

## Bill Rea ? Save for retirement

There's a TV commercial that many of you have probably seen.

The first scene depicts the retirement party of some nice man, with the guest of honour being presented with a fancy new watch. Fast forward an unspecified amount of time, and see the same nice man clutching his precious watch, walking up to a shop so he can pawn it.

The message is no one who has worked hard for years should be forced to pawn personal possessions in order to get by. It ties in, of course, with plans of the federal government to expand the current Canada Pension Plan (CPP). This ad is been paid for by the unions of the Canadian Labour Congress, and needless to say, this outfit is in favour of expanding CPP.

They have also set up a website to promote their position, and it contains certain facts.

For example, it seems about 600,000 Canadian seniors are trying to get by with low incomes.

It is sad to think that some people are struggling, especially those who are past the point when they can look forward to possible raises or advancement at work. And I'm sure there are a lot of people who are forced to sell personal possessions because they need the money. It's not nice.

At the risk of seeming to be harsh, the first time I saw this commercial, and realized what the message was, I found myself wondering if this man had set aside money for his eventual retirement. One would like to think he would have. Most of us can, you know.

Another point that's behind this commercial is a lot of people have trouble setting aside money. Granted, it's not easy. It requires a certain amount of discipline. I think its just a matter of preparing a budget and living within it; something we should all do, but which I suspect many of us do not do.

Interestingly, the Fraser Institute came out with a report in the last week or so, outlining five myths when it comes to CPP. One of the myths cited is Canadians are not saving enough for retirement.

?The evidence shows most Canadians are well prepared for retirement and claims to the contrary ignore the ample resources outside the formal pension system available to Canadians when they retire,? the report stated.

Some of us have pension plans where we work, but a lot of us, myself included, don't. In fact, according to the website, about two-thirds of Canadians don't have a pension plan to look forward to.

Are those two-thirds not aware of that?

I have been paying into CPP since I first entered the workforce, so I naturally expect there will be some money there for me if and when I retire. And since I am in my late 50s, thoughts of retirement pop into my head a lot more frequently than they used to. I have always known that CPP would provide me with some income when I reached a certain age. But there was always an understanding that if I expected to enjoy a certain quality of life, I had better start making some necessary arrangements myself. Until the days of their respective deaths, both my parents nagged me to do just that, and that's what I did.

I have always maxed out on my RRSP contributions, and plan to keep doing so for as long as I can.

I will grant that it has not always been easy to do that. There have been times when I had to borrow money to make the necessary contributions. And there have been times when I've had to convert other investments (more about that later), but it's been done willingly. The benefits have included reductions in the income tax I was expected to pay. Plus I have investments with growth potential on which I don't have to pay taxes, at least not yet.

And for many years, a certain amount of every paycheck I receive has gone into investments. Granted, as an investor, I probably belong in the ?small potatoes? category. There's only so much I can afford, but every little bit helps. These investments, barring a massive market collapse, will represent an ability to live a bit beyond what CPP might provide.

Another myth cited by the Fraser Institute is ?higher CPP contributions will increase overall retirement savings.?

Not so, according to the Institute. Increasing the contributions will mean people will have less take-home pay, meaning they will have less money for things like investments, including RRSPs. In a lot of cases, the savings won't increase, but will just be moved around some.

So is CPP a superior form of saving to the investments some of us make?

I doubt it. For one thing, once the contributions come off our paycheques, it becomes the government's money, meaning the people in charge of Ottawa decide who gets how much and when. Despite what promises might be made by the Trudeau government, they can change their minds at any time. And future governments could change the rules as they please.

Besides, no matter how much I have contributed to CPP, if I don't live long enough to collect, I won't see a dime of it, and neither will my heirs.

On the other hand, the way the system is designed, there's no way to outlive CPP benefits. People who live into their 90s or beyond are assured there will be that reliable amount of income. No matter how much one personally invests or sets aside, the more they draw on that money, the greater the chance that it might eventually run out.

When it comes to investments, including RRSPs, the investors have a certain amount of control because it's their money.

Although I do try to maintain a certain level of liquidity, there is always the unexpected. I could one day find myself in a tight spot, and the money I have in investments will be there to help me out. I could even dip into the money in my RRSPs, although I would get dinged for tax on that.

You can't dip into the money that you've put into CPP, because it's not your money any more ? it's the government's.

There are people who have trouble getting by after they have left the workforce, but I think there's a sound argument that increasing CPP contributions is not the answer.

Finding some way to drive home the message that people have to provide for themselves in their old age would be much more productive. We are all going to get old, and we should prepare for it. That sounds like simple common sense, but it constantly surprises me how the use of common sense seems so uncommon in many cases.

