

Can You Retire Early?



While some people love their job so much they never want to retire, for a lot of us the only thing better than saying goodbye to the rat race is doing it sooner than expected. But before clocking out early, there are a few boxes to check to ensure you're making the right choice.

Figure out your finances

The first thing to consider is whether retiring early is financially feasible. Working with an advisor to assess your wealth plan may identify issues affecting your long-term finances, and allow you to amend your plan to ensure you have the money needed in retirement.

An advisor can calculate your sources of income after you stop working, and project what benefits you'll likely receive from the Canada Pension Plan (CPP) and Old Age Security. Keep in mind that if you draw from CPP before the typical age of 65, [your benefits are reduced accordingly](#). If you hold personal RRSP/TFSA assets and a workplace pension, those will be accounted for as income sources, as will investment accounts, a business or property you might own, plus other savings and assets. Whatever your income streams, factor in tax implications because a good portion of your cash flow could be taxable income.

After totalling your financial resources, consider likely expenses, including the cost of everyday life. Where do you plan on residing and will you rent or own? Do you have health concerns or family history to be mindful of? What lifestyle do you anticipate? Will you travel regularly? What are your hobbies? Do you have dependents to look after? Once you answer these questions, you can arrive at a rough estimate of your expenses.

If there's a shortfall between income and expenses, you'll need to address it. Proven ways to close the gap include modifying your expected lifestyle to reduce costs, possibly working part time, saving more aggressively and generating higher investment returns (e.g., maintaining enough exposure to equities and other securities with growth potential).

Benefits of retiring early

There are two major benefits to taking an early retirement:

- 1. Mental/physical health.** Over the course of many years, work takes its toll. Even if you enjoy your job and colleagues, working is often stressful and can drain you mentally and physically. Maybe long work hours compel you to sacrifice valuable activities like regular exercise, socializing and eating sensibly. If you have a serious illness, it might make sense to retire early and tend to your health care needs.
- 2. Meaningful use of time.** While all work has value, being retired lets you focus on things you like doing. Perhaps certain volunteer opportunities and other philanthropic pursuits are appealing, or you want to devote more energy to favourite hobbies. You'll also have abundant quality time to spend with friends and loved ones, or to begin working on that "side job" or project you always wanted to try.

On the fence?

Maybe you need a change of pace but don't want to retire completely. In this case, consider a phased retirement, which means scaling back on work (e.g., taking a part-time job or putting in fewer hours at your current job). This phased approach allows you to continue earning money for the future, provides the social benefit of interacting with colleagues, promotes mental fitness so your mind stays sharp, and offers flexibility to spend more time doing things you enjoy.

Whatever you choose, ensure your decision takes into account all your unique personal and financial circumstances.

INVESTED IN YOU.

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