

# RETIREMENT PLANNING FOR TEACHERS



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Carol and Enise are the creators of a series of pre-retirement and post-retirement planning workshops: *Transition to Retirement: The Uncharted Course*®, *Recently Retired: Charting a New Course*® and *Ideas... Enhanced and Advanced*®, and authors of *Transition to Retirement: The Uncharted Course*. Previous articles on retirement may be viewed in back issues at [www.CanadianTeacherMagazine.com](http://www.CanadianTeacherMagazine.com).

by Enise Olding and Carol Baird-Krul

In previous issues we have looked at many aspects, resources and experiences to do with retirement planning. However, one area we have not explored in our articles, for the simple reason that it is not our area of expertise, is the important issue of finances and retirement. Understanding that in these uncertain economic times, this particular area is of even more concern than ever, we have invited our colleague from the Retirement Planners Association of Canada to share his knowledge and expertise in the area of teacher pensions and financial planning for retirement.

Ken Smith spent fifteen years as a classroom teacher before moving on to work with the BC Teachers' Federation. His last ten years in this organization were spent providing advice and seminars to members, as well as working on the Teachers' Pension Advisory Board. Ken has been an active member of the RPAC, acting as president for both the BC and National Boards. When he left the BCTF in 1996, Ken began giving workshops and individual counseling sessions related to the optimum time to retire, pension options and other retirement income issues. Besides travelling, enjoying his grandchildren and continuing with his post work consulting, he is the Chair of the BC Retired Teachers Association Pension Committee.

We are sure that you will find Ken's straightforward comments and guidelines valuable as you move forward with your preparations for your own unique retirement journey.

## ***A general overview of considerations for the financial front***

by Ken Smith

Retirement planning is like classroom planning—you do it when you have to! You know the sequence—one chapter ahead of the class; one page ahead; one...

Since most teachers are enrolled in generous pension plans, the pressure for long term financial planning is greatly reduced—assuming you put in thirty plus years of teaching and assuming you work at staying healthy.

In my many years of counselling about-to-retire teachers, the most frequent question is, "will I have enough money?" My initial (glib) answer is, "if you want the most amount of money, don't retire! Keep earning that salary and build up your pension and retirement savings. And disregard that myth that teachers who work to age 65 only live in retirement for a few years. Total bunk! No evidence!"

At some point you do have to draw the line, so my second best answer is, "work until you aren't enjoying the job as much as you used to." If the job is making you ill, or you "just can't take it anymore," consider your options. Retirement may be one of them.

If you can, try to work to age 60 (or beyond). Many teacher pension plans provide unreduced pensions at age 60 if you have sufficient service. An unreduced pension is one that does not penalize the pension because you retired early. Also at age 60 you can start drawing your Canada Pension (with a reduction). If you do retire and take your CPP early, you will be dollars ahead of the person who waits until age 65—dollars ahead until about age 77. When do you think you will need the most income—at age 62 or age 82?

Another reason to set age 60 as a reasonable retirement target is time. If you entered the labour market at age 25, teaching or otherwise, by age 60 you will have been working for 35 years. On average, a 60-year-old educated Canadian will live to age 85, or another 25 years. If you are above average like me, you intend to make it to age 95! I plan to be retired for as long as I worked. My pension and retirement savings better last.

How much money will you need? The financial planning community suggests you will need about 75% of your current take-home pay to maintain your current lifestyle. You will have more time for smart shopping and other expense-saving strategies. Some of your current expenses will disappear (but new ones will appear). My advice is to map out your current expenditures and plan on that level of cost continuing for the first decade of retirement. Yes, some costs will be diminished, but others will increase.

One of the biggest concerns about your income is to see that it is not eroded by inflation. For example, at 2.5% per year of inflation, your base pension will lose one-half its value in 28 years. The federal pensions are inflation protected, but many (most?) other pension plans are not. This is one area where some financial planning can be useful—build your own inflation protection fund. Use an RRSP to save as much as you can to protect your retirement income against inflation.

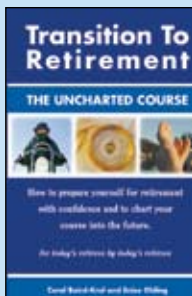
The RRSP and the new Tax Free Savings Account can also be used to help with unexpected costs like drug bills and other non-medicare health treatments. And your car will not last as long as you.

Many, many retired teachers who I meet don't have a problem with money. They do have a problem with time. Comments like "I don't know how I found the time to go to work," "I'm busier now than when I was teaching," "You want me to do what? Let me check my calendar."

And others are bored to death.

Lifestyle planning is as important as financial planning. Set some goals for retirement—activity goals. Get your retirement lesson plans started! Five years before you retire, place some focus on the hobbies, sports, etc. that you want to carry with you into retirement. Don't wait to get started; once others know you are retired, they will have lots of activities for you—activities that may interfere with your own goals. But do try to be involved at some level—"community" is about giving as well as taking. 🍁

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