Module 7

PUTTING YOUR MONEY TO WORK AS YOUR LIFESTYLE CHANGES

MONEY AND YOU SENIORS EDITION

Module 7

PUTTING YOUR MONEY TO WORK AS YOUR LIFESTYLE CHANGES

Let's Discuss...

- $ You Are Not Alone When It Comes to the Challenge of Putting Your Money to Work
- $ New Risks: The Impact of COVID-19 on Retirement Planning
- $ How to Make Wise Investments in Your Senior Years
- $ How to Manage Risk With Investment Choices
- $ Risk Strategies for Every Decade—50s and Beyond
- $ Wealth and Estate Planning
- $ Tax Reduction Strategies
- $ Finding a Financial Professional and Services to Expect

You Are Not Alone When It Comes to the Challenge of Putting Your Money To Work

In 2020, COVID became that rare, singular event that affected everyone in the world creating a huge wakeup call in multiple areas of our lives, not the least of which was the risk to financial resources, especially in retirement, and the preparedness you and your loved ones may have to weather a long storm of disruption.

The bottom line for many people was this: Near retirees are not prepared to live the lifestyle they want in retirement, especially during a period of prolonged disruption. More advice and guidance on financial decision-making is needed to help create a plan to make money work harder for them in their senior years and to avoid running out of money.

Recent surveys, in fact, confirm that fact. In a study by Environics Research for Investment Planning Council in October 2021[1], 92 percent of survey participants saw a positive impact when working with a financial advisor and 65 percent said their advisor helped them to stay on track to achieve their investment goals. Further, 83 percent agreed that their financial advisor understood and respected

1 https://www.newswire.ca/news-releases/2021-a-year-of-preparation-and-perspective-as-canadians-see-the-value-of-planning-for-the-future-813369110.html

their priorities. For these reasons, in this module, you will learn more about working with a financial advisor, how to find one and how to discuss impacts of your actions on the performance of your savings.

Why is that so important?

Think About It

- **Many pre-retirees have changed their views on how they expect to live in their retirement**
- **Seniors are not alone in their worry about the impact of the pandemic on the cost of living going forward**
- **Many seniors are woefully unaware of how to manage risk, reduce taxes, handle estate and wealth planning for the future**
- **Many don't know how to set the next generation up for success by avoiding probate**
- **A recent study of 1,500 Canadians by the Canadian Institute of Actuaries study conducted July and August of 2020 found that "nearly one in five had less than $25,000 in savings and investments and more than half said they have no financial plan for retirement."[2]**

Unfortunately, that's not all. Other findings are just as daunting:

- **More than 58% of Canadians don't own any life, disability, critical illness or long-term care insurance.[3]**
- **What's worse is "40 percent of non-retired Canadians don't know when they will retire, and 14 percent believe they'll never get to retire."[2]**

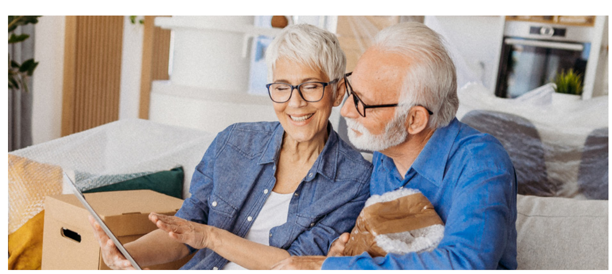
2 Canadian Institute of Actuaries – 2020 Retirement Risk Survey – Key Findings, published September 2021

3 The 2021 Fidelity Retirement Report

Even those in the younger age bracket with twenty plus years until retirement face challenges too, and not just with their money. This same study found only 30 percent of Canadians aged 45 and up reported being in very good to excellent health. Here is what is so concerning: this has dropped from 51 percent in a 2012 CIA Survey.

These Canadians will clearly need to budget for new health-related and lifestyle costs in both the near term and in retirement. Questions naturally arise:

- Do we want to sell or stay in our current home?
- Can we afford the cost of personal support workers in our home?
- Will we be close enough to ambulance, hospital and medical services if we move to the lake or down south?
- Will we be driving an e-car, or is that impractical for the distances we plan to travel?
- With all the lockdowns, will a retirement lifestyle of travel be a priority? If not, what does our lifestyle look like?



New Risks: The Impact of Covid-19 on Retirement Planning

The pandemic has had a significant impact on retirement planning, in both the pre-retirement years and for those who have already reached retirement age.

According to the CIA study, when it comes to being able to retire on their own timeline, approximately "23 percent of non-retirees felt their or their spouse's retirement timeline was impacted by COVID, and 69 percent of those Canadians surveyed feel they (or their spouse) will spend more years working than they thought to continue to generate income."[3]

This general trend has continued, based on the 2021 Fidelity Investments study. While a growing number of people age 65 and older are pushing out their retirement due to the pandemic, there is also true of pre-retirees:

- 11% of pre-retirees are expecting to retire earlier
- 21% expect to retire later, largely due to a decrease in earnings
- 69% don't expect their retirement timeline to change.

The trends behind these numbers is interesting. For example, those in the highest income quintile still expect to retire at age 65 while Ontario residents expect to retire later than others in the rest of Canada. In other words, where you choose to live, and work has an impact on your retirement planning.

In fact, there are a number of reasons why people are holding back from retiring. According to the Fidelity survey:

- 56% are concerned about the rising cost of living
- 53% are concerned they have not saved enough
- 34% haven't planned their lifestyle in retirement
- 30% believe they may suffer from boredom or not have enough to do

3 The 2021 Fidelity Retirement Report

Action Item

There are enough new concerns that will affect retirement planning, to revisit your existing retirement and estate plans, or, if you have never planned formally before, to begin your planning with greater purpose. Given foreseeable trends, your money will need to stretch to have the same purchasing power in the future.

The Purpose of Planning: Increasing Choice and Purchasing Power. New Trends to consider include inflation, higher interest rates, higher health care costs, higher costs for retirement residency – whether or not you own your home, and higher taxes:

Despite these new risks, many pre-retirees and retirees are feeling optimistic about the future. *Homeownership*[4] is a bit part of this.

Money Tip

- **81% of those who own a mortgage-free home feel positive about their future, despite the pandemic**
- **Only 48% of those who are renting feel positive about the future**

Homeowners do well in inflationary times, if we look back at history.[5] In the '70s the Consumer Price Index (CPI)

4 ibid
5 https://archive.canadianbusiness.com/blogs-and-comment/real-estate-as-an-inflation-hedge/

was over 10% as were interest rates. Inflation resulted from deep public debt, similar to the current scenario.

Money Tip

When inflation goes up, home ownership can help because its value can often outpace the rate of inflation.[6] There are many new options available including moving to a more affordable area – small town Canada, for example – or co-buying with a sibling or a friend if you are single. Locking in a new mortgage at low interest rates can become an important part of the hedge against inflation.

If you rent, you will not be incurring home ownership costs such as property taxes, insurance, repairs etc. and that's a plus. Consideration should be given to investing these cost savings into a tax efficient fund like a TFSA. In the absence of a financial plan for inflationary cost of living and rent increases, it's difficult to protect yourself against the loss of purchasing power in inflationary times.

6 https://nationalpost.com/life/homes/inflations-on-the-rise-why-buying-a-home-can-help

Health Safety Concerns. Continued home ownership also hedges against health safety concerns. Many people are challenged by the plans for transitions relating to housing, the potential for living in retirement communities, and later, in residential care including nursing homes.

Clearly the pandemic has changed peoples' views on congregate settings and there is good reason for this concern. According to Statistics Canada[7], which released a study in June 2021 about the impact of COVID on close, congregate settings. Consider:

- Of the 500,000 Canadians living in residential care facilities, 425,000 live in nursing homes, long term care homes or assisted living facilities.
- During the first wave of the pandemic 80% of all reported COVID-19 deaths occurred there, and staff infections in these facilities accounted for more than 10% of total pandemic cases in the country.
- This trend continued through subsequent waves with many residents at increased risks of hospitalization or death due to their age and more complex chronic conditions.[8]

7 https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00025-eng.htm
8 ibid

Health Tourism. While these concerns, inflation and personal health safety concerns all point to the need for more savings to address the high cost of future care, there is another new trend to consider. More Canadians are interested in "health tourism"; that is, travelling abroad to get medical treatment faster in another country, given backlogs for surgeries here in Canada. This new trend – not often the subject of conversation in traditional retirement planning, will require savings for a whole new project:

- money to go abroad for future health care emergencies
- travel insurance
- accommodation
- Attendant care after the event

These important new trends point to the need for disability planning yet, 75% of respondents to the Fidelity study had no long-term care plans at all. And there is an even more compelling reason to reconsider this risk now.

In short, you *will need to put your money to work as your lifestyle changes*.

That's why this module is about the things you can do to make sure your money can *grow* and be *protected from risk* so you can try to maintain your lifestyle.

Action Item

Unfortunately, a "grey tsunami" is coming right behind the pandemic, for which Canada's health care system is unprepared for. With the aging of Canada's baby boomer and GenX population, planning for emergency or disability in retirement is an increasingly important discussion between spouses, family members and financial professionals who can help.

Money Tip

Making wise investments in your senior years includes the following skills:

- **How to manage risk**
- **Which investments are lower risk?**
- **Risk reduction strategies for every decade—50s and beyond**
- **Wealth and estate planning**
- **Tax reduction and tax credit maximization**
- **Finding a financial professional and services to help**

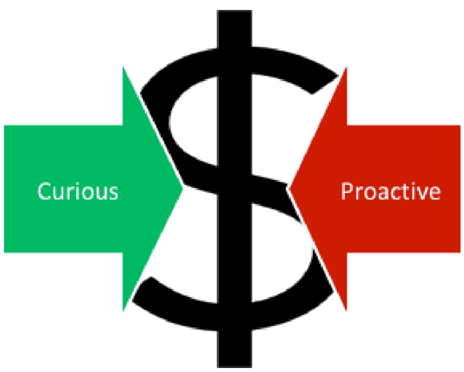
That list may seem daunting. However, it is so important that you pay attention to the "money gaps" that you might have sooner rather than later. Financial literacy can decline with age, and many seniors suffer financial stress even though they receive financial support and assistance in a variety of ways.

It is true that there is a greater likelihood of preparing for a more secure financial future when you do one simple thing: *plan for it*.

"Luck is what happens when preparation meets opportunity."

Roman philosopher Lucius Annaeus Seneca the Younger

To prepare for that good luck—a better financial future in retirement—it is important that you are curious and proactive.



The goal is to make good decisions about how you use both your time and money and to do that with confidence, regardless of your current situation or earnings.

Think About It

What financial decisions can you make to increase purchasing power of your saving?

Should you do this alone, or with the help of expert advice?

Put Your Money to Work

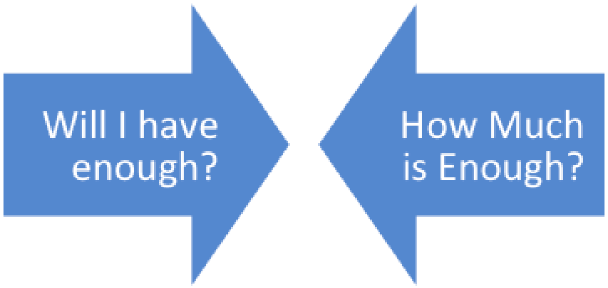
Many retirees are concerned about whether they'll have enough in retirement given uncertainty in the economy. That's why, in later years, it can be good to take a more cautious approach towards investing since it's a time when you need a more secure, protected financial status.

The idea of living off investments and government benefits is a common plan, but it's not without its own risks. The general rule of thumb that most retirees are advised to follow is to invest in bonds and mutual funds that pay a lower return but are less risky than investing in the stock market.

But what if that doesn't generate enough income for the retirement lifestyle you envision?

As you age, you may realize the amount of money you have saved for retirement may not be enough to sustain a comfortable lifestyle after you stop working. It's because of this that many feel they won't retire until much later than planned, if at all.

Planning can help you with two tough questions:



How To Make Wise Investments In Your Senior Years

Often, we meet people in their retirement years who have failed to properly manage their finances and have gone through many losses because of this.

But this doesn't have to be you. It is important to know there are ways to manage risk, so you can make your money last. By planning ahead and putting a strategy in place now, you have the potential to change your retirement outcomes: to retire when you planned to and to have financial peace of mind when you do.

But, to help make sure that you have a comfortable retirement, it is imperative you make wise investment decisions *throughout each decade of your life, including your years in retirement*.

Money Tip

While many people think of investment in terms of stocks and bonds, wise investments also include making sure you've secured the proper life insurance and/or long-term care insurance.

In addition to protecting your loved ones, proper insurance can help ensure you have the financial resources necessary to pay for unexpected expenses, rising health care costs, as well as some of the finer things in life that make retirement not only comfortable—but fun too!

This is one good way to manage risk, but there are others, too.

How To Manage Risk and Which Investments Are Lower Risk

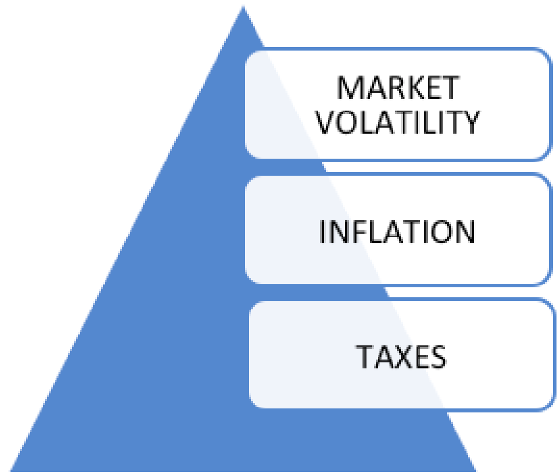
Risk has long been a topic of discussion in retirement planning, but not everyone will have the same views on it. Just because one individual has a low risk tolerance nearing and in retirement, doesn't mean everyone will. It's good to review your own personal situation with a financial professional to determine what level of risk you're willing to take on.

Recent research has even challenged the conventional wisdom on risk management. While some may want to put aside money in traditional savings vehicles, others might be more successful investing a portion of their portfolio in equities.

Think About It

Because of the effects of inflation on retirement savings, retirees might benefit from taking a little more risk in a portion of their portfolios.

Asking questions about financial concepts you may not understand the impact of is important. Knowing more about these terms can reduce the uncertainty you may feel, and make you a more confident investor:



You will find, there is little that can be done about the first issue that brings risk to your savings: market volatility. But in fact, you can plan to offset the effects of inflation and taxes.

You may also need to *diversify* your investments, and make sure your money is in the right type of savings accounts to preserve its value and protect it from high tax rates.

You will learn more about these terms in this module and in the glossary attached.

Money Tip

The key to managing risk is to choose your investments carefully. When you're investing for the long term, it's all about diversification. To find the right mix of assets, you need to be able to compare investment products side by side. That's where a good financial professional can help you make the right choices.

A financial advisor can:

- **help you prioritize your goals and gaps,**
- **choose from dozens of different investment options**
- **build a portfolio that's right for your needs and your risk tolerance level**
- **provide advice on how to invest your money to increase the probability that it will grow over time**
- **maximize tax efficiency within your portfolio**
- **most importantly, help you avoid costly mistakes.**

Managing risks in retirement

Risk tolerance is one of the most important factors in determining how you should invest your retirement savings. It is a measure of how much risk you are willing to take when investing.

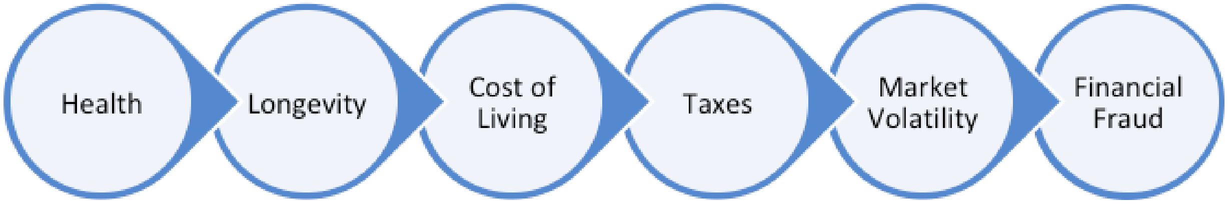
Often, risk tolerance does change to some degree over time. In your younger years, you may have been able to handle more risk, but as you get older, your tolerance for risk tends to decrease. Although, as we mentioned, it doesn't mean you can't take on any risk near and in retirement. Your risk tolerance will depend on your current financial situation.

Think About It

What is your risk tolerance level?

If you have a lot of money saved up and your needs will be adequately covered in retirement, you may be able to afford to take on more risk with a portion of your portfolio to continue growing your savings to pass along to the next generation.

The first step to managing retirement risk, and understanding your risk tolerance level, is to understand the risks themselves better. Some can't be avoided, but others can be minimized. Let's examine the common risks in retirement:



The number of **health risks** you may face as you enter retirement are many. The onset of COVID has created even bigger concerns: where will you live in retirement, who will take care of you and where, if you can't take care of yourself? Where will you have surgery if you needed it? Are you close to medical services in your dream retirement location? Can you get health insurance if you are travelling abroad?

However, COVID or not, when it comes to your health the best thing you can do is to practice behaviors that help you potentially avoid health issues. This includes eating healthy foods, exercising, possibly getting vaccinated, taking other precautions like wearing a mask, and visiting your doctor regularly.

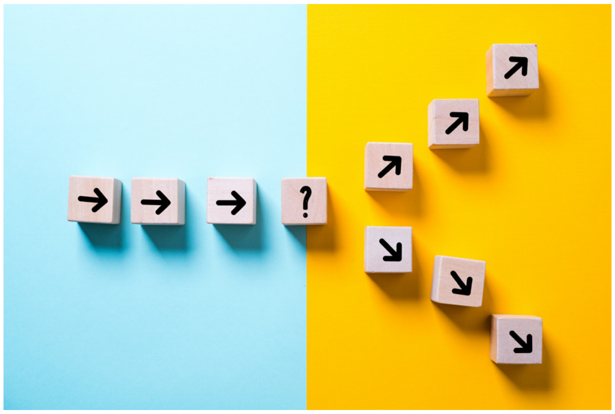
It's important to take your mental health seriously as well. Never has there been such a focus on mental health as when our lives were upended in a multitude of ways with COVID.

Spend time with friends and family, if you can, and share your thoughts and feelings with them. Talk to a professional if you have feelings of anxiety or depression. Do activities that bring joy to your life.

Money Tip

The financial part of health risk is the cost of healthcare. To some degree, you can manage the cost of healthcare by managing your health. If you take care of yourself, there's less chance of doctor co-pays and pricey medications. But there is also the possibility that healthcare costs will rise with inflation, and there's not much you can do to stop that. However, having money to access healthcare, should you need it, is a must.

Longevity risk has two sides to it. On one hand, you may have concerns about living 30-plus years in retirement and whether your savings will last that long. On the other hand, you may not live as long as you'd like in retirement and worry about what will happen to your spouse and if they will have the income they need to thrive. Everyone's situation is different, but longevity can be hereditary. It's important to plan for either end of the spectrum.



When you enter retirement, your **cost of living** is another risk. Your expense categories may go up or down. You may spend less on transportation – or more? You may also spend more on prescription drugs, and less on lunches out.

Money Tip

It's important to have a discussion with your financial professional about your living expenses in retirement, so you can plan accordingly. While most people don't like to do it, rethinking your budget in advance of each stage in your retirement period makes a lot of sense.

Do a reality check. For example, if you want to downsize to get rid of a large house payment, you may believe your expenses will go down. But have you checked out the cost of rent in the neighborhood you want to live in, or may have to live in, if you have health issues?

There's also the chance you'll still have a mortgage to pay off when you enter retirement, or significant operating lines or credit card debt. Do you still have a car payment?

Dreaming bigger, you may want to travel the world, or make a big purchase like a new boat. In those instances, your living expenses may go up, a lot. The point is to think through what those expenses will be ahead of time.

Well anticipated, go ahead, give yourself permission to live those dreams!

Unfortunately, no matter how well you plan there is always the potential for a dark cloud on a sunny horizon.

Taxes are a big risk in retirement—one that many pre-retirees fail to consider and are very surprised about once they do retire.

The risk is simple – tax rates may go up; income-tested social benefits, like Old Age Security, could go down. This can create the biggest dent in your retirement plans, especially if all or most of your savings are in pre-tax pension income accounts, like RPPs (Registered Pension Plans), RRSPs (Registered Retirement Pension Plans) and RRIFs (Registered Retirement Income Plans).

Money Tip

What you must remember is that at the time you start taking withdrawals from those pre-tax accounts, income will be included in full on your tax return – that is, both principle and earnings - and you will be taxed at your current tax rate.

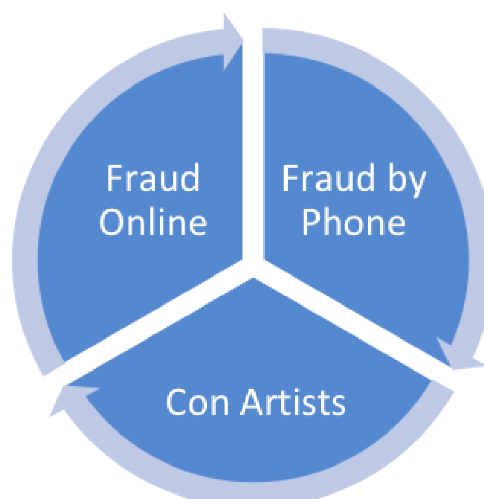
Many don't think about that until they actually hit retirement. But by reading and taking in this information, you have an opportunity to get in front of the situation now and make different choices before you enter retirement.

What's the best way to proceed? Ask a tax accountant and/or financial planner do "what if" scenarios on their tax and financial planning software for you. You will better understand when and how much to draw from your registered accounts to get the best results, after tax.

If you have a spouse, you will also better understand the benefits of income splitting. That will save you money.

The next type of risk to watch out for is **market risk.** It is commonly known that the financial markets are volatile. Depending on the types of investments you have, the sequence of returns and timing of your withdrawals, the market can have a significant negative impact in the amount of income you receive over the course of your retirement years. This will be discussed in more depth later.

The final risk category we will discuss is the real threat of **financial fraud**, especially in today's digital age. Data breaches and scams are becoming more common, and it can be difficult to know how to protect yourself and your finances. However, it is also possible to fall prey to financial fraud by telephone, or as a result of a con artist.



Identity theft, also known as ID fraud, is the most common type of financial fraud. It occurs when a criminal uses another person's identity to commit crimes or otherwise cause harm. Fraudsters can use your personal information to open new credit card accounts, obtain loans and lines of credit, and commit other crimes.

The best thing you can do to minimize your risk of being a victim of financial fraud is to arm yourself with information. To be proactive in protecting yourself from financial fraud, reduce your online footprint by limiting the amount of personal information you share online. This will decrease the amount of data available to scammers and thus, lower your chance of exposure to scams.

The government of Canada[4] has a good website to cover the subject. Access it here: **https://www.canada.ca/en/services/finance/fraud.html**

In short, there are many risks in retirement and a financial professional can help you get clear on the types of risk you might run into in your retirement, and when it comes to making decisions about your investments, help you better understand your risk tolerance levels, so that you can reduce the potential of harm due to risk factors that might affect your retirement plans.

Think About It 🤔

- **You need to be comfortable with the amount of risk you take.**
- **Many factors can influence your risk tolerance, including**
  - **your age,**
  - **your income,**
  - **your wealth, and**
  - **your health**
- **Once you understand your risk tolerance level, you will be able to make a more informed decisions about what your ideal portfolio and investment strategy should be.**
- **You may need to get over your reluctance to talk about money with other adults in the family – your adult children, for example. If this is a question of control, think about the fact that if there is disability or worse, death, planning with those who will act for you will ensure continuity in your wishes, when you can no longer speak or act for yourself.**

Your Investment Options

If you want to retire with a certain amount of money, you might be willing to invest in the stock market and take on more risk when you are in your 20s, 30s, and 40s. However, as you age and get closer to retirement, you may want to reduce your risk tolerance level in order to protect your investments.

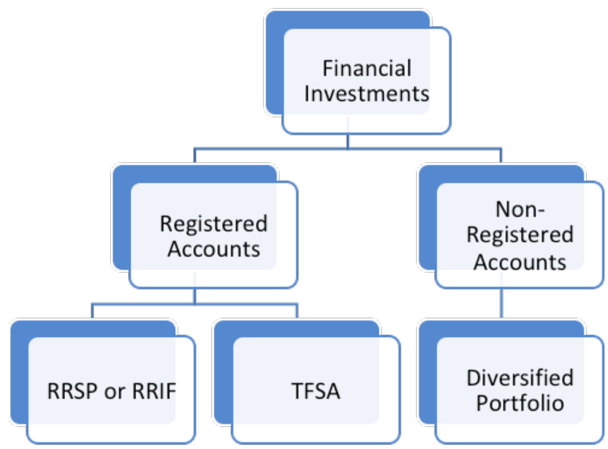
There are many options to choose from in making investments; as the basic list below implies.

Money Tip

It is helpful to monitor the value of your investments from time to time, to make sure the growth of your portfolio is keeping up with inflation, after tax.

Stocks	Mutual Funds	Precious Metals
Annuities	Bonds	GICs
Cash	Real Estate	Sharia Compliant Investments

Taking stock of what you own is important, because you may have certain obvious gaps, which will help you prioritize your investment decisions. For example:



An effective way to reduce your risk of losing your capital or savings, is to diversify the types of investments you have, inside and outside of your registered accounts, and in general, consider using lower-risk investments which can include the following options:

Money Tip

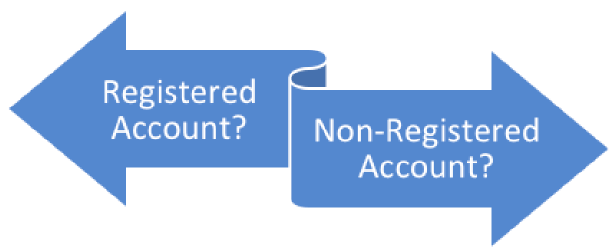
What is diversification? It is a strategy you can use to manage risk by investing in a diverse array of sectors (different categories of activities in the economy), companies (large and small), asset classes (groups of similar investments) and securities (stocks, bonds, mutual funds) each of which might have different income and tax outcomes that affect the real, after-tax return on your investment.

Think About It

- Are you comfortable with the investment options you are being asked to make a decision about?
- Is the investment too risky?
- Should you borrow money or leverage equity in your home to make the investment?
- Will you be able to sleep at night if you do?
- Don't be afraid to take your time to learn more about your investment options and to ask questions, no matter how simple they may seem to be. This begins with a key decision you will consider often.

Whichever options you choose, managing risk in your retirement years is crucial to having a secure financial future and, to make sure you have choices to make when new trends arise. If you are not managing your risk properly, you may not have enough funds to retire comfortably or, as important, the savings you do have may not hold up against inflation or tax hikes that affect your purchasing power in the future. That's why it's important to get more involved in the discipline of financial planning.

Will you hold investments in a registered account, or a non-registered account?



Most retirement savings will be held in a ***registered account***. That means, your savings are tax-sheltered in either an employer-sponsored Registered Pension Plan (RPP) or a privately owned RRSP (Registered Retirement Savings Plan).

You will have received a tax deduction for the contribution of the money into these accounts. Once that money is withdrawn, however, tax must be paid, on both the principle and the earnings. That takes planning to make sure the money is withdrawn at the lowest tax bracket possible.

After withdrawal, your tax paid dollars are generally invested in a ***non-registered account***.

Many retirees will hold investments in both: registered accounts and non-registered accounts. You will learn more about this in the next module. Each of the accounts can hold similar investments, too. Let's look at the options you have available for investing in a variety of securities now:

Investment Options: Debt Instruments and Annuities

When you invest in **a debt instrument**, you are agreeing to lend your money to a financial institution, government or corporation in return for a fixed rate of interest.

Interest is usually fixed for the duration of the term of ownership, often on a compounding basis, but it can be paid on a simple, periodic basis, such as monthly in a high interest savings account.

Investors can receive a "simple" interest payment; principle times a certain rate, expressed as a percentage. However, "compound" interest will speed up the growth of your investment. In this case, the interest is not paid to the investor; it is reinvested until the security matures. The result is that interest is paid on the interest; bringing a better return on the investment of the money, sooner. The maturity dates for these investments are either predetermined by the issuer or determined at the time of purchase.

Money Tip

When rates of interest don't at least beat the cost of inflation and taxes, the purchasing power of your capital is eroding. The rate of return and the length of time your money is invested must therefore be carefully considered, especially if you think interest rates will rise in the future.

High-interest savings accounts and **term deposits** are a place to park cash, but they typically don't pay much interest.

Guaranteed Investment certificates or GICs are low-risk investments that offer a guaranteed rate of return for a fixed term and interest rate and in some cases may be redeemed early with no penalty.

Government bonds are sold for a set period, such as 1 year, 3 years, 10 years. They are more liquid than other investments and backed by government and so thought to be very safe even though they pay a lower return.

Annuities are another lower risk option in retirement. They are usually issued by insurance companies, and the income you will receive will be a combination of interest, a return of capital you have invested, and a transfer of capital based on the longevity of annuity holders. It is possible to choose to receive payments for as long as you live, or for a fixed period.

The Government of Canada[5] has a very good overview of annuities at this link: **https://www.canada.ca/en/financial-consumer-agency/services/retirement-planning/annuities.html**

Investment Options: Trading Instruments

Certain bonds as well as stocks and mutual funds, among other types of investments are classified as trading instruments. These are financial asset that can be bought, sold, or traded on the equities or stock market. There are different categories of securities including corporate bonds, which are considered to be "debt securities" because you essentially loan your money to the corporation, which will pay you back after a period of time with interest. The difference, however, is that the value of the bond itself can be traded.

Money Tip

Bondholders do not share the same risk as investors who own shares or equity in a company. But equity investors have the potential to share in profits of the company, and/or losses. That makes an equity investment both more lucrative, but also riskier.

Money market accounts are low-risk investments similar to a high interest savings account. Money market accounts offer competitive rates of interest. However, they do not pay interest on an ongoing basis. Money market accounts are popular for smaller deposits, and they can be used for small regular withdrawals.

Stocks or equity investments, then, represent part ownership of a publicly traded company, or in some cases, of a private company. They are one of the riskier investments because there is no guaranteed return on your money and in fact, you may lose some of your capital, too. The tradeoff is that stocks offer greater potential for higher returns when profits are shared. That's why, near retirees and those in retirement, may want to consider a mix of investments to help minimize exposure to risk.

A common investment option that is lower risk than investing in individual stocks is a **mutual fund**. With mutual funds, investors' money is pooled and then managed by a professional money manager, in exchange for a fee. Mutual funds are a combination of different investments including stocks, bonds, options, or other securities—so the diversification of assets within the mutual fund "pool" makes them less risky.

Investors are often offered the option to open a **managed account**, where an independent fund manager is hired to invest money on your behalf. This can be an institutional portfolio manager or an independent. There are many reasons to consider a managed account solution, including the fact that a third party with education and expertise, as well as access to market research and trends, will have better training and experience in determining the financial investments to be made, risk allocation of your money, and how long it should be invested.

Think About It

- **Is a Do-It-Yourself (DIY) investment strategy the best option for your investment activities over the long term?**
- **Do you have a statement of investment principles you go by that you wish to pass along to your trusted representatives if you are no longer able to manager your own investments?**
- **Do you have enough skills and knowledge to make sound decisions when employing a third party of any kind?**
- **Do you understand the tax consequences of day trading?**

Life Insurance. Another effective way to manage risk in your retirement years is to buy (or "invest" in) life insurance. The purpose of life insurance is to help replace your income in the event of untimely death, but it also serves as a financial safety net, by replacing the tax you may have to pay on your assets at death. Life insurance benefits are completely tax free in Canada.

Certain life insurance policies also provide for early payment of benefits, or an "**accelerated death benefit**" when there is critical or terminal illness and money is need for end-of-life or long-term care needs. In some life insurance policies, you also have "cash value," which you can access via loans to help supplement your income in retirement. We'll talk more about this when we get to tax diversification.

Money Tip

For tax purposes, there is a deemed disposition of assets when a taxpayer dies. If there is a spouse, a tax-free rollover of assets is possible.

But when a single person, or last surviving spouse dies, there is a taxable event in the case of most assets. There are several elective returns that can be filed to minimize taxes, depending on income sources, and there are many special tax rules to help minimize taxes over the past 3 years. It is important to work with an experienced tax advisor when someone in the family dies.

Investing Strategies for Your Retirement Years

Investing in your 50s

It's called your "golden years" for a reason: Your 50s are often a time of abundance and prosperity, and very good health.

You're likely to reap the rewards of your 20s, 30s and 40s. Many people look forward to retirement and enjoy traveling, spending time with family, and doing things they may not have done during their working years.

Think About It

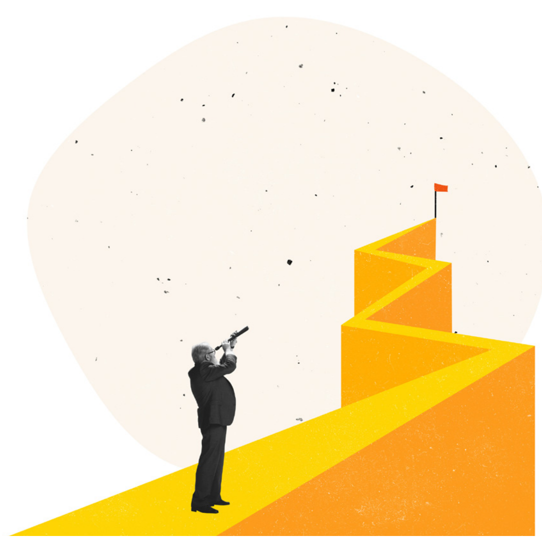
- **If you haven't already, it's time to start thinking about what you want out of your golden years.**
- **Whether you're spending your life savings on a new car, remodeling your kitchen, or traveling the world, it's important to know what you want and how to get it.**
- **Don't wait until illness strikes to make your plans for your golden retirement.**

When you're in your 50s, you may be just starting to think seriously about whether you have enough money to retire comfortably. If you're still paying off bad debt, you may want to make additional payments or cut back on other purchases. However, it doesn't have to be all about cutting back, you can think of ways to increase your income too, if you aren't on track to retire when you'd like.

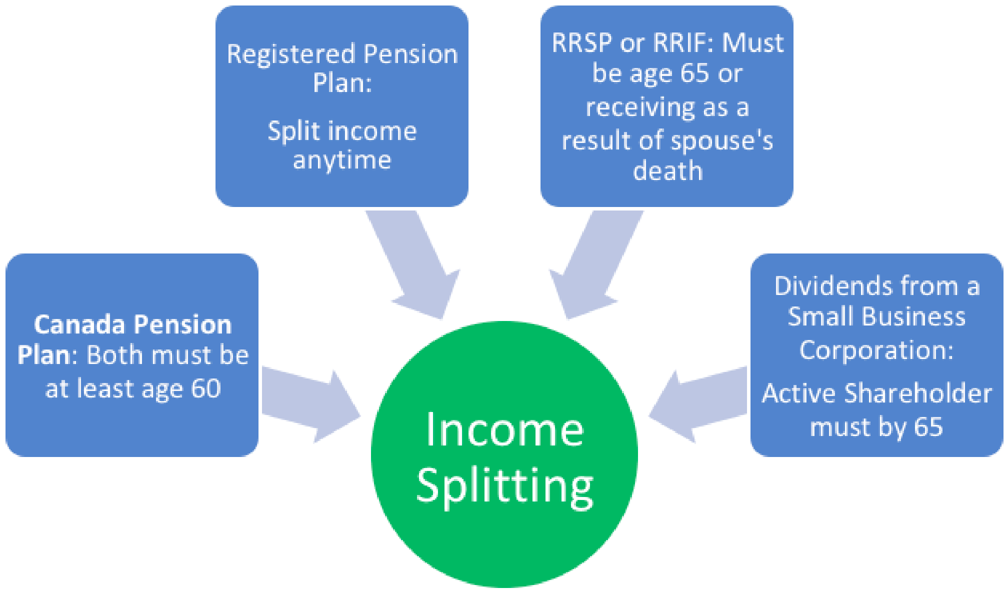
Ways to increase your income:

- You may take a second job, or a promotion
- Increase your investments
- Decrease your debt
- Access your pension plan early
- Split income with your spouse
- Review your tax returns of the past 10 years to make adjustments for errors or omissions

If, on the other hand, you are able to retire early, you could mature your RRSP and convert it to a RRIF and start taking income from it now. Don't forget to split income with your spouse in that case.



Income Splitting with Your Spouse



Investing in your 60s

Take stock of where you are with your retirement savings. Do you have enough to retire when you planned? Have a financial professional analyze your situation to see if the monthly income you would generate from your investments is enough to cover what your anticipated expenses will be in retirement. If you are far from your goal, you may need to limit your spending.

Make a list of monthly expenses you'll have in retirement—don't forget health care costs. It can be easy to overlook those because you are used to them being automatically deducted from your paycheck during your working years. You also want to consider new expenses you might incur when you retire—trips, gifts, etc. Make sure you have enough to cover any emergency expenses as well.

How much should you hold in stocks at this stage of your life? A good rule of thumb is to subtract your age from 100—that's the maximum percentage in stocks you may want to hold.

Be sure to discuss the tax cost of pension income withdrawal and plan to "average down" the taxes you will pay throughout your retirement by managing your tax brackets and income splitting opportunities.

You will likely continue to work, at least part-time, if you are similar to most Canadians, however, you may wish to postpone receiving your CPP (Canada Pension Plan) or OAS (Old Age Security) to age 70 so that each of those plans pays you more. In the meantime, you could withdraw more from your RRSP or RRIF to generate taxable income if you will be in a lower tax bracket now than at age 70 or upon death.

While in your 60s, continue to build a network of trusted professionals, as well as family members of your choosing, to help in financial decision-making. As we age, there is always a possibility of cognitive decline and so you want to plan ahead to ensure you're well taken care of financially, no matter how your life situation changes in the coming years.

Also, be sure to have a **Will** and **Power of Attorney** in place, in case you need help with financial decision-making you can no longer participate in.

Investing in your 70s

Create a list of all your assets. What is your net worth? Are all your debts paid off? Are there large dispositions or acquisition of new costs on the horizon? Should you combine multiple non-registered accounts? Or reallocate assets help within your portfolio?

There is a lot to think about as you approach age 70.

- CPP and OAS benefits must begin at age 70
- RRSPs must be matured and converted to a RRIF or annuity before the end of the year in which you turn 71
- You can no longer contribute to your own RRSP after the end of the year in which you turn 71; but you can still contribute to a younger spouse's RRSP if you still have contribution room
- You can claim any un-deducted RRSP contributions you made in the past
- You may still need to grow your retirement nest egg while also tapping into existing resources for income.

Do you have savings in a Registered Retirement Savings Plan (**RRSP**) growing tax-deferred? While you can take withdrawals at any time (and pay taxes on them), in the year you turn 71, the RRSP must be either cashed out, which would be classified as taxable income and subject to withholding taxes. To avoid tax withholding, the RRSP must be directly rolled over into an annuity or Registered Retirement Income Fund (RRIF).[6]

Once your **RRIF** is established, you have the option to invest it as you choose. This could be in stocks, bonds, Exchange Traded Funds (ETFs), or something else. There is flexibility both in how you invest as well as how much you take in income. While there is a minimum amount you are required to take, you can take more, depending on your income needs.

You may also wish to defer income until later years. An Advanced Life Deferred Annuity (ALDA) is a qualifying investment vehicle for accumulations in investments like RRSPs and RRIFs. The ALDA allows for the deferral of income withdrawals until age 85 on a maximum of 25 percent of accumulations in the immediately preceding year to a maximum of $150,000.

ALDAs reduce the amount of money within a RRIF subject to a mandatory minimum drawdown. This allows for more money to be available later in retirement, minimizes risk because the money can stay invested and sheltered longer. For high earners, it also helps to mitigate income subject to clawback caused by a mandatory RRIF withdrawal. The downside may be the cost of the annuity itself and loss of flexibility. This should be discussed with both a tax and financial advisor.

Donate to do good and for the tax break. For those who don't need the income at all and want to make a philanthropic impact during their lifetime, they may choose to make a taxable withdrawal to donate to charity and then have that offset by a tax credit.

Sell. As you think about possibly downsizing in the future, consider whether you have items you could sell. Not only does it free you from "stuff" you don't need—it's also a way to bring in some additional money to invest.

Do some estate planning. You may also want to start thinking about where you want your assets to go when you pass away. While no one likes to think about that—it's important to be prepared. It can ease your mind as well as that of your beneficiaries to know your wish for your savings will be honored.

Think About It

You may have done a fantastic job all your life accumulating your savings, preserving them from taxes and inflation and market volatility and then living within your means to leave something of a legacy for your heirs. However, without clear instructions, there may be family conflict, with the result that your wealth is eroded by legal fees.

You can control that by doing sound estate planning now.

Investing in your 80s and beyond

If you have a history of longevity in your family and you have every intention of living to hundred or longer, you still have a lot of life to live. So, investing in your 80s and beyond is not out of the question.

Consider whether fixed income investments will be the best choice. They may not protect you from inflation and can lose purchasing power. The interest they produce also be subject to the highest marginal tax rates in your tax bracket.

You could also develop an "income-adjusting" withdrawal strategy. If your investments are doing well, you can take more. If they aren't doing as well, you take less. Remember that planning to take out some tax-paid capital will not be subject to taxes but will increase your monthly cash flow.

Also, look into a T-SWP or **Systematic Withdrawal Plan** is available from mutual fund companies that results in the withdrawal of both capital and earnings. When your withdrawal rate is less than the rate of your earnings, you will continue to experience growth in your asset base. Your taxes are also deferred. Be sure to talk to a financial advisor about this.

Beware of Financial Abusers

Whatever you decide to do with your investments, be aware of those who might want to take advantage of you. Financial elder abuse is on the rise, and it can be perpetrated by strangers or someone you know.

To help protect elder financial abuse, it's important to be informed.

Examples of financial elder abuse include[9]:

- Theft of money, credit cards, bank cards, and/or possessions
- Pressure to sign legal or financial documents
- Tricking an older person into making changes to a will or Power of Attorney
- Power of Attorney not acting in the older person's best interest

Think About It

In an RBC Wealth Management article[7], they cite a 2017 Vancity report, which found that of the Canadian seniors surveyed, "41 percent of elderly adults have experienced some form of financial abuse and 35 percent choose not to report it to anyone."

They go on to cite a Statistics Canada finding that "96 percent of abuse experienced by older adults goes hidden or undetected."

With that, millions of dollars are lost to financial fraud, particularly involving the elderly. According to the Canadian government[8], "From January 2014 to December 2017, Canadians lost more than $405 million to fraudsters and those aged 60 to 79 lost an estimated $94 million to various scams."

To help prevent elder financial abuse[9]:

- Seek the help of a financial professional who is held to a fiduciary standard, meaning they are required to act in your best interest
- Investigate or double check things you hear about or read online as well as any sales pitch for investment opportunities
- Establish a Will, Power of Attorney, or Healthcare Directive to make your wishes known
- Regularly review financial statements yourself or with a trusted friend, family member, or financial professional
- Review the Canadian Securities Administrators (CSA) website for more information about fraud protection (https://lautorite.qc.ca/en/general-public/fraud-prevention/avoid-financial-fraud)
- Review the following brochure on how scam artists target older adults: https://www.canada.ca/en/employment-social-development/corporate/seniors/forum/fraud-scams.html

Don't hesitate to report anything that you suspect is a scam. It's better to be safe than sorry. At age 80, more than ever, it's important to have someone you can trust to talk to—especially if you think you may be experiencing financial exploitation. You have a right to be treated ethically and respectfully, regardless of your age.

Wealth and Estate Planning

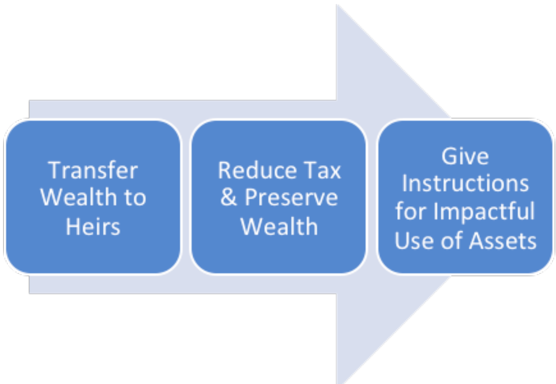
Wealth and estate planning is a process of identifying and prioritizing the values and objectives of a person's wealth and property and working out a plan for managing those assets. Wealth and estate planning can be a complicated process. There are many different ways to approach it, and the choices you make can have a significant impact on your family and loved ones.

You may not be aware of many of the decisions that need to be made. Our goal here is to introduce you to some of the key concepts that should be considered as part of an overall wealth and estate plan, so you can make your money continue to work for you, your heirs and your community.

To put it simply, there are three primary goals of wealth and estate planning:

- transfer of wealth to heirs or beneficiaries,
- reduction of income or estate taxes, and
- effective use of assets – for your heirs or your community.

Estate Planning – Leave With Impact by Stating Instructions:



When it comes to transferring wealth to heirs or beneficiaries, there's a process involved in determining how the assets of a person are to be distributed upon their death. This includes both present assets and future assets.

Future assets include numerous types of property from the obvious, such as money in accounts, bonds, and stocks, to the less obvious, such as royalties on intangible property or future income from a business or sale of a business or other assets such as a principal residence, family cottage, rental property, special and valuable assets such as collections, art and other valuables.

At the time of death, an individual's estate is usually distributed through the probate process in one of two ways.

- If there is a valid will, the property is distributed according to the terms of the will.
- If there is no valid will, then property is distributed pursuant to provincial laws.

An excellent overview is provided here the Financial Consumer Agency of Canada[11]:
https://www.canada.ca/en/financial-consumer-agency/services/estate-planning/resources-estate-law.html

There are several factors surrounding the death of an individual that may affect the property distribution process including whether the decedent left a valid will and died testate, whether or not the decedent had any heirs, or whether they died intestate (without a will and testament).

Think About It

- **Do you have a Will?**
- **If so, when was the last time it was updated?**
- **If not, when are you going to prepare your Will?**

The process of wealth and estate planning requires the use of a comprehensive approach.

The first step is to identify the goals and objectives of the planned estate. These goals and objectives should be established and updated periodically as the situation and circumstances change.

The second step is to determine how all estate assets will be used to achieve the goals and objectives of the estate. This involves planning for the distribution of all the assets and may involve planning for the payment of tax liabilities, the transfer of assets to beneficiaries, the creation of trusts, and the transfer of assets between trusts.

The third step involves the selection and preparation of the necessary legal documents for the establishment and management of the estate plan. These legal documents must be drafted and reviewed by an experienced, qualified attorney to ensure that the legal structure of the estate plan complies with applicable tax laws, and that the plan is legally enforceable.

The last step is to implement the estate plan and manage it until the death of the decedent. This includes making tax payments and ensuring that death taxes are paid, distributing property as needed, and managing the estate until it is closed.

The success of the estate plan depends on the proper steps being taken.

Choosing an Executor

The best way to ensure the success of your estate plan is to start by establishing who your executor (or liquidator) will be and what the role definition is for that person.

This individual is someone you wish to give authority to administer the estate. This includes the ability to deal with income, property, and investments. The individual who is designated as this executor should be someone who is willing to be responsible for the entire estate and its distribution.

An executor can be a friend, relative, a corporate entity, or an estate planning attorney. The most important factor in naming an executor is choosing someone you can trust to make these important financial decisions. The executor must be able to carry out the terms of any Will that is written. The trustee must also be able to do so with the financial responsibility of managing the entire estate. They should be good with money and investments—look at how well they are doing with their own money. Could they do that for you? An individual who is named as an executor can be replaced if they are not able to carry out their responsibilities.

Money Tip

Executor Fees

The amounts your executor receives as a fee is taxable; if a gift is made through the will, the gift is not taxable. The fee guidelines are generally set by provincial statute and may be up to 5% of the estate. It is recommended that the fee structure is stated in the will.

A good article on the matter appears here:

https://www.advisor.ca/tax/estate-planning/how-much-should-an-executor-be-paid/

If you choose a friend or family member to be your executor, you may save on costs. Just make sure that it's worth it and that it makes sense. You want to make sure they are willing to do it for no fee, or a lesser fee, and that it won't impact their decision making.

Money Tip

Being an executor can be a huge responsibility and additional work—make sure the person you choose has the capacity to take on the role.

Sometimes, it might be in your best interest to hire a lawyer, accountant, or trust company as executor. While you will likely pay more for this—they can make objective decisions and provide more sound structure and oversight. Keep in mind though, because they are objective, and have no emotional ties to you, they will likely go "by the book." So, if you're looking for flexibility and frequent changes, this may not be the best option for you.

Think About It

When you choose an executor of your estate, there are few key characteristics to look for. Farm Bureau Financial Services12, shares seven:

1. **Ethical and Dependable**
2. **Organized**
3. **Financially Savvy**
4. **Fair and Impartial**
5. **Strong-willed**
6. **Available**
7. **Compassionate**

And RBC Wealth Management[13] adds the following:

- **Objectivity**
- **Location**
- **Flexible Schedule**
- **Age and Health**

Tax Reduction Strategies

Many people may be worried about a potential tax hit in retirement, or if they aren't concerned, they may just be unaware.

What's important to note is that when it comes to investing, it's not just about how much you make—but also about how much you keep.

If the majority of your retirement savings are in tax-deferred accounts like an RRSP, you will get a tax deduction but will owe a chunk in taxes when you start taking distributions, which means taxes could significantly reduce your income in retirement. The problem is, it's hard to say today how much your income will be reduced by taxes because tax rates may go up in the future. Plus, the more earnings you have on top of your contributions, the more you'll pay in taxes.

Paying only the correct amount of tax matters when it comes to making your retirement nest egg last. That's why it's so important to incorporate tax reduction strategies into your investment planning. There are several you can use. We'll cover 9 ways to pay less tax throughout your retirement.

1. Spread your assets out now among retirement vehicles with different tax treatment (tax-deferred, taxable, tax-free). This is called tax diversification and it can potentially reduce the amount you owe in taxes in retirement. Below are a few investment vehicles with different tax treatment:
   - **Tax-free savings account (TFSA)** One option for creating a tax-efficient retirement include converting your RRSP to a TFSA. While it is not possible to make a direct transfer from an RRSP to a TFSA, you could withdraw funds from the RRSP, pay the tax on the withdrawal and then reinvest the tax-paid money into a TFSA. Doing so in a year when income from taxable investments is lower may make sense, or in conjunction with pension income splitting, can help to get the best after-tax results. Future growth in the TFSA will be then generate a tax free income to supplement pensions upon withdrawal.

     If you want to avoid a huge tax hit in one year, you may want to spread the conversions out over several years. For some individuals, especially those with high net worth, you will want to speak to a financial professional to devise the best strategy for your situation.

You also have the option to contribute after-tax dollars to a TFSA as long as you meet the residency and maximum contribution requirements. You will be limited on how much you can contribute so check your TFSA contribution room with your financial advisor or CRA. Good news — there is no upper age limit with the TFSA. Also make sure your survivor designations are in order.

- **Cash Value Life Insurance**
  Another way to reduce taxes in retirement is to purchase life insurance. The number one purpose of life insurance is for the death benefit, but additionally, when structured properly, life insurance can often also be a means for supplemental tax-free retirement income.
- **Bank vehicles**
  Bank vehicles like savings accounts, CDs, or money market accounts can have low interest rates, but can be good to use if you need liquidity (to access for an emergency, for instance). With these types of accounts, you pay yearly taxes on dividends and interest and capital gains when you sell. You won't have any required distributions from these types of accounts.

Diversification has long been talked about as a way to reduce risk in retirement and diversification is talked about even more now to mitigate taxes in retirement. There is no one solution for everyone though, so it's critical to seek the advice of a financial professional when planning your tax-efficient retirement. They can also help you plan charitable donations and create estate planning goals based on the way different accounts are assessed gift and estate taxes.

2. Utilize income splitting. If you have a spouse, split up to 50% of pension income with your spouse if you have benefits from an employer-sponsored plan (you can split income at any age in this case) or from an RRSP or RRIF (you would need to wait until age 65 to split income in this case).

   Each of you can benefit from claiming the $2,000 Pension Income Amount too. In fact, this should be the minimum transfer you should make. Use form T1032 to do so.

   If you take your CCP early (age 60), and you have a spouse, consider assigning half your CPP benefits to your spouse to split income.

   When the active shareholder in a small business corporation turns 65, any amount of dividends can be split with a non-active spouse. Talk to your tax advisor about this.

   If you have a higher income, you can also hire a spouse or other family member who is at a lower income tax bracket and deduct it as a business expense. This doesn't change the amount of income the family makes; it just reduces the amount of taxes paid.

3. If you're receiving a severance package from your employer, plan to spread the income over a period of a year and/or contribute to your RRSP if you have room to do so.

4. Maximize contributions to your RRSP before the year you turn 72. You may even be able to make contributions to a Spousal RRSP if you have a younger spouse. You also may choose to postpone the deduction if income received after 72 is higher, perhaps due to a disposition of a taxable asset such as a cottage, rental property, or business.

5. If you're a higher income earner with savings in your RRSP or company pension plan or are a business owner with dividends from a Small Business Corporation (SBC), consider postponing your CPP and OAS to earn more from those plans after age 70 and avoid clawbacks of the OAS due to high income.

6. Talk to a financial professional about using an investment with Return of Capital withdrawal opportunities. This will provide a way to supplement cash flow, without paying tax.

7. Never overpay your quarterly instalment remittances to the Canada Revenue Agency (CRA). If your income has dropped, you may be able to reduce these payments as well.

8. Minimize a large tax bill to your beneficiaries. While there is no inheritance tax, after a person passes, a "deemed disposition tax," or any taxes on income earned up to the date of death, must be paid. That will come out of the estate before any money is paid out to your beneficiaries. However, this can be deferred. Speak to an estate planning expert for help with this.

One method that can be used to reduce the burden of taxes is to take advantage of the **spousal rollover rule**. This rule states that if an individual transfers assets to the spouse, the spouse will not be taxed on the assets.

If you have a significant amount of assets, consider **gifting to charity** to minimize your taxes on the final return.

Assets transferred to other beneficiaries will be on an after-tax basis. That is, taxes are payable on the final return before distribution to the beneficiaries is possible. Tax exempt **Life insurance benefits** can help to shore up the wealth lost to taxation in that case.

Be sure your heirs know to use up any **capital loss balances** at death. That means you need to report those losses on your tax return along the way, even if they cannot be absorbed by any capital gains. Unused capital losses can be a very valuable write-off on the final return.

9. **Avoid probate and probate taxes.** Probate is the legal process of distributing assets after death. The way to avoid probate is to plan for how your assets will be handled upon your death.

   Hire a professional who can help you prevent delays as well as avoid fees that cut into the amount you are able to leave your heirs.

   The most important thing you can do is to speak to an estate planning expert to make sure you address the rules, nuances, and special situations, including your digital footprint, the assembly of important contact information and documentation and the assistance in working with your executors and lawyers.

Finding a Financial Professional If You Don't Have One

The hallmark of a successful investor is a portfolio that has been put together with care. However, even the most thoughtful investors can benefit from the advice of a professional. Choosing the right financial advisor is not an easy task. It takes time and effort to find someone with whom you feel comfortable.

Why seek professional financial advice

Professional financial advice is needed because the average person doesn't have the time, resources, or expertise to fully understand the complex world of finance. The average professional advisor, on the other hand, certainly does. It's up to them to look out for your best interests and help you build wealth. They'll ensure that you're not being scammed or steered into making poor financial decisions.

To avoid common pitfalls, be sure to do your research. Understand the fees you will be charged for investing in a diversified portfolio, and, look for the opportunity to do a financial plan and/or a wealth management plan first.

Top Questions to ask of a Prospective Financial Advisor

1. What services do you provide?
2. What fees do you charge?
3. Would you help me with my financial plan?
4. Can you help me manage wealth for the future for my family?
5. Do you know and understand the tax consequences of my financial affairs?
6. When is the last time you took a tax update course?
7. What is your continuing professional development plan?
8. Do you work collaboratively with other financial professionals: tax accountants, legal advisors?
9. Do you work with life insurance and critical illness insurance providers?
10. Do you have references?
11. Have you ever been disciplined by a professional or credentialing body?
12. What information do you require from me to get started?

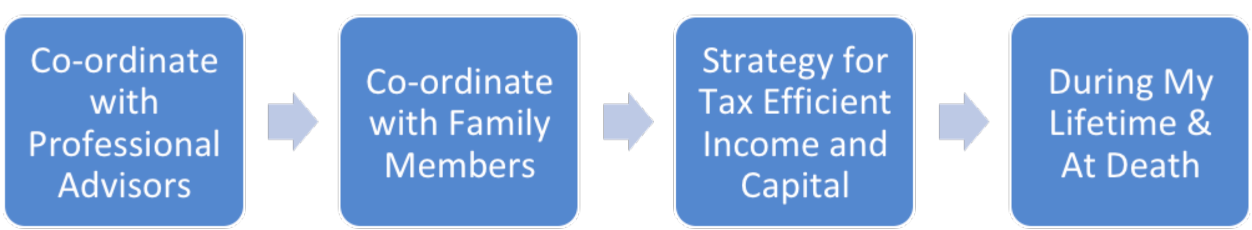
Don't just accept the first person you speak with or are referred to. Ask for educational qualifications. Find someone who's well-respected in the industry and who has a solid track record of long-term success.

When it comes to selecting an advisor make sure to find one who

will give you the time and attention you need to get the most out of your investments. Look for advice that is customized to your financial needs and goals. Your advisor should be able to help clarify your financial goals, provide you with a financial plan that matches your investment and personal goals, and recommend different investment options.

But your advisor should also work on a “holistic” basis, providing wealth management advice that binds a strategy for investment with tax efficiency of income and capital during your lifetime and at death.

A Holistic Wealth Management Solution: In Canada, advisors trained to execute on a holistic and tax-efficient wealth management solution include those with the **RWM™ Designation**. These professionals are trained to collaborate and execute on your strategy for wealth accumulation, growth, preservation and transition.



For more information[14] go to: **https://www.knowledgebureau.com/site/program/real-wealth-management-specialist**

How to find the right financial professional for you

First, you need to understand the type of advice you want. If you are looking for a broad overview and general guidance of your finances, then consider a general financial planner. If you are looking for more detailed advice, a financial advisor with education as a wealth management specialist may be more appropriate. Financial advisors typically have financial planning skills to assist with investment decision-making and then specialize in a particular area such as retirement income planning, succession planning for business owners, estate planning or personal, corporate and trust taxation matters.

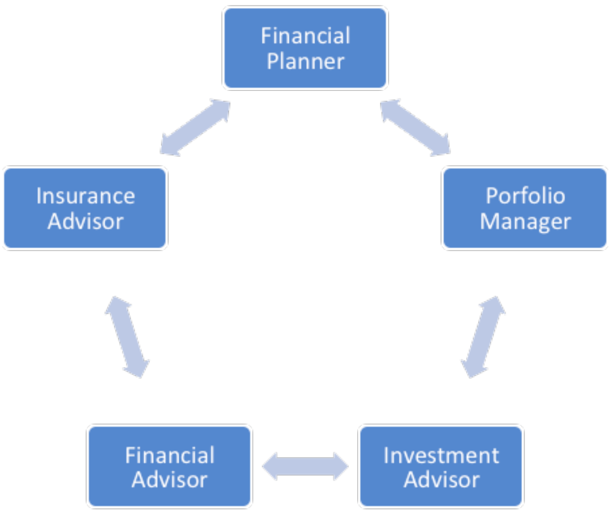
Make sure you understand the scope of the financial professional's expertise and experience. Many financial professionals have worked with clients for years and should have no problem finding clients that would be willing to speak to you about their experience, so ask for references.

Where to find a financial professional

- Referrals from friends, family, or colleagues
- Referrals from other professionals: tax accountants, lawyers, business valuators
- Financial institutions and insurance companies may be able to match you with a professional in your area
- Do an internet search
- Look on social media platforms
- Look at the Disciplined List[15]: **https://www.securities-administrators.ca/enforcement/disciplined-list/**

- Understand what different types of advisors can do:
    - Sell Debt instruments only
    - Sell Mutual funds
    - Sell Other Securities
    - Do Financial Plans
    - Create Wealth Management Plans
    - Provide specialized services:
        - Education planning
        - Retirement planning
        - Estate planning
        - Tax Planning

Financial Advisors: What do you do and how much do you charge?



How much will financial advice cost you?

Understanding Fees. The costs of working with a financial professional should be openly shared with you together with the services and benefits they provide you. For instance, most advisors charge a percentage of your investment (which can be significant).

The Canadian Securities Administrators[16] provide a good overview of the fees that can be charged at this link: **https://www.securities-administrators.ca/investor-tools/understanding-your-investments/types-of-fees/**

Consider the fee structure that you're comfortable with based on the complexity of your needs.

- Fee (hourly, project based, retainer)
- A percentage of assets under management
- Commissions-based investment or insurance product sales

Be sure you understand how your advisor gets paid. A good rule of thumb is to not pay more than 1 percent of the value of your assets.

Think About It

Most important, is the issue of comprehensive and holistic tax, investment, retirement and estate planning.

- **Can the advisor you are choosing provide a holistic financial plan to cover all of these components?**
- **Can the advisor you are choosing work with your accountant and lawyer to facilitate all areas of your financial planning concerns and then select the right investment solutions to meet your goals?**

Services to expect

There is a wide variety of services offered by financial professionals. Depending on the type of financial professional, you can get answers and assistance on the following and more:

- The creation of your financial plan, which should be a starting point in all your discussions
- Tax planning
- Debt management
- Emergency fund management
- Education planning for yourself, your spouse, or your children
- Planning for critical illness and disability
- Investment planning and portfolio management
- Risk management,
- Retirement income planning,
- Help with setting up trusts and wills
- Estate planning
- Insurance
- Wealth management
- Budgeting and Cash flow analysis
- Small business planning

Types of advisors and specialized services they provide

- **Certified Financial Planner (CFP®)-** Assess your holistic financial health by examining assets, liabilities, budgeting, income, taxes, investment, and estate plans.
- **Chartered Financial Analyst (CFA®)-** For more specialized, complex advice
- **Certified Public Accountant (CPA)-** Experts in investment-related taxes as well as accounting, auditing, and bookkeeping
- **Chartered Life Underwriter (CLU) and Chartered Financial Consultant (ChFC®)-** Specialize in life insurance and estate planning
- **Certified Fund Specialist (CFS) and Chartered Mutual Fund Counselor (CMFC)-** These financial professionals have expertise in mutual funds and how best to use them in a portfolio
- **DFA-Tax Services Specialist™-** A qualified practitioner in tax preparation, tax planning, bookkeeping, payroll and managerial accounting services.
- **MFA™ – Retirement Income Services Specialist-** Able to provide a high level of advice on pension and estate planning.
- **MFA-P™ Philanthropic Services Specials-** These financial professionals specialize in high-value planning for individual or family legacies.
- **Real Wealth Manager (RWM™)-** A strategic wealth manager with knowledge of behavioral and financial skills. They can assist with investment income and retirement services, succession and estate planning, tax planning, and more.

ACTION PLANS: How To Use Your New Knowledge

As you age, the planning you do for retirement will change. In fact, retirement planning is not a one-time event, you will find yourself considering how to put your money to work through multiple economic cycles: in your 50s, your 60s, your 70s, your 80s and beyond.

This module has provided you with some important basic considerations on how to do so, as your move from an accumulation phase of retirement planning toward the distribution phase.

In fact, while, many retirees are concerned about whether they will have enough, given uncertainty in the markets, higher inflation rates and concern about higher taxes in the future, even retirees with a small amount of savings can rest assured that they can put their money to work for them with greater knowledge, skills and confidence by knowing more about their financial options.

SUMMARY CHECKLIST:

In this module, you have learned more about:

1. How to put your money to work in your senior years
2. How to find a financial advisor if you don't have one
3. How to understand your risk tolerance level when making decisions
4. Information about wealth and estate planning
5. Tax reduction strategies – in retirement and after death including probate

TIPS AND SUGGESTIONS

While financial planning and tax planning can come with complexity, it's important to focus in on what you are missing in your plans to manage future financial risk. Consider that[9]:

1. More than half of retirees do not have a financial plan for retirement. Make this a priority.
2. More than one in three Canadians don't own any life, disability, critical illness or long-term care insurance.
3. One in five retirees have less than $25,000 in savings and investments
4. Just over 31% of retirees feel they are likely to experience a physical or mental disability later in life, while actual experience indicates that disability rates at age 75 plus are over 47% - a disconnect, in other words from the reality Canadians will face later in life. Yet, 67% of Canadians have not done anything about planning for long term care needs despite the fact that more than half (55%) feel that the quality of such care is fair to poor.
5. Even more concerning is that 40% of non-retired Canadians don't know when they will retire and 14% think they will never retire.
6. About 23% of non-retirees felt their or their spouse's retirement timeline was impacted by COVID - fully 69% of those Canadians surveyed feel they (or their spouse) will spend more years working than they thought to continue to generate income.
7. The Pandemic has impacted younger people (near-retirees) too. Only 30% of Canadians age 45 and up reported being in very good to excellent health. This has dropped from 51% in a 2012 CIA Survey. Income levels have also been affected: 36% of those survey reported earning less household income due to COVID-19 and 25% of Canadians have taken on additional debt.

Making good decisions about putting money to work in retirement will require your decision-making in these areas:

- how to move from work to leisure time,
- more tax and financial literacy in managing your own resources in that time

9 A recent study by the Canadian Institute of Actuaries sheds new light on the needs of Canadian retirees and pre-retirees for sound financial planning for their futures: COVID has had a dramatic effect on retirement plans, overall health and on preparedness for long term care in the future. Surprisingly, more than half do not have a financial plan for retirement. Released on September 28, 2021, the study was conducted in July and August of 2020 on 1500 Canadians over 18 to gauge understanding about retirement risk concerns and preparedness.

- more confidence in decision-making when it comes to managing financial risks, and
- moving from capacity to incapacity due to late-life disability.

Working with a tax and financial advisor can help keep seniors and their family members, especially in transition periods, on track. With everything you've learned in this module, you and your family members, together with a trusted financial professional can help you put your money to work as your lifestyle changes.

But ultimately, it's up to you to take the necessary steps to secure your financial future.

Glossary of Terms

Accelerated death benefit (ADB): A provision on some life insurance policies that allow a policyholder to access a portion of the death benefit early. These are sometimes referred to as "living benefits."

Advanced Life Deferred Annuity (ALDA): A qualifying investment vehicle for accumulations in investments like RRSPs and RRIFs. The ALDA allows for the deferral of income withdrawals until age 85 on a maximum of 25% of accumulations in the immediately preceding year to a maximum of $150,000.

Annuity: A financial product that can be turned into a stream of payments to create an income stream typically in retirement

Bank vehicles: Products through banks such as a savings accounts, CDs, or money market accounts

Bonds: A loan to a company or government that pays the investor a fixed rate of interest over a specified timeframe

Cash value life insurance: A type of permanent life insurance policy that has an investment feature

Debt instrument: Require a fixed payment to the asset holder, usually in the form of interest

Diversification: A risk management strategy that mixes a variety of investments within a portfolio

Due diligence: The process of collecting and analyzing information before making a decision—often used by investors to assess risk

Estate plan: A plan to preserve as much wealth as possible for designated beneficiaries

Executor: The person responsible for distributing property, assets, possessions (the estate), of an individual according to their Will

Fiduciary standard: A financial professional's commitment to put the clients' best interest first

Financial elder abuse: When an older adult is financially exploited by someone who is either close to them, or by strangers who are fraudsters

Guaranteed Investment Certificates (GICs): This is an investment sold by financial institutions. The investor deposits money into a guaranteed savings account for a fixed length of time in return for interest paid. These amounts are guaranteed up to $100,000 by the Canadian Deposit Insurance Corporation. While they are considered to be low-risk, safe investments, the interest rates often do not keep up with inflation.

High-interest savings accounts: A savings account that pays significantly more than the national average of a standard savings account

Inflation: The rise in cost of goods or services that results in a decrease in purchasing power of money

Interest: Typically, an annual percentage rate that is either paid on money you owe or earned on money you lend

Managed account: Where an independent fund manager is hired to invest money on your behalf.

Money market account: Low-risk investments similar to a high interest savings account. Popular for smaller deposits.

Mutual Funds: A type of investment that pools money from multiple investors to invest in different securities

Non-registered account: A taxable investment account

Probate: The process of the courts accepting a will, or if there is no will, appointing an executor after someone has passed

Purchasing power: The amount of goods that can be purchased with a unit of currency. As the cost of goods rises, your dollar won't buy as much as it once did, meaning you lose purchasing power.

Registered account: An investment account that the government gives tax-deferred status to.

Registered Retirement Income Fund (RRIF): A registered fund which provides for the payment of an increasing portion of the funds in the plan each year until the taxpayer turns 93, after which each year's payment is 20% of the remaining funds.

Registered Retirement Savings Plan (RRSP): A contribution-based savings plan where contribution limits are based on earned income (to a pre-defined limit). Contributions to the plan are tax-deductible, income earned within the plan is not taxed until withdrawn, and funds withdrawn from the plan are taxed as ordinary income.

Risk tolerance: A measure of how much risk you're willing to take.

Securities: An asset that can be bought, sold, or traded.

Sharia Compliant Investments: Over one million investors in Canada identify as Muslim, and this community is growing. The investments they seek to make will require a Sharia-aligned focus. The investment, for example must exclude interest and excessive debt, have ethical and environmental considerations, and have no more than 5% of total income from certain prohibited activities by virtue of faith, including the sale of alcohol, gambling, pork or other activities. Any income considered offside for these purposes must be purified with an equivalent charitable donation. This purification ratio must be tracked and reported.

Spousal rollover rule: The transfer of retirement funds (RRSPs/RRIFs) and/or capital property to a spouse, common-law partner, or to a trust for a spouse or common-law partner.

Stocks: A share in the ownership of a company.

T-SWP (Systematic Withdrawal Plan): Type of mutual fund that pays regular monthly distributions at a fixed percentage.

Tax-deferred: Investment earnings that accumulate tax-free until withdrawn at which time they become taxable.

Tax-free savings account (TFSA): This is a registered savings account in which the returns, as the name implies are completely tax free. The investment is made with tax-paid dollars, that is, there is no deduction for the investment when you make it. There is also a set maximum limit to the amount that can be invested every year.

Term deposits: A place to put cash; a fixed-term investment at a financial institution.

Trading instruments: The types of markets you can trade such as stocks.

Will: A legal document that states your wishes regarding distribution of assets upon your death.

Important Links

1 2021: A year of preparation and perspective as Canadians see the value of planning for the future (newswire.ca)

2 COVID has impacted Canadians' retirement readiness | Wealth Professional

3 Canadians are less prepared for retirement because of (globenewswire.com)

4 Protection from frauds and scams - Canada.ca

5 Annuities - Canada.ca

6 Options for your own RRSPs - Canada.ca

7 How to recognize and prevent financial elder abuse (rbcwealthmanagement.com)

8 Fraud Facts—Recognize, Reject, Report Fraud - Competition Bureau Canada

9 Elder Financial Abuse | BCSC InvestRight

10 OSC Preretirees fraud2 CSA (securities-administrators.ca)

11 Provincial and territorial resources on estate law - Canada.ca

12 How Do You Choose an Executor of an Estate? (7 Useful Tips) | Farm Bureau Financial Services (fbfs.com)

13 Choosing an executor: Four characteristics to watch for (rbcwealthmanagement.com)

14 Knowledge Bureau - World Class Financial Education

15 Disciplined List - Canadian Securities Administrators (securities-administrators.ca)

16 Types of Fees - Canadian Securities Administrators (securities-administrators.ca)

Money and You: Seniors Edition *was written by award-winning financial educator and best-selling tax author* ***Evelyn Jacks.*** *Evelyn is the principal of the,* ***Knowledge Bureau***™ *a widely respected financial education institute and publisher, which provides world-class continuing professional development to advisors in the tax, accounting, bookkeeping and financial services. It has welcomed tens of thousands of students to its virtual campus to earn new credentials and enhance career opportunities, and also provides customized learning solutions for large and small enterprises and associations. For more information visit* ***www.knowledgebureau.com*** *or call 1-866-953-4769.*