Worried about having enough

Are you concerned that you won't have enough?

Maybe you've sat down, crunched a few numbers and are now worried that your future income may not be enough to support you. Don't despair because it's not too late. There are ways you can make up for lost time.

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Good news if your RRSP balance is small

If you're like many people, you've been a late starter when it comes to RRSPs, and it's understandable. Between loans, kids, mortgages and life in general you didn't have enough spare money to contribute. As a result, your retirement savings are rather small or maybe even nonexistent.

If retirement is quite a few years away
If you're 15 to 20 years away from retirement, you shouldn't have a serious problem. You just have to get started. You're far enough away from retirement that you'll likely be able to catch up.

Your earnings are probably close to peak. Perhaps your home is paid off -- or close to it. Maybe your children are on their own, or maybe you're part of a double-income family.

In short, at your stage of life, you'll probably have more income available so you can make hefty contributions to build your savings. So just take full advantage of the rules with these 5 tips and you'll be able to make up for lost time.

-Contribute the maximum. A good strategy for everyone. Absolutely essential for anyone trying to catch-up.

-Take advantage of unused deduction room from previous years.

-Take advantage of the $2,000 over-contribution allowance to shelter additional funds from tax.

-When you have freed-up resources, like no more mortgage payments, put that money into your RRSP.

-Consider transferring non-registered investments into your RRSP (But be careful of triggering a capital gain or loss which could work against you. You should consult your financial planner on this one.)

If retirement is not all that far away
If you're closer to retirement and your RRSP savings are sadly deficient, you'll have to take some drastic action. And the closer you are to retiring, the more drastic the action. You should be able to build your savings to an acceptable level if you adopt some of these strategies:

-Delay retirement until you're more secure. Working one year longer than you had planned can make a great deal of difference. For example, -making $10,000 annual income while retired is like having $200,000 in savings paying you 5%.

-You may have to save at a greater rate

-If possible, you may have to pay down your debts faster

-You can look for alternate sources of retirement income, like working part time or starting a new business

-Cut back on spending

-Downsize the house or car

-Sell the cottage

-Change your lifestyle expectations

These strategies are not only for late starters but also for those who may have started planning and saving long ago, but whose plans have been set back by financial conditions.

For example, if your retirement plans are based on the higher returns of the 90's, when 12% a year and better was normal, you had better do some serious revisions. Those days are over for now, perhaps for a long time. And if you were relying on income from interest bearing investments, today's historic low rates will likely force you to alter your plans as well.

One caution is to be sure that you don't over-react to the market downturn - either by getting into riskier investments in hopes of making up for what's been lost, or by retreating to overly conservative investments that won't give an adequate return. You still need a balance. And of course as always, you should choose your investments based on your objectives and risk tolerance.

Whatever you decide to do, if you're still working, you should continue to maximize your RRSP contributions and concentrate on reducing any debt you may have.

And you may be interested to know that if you do keep on working into your retirement, you'll become part of a growing trend. Some studies show that over half of all Boomers plan to work during their retirement years.

If you're concerned about not having enough in your RRSP and you'd like some expert advice, click here to find the CPA financial planning professional closest to you.

Why you may need less than you think

Many financial experts say you'll need up to 70% of your pre-retirement income to maintain your lifestyle in retirement. But, barring health problems and other unplanned "disasters" , many other experts say you may need a lot less.

By the time you're ready to retire, your kids will probably be grown and financially independent. Your mortgage will probably be paid off. And you'll probably be out of debt.

Your day-to-day expenses are likely to drop noticeably. You'll spend less on lunches, on gasoline or public transportation, and probably less on clothes and entertainment. You'll also be paying less in income tax and of course you won't be making CPP/QPP or EI contributions.

In a sense, retirement is like exchanging time for money. And having all that time can also help you save money because you'll be able to take a couple of hours to make your own repairs to the toaster, the vacuum cleaner or the front porch.

The point is, because many of the expenses you used to have will be gone, your disposable income may not fall as much as you think, a good fact to keep in mind when you're doing your planning.

A unique approach to getting money

Maybe you need a new car or you'd like an RV. Or you want to take that trip of a lifetime you've always dreamed about. Or maybe you want to give your children the down payment on their first home. Or perhaps you simply want to supplement your retirement income.

Whatever your reason, if you're a homeowner and aged 62 or over, there is a way to get a fair amount of money when you need it. It's a special kind of loan called a Reverse Mortgage and it lets you turn the equity in your home into cash – anywhere from $30,000 to $300,000.

Depending on your age, you may be eligible to receive between 10% and 40% of the assessed value of your home. Generally, the older you are, the larger percentage you can get.

A Reverse Mortgage is completely different from a home equity loan or a line of credit based on your home equity. With each of these you have to meet certain income and credit requirements. Plus you have to begin paying them off right away.

With a Reverse Mortgage, you'll have no income or credit requirements. Nor will you have to make payments right away. Here are a few of the details:
-You don't pay tax on the money you receive
-Ownership stays in your name
-You can continue to live in your home
-You can receive the money in monthly payments, a lump sum or a combination of both.
-You can use the money in anyway you like

How does the money get repaid?
Terms and conditions vary depending on where you borrow the money all reverse mortgages in Canada are offered by the Canadian Home Income Plan (CHIP) and the type of Reverse Mortgage you obtain. There are two basic types available.

Lifetime Reverse Mortgage - With this type, you don't have to repay anything during your lifetime. Your estate will repay both the principal, the interest and any finance charges. Of course, if you decide to sell, you will need to repay the plan at that time.

Fixed Term Reverse Mortgages - This type of reverse mortgage must be completely repaid at the end of a specific period of time. At the end of the term, which can vary, the loan must be repaid with interest.

Do keep in mind the potential impact on your estate. After repayment of the reverse mortgage and its cost, there may be little or no residual value in your home.

Reverse Mortgages are not available in all provinces or through all financial institutions. This strategy is not right for everyone and you are advised to get expert legal and tax advice before you make any decisions.

Some people ask is it better to sell the home and buy an annuity? It seems that the only real advantage is that the reverse mortgage lets you keep and live in your

home. If that's not important, it may be that it would be better financially to sell the home and invest the money.

If you'd like to know more about how you might be able to take advantage of the equity in your home, click here to find the CPA financial planning professional closest to you.

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Have you made one of these mistakes?

-You've been putting off thinking about retirement planning or contributing to an RRSP until you're 40 or older

-You're thinking about it but you're relying too much on government or company pensions

-You're overly optimistic in believing you'll be able to work for more years than you really will

-You've been putting your kids' education ahead of saving for your own retirement

-You've been moving your money around seeking higher and riskier returns and not giving your savings and investments time to grow

-You're assuming your living expenses will drop more than they really will

-And finally, you haven't been proactive in taking responsibility for planning and assuring that your retirement will be comfortable and secure.

If you're having trouble with any of these or other retirement planning stumbling blocks, why not get some help from an expert. Click here to find the CPA financial planning professional closest to you.