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Gen X and Gen Y: Deluded when it comes to retirement?

By Al Emid | Insight – 31 minutes ago

Oh, to be young again! It seems the Generation X and Generation Y Canadian cohorts are increasingly optimistic when it comes to attaining early retirement compared to the baby boomer set, according to a new survey released by TD Bank Group.

Generation X respondents, between the ages of 31-46 plan to retire at age 60 while Generation Y respondents, between 25-30 years aim for 59 years of age and baby boomers, between 47-64 years, set their sights on retirement at 64 years of age, according to the Age of Retirement Report.

However, six in 10 Canadians do not have enough cash to make those plans work comfortably. Fifty-three percent of boomers and 62 percent of Generation X Canadians have less than $100,000 in household financial assets, outside of pensions, life insurance and home equity. Meanwhile, 16 percent have no assets in place, not including the value of their home. Moreover, 44 percent expect to have debt in retirement and 13 percent will have what the bank terms 'significant debt'.

"We asked about (whether) debt would delay your retirement

> and almost 6 in 10 Canadians we polled expected to carry consumer debt into retirement," says Cynthia Caskey, Vice President and Portfolio Manager and Sales Manager at TD Waterhouse. Private Investment Advice, conceding that elimination of debt before retirement may be impossible for many Canadians.
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> In the broader picture the report, along with economic factors such as layoffs, increasing student debt levels and the continued shift from defined benefit to defined contributions pension plans is the latest development in a continuing re-definition of retirement.
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> It also marks another call for Canadians to increase control of their finances. "What's interesting to me is that Canadians haven't spent a lot of time actually thinking about what that means to them," she explains.

Canadians need to energize their financial planning, preferably with a competent financial planner, says Caskey. She argues that we have a stable economy within which to do the planning and that the time is right. "So I think for many people a lack of a retirement savings is partially a matter of just not having started yet."

Strategies for resolving the harsh realities and solutions to

> debt and low savings vary between age groups, in order take into account the gap between plans and available finances. "I would say this is definitely a wake-up call," suggests Léony de Graaf, president of de Graaf Financial Strategies in Burlington, Ont. "There's far too much distance between what their expectations are and what reality really is," she argues.
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> Generation X'ers and Generation Y'ers need a combination of revised retirement plans and scaled down lifestyles as well as standard registered plans to make sense of their situations, de Graaf says. These groups may have to grapple with what sociologists call the sense of entitlement. That refers to situations in which younger generations grew up with large houses and several cars in the family, not realizing that their parents worked for decades to achieve those trappings of

success. As a consequence they expect the same trappings early in life and go into debt for them.

Baby boomers may have a slightly easier time of it and the goals may be more within reach, since that generation often has defined benefit plans, bolstered by long work histories and large inheritances from their parents.

> However, the devil may be in the details, says Marc Lamontagne, certified financial planner and principal at Ryan Lamontagne Inc. in Ottawa.
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> "The big problem with these studies is they don't take into account certain things (like) real estate wealth," he says. An individual who is not actively saving cash but is paying off their mortgage is building equity.
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> Complicating the issue, Lamontagne explains many individuals find it difficult to self-assess how much money they have in their pension plans. "It's an income at a time in the future. Often it's very difficult to figure out exactly how much you have for retirement," he suggests.

The solution is a detailed assessment with an experienced financial planner and running precise numbers to compare them against retirement plans. That will produce a clearer picture of whether the individual is on track for retirement or the gap between future plans and available finances.

Al Emid is an author and financial journalist covering investing, banking and insurance. The opinions expressed are his own.