Citizen of the World

Retirement Planning

(Let's Bust a Myth)

You may be asking us why in the world you would need to think about retirement today. We get it, your life lies before you like a spanking new notebook – just waiting for its first spot of ink. And that's exactly why today is such a perfect time to think about how you want to set yourself up for success in the future. Start now and you won't need to worry about scrambling down the road, wishing you had told your younger self to start early. Still not convinced? Challenge accepted. Read on as we bust a few myths about retirement saving at a young age.

1. **Myth Buster #1 - Retirement Planning is for Old People**
   While you may think you have your whole life ahead of you to sock it away, who says you have to retire at the age of 65? What if you planned to retire at 50? When you have time on your side, compound interest is a beautiful thing. It's about gaining the knowledge now and committing to putting what you can away as soon as possible.

2. **Myth Buster #2 - RRSPs & TFSAs OMG, it's Too Complicated**
   It doesn't have to be complicated – here's a quick run-down. Spoiler alert – you likely want both.

   RRSP (Registered Retirement Savings Plan). The government wants to make sure you have money put away to support yourself in your retirement years so they created an incentive to encourage you to save. The amount you put into your RRSP will be deducted from your yearly income, decreasing the amount of taxes you pay. You will only have to pay the tax when you withdraw from your RRSP during retirement, but at that time, you'll likely be in a low income tax bracket or leveraging it to move your dreams forward. (Tell you more? see Myth #3).
   TFSA (Tax Free Savings Account). While TFSAs are not tax deductible, the money you deposit into a TFSA will earn interest, and this interest does not have to be declared as income so you don't pay taxes on it. There's also flexibility in withdrawing funds out of a TFSA and topping it up again when you are able.

3. **Myth Buster #3 - I can only use RRSPs for Retirement**
   So you have some money in your RRSP (seriously good work!) but you're not planning on retiring for a while. Well the good news is that you can access these funds at any time without having to declare it as income, for two really great reasons. One, you're going to post secondary school and need some funds to make it happen. Imagine borrowing from your own savings and not having to get a student loan. It's kind of like being your own little credit union. What's the catch? You'll have to pay back the funds within the regulated timeframe. The second reason you may withdraw funds out of your RRSP without penalty is when you're ready to buy your first home (bonus tip sidebar: invite your friends in as roommates to help you cover your mortgage). This is a great way to save for your down payment on a home; just remember to repay the funds within the specified timeframe.

4. **Myth Buster #4 - I can only use RRSPs for Retirement – Take Two**
   While you will need to declare the funds as income, you may wish to withdraw funds from your RRSP if you have an emergency and can't work, or if you choose to take time off for any number of reasons. While you will pay tax on the funds upon withdrawal (so you won't be getting the full amount), if you are not planning to work during that time, you will be in a lower tax bracket anyway.

5. **Myth Buster #5 – I have to Decide on My Future Right Now!**
   Change is inevitable. As the world turns (also the name of a soap opera from 1956-2010), so does our technology, our environment, our own dreams and expectations. This means you are likely to change career paths a few times (in fact, some of the job titles you will have don't even exist today). You may move around to different cities and towns (maybe different countries). Unplanned events and opportunities will pop up forcing you to make exciting fork-in-the-road decisions and compromises along the way. Retiring comfortably shouldn't be one of those compromises. Start your retirement saving now and you'll be giving yourself the ultimate gift: peace of mind for the future.

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