

How Much Will I Spend in Retirement?

May 2021

By Clinton Orr

A common question of folks saving for retirement is: How much do I need to retire? To provide a meaningful answer to that question, you first need to know how much you will spend in retirement. That can be a tricky question to answer.

We can reference a bit of data to help us answer this question. According to the Canadian Income Survey by Statistics Canada, the median after tax income of senior families (where the highest income earner was 65 years of age and older) totaled \$61,200. That means the median Canadian over the age of 65 has after tax income of roughly \$5,000 a month. However, that number does not distinguish between folks over 65 that are retired and those over 65 that are still working. It also does not provide a breakdown of how the money is spent.

A second research report from Statistics Canada can provide some additional help. The report is on consumption patterns among aging Canadians. The report found that for Canadians in their early 70s, 43% of their consumption was for their residence and property (this category includes maintenance on properties, any owned property whether it's a home or cottage, utilities, rent etc.), 28% for transportation (purchasing and maintaining automobiles, public transit etc.), 17% for food, clothing and care (grocery bills, eating out at restaurants, health care costs etc.) and 12% for a category the report called other (this category includes recreational spending and other non-essential spending). These numbers compare to Canadians in their late 40s where 31% of consumption spending is for residence and property, 35% for transportation, 16% for food, clothing and care and 18% for other. According to this data, in the early retirement years a larger portion of the consumption budget is allocated to maintain our residence and properties.

Clinton Orr

**Vice President, Investment Advisor
& Portfolio Manager**

T: 204.259.2860

Beausejour: 204.205.0101

corr@cgf.com

Kevin Becker

**Investment Advisor &
Portfolio Manager**

T: 204.259.2863

TF: 1.877.259.2888

kbecker@cgf.com

Alicia Roache

**Investment Advisor Assistant
(Licensed)**

T: 204.259.2851

asroache@cgf.com

Maricar Irwin

Investment Associate

T: 204.259.2861

mirwin@cgf.com

Adam Buss

Wealth & Estate Planning Specialist

T: 204.259.2865

abuss@cgf.com



**Canaccord Genuity
Wealth Management**

1010-201 Portage Avenue,
Winnipeg, MB R3B 3K6

beckerorr.com



Not to overwhelm folks with data, but research by David Blanchett, published in the Journal of Financial Planning in an article entitled “Exploring the Retirement Consumption Puzzle”, suggests that our spending in retirement changes. As we go through retirement there is a decline in spending, however spending reaches a point of inflection and increases during the later years of retirement – there is a U-shaped pattern, or smile. The retirement smile makes some sense. In my experience, there is usually more spending in the early years of retirement, often on recreation, however those activities decline as we approach the middle years of retirement. Also, in the middle retirement years is often when some retirees consider downsizing their property, lowering those expenses. Then in the later years of retirement, spending increases as medical and health expenses rise.

While the above data helps provide a picture of the typical Canadian retiree, your retirement is unique. To answer the question, how much will I spend in retirement? I encourage folks to start by looking at their current budget and then adjust. You can ask yourself a few questions to help with your adjustments. Will you travel more in retirement? Will you still have a mortgage? Will expenditures for the kids be the same? Adjusting your current budget can help provide an idea of how much you will spend in retirement. It’s a good starting point. As well a financial plan is not carved in stone, life happens! Regular updates and reviews are required.

Clinton Orr B.Comm (hons.), CIM, CFP, DMS, FMA lives in Beausejour and is a vice president and portfolio manager with Canaccord Genuity Wealth Management.

The preceding information is intended to provide general guidance on matters of interest for the personal use of the reader who accepts full responsibility for its use. It is not to be considered a definitive analysis of the law and factual situation of any specific individual or entity. Consequently, it should not be used as a substitute for consultation with a professional accounting, tax, legal or other professional advisor. This commentary reflects my opinions alone and should not be considered as representative of Canaccord Genuity Corp’s. beliefs, opinions or recommendations.