

# RRSP scare tactics skewing retirement strategies



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Let's take a short break from the financial industry's scaremongering about how we're not putting enough money into RRSPs to acquaint ourselves with the Classic Canadian Retiree.

That's a term coined by financial adviser Ted Rechtshaffen for the clients he sees at his Toronto-based firm, Tri-Delta Financial Partners. These people are a mix of wealthy and middle-class couples who do indeed have issues with their retirement savings. The problem: They've put too much money away.

Let's not have any pretense that this is a universal problem for retirees. But let's also recognize that the financial industry's message to contribute more to your registered retirement savings plan is a blunt instrument that can steer some people wrong.

"There's nothing to me sadder than a couple that are old and never spend any money because they're afraid they'll run out, and they're going to end up leaving a ton of money in the end," Mr. Rechtshaffen said. "These ads add to that problem."

Banks and mutual fund companies typically use marketing strategies in RRSP season that show the need to contribute more. But this year, there seems to be more fear and guilt in these campaigns than ever before.

Yesterday, the financial planning arm of TD Waterhouse issued the results of a poll indicating that people are putting too much emphasis on short-term debt reduction and not enough on long-term retirement saving. "Linear thinking can kill retirement dreams," said the headline on the press release sent to the media.

Earlier this week, CIBC World



KEVIN VAN PAASSEN/THE GLOBE AND MAIL

Tri-Delta Financial's Ted Rechtshaffen: 'There's nothing to me sadder than a couple that are old and never spend any money because they're afraid they'll run out, and they're going to end up leaving a ton of money.'

Markets issued a report expressing alarm at the state of RRSP usage. The report said fewer than 40 per cent of people between the ages of 25 and 64 contributed to an RRSP in the 2005 tax year, that the median contribution of \$2,030 per household has hardly changed in recent years and that the median level of RRSP investments among people aged 55 to 65 is about \$60,000. This is a natural segue into an ad campaign from the mutual fund company Altamira that shows

seniors dressed as fast-food workers and asks: "Is continuing to work part of your retirement plan?"

Mr. Rechtshaffen believes these ads are appropriate to the extent that they reach people who are decades from retirement, running up debt and not thinking as much as they should be about retirement savings. But he said the RRSP scare tactics can also mislead.

"People that are retired or near retirement today are often much wealthier than they think they are,"

he said. "A lot of the RRSP ads rub off on them and they say, gee, I'm not sure I'm okay; I can't spend anything in case I live to 100."

Let's look at some of Mr. Rechtshaffen's classic Canadian retirees. There's one couple in their late 50s who are retired after working a combined 55 years in jobs where they never made more than \$50,000 to \$75,000. The husband has a pension from his job, while the wife took a buyout and has invested money she took out of her

company pension plan.

"Both of them, whether it's because of the time they grew up or their family backgrounds, don't spend money," Mr. Rechtshaffen said. "They've always watched things closely because they never felt they could afford not to." Net result: They're able to live on less than they're taking in from pensions and government programs, and they don't have to touch the \$450,000 they've accumulated in RRSPs and other investments.

What's the downside here? From Mr. Rechtshaffen's point of view, people in this position may spend less on themselves than they could, leave more behind than they expect, pay more in taxes and give less to charity than they might like to.

Meanwhile, the financial industry is trying to wring more in RRSP contributions from all of us by raising the possibility of a retirement without money or dignity. How serious a concern is this?

People like Mr. Rechtshaffen's clients, with their company or government pensions, are quite likely fine. Lower-income Canadians may be fine, too, in relying solely on the Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement. Everyone else should be asking themselves some questions right about now — how much have I saved already, how much can I afford to put away each year and how do I see myself living in retirement?

If you don't like the answers you get, you have options. You can delay retirement or continue working part-time, plan to get by on less or, naturally, contribute more to your RRSPs either now or later on when the cost of raising kids and paying the mortgage ease.

We all know where the financial industry stands on this one — it wants more of your money. Just remember when you hear this message that it's meant to serve bank and mutual fund company bottom lines more than your financial health.

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