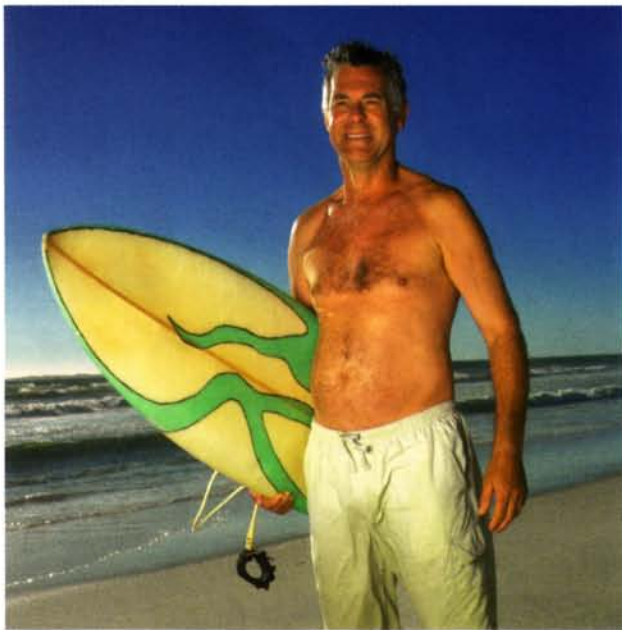




Quitting time

When can you afford to give up your job?

By Susanne Ruder



Thirty years ago, you had your life all mapped out: land a great job, a home, maybe get married and have kids, then retire to your sailboat, painter's studio or fabulous garden. And the commercials told you it could all be yours by age 55.

The reality is, Freedom 55 is a marketing myth—almost no one retires at that age—and there's no easy formula for deciding when you can quit work. However, with a little bit of forethought, you can mark your calendar with a real-life retirement date that you can live with.

Common advice says you'll need between 50% and 80% of your current pre-tax income to support yourself in retirement. But this simply isn't true for many people. "There isn't a magic number, like a million dollars or 80% of your income," says Diane McCurdy, president of Vancouver-based McCurdy Financial Planning and author of a retirement planning book called *How Much Is Enough?* "You have to look at your own lifestyle." Some people can retire on little, while some might need more than they think.

When trying to determine when you'll be able to stop working, you need to examine how much you currently earn, how much you've saved, what other sources of income you'll have, and what kind of lifestyle you expect to enjoy after retirement. "What are you currently spending your money on?" asks McCurdy. "Where is it going and how many

of those things will continue in retirement?" Next, subtract your liabilities from your assets and income. Then you can extrapolate to see how long your resources will last—a task made easier with the help of free online calculators, sophisticated software you can purchase, or a financial planner who can do the math for you.

Of course, there's no crystal ball that can tell you how long you're going to live or what unforeseen expenses you'll run into. McCurdy suggests that you should plan to live to age 90, at least. Remember, you can adjust your budget as you go. "It's not like you plan now at age 50 and never look at the plan again. Have a look every year, and then it's not as much work."

You should make it a priority to get rid of debt, including lines of credit. "People act like it's their income, but that's debt," says McCurdy. "Also do your best to get your mortgage paid off and maximize your RRSPs." After that, concentrate on bulking up your non-registered investments. "If you want a new car, if you need a new roof, if you want to travel, you don't want to take the money out of your RRSP, because then you'll get taxed to death. So if you can save money outside your RRSP, that money is like gold, because it's all after-tax money."

If there's a shortfall in your investments or income, you've got two choices. "Either make more or spend less," says McCurdy. That might mean working overtime now to sock away more savings or pay off debt, putting off retirement for a few more years, or considering a flexible or part-time job after you retire.

Other alternatives might be to adjust your lifestyle needs to determine what you really need to live on, or to change your investment behavior, suggests Alan Munro, senior financial adviser with Assante Capital Management Ltd. in Mississauga, Ont. He feels some investors in their 50s are too risk-averse. "People are still adjusting their lifestyles to live within the limitations of GIC interest," which tends to be 3% or 4%. "But if you're 10 years away from retirement, then you can still have a long-term portfolio," he says, such as one with more equities that promise a higher return in the long run. "But if you're five years away from retirement, then you've got to pull in the reins, and make it more conservative." Munro suggests looking at products that buy and sell automatically when pre-arranged targets are met, or fund companies that dial back the risk factor on your investments automatically as you age.

Beyond financial security, the most important thing you'll need before quitting work is something to do with your time, says Munro. "A lot of people ask if they can retire at age 55, or at 60 or 65," he says. "But if someone doesn't have a goal or an interest, I say to them, 'You'd better keep working.'"