

## How much is enough?: Diane McCurdy on the most common retirement question

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How much is enough? Any financial advisor will recognize this as the single most common question clients pose regarding their future retirements.

Three years ago, Vancouver-based financial planner Diane McCurdy wrote an entire book devoted to this topic. *How Much is Enough?* became both her book's title and the URL for her Web site.

McCurdy subsequently self-published a U.S. edition of her book, which is now being picked up by a major American publisher. She is also busy writing a sequel.

Such a title begged for an explicit answer but the author was initially reluctant to be pinned down on revealing exactly how much is needed to retire. That's typical of financial advisors: There are so many variables and lifestyles it's hard to pick just one number and apply it to the general populace.

Two teachers retiring at 55 with a pair of inflation-indexed defined benefit pensions may not need a dime more. As McCurdy points out, two such pensions are the equivalent of \$2-million in capital.

At the other extreme are those living such marginal existences that they can pay the rent on a modest apartment with some combination of three government pensions: Old Age Security and the Canada Pension Plan if they worked; OAS and the Guaranteed Income Supplement if they didn't.

In either of the above cases, the paradoxical result is that no extra savings may be necessary.

However, most Canadians lie between these extremes. Our quality of life in retirement may be profoundly affected by how big a nest egg we are able to accumulate in our working years.

With defined contribution plans gradually replacing DB plans, the question of "how much?" will continue to be an urgent one. The answer will determine how much capital must be accumulated in order to spin off enough income to meet all necessary expenses and luxuries once employment ends.

Those with no employer-provided pension must answer the same question. They must strive to maximize their annual RRSP contributions and put a little extra aside in non-registered or taxable investment portfolios.

In an interview in Toronto this week, McCurdy was more willing to spill the beans on how much exactly is "enough."

For those who want to know where they stand in the Canadian wealth hierarchy, here's Diane's take. She has clients in most of these categories. (These are investable assets not including your principal residence):

- \$10-million: Extremely wealthy. "No worries, but remember to share the wealth."
- \$5-million: Very wealthy. "You can stop fretting."
- \$2.5-million: Comfortably wealthy. "Count your blessings."

- \$1-million: Moderately wealthy. But "be careful. It can disappear. Some people think \$1-million is a lot but it isn't when you calculate the income it generates."

- \$750,000: Marginally wealthy. "Depending on your age, you may be right on target."

- \$500,000: Almost wealthy, particularly if supplemented by government pensions. However, "if you stop now, you may have to choose between your wants and needs. You may not be able to have them all."

- \$250,000: Not wealthy. "You can manage but don't quit your day job."

- \$100,000: "Are you sure CPP and OAS are going to be there?"

- Nil: "Get a second job."

That said, McCurdy emphasizes every person's "enough" number will be different. That's why she created the calculator at [www.how-much-is-enough.com](http://www.how-much-is-enough.com).

"You don't have to be one of those people panicking because they read articles saying you must have \$1-million and you're not there. You can have a wonderful lifestyle with less money."

The calculator assumes a 6% return from a mixed portfolio of equities and bonds. In similarly conservative fashion, she does not automatically include CPP and OAS.

The calculator does, however, accept pension payments as inputs. If you have an employer pension you can plug in the yearly expected amount; this field can also be used to include government pension income. If you are in the last few categories of the wealth hierarchy, don't despair. It's not too late to rectify matters.

"Start saving like mad now," McCurdy tells this group. "I've seen people turn their situations around in only eight years. You might not have enough, but at least you'll have something."

These laggards may have to work beyond the normal retirement age of 65 so they can keep contributing to their RRSPs and give their money more time to grow.

Over the next 10 years, a Canadian Baby Boomer will turn 50 every minute, McCurdy says. For them, retirement is not such a distant event as it once appeared.

Accompanying this is the bittersweet inevitability of the \$1-trillion intergenerational transfer of wealth. It's sad that the parents of the Boomers are starting to pass away, but the resulting inheritances may allow undersavers to catch up.

"With many clients, bequests get them back up to speed," McCurdy says. "It's an opportunity to get back to where you should have been."