

Investing For Your Retirement Can Happen At Any Age

Your age and life experiences influence how and when you invest. And it's never too late to start.

By Deborah Everest-Hill

The social, political and cultural influences we experience shape who we are, how we communicate, learn, work, and yes, even save money. Events like the Vietnam War, Woodstock and the civil rights movement shaped Baby Boomers' view of the world, while the fall of the Berlin Wall, the development of the World Wide Web and the emergence of AIDS influenced Generation X.

“Gen Xers”, people in their 30s, are results-driven, demand excellence in customer service and are “used to getting whatever they want, whenever they want,” says Chris Reynolds, President of Investment Planning Counsel Inc. in Brampton. “This group tends to save very little and are counting on their parents for retirement.” But, starting early gives Gen Xers a head start.

Colin Warner, Manager, Retail Pricing at BMO, made his first investment in his 20s, purchasing a mutual fund-based RRSP. He admits his savings profile is likely not representative of other people his age. Warner, 36, added stocks to his financial plan five years later and presently allocates about six percent of his income to an RRSP and an additional 11% to mid and long-term savings accounts and mutual funds. “I suppose it (investing) is one of my top priorities. I do it through automatic deductions, so it is the first thing that comes out of my account when I get paid and I never see the money.”

Unlike their parents, many Gen Xers cannot rely on employer-funded pensions for retirement, says Emmanuel Hergott, Regional Sales Manager, BMO Mutual Funds. “I knew my pension and CPP wouldn't be enough,” says Dale Boudreau National Coordinator, Climate Archive with Environment Canada. In his early 30s, Boudreau purchased a GIC in 1997 followed by mutual funds in 1998 and stocks the following year. Boudreau later used the RRSPs to purchase his first home, leaving him with little savings,

a position that many Canadians in their 30s and 40s have found themselves in.

“It is not unusual for young investors to dip into their savings for a wedding, honeymoon or the purchase of a home,” notes Hergott. “Once these milestones have passed, the question becomes: How do I save for retirement? Is it best to make an RSP contribution, pay down the mortgage or start an RESP for my child?”

“Boomers”, those 50 and older, consider saving for the future a top priority. A 2005 Ipsos Reid-RBC poll indicated 42% of people over the age of 35 are likely to make retirement savings a priority, compared to 23% of people between the ages of 18 and 34. Similarly, Mackenzie Investments recently released a survey that found 51% of Canadians in their 20s have never contributed to an RRSP.

It is not surprising that older individuals are more likely to understand the need for a financial plan as they contemplate their retirement. “People in their mid to late 40s are starting to save,” says Reynolds. “When they invest, they tend to take more risk, wanting to make up for lost time.” Baby Boomers, on the other hand, are more conservative. According to BMO-Ipsos Reid research, 48% of Boomers (40 to 59) consider their RRSP to be their financial plan.

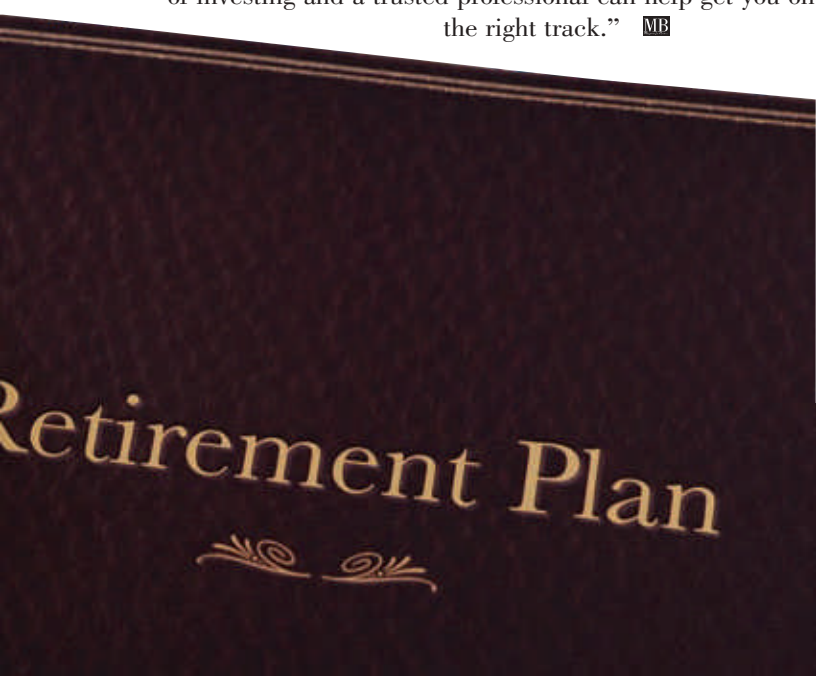
Connie Laycock, a retired nurse in her 60s, used an inheritance to purchase her first RRSP ten years ago. Working part-time most of her life, Laycock knew


she couldn't rely on a pension, so she invested in stocks, bonds, GICs, mutual funds and RRSPs. "I am interested in saving only enough to live a comfortable life," she says. "If there is anything left when I die, I just hope my girls enjoy it."


Ross Hill, a retired CN employee, started saving early in life to reduce the amount of income tax he had to pay and earn a higher interest rate. Presently in his 60s, Hill invests more than 10% of his income in mutual funds, stock, saving bonds and RRSPs. "I enjoy learning and making my money work as hard as possible," he adds.

If more Canadians had an investment strategy like Hill's, fewer would have to worry about life after retirement. According to Mackenzie Investments, 40% of us are concerned we won't be able to afford our current lifestyle ten years from now.

Hergott insists it is never too late to develop a plan, given most of us should prepare for 20 years of retirement. "Investing is like going to the gym," he adds. "The hardest part is getting started. You need to get into the habit of investing and a trusted professional can help get you on the right track." **MB**







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