Real Talk: Retirement without the savings

Death. Divorce. Job loss. Sometimes tough stuff happens. Unfortunately, these not-so-great milestones often come with a financial impact. So, what do you do if you have to get a divorce? Or if a loved one suddenly passes away? Or if you find yourself with more debt than is comfortable? In our series, *Real Talk for the Tough Stuff*, we'll tackle some of these situations head-on with the honest financial advice you need to get through and get on with life.

Up next, **Real Talk for the Tough Stuff: Retirement Without the Savings**

In a perfect world, we would all start putting away 10 to 15 per cent of our annual income for retirement in our early twenties. But let's face it, with all of life's expenses that doesn't always happen. The reality is not everyone has the road to retirement perfectly mapped out by the time they hit 35. Or 45. Or even 65.

We spoke to Tim Eisener of LaHave River Credit Union for some honest financial advice on planning for retirement, without the savings.

First things first—it's not going to be easy. "Looking at retirement without any savings is not a good situation to be in," says Eisener. "You have options, but they may involve making some tough choices."

This doesn't mean you need to give up your dreams of a relaxing retirement, but Eisener suggests sitting down with a financial expert for an honest discussion. "You need to have an understanding of your pension (if you have one), any government retirement benefits, and your own savings and assets. Start by having a realistic view of what you have and how much you'll need each year. From there you'll be in the best position to figure out your financial strategy."

Once everything is on the table, a financial expert can help you work with the assets you've got. Eisener explains that tapping into the equity in your home through a reverse mortgage is one option when your savings are coming up short. This means the homeowner gives up equity in exchange for regular payments.

“With a reverse mortgage, your financial institution can make monthly payments to you,” says Eisener. “For a senior looking to retire, this could become your income or supplement your income. As long as you stay put in your home, you don’t have to make any payments.”

But Eisener emphasizes that reverse mortgages come with a serious downside: interest. “The interest rates are typically higher than most credit lines or mortgages. The loan balance grows over time and your home equity is used. As soon as you decide to move or when you pass away, the full amount of the loan, including interest, becomes due.”

Often reverse mortgages are repaid through the sale of the home—but this means fewer assets are left behind for your estate and loved ones.

There are other ways to maximize what you’ve got, but Eisener explains that it may require some compromise and rethinking of your retirement vision.

“For many Atlantic Canadians, retirement is the logical time to sell their home and downsize. It’s also a good time to consider making the move to renting. This frees up the money that was tied up in your home and alleviates the responsibility that comes with caring for and maintaining a property.”

The simplest option? Work longer. It’s a tough one to swallow when you have dreams of finally kicking back, but you won’t be alone—census data tells us that as we’re living longer and entering the workforce later, more and more Canadians are continuing to work after 65. An aggressive short-term savings strategy can make a big difference when you’re building up that retirement fund. Part-time employment can help stretch your savings further too.

At the end of the day, it’s no surprise that when it comes to saving for retirement, sooner is better. Retiring to a life of luxury may not be possible for all of us, but with the right planning, and the help of a financial expert you can work towards a future that suits your lifestyle. The best advice is to just get started.