



April 2026

How Much Will I Need to Retire?

Good question. Many retirement income planning tools use a percentage of income to determine an income need in retirement and then calculate an amount needed to provide that income. People with similar incomes often have different spending and lifestyle habits. This can affect their income needs in retirement.

It is still important to calculate what the income needs will be in retirement. Arriving at the right percentage of income to replace may require a little more work.

Dean and Brenda are self employed and earn about \$150,000 per year. As they are funding their own retirement with RRSPs, they can deduct their annual contributions from their income starting point as they will not be making RRSP deposits after they retire. They plan on having their mortgage paid off just as they retire, so this percentage of their current income can also be deducted from their retirement income needs.

They don't currently travel very much, but want to do some more in the early years of their retirement. Dean and Brenda will need to decide what kind of traveling they want to do and add an amount to their income needs to cover this. It also made sense to purchase Long Term Care insurance so their savings won't be depleted in case either of them can't look after themselves.

Adjustments can be made in case either Dean or Brenda plans to work in retirement and for how long. A part time or seasonal job in the early years may be enough to fund their travel plans.

Sam and Rachel also earn about \$150,000 per year, but they have been mortgage free for many years. They have adjusted their lifestyle accordingly and each have a full pension plan from their employers. There is very little that can be deducted from their income needs as they currently spend what they earn and expect to continue this lifestyle in their retirement.

There are a number of factors that need to be considered when calculating income needs in retirement. In the previous examples, Dean and Brenda will need a much smaller percentage of their pre-retirement income than Sam and Rachel. Other things to consider are:

- Are there any health issues that will add to retirement expenses?
- Are you currently providing financial assistance to someone that will continue in retirement?
- Are there any expenses now that will not continue in retirement?
- Is there a chance you may have to care for a parent in your retirement?

Want help with your retirement income planning? Contact our office!

Michael Stanley, MSc, FCIA

Michael Stanley | Sterling Mutuals - Sterling Mutuals Inc.

Ph: 226.268.6233 - <https://mstanley.ca> - michael.stanley@sterlingmutuals.com

