FINANCIAL WISDOM



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The Pay Yourself Retirement Spending Plan

One of the biggest adjustments in retirement is losing the regular paycheque you've had your whole working life. Suddenly, money isn't flowing in like clockwork–and that can feel unsettling. But you can recreate that stability with the "Pay Yourself" rule of retirement spending. And no, it doesn't require any complicated plan.

The idea is simple: set up an automatic deposit into your chequing account so it feels just like payday. With predictable income arriving each month, it becomes much easier to plan ahead and enjoy your retirement without constantly worrying about what to withdraw and when.

Why This Rule Helps Reduce Stress - A predictable income stream offers one major benefit: stability. When you know exactly how much is coming in, it's much easier to manage what's going out. For people who like structure (which, let's face it, includes most of us when it comes to money), receiving a fixed "paycheque" each month removes a lot of the guesswork. It also helps prevent impulse withdrawals or scrambling to move money around to pay bills. Instead, you shift from a reactive approach to a proactive one–much like when you were working.

How the "Pay Yourself" Rule Works - Start by building a realistic retirement budget. Look at all income sources such as CPP, OAS, a defined benefit pension, RRIF withdrawals, investment income, part-time income, or rental cash flow. Next, determine an appropriate annual withdrawal rate from your savings. This should factor in inflation, longevity (20+ years in retirement is common), market volatility, and your comfort level. Reassess your withdrawal rate every year to make sure it still fits your situation.

Use "Guardrails" to Stay on Track - One helpful approach is using guardrails–adjusting your spending based on how your investments are performing.

If your portfolio has a strong year, you can increase your "paycheque" slightly. If the markets pull back, you tighten spending a bit. This helps extend the life of your nest egg and keeps your plan grounded in reality.

Where Should the Money Come From? - Once you know how much you need each month, decide which accounts to draw from. In Canada, this usually involves:

- RRIFs – which are taxable and have mandatory minimum withdrawals.
- TFSAs – which offer tax-free withdrawals.
- Non-registered accounts – which may trigger capital gains.

A common strategy is to withdraw from taxable accounts first–such as RRIFs–while letting TFSA assets continue to grow tax-free.

Tips for Setting Up Your Retirement "Paycheque" - Your financial advisor can help you with these steps:

1. Determine your annual withdrawal rate.
2. Contact your investment companies to setup automatic monthly withdrawals.
3. Choose the amount and the deposit date.
4. Have taxes withheld automatically, just like a workplace paycheque.
5. Review your withdrawal amount at least once a year.

Enjoy One Less Thing to Worry About - Retirement shouldn't feel like a financial guessing game. With the "Pay Yourself" rule, you automate one major part of your money management so you can focus on enjoying life, not crunching numbers.

Questions about Your Retirement Strategy? Contact our office!



Mike Eskedjian, MBA

Lifetime Financial Planning Group - Investia Financial Services Inc. (Mutual Fund Dealer)

Ph: 905.374.7477 - https://www.lfpg.ca - mike@lfpg.ca

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