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How this single empty nester in her 50s plans to retire comfortably at 62

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Sheila is single, almost 56 years old and a recent empty nester, with four kids in postsecondary school or living on their own, she writes in an e-mail. “I’m thinking about retirement and wondering what my financial future looks like.”

Sheila earns about $187,000 a year in salary, bonus and incentives. She has a small Canada Pension Plan survivor benefit of $5,150 a year.

In the short term, she wants to support her children through university, travel to Europe and do some repairs to her small-town Ontario house. She also owns a rental property with her four children – she owns 60 per cent, the children 40 per cent. Both properties have mortgages outstanding.

“Can I retire comfortably at age 62 or do I have to work longer?” Sheila asks. “Will I have to sell my house and downsize in order to do that?”

Her retirement spending target after the mortgage on her home is paid off is $80,000 a year after tax.

In the latest Financial Facelift, Nushzaad Malcolm, a certified financial planner at Henderson Partners LLP in Oakville, Ont., takes a look at Sheila’s situation.

Want a free financial facelift? E-mail finfacelift@gmail.com

Is the CPP/QPP a good deal for both employees and the self-employed?

In the latest Charting Retirement article, Fred Vettese, former chief actuary of Morneau Shepell and author of Retirement Income for Life, looks at the pros and cons of CPP/QPP for both employees and the self-employed here.

What’s the difference between OAS and CPP?

Whether retirement is decades away or just around the corner, like most Canadians you’re thinking ahead, and well prepared with all the funds you’ll ever need. Just kidding! Most of us have far less tucked away than we should, something the government knows and plans for accordingly. But what kind of government help can you expect when you turn 65? And will it be enough to live long and prosper? In this comprehensive explainer, Rosemary Counter breaks down the main financial supports from the government, including everything you need to know about Old Age Security and the Canada Pension Plan.

In case you missed it:

A kinder, gentler way to compare your TFSA, RRSP and cash savings

It's a cliché in personal finance that people don't like to talk about money.

What they actually don't like is the feeling of shame that so often arises after talking about debts and investments with other people, explains Rob Carrick in a recent newsletter. Inevitably, there's someone in the crowd who has a mountain of savings or contributes the maximum to their tax-free savings account and registered retirement savings plan every year, without fail. If you struggled to hit $5,000 in your TFSA, it's demoralizing to hear about someone pushing toward seven figures.

Still, it can be helpful to know where your peers stand in a financial sense. Can it be done in private? This is the goal of a project The Globe and Mail personal finance team is working on. In a previous newsletter, we asked readers to tell us how much debt they carried, and how much they had invested. Now, we want to refine the investing data by asking readers to tell us about their investments and savings on an individual basis, and not per household.

Our questionnaire is totally anonymous – it requires neither your name nor your e-mail address. Just tell us your age and the balance in your TFSA, RRSP, non-registered account (if applicable) and cash savings. This information will enable us to build an online tool that shows people in various age groups how the amount they owe – on mortgages, credit lines, student loans and more – compares with peers, and how their investments and savings stack up. Call it a kinder, gentler way to benchmark your finances.

Here's a link to the survey.

Can you have too much invested in RRSPs?

At this time of year, investors are bombarded with reminders to load up their registered retirement savings plans (RRSPs) for the tax deduction and deferral benefits – and, of course, to save for retirement.

But is it possible to have too much in your RRSPs?

Many older investors are asking this question after being forced to take out more money than they may want or need from their RRSPs, especially when they're converted into registered retirement income funds (RRIFs) and the mandatory withdrawal rates kick in.

Issues include the tax hit when taking money out of the RRSP or RRIF later in life and the potential clawback of Old Age Security (OAS) benefits if your income exceeds the annual threshold, which was $81,761 for 2022. Dying with too much money in your RRSP or RRIF can also trigger a huge tax bill on an estate.

Having too much money in an RRSP may sound like a good problem to have, especially for younger investors scraping together funds to make their annual contributions. Still, it raises the question of whether so much financial sacrifice is necessary during a person's younger, working years when they have other major expenses to worry about, such as a mortgage, daycare fees and saving for a child's post-secondary education.

Read the full article here.

Retirement Q&A

Q: Our family recently inherited a sizable estate, and we have agreed that we'd like to set up a charitable trust with some of the money. How do we balance our philanthropic goal with the potential tax benefits? We'd like to also ensure that our children's children reap the benefits in the future.

We asked Kevin Tran, Managing Partner & Head of Wealth Planning, Our Family Office Inc., Toronto, to answer this one:

Many families that inherit sizable estates decide to engage in philanthropy through a Charitable Trust. Typically, the most common type of Charitable Trust used for this purpose is referred to as a private foundation. A private foundation will allow your family to create a lasting legacy, control how the foundation invests its money, jointly decide on which causes to support and provide certain tax benefits.

When establishing a private foundation, it is important to have an overall giving plan. This will provide a great opportunity for your children to be involved in establishing the foundation's overall objectives including which causes or charities to support, the amounts to give and day-to-day operations. A qualified wealth professional can help you manage this plan.

In terms of tax benefits, a private foundation can issue donation receipts when a gift is made to the foundation. When making a donation, it is important to consider the timing and amount of donation and align it with large income years in order to maximize the tax benefits. The reason being that a donor is limited to claiming a donation tax credit of up to 75 per cent of their income in any year. Furthermore, you can only carry forward any unused donations for up to 5 years. As such, you want to ensure that you have an adequate level of income to take advantage of the tax benefits so that they are not wasted. One method of doing this is to structure the gift over multiple years rather than a large one-time gift to the private foundation once established.