

# **Pre-Retirement Tips**

**Tom Hillman, November 2004**

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## ***Looking Ahead***

1. Be sure you know what you are retiring to. Take the pre-retirement course sponsored by the Public Service Commission as early as you can and again within three years of your retirement date.
2. Plan ahead. Before you retire pay off the mortgage, pay off your debts, make major purchases, do major renovations or home repairs, have elective surgery using your accumulated sick leave, have dental work completed, develop a new hobby, plan for leisure activity apart from sleeping and watching television.
3. Do your retirement planning homework. Speak to your departmental HR officers about seminars and courses. Use your public library resources. Get help from financial planners, but try not to have to pay for it.
4. If you intend to travel, do it before you are 75, at which time insurance rates become too high. Who wants to be in their middle 70s, or older, and ill in a foreign land?
5. If you can arrange it, try to take a sabbatical or self-funded leave for a 3-6-9-12 month period three or four years before you think you want to retire. If you like this time off you may well be ready to retire.
6. When choosing the date that you are going to retire, choose a date that is one day off the end of the month in question. If, for example, you choose March 31st, your first day of retirement is April 1st and therefore your pension inflation index will only start one year later in the month FOLLOWING the month that you retire - in this case May. However, if you had retired on March 30th, your first day of

retirement would have been on March 31st - therefore the pension indexing would then start as of April 1st in the year following.

7. For those entitled to receive the Public Service Management Insurance Plan (PSMIP) and who may be entitled to a retroactive salary increase approved after the date that you retired, please know that the amount of the PSMIP insurance is the salary that you were earning **AT THE TIME OF YOUR RETIREMENT** and does not take into consideration any retroactive increases. In other words, if you retired in May and there was a salary increase approved in June retroactive to April, your PSMIP coverage will be the salary that you were earning in May. However, if you had retired in July, the PSMIP would be adjusted retroactive to the April increase level. It is important to choose one's retirement date carefully.
8. Depending on your length of service and how close you are to retirement you should check with your personnel department to determine when it is most advantageous to retire – right now, finish the calendar year, wait until next year; should you use up unused leave or furlough, or ask for cash (and the tax implications of taking the cash); are there gaps in service that can be bought for a monthly sum in order to take advantage of a greater pension due to an increase in the length of service; can you be declared redundant and therefore get a buyout; confirm continuity of medical and dental insurance, and any other group insurance.

## **Home Front**

1. Be aware that you and your spouse may/will be together 24 hours a day. You both will need space and time apart.
2. If both you and your spouse drive, after retirement one spouse should not become the exclusive designated driver. Make sure that your spouse continues to drive to maintain that skill.
3. Keep fit. Join a fitness club or develop a daily physical fitness routine by getting out and taking a brisk walk every day. If the mall is within two kilometres from where you live, try walking instead of driving.
4. Give serious consideration to your existing living location and the size of your dwelling and lot. Will you be able to maintain it after retirement? If you foresee or contemplate a move in the future, the pre-retirement years are the time to make your basic decisions and carry out a move while you are still in good health.
5. Despite what you might hear, foreign countries are NOT Canada. Two or three months in a tropical paradise or elsewhere are fine, but make sure you have a home base.

6. It makes sense for spouses to retire at different times so that one works through it when the other works and then later helps the other one through it.

## **Important Projects**

1. Complete the FSNA *You and Your Survivors* workbook and keep it current. Do a current will and powers of attorney for financial, property, and personal care. Have a good family lawyer.
2. Go through all your papers, financial and otherwise, and clean out the old records. Make sure your spouse knows where everything is located and what is important
3. Get those photo albums organized. Make one for each of the children and give it to them. Dispose of really old photos which cannot be identified or have no particular meaning to the family or relatives.

## **Reinvent Yourself**

1. Retirement means leaving long-time colleagues. You may come to realize that the only thing you really had in common with them was work. Cultivate friends outside of your workplace by getting involved in your community, take up a new hobby, join an association like FSNA, volunteer.
2. Consider paying cash for everything. You may find that by the time you have saved the money for the item, you no longer need or want it. Resist the temptation to impulse buy.
3. Before your retirement, remember that retirement is likely to be for a long time; possibly longer than your working life. What do you want to do with the rest of your life? Plan for it. Be aware that plans change. Do not get upset or depressed by change. Enjoy the ride on your ship of life – a ship that you are steering.
4. Outside interests can take on a life of their own. Learn to say NO. You can easily become overcommitted with volunteer activities once people find out that you have skills, enthusiasm, and time. The extra time you thought you had soon disappears and retirement ceases to be fun.
5. Do not make a major lifestyle decision in the first twelve months of retirement, for example, moving accommodations. Perspective on everything changes during retirement, even on the neighbourhood. Take your time. Your wants or needs will change.

6. Retirement does not mean ‘It’s all over!’ Retirement does mean a new beginning – for travel, for intellectual stimulation, for becoming computer literate, for re-organizing yourself, for getting creative, for exercise, for renewing the spirit and the soul.

## **Transition**

1. Retirement is a career change. Do not retire because you can, but do retire because you want to. Retire on your own terms when you are ready.
2. If you feel you must taper off or decompress slowly, try to arrange for contract work for a few months or a year. This allows a person to get up most days with a definite schedule and purpose and maintain a productive routine.
3. There is a wealth of information available for the soon to be retired. Visit your departmental library and your local public library, take courses offered by the Public Service Commission, get retiree information by becoming an FSNA Associate Member, and join the Canadian Association of Retired Persons. Retirement is a serious business. It is absolutely wonderful if it is planned thoroughly. Otherwise there are no guarantees, and the literature is quite clear about that.
4. Make a list of all the things you would like to do in your retirement. Look towards retirement in a positive way. Plan to treat yourself in that first year to something special, for instance, that cruise, or that trip to London or Paris or Australia.
5. When you retire make a clean break with the old workplace. Do not even have lunch with former colleagues unless they are really good friends. When talk turns to the office, take your leave. Office politics and some work situations never change.
6. Do not buy new business clothes during the last two years of your working career. Once you retire you will find that you wear more casual clothes.
7. With more time to enjoy leisure activities, one’s accustomed standard of living can easily cost more after retirement. The trick is not to “cocoon” or withdraw to a sedentary lifestyle, but to develop a healthy active and enjoyable one within new financial circumstances.
8. Pay attention to time management. In a structured work situation we are usually provided with a framework that will tell us when and where to start and end the day. Retirees have no such framework, so it helps to invent one for yourself in order that you can fit in all the activities that you may be trying to do, such as recreation/exercise, studying/reading, hobbies, personal administration, family

matters. It helps to have a day planner to keep track of your appointments and activities. Without such a framework you may find that your days pass in boredom or endless chaos.

## **Financial Tips**

1. For the most part, it does not cost as much to live when you are no longer working, especially if you no longer have major debts such as a mortgage or credit card debt. No longer paying superannuation, CPP, EI, and other work related expenses, and being in a lower gross income bracket usually means also being in a lower tax bracket, all translate into the change from a salary to a pension may not be as noticeable a drop in net take-home income as first thought.
2. If you have an RRSP, do not save it until you can no longer enjoy it. However do realise that RRSPs usually make their biggest gains in their final years. RRSPs can be RIFF'd at any time. Convert any RRSP funds to an RRIF and withdraw a reasonable amount each year and use it for vacations and leisure time activities that might make your retirement years more enjoyable. Remember also that early retirees can take the CPP (for a reduced amount) as early as age 60 and that additional income can offset or supplement withdrawals from an RRIF.
3. Be aware that the CPP is not an add-on after age 65. Your Public Service superannuation is reduced by an equivalent amount. Ideally, if one takes the CPP at age 60, it should be put away and not touched for the next five years and then used to augment the drop in pension as a result of the blending of the superannuation and the OAS at age 65.
4. Continue your paycheque deductions for Public Service Health Care Plan (PSHCP) and the Dental Plan. Regardless of the state of your health before or at retirement there are many age related ailments for which medical attention may be required.
5. Be aware that when you retire you may become eligible for reductions in house and automobile insurance premiums, certain additional income tax deductions, and for special prices on ordinary purchases at stores.
6. Retirement and money – If you wait until you have “enough” you will never retire. There is always something more you *want* but really very little you *need*. It is amazing how much it costs to go to work and what you can get along without when you are not working.
7. If you are 64 years and 6 months of age, apply for your Old Age Security pension now!

8. Take a long-term perspective on financial affairs in order to reduce stress and smooth out your life. If you know that you are going to have to replace the car in five years then think about where the money is going to come from and take early steps to achieve this. This way there is only some fine-tuning at the last moment. Saving 10 percent of your net income for later is still good advice. However, remember that you no longer have to save for retirement because you are now there.