Continue building retirement income – even after retiring

Many people think once they've converted their RRSPs to a retirement income option, that they're finally done with managing their investments. They are incorrect.

Today's smart seniors are managing their investments even more actively than they did prior to their retirement – thanks to the built-in flexibility of Registered Retirement Income Funds.

A RRIF is essentially like a RRSP in reverse. Instead of making contributions, you make withdrawals.

You continue to earn tax-sheltered income on your remaining savings, so maximizing growth in your portfolio will be as important as ever.

Although some people are retiring as early as age 55, they are also frequently starting a second career and are continuing to make RRSP investments right up to the mandatory conversion age of 69 – that's when you must roll your RRSPs into an income option. But, whether you convert at 69 or earlier, you should recognize that your income will be affected by several factors.

These include continued cutbacks in government benefits and services, inflation and the fact that people are living longer.

"You need to squeeze every last penny out of your savings – keep them working for you as long as possible," said Bernard Roy, assistant vice president of retirement services at Canada Trust.

"Only a RRIF makes sense for today's seniors. With today's low interest rates, life annuities just don't cut it and who wants to pay tax on the whole amount of their RRSP savings at age 69 when they can just as easily manage their investments and income from the tax-sheltered advantage of a RRIF."

• Plan for growth

Risk management is even more important with a RRIF than an RRSP and you should make sure your portfolio mix is still appropriate for your current situation.

A lower risk tolerance doesn't mean you have to put all your eggs in one low-risk, low-yield income basket.

There are three key factors involved in maximizing the growth of your portfolio: asset allocation – dividing your portfolio among various asset types such as stocks, bonds, GICs, market timing – buying and selling at the right time and selection – carefully selecting individual investments in each category of these three factors, smart asset allocation offers the highest potential for improving your returns.

Your financial services provider should be able to walk you through an asset allocation model to determine the best approach to minimize risk and maximize growth in your RRIF.

• Stagger your maturities

Some people prefer to place their RRIF solidly in interest-bearing securities such as GICs and bonds. But, there is still the worry of guessing which way the rates will go. To eliminate that, a staggered maturity plan takes the guesswork out of investing.

Start by spreading your maturity dates so you have approximately 20 per cent of your money coming up for renewal in each of the next five years. Then, by re-investing your money back into five-year terms, you can obtain higher long-term rates. Clearly, you should begin to plan for your retirement well before you turn 69. You'll need to review your monthly income and expenses. How much will you receive from other sources?

You'll also have to decide whether you have the time and the skill to manage your own portfolio.