

How to Catch Up On Your Retirement Savings: Tips For Late Starters

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Many people look at their retirement situation and wonder: Am I ever going to be able to stop working? If you're getting a late start on your retirement planning, you may even be in full blown panic mode. Maybe you spent your 20s and 30s paying down massive student debt or had a few unexpected financial setbacks – or just plain

procrastinated with your savings. Life happens, but you can still be okay. Here are six ways to catch up so you can achieve a comfortable lifestyle in retirement.

Understand how wide the gap is

Do you know how wide the gap is between what your expected life expenses will be in retirement and what your pension/portfolio income will be? How much time would it take for you to diminish your savings? To figure out how much money you'll need to be comfortable in your retirement years, ask yourself these three questions:

- Keeping inflation in mind, how much are you prepared to live on – 100%, 90%, 80%, or even 70% of your current income?
- Can you identify your sources of retirement income (e.g., investments, CPP, company pension) and their expected payment structures (i.e., when can you access those funds and how much can you withdraw in a given time frame)?
- With continuous advances in medicine comes increased longevity. This is now a crucial consideration in retirement planning. Based on your health, lifestyle and family history, what would be the estimated duration of your retirement?

Having a clear idea of the answers to these questions can help you accurately assess the gap between your desired and actual retirement goals, giving you a better idea of what actions need to be taken in order to close that gap.

Save more and be consistent

Thomas Jefferson once said, “If you want something you’ve never had you must be willing to do something you’ve never done.” To catch up on your retirement goals you will naturally need to increase the portion of savings from your income. If this is a challenge at first, consider depositing infrequent but substantial earnings (e.g., bonuses, tax refunds, raises) directly into tax-advantaged accounts such as a TFSA or an RRSP. Setting up a systematic savings plan is an effective way of achieving consistency.

Boost your income

Consider working part time at a second job should your schedule permit, or using your talents and skills to generate additional sources of income such as teaching music, or being a personal trainer.

Postpone your retirement

Prolonging your professional career comes with distinct benefits. From a financial perspective, it will extend your accumulation period to build a bigger nest egg, and if you enjoy what you are doing, there is no reason to stop. Working a few extra years could add a buffer to your retirement savings should unexpected situations arise. Furthermore, extending your professional career will decrease the number of years spent in retirement. This one tactic can make a huge difference to your overall financial picture.

Avoid risky investments

It's natural to be tempted to speed things up when you've fallen behind. You may be attracted to high-potential returns through penny stocks, mysterious stock tips or other similar get-rich-quick schemes. Instead, consider building a well-diversified portfolio through disciplined savings based on your investor profile – ideally with an investment professional's advice.

Buy adequate insurance

Unexpected events are one of the biggest reasons people are forced to declare bankruptcy. Reduce the risk of exposure by ensuring that you have adequate health, disability, and home and car insurance if applicable. That way,

you won't have to dip into your retirement savings should a potential financial setback arise.

Even if you start late, it's always possible to build a secure retirement plan by considering your anticipated lifestyle and future sources of income, and having a little bit of financial discipline. When you're ready to move forward, a financial planner can assess your overall situation and help ensure you're getting the most out of all saving vehicles available to you.

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