

ONE-TO-ONE INSIGHTS

CHECKMATE: CHESS VS. RETIREMENT PLANNING

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Building a retirement nest egg takes time and work. How about when you need to draw on your savings to live your retirement dream?

Like a chess game, retirement income planning requires tactical thinking. Consider these strategies.

Think ahead, plan, review and revise

Chess players have to think many moves ahead, and they also have to come up with alternative plans if their opponent doesn't move as anticipated. This advance planning is similar to the strategic thinking needed when the financial markets don't behave the way you had expected, or when personal circumstances change.

Knowing what life might look like after you stop working can help you make better financial decisions today. Plan your strategy to help decide your key moves, now and in the future. For example, think about what important current tax implications, savings strategies and investment information you should address. Consider which accounts you should draw from first when the time comes in retirement.

Since life doesn't always go as expected, planning is a process that's reviewed and revised annually. As in chess, to win you must be both committed to your original strategy, and flexible enough to change methods when unexpected challenges in retirement surprise you.

Draw down funds with taxes in mind

In retirement, you'll likely draw income from three main sources.

1. Government benefits

- Old Age Security (OAS)
- Canada/Quebec Pension Plan (CPP)

2. **Private pensions** like a defined benefit or a defined contribution employer-sponsored plan
3. **Personal savings** including non-registered savings and registered savings like RRSPs and TFSAs

Accessing funds effectively could include different approaches. One tactic could be finding the best order for depleting each savings source before moving on to the next.

Taking money from each of these sources could also have different tax implications. “Taxes play a huge role in developing a strategy,” says Jamie Golombek, Managing Director, Tax and Estate Planning, CIBC Private Wealth Management. “Certain types of income are going to be taxable, like CPP and OAS. However, withdrawals from TFSAs are completely tax-free.”

Based on taxation, another move could be to withdraw from multiple sources to take advantage of tax opportunities, rather than liquidating each source in succession.

“Perhaps the biggest question that we get asked is about which source of capital to use first. We can help you take everything into account and develop the best move for you,” says Golombek.

Plan through different possibilities

As life unfolds in retirement, it’s important to adjust according to conditions. Changes usually fall into three categories: your personal situation, your available wealth, and new or modified tax rules.

The important thing to remember is that your plan will shift along with your circumstances—it’s not a set-it-and-forget-it approach. Annual reviews and re-strategizing when necessary can be key to ensuring your money lasts as long as you need it to.



Did you know?

The Queen’s Gambit—not just on a streaming service

The Queen’s Gambit is one of the oldest and best-known opening strategies in chess. A gambit is the sacrifice of a chess piece for an advantage. The Queen’s Gambit is designed to secure control of the centre of the board and has been used by grandmasters from the nineteenth century until today. It’s a great sequence to study whether you’re a beginner or a grandmaster.

Just like a game of chess, planning to draw down retirement income requires strategy and thought. Regularly reviewing your situation, including all your sources of income and circumstances, is the best way we can help maximize your retirement funds. Contact us anytime to help with this important life stage.