your portfolio performance and the market trends with your financial advisor to adjust your withdrawal rates accordingly.
- Manage your withdrawal rates carefully in your early retirement years. If your portfolio does well, you can withdraw more later on, when there is less risk that you will run out of money.

**5. Health care expenses**

While Canada’s health system provides good basic care, it does not include many items or services you may need or want in your older years. The government covers many key items only partially or not at all, including long-term care, nursing care at home, private or semi-private hospital rooms, or home renovations to deal with a disability

What you can do:

- Include the possibility of future health care expenses in your retirement plan.
- Put away extra savings and/or buy insurance to give yourself more choice in the future, as well as peace of mind.

---

**Advisor Use Only.** No recipient is authorized to pass this communication on to any other person whatsoever
or reproduce by any means without the prior written consent of Fidelity.
Read a fund's or pool's prospectus or offering memorandum and speak to an advisor before investing.
Read our privacy policy.

Get Adobe Reader
Site map
Help
About us
Careers
Media Centre
Legal
Electronic services
Accessibility

By using or logging in to this website, you consent to the use of cookies as described in our privacy policy.
© 1996 - 2017 Fidelity Investments Canada ULC. All rights reserved. Fidelity Investments is a registered trademark of Fidelity Investments Canada ULC. This site is for persons in Canada only. Mutual funds sponsored by Fidelity Investments Canada ULC are
only qualified for sale in the provinces and territories of Canada.
590188.2.0