



# EXPENSES IN RETIREMENT

## What to expect and income needs

### HOW IS THE SEVERANCE OR SETTLEMENT PAID, STRUCTURED OR CHARACTERIZED?

Many believe that expenses decrease during retirement. While this is generally true, depending on the retiree, there are some expenses that might increase during this period. The following charts discuss common expenses and whether they tend to increase or decrease in retirement. What To Expect And Income Needs

#### Expenses that normally decrease in retirement

Work-related Cost	<ul style="list-style-type: none"> <li>Long commutes and related transportation costs end. Expensive lunches and costly work attire also tend to go away.</li> </ul>
Income tax	<ul style="list-style-type: none"> <li>If your income will decrease in retirement, so will your income tax bill. Seniors might also be eligible for certain tax breaks, such as pension income-splitting and the pension tax credit.</li> </ul>
Housing	<ul style="list-style-type: none"> <li>Housing costs might decrease if mortgages are paid off and/or downsizing occurs. On the other hand, these costs might also increase if specialized seniors housing is required.</li> </ul>
Contributions to retirement savings	<ul style="list-style-type: none"> <li>Mid-career households are often more concerned with saving for retirement than retiree households. Also, Canada/Quebec Pension Plan contributions cease when employment or self-employment ends.</li> </ul>
Cost of items/services	<ul style="list-style-type: none"> <li>Retirees tend to have more time to seek out the best deals. They also have access to “seniors’ pricing” for many items and services.</li> </ul>

#### Expenses that normally increase in retirement

Health care	<ul style="list-style-type: none"> <li>Medical costs tend to rise as we age, and many Canadians lose employer-paid health-care coverage upon retirement. Specialized long-term care might also be required.</li> </ul>
Utilities	<ul style="list-style-type: none"> <li>Spending more time at home normally means increased utility costs (e.g., heating, cooling).</li> </ul>
Travel and entertainment	<ul style="list-style-type: none"> <li>With more available time, many retirees look to travel and pursue other forms of entertainment for leisure (e.g., clubs and memberships). These can increase expenses in retirement.</li> </ul>
Maintenance and other household expenses	<ul style="list-style-type: none"> <li>Many household chores (e.g., lawncare, snow shovelling, cleaning) can be difficult for retirees to carry out. Many will look to contracted help for these chores, which can add to expenses in retirement.</li> </ul>
Gifts and donations	<ul style="list-style-type: none"> <li>Gifts to children and grandchildren tend to increase in retirement. Charitable donations might also increase as retirees fulfill philanthropic aspirations.</li> </ul>

Working with a financial advisor can help to identify trends, which can help to predict and manage expenses in retirement.

## ESTIMATING INCOME NEEDS IN RETIREMENT – REPLACEMENT RATIO VS BUDGET-BASED CALCULATIONS

A key component of retirement planning is the calculation of required income. Two methods commonly used to estimate income needs are the replacement ratio and budget-based methods. The replacement ratio method is a quick “rule-of-thumb” estimate commonly used in the years leading up to retirement (experts often suggest 70–90% of pre-retirement income). The budget-based method is a more detailed calculation often done shortly (i.e., 6–12 months) before retirement when accuracy is important.

The tables below are designed to assist in estimating retirement income needs using the replacement ratio and/or budget-based methods.\*

### Replacement Ratio Method

To estimate your retirement income needs, list your pre-retirement income and that of your spouse or common-law partner, if any. Then, decide on a replacement ratio (several amounts are provided below for comparison purposes) and multiply. This will provide an estimate of your retirement income needs, stated in current before-tax dollars, based on your selected replacement ratio.

Your pre-retirement income (\$)	Spouse's pre-retirement income (\$)	Combined income (\$)	Replacement ratio (%)	Estimated retirement income need (\$)
	+	=	X	=
	+	=	X	=
	+	=	X	=
	+	=	X	=
	+	=	X	=

### Budget-based Method

A detailed budget-based calculation can more precisely estimate needs in retirement. It is often the preferred method when closer to retirement and accuracy is important.

	Cost per month (current dollars)	
	Current spend (\$)	Estimated spend in retirement (\$)
<b>Housing (principal residence plus any vacation properties)</b>		
▪ Mortgage/rent/fees		
▪ Property taxes		
▪ Property insurance		
▪ Utilities		
▪ Phone, TV, internet		
▪ Maintenance and repairs		
▪ Other		

	Cost per month (current dollars)	
	Current spend (\$)	Estimated spend in retirement (\$)
Groceries		
Clothing		
<b>Transportation</b>		
▪ Fuel		
▪ Maintenance and repairs		
▪ Auto insurance		
▪ Public transit		
▪ Financing or lease costs		
▪ Other		
Personal insurance premiums		
Health-care expenses		
<b>Discretionary expenses</b>		
▪ Contributions to savings/investments		
▪ Entertainment		
▪ Travel		
▪ Education		
▪ Subscriptions		
▪ Clubs and memberships		
▪ Gifts		
▪ Charitable donations		
▪ Other		
Other expenses		
<b>Total monthly expenses (A)</b>		
<b>Total annual expenses (A x 12)</b>		

\*Working with a financial advisor can help to identify trends, which can help to predict and manage expenses in retirement.

Visit us at [ci.com/en/tax-retirement-and-estate-planning](https://ci.com/en/tax-retirement-and-estate-planning).  
For more information, speak to your CI sales team.



---

#### IMPORTANT DISCLAIMERS

This communication is published by CI Global Asset Management ("CI GAM"). Any commentaries and information contained in this communication are provided as a general source of information and should not be considered personal investment advice. Facts and data provided by CI GAM and other sources are believed to be reliable as at the date of publication. Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI GAM has taken reasonable steps to ensure their accuracy.

Market conditions may change which may impact the information contained in this document. Information in this communication is not intended to provide legal, accounting, investment or tax advice, and should not be relied upon in that regard. Professional advisors should be consulted prior to acting on the basis of the information contained in this communication.

You may not modify, copy, reproduce, publish, upload, post, transmit, distribute, or commercially exploit in any way any content included in this communication. Unauthorized downloading, re-transmission, storage in any medium, copying, redistribution, or republication for any purpose is strictly prohibited without the written permission of CI GAM.

CI Global Asset Management is a registered business name of CI Investments Inc.

©CI Investments Inc. 2021. All rights reserved.

Published June 14, 2021

21-06-378601\_E (07/21)